

What the Insurance Act 2015 means for employers



The Insurance Act 2015 is a new piece of legislation which comes into effect on 12 August 2016. The new Act is designed to bring insurance law up to date with modern business practices, so while it will not change any of Ellipse's products or processes, its introduction does mean a change to our terms and conditions which we need to make you aware of.

The new Act requires employers who enter into a contract with us to present the risk to be insured fairly – “duty of fair presentation”. When you start a policy with Ellipse, when our rates are reviewed or when you make a change to the policy, we will ask you some questions in order to determine the terms on which we can or cannot offer cover. The information we ask for is called a ‘material fact’ as it is crucial to our assessment of the risk to be insured. Under the new Act, you must tell the insurer (us) every material fact that is known, or ought to be known, by you, any of your senior management or anyone responsible for insurance within your organisation. This means that you must make a reasonable search of your records and your adviser's records to determine this.

Our application form lists all the information we regard as a “material fact” and asks you to sign the form to confirm this information is accurate and complete. The same applies when we review the premium rates that we charge, or you request a change to the policy.

In short, please take care when answering our questions and make sure the information you provide is accurate and complete. If you haven't got the information we need, you must tell us.

The Act dictates the remedies available to us if you do not provide accurate and complete information. If it is considered deliberate or reckless, we can cancel the policy from the start, and while the Act allows us to retain the premium paid, we will return it. If it is not deliberate or reckless, we can reassess the risk based on the correct information. If this would have resulted in insurance not being offered originally, then we can cancel the policy from the start and return the premium you paid. If we would have offered cover but at a higher premium, the Act only allows us to reduce the claim amount paid proportionately. Because we feel this latter remedy is unfair to the employee and their family, we are changing our terms and conditions.

The Act also dictates the remedies available to us if a fraudulent claim is made. We can decline the claim, cancel the policy and recover any benefit already paid in respect of the claim.

How the Insurance Act 2015 will affect our terms and conditions

Ellipse have contracted out of the Insurance Act 2015 (Schedule 1 paragraphs 6 and 11), the section which limits our course of action in the event of non-deliberate omission of information.

Rather than reduce the claim amount proportionately, if we were able to offer cover at a higher premium, we will charge you the additional premium and pay the full insured benefit. We believe this is in the best interest of the employees covered by our policies and their families. All new policies which start on or after 12 August 2016, or any rate reviews or policy changes which become effective on or after this date will be subject to our new policy terms and conditions which make this course of action explicit.

If you require any further information about this change and your obligations under the Insurance Act 2015, please contact your adviser in the first instance. If you'd like to talk to us about it please call 0203 003 6226.