FSCA

Financial Sector
Conduct Authority

FSCA Press Release **22 November 2018**

FSCA statement on the Momentum/Ganas case

The FSCA has noted the recent decision by Momentum to make a payment to the Ganas family in relation to a 2017 life policy claim, after its initial decision was not to pay due to non-disclosure by the deceased of a medical condition.

We acknowledge there is often a disconnect between what customers think is fair and what the industry deems fair based on decades of practice and precedent, as the public engagement on this case has highlighted. The outcome of the case reflects the spirit of discussions between the FSCA and Momentum. Notwithstanding Momentum's decision on how to deal with the case, this has provided an opportunity for further engagement with the life insurance industry as a whole and a move to a position of fairness that builds confidence in the sector.

The Conduct Authority is committed to ensuring that customers feel empowered and protected, having confidence that firms will treat them fairly. On the back of this case, the Authority will engage the insurance industry to look at the lessons learnt from the experience of the Ganas family and Momentum's approach to this claim. Very often in the discourse it was argued that Momentum's initial response to the family was in line with market practice. This impacts on confidence in the sector holistically. The Conduct Authority will work with the sector in an effort to shift practices and promote the best interests of customers. We will also consider whether the regulatory framework regarding underwriting and non-disclosure issues adequately supports fair customer outcomes.

While we fully respect the right of consumers to protest and vote with their feet, it is important for us to highlight a few risks that consumers may face if they follow calls to cancel life or investment policies:

- A customer who cancels their life policy may find it very difficult if not impossible to find new cover if they had developed medical conditions along the course of their policy.
- A life policy taken out when you are younger is usually a lot cheaper than a policy taken out when you are older and a new policy taken out by an older person may not just have higher premiums but it may be difficult to get the same cover and limits they had before.
- Early termination of an investment policy could attract charges, and charges could also be payable on entering into an alternative investment.
- If a customer does decide to replace their policy, it is therefore essential to first obtain a detailed comparison of the features and costs of the old and new policies, preferably with the help of a qualified financial adviser.

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