

Your duty of disclosure

Before you, as an employer of eligible employees, enter into a contract of insurance with an insurer you have a duty, under the Insurance Contracts Act 1984, to disclose to the insurer every matter that you know, or could reasonably be expected to know, is relevant to the insurer's decision whether to accept the risk of insuring an employee's life and, if so, on what terms.

You have the same duty to disclose those matters to the insurer before life insurance on the employee's behalf is renewed, extended, varied or reinstated.

Your duty however does not require disclosure of a matter:

- that diminishes the risk to be undertaken by the insurer
- that is of common knowledge
- that your insurer knows or, in the ordinary course of his business, ought to know
- as to which compliance with your duty is waived by the insurer.

Non-disclosure

If you fail to comply with your duty of disclosure and the insurer would not have entered into the contract on any terms if the failure had not occurred, the insurer may avoid liability under the contract within three years of accepting the employee as an insured member. If your non-disclosure is fraudulent, the insurer may avoid liability at any time.

An insurer who is entitled to avoid liability under a contract of insurance may, by notice to the employee within three years of accepting the employee as an insured member, elect not to avoid liability but to reduce the employee's sum insured in accordance with a formula that takes into account the premium that would have been payable if you had disclosed all relevant matters to the insurer.