

# Helping **customers** make a '**fair presentation of risk**'

The Insurance Act 2015 brings much-needed clarity around what information a non-consumer purchaser of insurance has to provide to the insurer, in the form of the new 'duty of fair presentation'.

For a customer to fulfil their duty to make a fair presentation they are required to disclose every material circumstance they know or ought to know (or, failing that, enough information to alert the insurer that they need to ask further questions). This will include the knowledge of senior management, the insurance team and/or broker and information which would be revealed by reasonable search of available information. This information must be passed across to the insurer in a clear and accessible manner and must be materially accurate.

By its very nature disclosure of every material circumstance can be complex and although brokers and insurers alike have developed a range of proposals, fact-finders and checklists to help customers with disclosure they cannot in themselves be relied upon as the sole route to making a fair presentation.

However, we believe that if we can encourage a more structured and formal approach to information gathering within the customer's own business, this may help to ensure that all the relevant knowledge is captured, reviewed and presented in a way that gives the best opportunity that their policy works as intended.

The table opposite is a 3 point plan which could help start the discussion on how to place more structure around the information gathering process.

**Consider whether this could complement any other tools and experience you use to help your clients' make their fair presentation of risk.**

We know every client is different and any processes they choose to adopt need to be relevant to the size, complexity and scope of the business, however we believe the first 2 steps are critical for all customers.

The third step whilst more subjective is equally important and an area that is perhaps not traditionally discussed by insurers. We have therefore pulled together this guide to share some of our thoughts and considerations on building strong disclosure foundations.

## 3 Steps of Disclosure

The key to strong disclosure is in creating the foundations for success. These steps highlight the key elements that should be considered when creating the foundations on which to build a 'fair presentation of risk'.

### 1. Understand what could be a material circumstance

- Take a look at our [3 pillars of fair presentation chart](#) which lifts the conversation into more open questions
- Speak with your Aviva underwriter - they have a common interest in understanding the customer's business with you

### 2. Understand whose knowledge is important to disclose

- Ensure you and the customer understand the concepts and requirements of the new legal framework and identify whose knowledge is important to capture
- Ensure those identified understand what constitutes 'material circumstance'
- Our [3 pillars of fair presentation chart](#) may help

### 3. Create a solid foundation for strong consistent disclosure

- Help the customer put in place a process to ensure ownership of the disclosure process and information gathering, ensuring the right customer individuals are engaged and the appropriate knowledge is captured and validated by them
- Ensure this knowledge is up to date and contemporary
- Remember when things change in the business then disclosure may also need to change

## Key Considerations

We're committed to helping you and your clients make a fair presentation of risk and we hope you find the questions below useful to use with your customers in building a solid foundation for disclosure. Having clear insurance disclosure processes, responsibilities and accountabilities within the customer's business will ensure information gathering has the best chance of being accurate, complete and up to date. Without a solid foundation for disclosure the client is at greater risk of not making a fair presentation. We explore some of these themes below.

Does your client have formal systems in place across the business for the collection of information used to form the annual Insurance submission and enable the disclosure of significant mid-term changes to the business?

These controls can help to significantly improve the accuracy and content of the information on which the risk is assessed.

The longer such systems have been in place the more significant the information is likely to be.

Is a single person responsible for the accuracy and coordination of disclosed information? If they have several areas of operation consider how the information is coordinated into the responsible person by using specific nominated individuals?

Having a single person accountable and empowered centrally to make changes and collate information should be a key consideration for any business.

Where such responsibility does exist, supporting this with specific people in each part of the business will help to build strong disclosure.

What steps does the client take in order to review annual data to ensure it is correct?

It's important that the scope of any reporting system is sufficiently robust to minimise the risk of critical information not being flagged and that it is checked regularly.

Are all those who provide risk information aware of what they need to disclose?

What information is included as part of the annual disclosure?

Having a formal process in place to identify whose knowledge is important to capture is key. Then ensuring those individuals understand what could be a material circumstance will allow all relevant details to be provided, including insurance risk-specific information, risk management procedures and claims/incident history.

Does an authorised representative of the client's company sign off on the accuracy and contents of all insurance presentation materials?

Having the client do a final check of all material being presented to their insurer means they can properly assess the overall adequacy and accuracy of the submission and importantly allows that final 'check point' to question whether there is anything that needs to be added or explained.

**For further information on duty of disclosure and fair presentation of risk speak to your Aviva underwriting contact.**

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