



Association of British Insurers

Consumer Insurance Act 2012 – What does it mean for consumers?

The Consumer Insurance Act comes into force from 6th April 2013 and will give customers more clarity on what information they need to disclose to their insurer when taking out insurance.

What is happening?

From 6th April, your insurer will have to ask you specific questions to obtain relevant information about your circumstances when you buy insurance. The Consumer Insurance Act will give you legal protection if you unknowingly give incorrect or incomplete information to your insurer. This means your insurer will not be able to decline a claim on the grounds of non-disclosure unless you carelessly or deliberately lied or misrepresented your circumstances.

Why is the change happening?

Before the Consumer Insurance Act, the last change in the UK to insurance contract law on non-disclosure was in 1906, so the law needed updating. Since then however, insurers have been continuously improving their proposal forms to make it easier and clearer for customers. Industry initiatives, such as the ABI's code of practice on non-disclosure, have also helped reduced the number of claims declined on these grounds.

Which policies will the Act apply to?

The Act will apply to insurance policies taken out for personal use. This includes, home, car, pet, travel, life, critical illness and income protection insurance, health insurance and pension annuities.

Will the Act apply to insurance bought online and via a price comparison website?

Yes, the Act will apply to all personal use insurance, such as car and home insurance and pension annuities, regardless of how they are bought.

Will there be much change?

We do not expect there to be a major change in the way insurers treat claims as their practices have gradually improved over the past 30 years because of industry initiatives to bring a consistent approach and make questions asked at point of sale clearer and unambiguous. The Act will set an industry wide standard.

In what circumstances can an insurer still decline a claim on the grounds on non-disclosure?

Under the Act insurers will still be able to decline a claim if it is found that a customer deliberately, recklessly or carelessly gave incorrect or incomplete information when answering questions about their circumstances, so you still have a duty to answer questions correctly. If you are uncertain on any answer, you should contact your insurer broker, or other seller of insurance.

How do I know if I am being 'careless', 'deliberate' or 'reckless' when answering questions from my insurer?

The Act describes each of these concepts and will generally expect you to take reasonable care to avoid misrepresenting your circumstances when answering questions. This means ensuring you do not give information to your insurer that you know is untrue or misleading.

How will the Act affect insurance renewals?

The Act will also apply to insurance renewals after 6th April. You will have a duty to check your renewal notice and notify your insurer if the information held about your circumstances has changed or is incorrect. Some renewal notices often ask customers to check that specific important information is correct.

Will the Act help to reduce fraud?

The insurance industry is committed to tackling fraud so that dishonest customers do not make insurance more expensive for the honest. Because insurers will be required to ensure the questions they ask customers are as clear, specific and unambiguous as possible, it will be easier for insurers to identify the dishonest and fraudulent. So if anyone deliberately lies or provides misleading information they will much more likely be caught and face not only having their claim turned down but could see future insurance more expensive and harder to obtain.