

Insurance: Conduct of Business

Chapter 8

Claims handling

8.1 Insurers: general

8.1.1

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An *insurer* must:

- (1) handle claims promptly and fairly;
- (2) provide reasonable guidance to help a *policyholder* make a claim and appropriate information on its progress;
- (3) not unreasonably reject a claim (including by terminating or avoiding a *policy*); and
- (4) settle claims promptly once settlement terms are agreed.

Cases where rejection of consumer’s claim is unreasonable: contracts before 1 August 2017

8.1.2

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For contracts entered into or variations agreed before 1 August 2017, a rejection of a *consumer policyholder's* claim is unreasonable, except where there is evidence of fraud, if it is :

- (1) in relation to contracts entered into or variations agreed on or before 5 April 2013, for:
 - (a) non-disclosure of a fact material to the risk which the *policyholder* could not reasonably be expected to have disclosed; or
 - (b) non-negligent misrepresentation of a fact material to the risk; or
- (2) in relation to contracts entered into or variations agreed on or after 6 April 2013, for misrepresentation by a *customer* and the misrepresentation is not a qualifying misrepresentation (see ■ ICOBS 8.1.3R); or
- (3) for breach of warranty or condition unless the circumstances of the claim are connected to the breach and unless (for a *pure protection contract*):
 - (a) under a ‘life of another’ contract, the warranty relates to a statement of fact concerning the life to be assured and, if the statement had been made by the life to be assured under an ‘own life’ contract, the *insurer* could have rejected the claim under this *rule*; or
 - (b) the warranty is material to the risk and was drawn to the *customer's* attention before the conclusion of the contract.

Cases where rejection of consumer’s claim is unreasonable: contracts on or after 1 August 2017

- 8.1.2A** **G** (1) Cases in which rejection of a *consumer’s* claim would be unreasonable (in the *FCA’s* view) include, but are not limited to rejection:
- (a) for misrepresentation, unless it is a qualifying misrepresentation (see ■ ICOBS 8.1.3R);
 - (b) where the claim is subject to the Insurance Act 2015, for breach of warranty or term, or for fraud, unless the *insurer* is able to rely on the relevant provisions of the Insurance Act 2015; and
 - (c) where the *policy* is drafted or operated in a way that does not allow the *insurer* to reject.
- (2) The Insurance Act 2015 sets out a number of situations in which an *insurer* may have no liability or obligation to pay. For example:
- (a) section 10 provides situations in which an *insurer* has no liability under a *policy* due to a breach of warranty;
 - (b) section 11 places restrictions on an *insurer’s* ability to reject a claim for breach of a term where compliance is aimed at reducing certain types of risk; and
 - (c) sections 12 and 13 provide for the extent to which a *firm* is entitled to reject fraudulent claims.

8.1.2B **R** For contracts entered into or variations agreed on or after 1 August 2017, a rejection of a *consumer policyholder’s* claim for breach of a condition or warranty (that is not subject to and within section 10 or 11 of the Insurance Act 2015) is unreasonable unless the circumstances of the claim are connected to the breach.

Definition of a qualifying misrepresentation

- 8.1.3** **R** In this section, a “qualifying misrepresentation” is one made by a *consumer* before a consumer insurance contract was entered into or varied if:
- (1) the *consumer* made the misrepresentation in breach of the duty set out in section 2(2) of the Consumer Insurance (Disclosure and Representations) Act 2012 to take reasonable care not to make a misrepresentation to the *insurer*; and
 - (2) the *insurer* shows that without the misrepresentation, that *insurer* would not have entered into the contract (or agreed to the variation) at all, or would have done so only on different terms.

[Note: section 4 of the Consumer Insurance (Disclosure and Representations) Act 2012.]