

Secure yourself,
Secure your future



Why Telling the Whole Truth Matters When Buying Insurance

When Farai bought his Honda Fit, it was more than just a car; it was his financial lifeline. By day, he drove to his office job, but in the evenings and on weekends, he registered on InDrive to supplement his modest salary. The car helped him pay rentals, buy groceries, and cover other household bills.

When he approached an insurance office to buy comprehensive motor insurance cover, the agent asked him the usual question: was the car for personal or business use?

Farai was aware that if he disclosed that the car was for business use, the premium would be higher. Wanting to keep the cost low, he said it was for personal use only, even though he used it daily for InDrive trips almost every day after work and during the weekends or when not at work.

For over a year, everything went smoothly until one evening when disaster struck. Farai's Honda Fit was involved in a fatal accident. While he miraculously escaped with minor bruises, two InDrive passengers in his vehicle died on the spot. His car was reduced to a wreck, and the tragedy left him shaken.

Confident that his comprehensive cover would cushion him, Farai submitted a claim. But when the insurer investigated, they discovered the misrepresentations. Farai had been doing InDrive business with the vehicle, and the two deceased were fare-paying passengers. Because Farai had not disclosed the business use of his car, the claim was rejected outright. All the premiums he had faithfully paid were lost, and with his car gone, so too was his extra source of income.

This story is fictional, created to illustrate a common challenge faced by policyholders. The lessons it conveys, however, are very real.

The Risk of Non-Disclosure

Farai's fictional story is common in Zimbabwe and beyond. Many policyholders fail, sometimes deliberately or out of ignorance, to disclose full information when buying insurance.

Insurance is a contract built on utmost good faith. This means both the insurer and the policyholder must be completely honest and transparent. While the insurer promises to pay claims when risks occur, the policyholder must disclose all material facts that could influence the insurer's decision to accept the risk or determine the premium.

When information is withheld, insurers have the right to reject claims or even cancel policies.

Why Disclosure Matters

- **Correct Premiums:** Insurers price risk based on accurate information. If risks are understated, the premium charged will be lower than it should be, which is unfair to other policyholders.
- **Valid Claims:** Full disclosure ensures that claims are honoured without disputes.
- **Trust:** Insurance only works if there is mutual trust. Non-disclosure erodes that trust and damages the system.
- **Avoiding Legal Problems:** Providing false information can lead to accusations of fraud.

Common Examples of Non-Disclosure

Policyholders often omit or misrepresent facts in areas such as:

- **Motor Insurance:** Not disclosing that a car is used for business (instead of private use), failing to declare past accidents, or concealing modifications.
- **Health Insurance:** Leaving out pre-existing conditions or chronic illnesses.
- **Property Insurance:** Understating the value of assets, not disclosing that a building is partly unfinished, or omitting that it is used for business purposes.

The Consequences of Hiding the Truth

When insurers discover non-disclosure, the results can be devastating for policyholders:

- **Claim Rejection:** Just like Farai, you may receive nothing when you most need it.
- **Policy Cancellation:** The insurer may cancel the cover altogether.
- **Loss of Trust:** Once flagged, you may struggle to get cover from other insurers.
- **Financial Ruin:** Families or businesses may be left without protection after years of paying premiums.

How to Get It Right

Policyholders can protect themselves by:

- **Answering Questions Honestly:** Never leave out facts, even if they seem minor.
- **Reading Forms Carefully:** Double-check that all information is accurate before signing.
- **Asking for Clarification:** If unsure whether something is material, ask the insurer or broker.
- **Updating Information:** If circumstances change (e.g., converting a car from private to business use), inform the insurer immediately.
- **Keeping Records:** Store copies of proposals, medical reports, and valuations.

The Insurance and Pensions Commission (IPEC) reminds all policyholders and insurers that insurance works best when both sides are honest. IPEC encourages consumers to disclose fully when buying insurance and to seek help from licensed intermediaries when in doubt.

Non-disclosure not only harms individuals but also weakens confidence in the entire insurance system.

Farai's story, though fictional, reflects the real struggles of many Zimbabweans who lose out on claims because they failed to disclose key information at the start. Insurance is designed to provide peace of mind, but only if it is built on truth.

About IPEC

The Insurance and Pensions Commission (IPEC) is a statutory body established in terms of the Insurance and Pensions Commission Act [Chapter 24:21] to regulate the insurance and pensions industry for the protection of policyholders and pension scheme members.

For feedback or enquiries, please contact us at: pr@ipecc.co.zw.