

Misrepresentation Matters!

Story 3 of the 7 Claims Stories led by Phil Deacon

What is Misrepresentation?

Misrepresentation is when incorrect, incomplete, or misleading information is provided during an application process. It can have serious consequences for whether a future claim is paid.

Most income protection claims are paid in full. However, those that are not, often fail due to misrepresentation, errors or omissions made during the application process.

Based on claims figures released as of June 2025 for 2024, on average just over 52% of claims declined were due to misrepresentation.

Why does Misrepresentation Matter and what is the true cost to the industry?

We know that misrepresentation can lead to devastating consequences for clients, but what are the wider consequences of misrepresentation on the industry? To find out more I asked Cara Spinks, Head of Life & Health at Actuarial Consultancy Broadstone, for her thoughts.

“Honesty really is the best policy. Misrepresentation can have serious financial consequences for the consumer. Between 5% and 10% of individual income protection (IP) claims are declined each year on average across the industry, with over half of these attributed to some form of misrepresentation during the application process. For the individual concerned it can mean that they don’t receive the benefits they need at the time they need them the most.

Misrepresentation puts a hole in the pocket of insurers and the industry at large. Failure by consumers to adequately disclose medical and lifestyle history results in policies being sold where the premiums paid are insufficient to cover the additional risks. This leads to an increase in claims on policies that would otherwise have been declined at the outset, or at the very least would have been subject to a higher premium to cover the additional risk presented. The resulting detrimental impact on the insurer's claim experience ultimately makes the cost of protection more expensive for everyone.

This additional cost is further exaggerated when we consider the expenses associated in dealing with claims where misrepresentation has been identified. Disputes over claims and the need to obtain additional information will increase the expenses insurers need to build into the premiums they charge. Disputed claims damage the trust between advisers, insurers, and consumers, leading to a loss of confidence that undoubtedly is reflected in the uptake of IP across the industry.

What can be done? The responsibility for preventing misrepresentation ultimately rests with the applicant but there are ways that its prevalence, and impact, can be reduced.

Insurers use various methods to monitor misrepresentation, including post-issue sampling, routine and targeted sampling, and data analytics. These methods help identify problematic areas and patterns in the underwriting and claims journey, and insurers are widely encouraged to make use of them. However, advisers play the most crucial role in improving outcomes for their clients.”

Cara Spinks, Head of Life & Health, Broadstone



The 3 types of Misrepresentation

Category	Explanation
Innocent	<p>The customer has acted honestly and reasonably in all of the circumstances, including their own individual circumstances, but only where and to the extent these were known to the insurer.</p> <p>In the circumstances, a reasonable person would have considered that the information was not relevant to the insurer.</p>
Careless	<p>Applies where misrepresentation resulted from insufficient care – the failure by the customer to exercise reasonable care.</p> <p>This includes anything from an understandable oversight, or an inadvertent mistake, to serious negligence.</p> <p>In the circumstances, a reasonable person would have considered that the information was relevant to the insurer.</p>
Deliberate or reckless	<p>Only applies where misrepresentation was deliberate or reckless</p> <p>In the circumstances, on balance of probabilities, the customer knew, or must have known, that the information given was both incorrect and relevant to the insurer, or the customer acted without any care as to whether it was either correct or relevant to the insurer.</p>

Where Does Responsibility Lie?

It's important to acknowledge that some misrepresentation is deliberate and the responsibility rests solely with the customer. But that's not the whole picture, much of it is avoidable, and both advisers and insurers have a part to play in reducing it.

To assist Advisers to reduce Misrepresentation for their clients I have noted my Top 10 Tips below:

Adviser Top 10 Tips

1. Give clients time to reflect on their answers – let them see the application questions in advance so they can think through their answers carefully.
2. Make consequences clear – clients need to understand that incorrect answers could result in a future claim being declined.
3. Encourage accuracy – more and more people have access to their medical records through the NHS app or other digital platforms. Suggest clients look up medical history, dates, medications, or investigations instead of guessing.
4. Validate answers – ask clients to read through their answers and preferably email you to confirm that they're correct.
5. Create a safe space – tell clients they can disclose sensitive information directly to the insurer if they're embarrassed or uncomfortable to share it with you.
6. Avoid guesswork – encourage clients not to estimate things like height and weight. Get them to give current, accurate information.
7. If your client looks or feels like they may not be telling you the whole truth, don't be afraid to delve a bit deeper into their responses.
8. Speak to each party individually in a joint application for cover and give the option of privacy to answer health related questions.
9. If it's useful, provide specific examples that have led to claims being declined for other clients. **3 useful examples are noted within this article.**
10. Conduct annual reviews with the client and reaffirm statements given at the application stage.

A Challenge to the Industry

Most misrepresentation found at point of claim is put into the 'careless' category, and so it stands to reason that if we, as an industry, can adapt our processes to better support clients and promote understanding and accuracy for everyone across both advice and new business journeys, we can help reduce it.

This is a shared issue, and while distributors and insurers must decide what action they each take to address it, there is undoubtedly a need for a more collaborative approach too. If we all pull together, and accept there's more we can do as Industry, we can reduce the number of claims that fall short and ensure more customers get the help they need when they need it most.

The below points may seem obvious, but these simple pointers may prove to be a useful check list for insurers

For Insurers

Use plain language – keep questions simple and add explanatory notes to explain medical terminology.

Enable direct disclosure – make it easy for customers to contact you directly with sensitive information by providing contact details.

Be transparent – include warnings throughout the journey about the impact of misrepresentation and back them up with real examples and stats.

Confirm answers –many clients show apathy towards checking their answers once their cover starts. Make sure processes are robust and that customers are encouraged to read their answers and confirm they're correct. It will be difficult for insurers to argue that failure to check answers represents carelessness on the client's part, if they know that significant numbers of clients fail to engage with existing processes.

Whilst its clear we need to improve Misrepresentation for our Clients at point of Claim and to reduce our Industry costs, it's also important to understand the Regulatory Context

Regulatory Context

The FCA's Consumer Duty framework sets expectations regarding.

- Preventing foreseeable harm.
- Ensuring fair value.
- Supporting good customer understanding.
- Especially protecting vulnerable customers.

Unless distributors and insurers alike are actively looking to address misrepresentation to ensure more claims are paid, then it's arguable whether they are fully meeting Consumer Duty requirements. At the very least firms should be able to provide evidence of what they are doing to address this issue.

ABI Code of Practice: The ABI Code that Claims Assessors follow when dealing with misrepresentation can be found by clicking the link below.

<https://www.abi.org.uk/globalassets/files/publications/public/protection/abi-code-of-practice---managing-claims-involving-misrepresentation-for-insurance-products-july-2023.pdf>