

Disclosure of Material Facts to the Insurance Broker and Underwriter

When you decide to purchase insurance, you are required to disclose all material facts related to the risk. This requirement applies at all times, including before the policy begins, while the policy is in force, and following an incident.

Before the Policy Begins



The insurer / insurance broker shall give you a proposal form or ask questions about material facts related to the risk. If you do not disclose, the insurer has grounds to repudiate claims due to the non-disclosure and misrepresentation of the material facts.

You have decided to purchase insurance on a risk, i.e. your home, office building, vehicle, business and so on. As you shall realize, each of these assets is a risk that needs control. For example, your home needs control against the risks of theft, fire, infidelity of domestic workers, damage to personal effects, as well as larger risks such as lightning, landslide and other natural disasters. If you run a business, you require protection against more risks, such as the risk of professional advice, legal costs to directors' and officers', money lost or damaged in transit, as well as the previously mentioned natural disasters.

Your insurer decides to quote insurance terms based on these risks and the details you provide. Technically, a completed proposal form is the best method, but depending on circumstances, you might have to answer questions (which is unadvisable). You must ensure the answers are true and accurate. To demonstrate, the process of purchasing motor insurance for your car is below:

1. You will visit an insurer / insurance broker and request a quote for motor insurance
2. The representative shall either give you a proposal form to fill out including providing supporting documentation or ask questions if the circumstances require it.
3. **You shall answer the questions in writing or return the accurate and completed proposal form with supporting documents.**
4. **The representative shall return with the insurance terms for you to consider, or refuse to quote.**

5. If the insurance terms are satisfactory, you shall agree the terms (an example being premium rate of 3.5% with excess of 5% of claim, minimum TZS 350,000 but double in case of total theft claim).

As you shall note from the above, the key steps are your answers to the questions or the completed proposal form, which determines the insurance terms offered by the insurer.

Recognize the risks in your life by identifying, analysing and controlling them. Insurance is a risk control measure that is possible by your due diligence and attitude towards risk. Therefore, understand your risk, answer the insurer / insurance broker with full transparency, and be confident that you shall receive fair insurance terms.

During the Policy Period



Inform the insurer / insurance broker to any material changes to the risk while the policy is active

The disclosure of material facts does not end after the policy begins. If you own a car but decide to make it into a taxi, you must inform the insurer / insurance broker. A material change has occurred, mainly because the vehicle usage has changed from private to commercial. This is because when you operate the car in a private capacity, the trip duration, distance and other factors are less than that of a taxi, where you are likely to travel longer distances, carry more passengers, and service your car more regularly thus increasing the risk.

We shall now present a more complex example that is commonplace in the market. If you are a company, and decide to close down an office to cut costs, the following aspects of your insurance might change:

1. Sum insured in your Assets All Risks policy.
2. If the office had vehicles, prorated refund of premium for selling off vehicles.
3. Removal of members and dependants from Group Medical Insurance Policy for the company.

In the above example, you might be entitled to a prorated premium refund due to the change. The same applies for the opposite, if you were to acquire a new office, you must inform the insurer who will charge an additional premium for the additional assets. If you do not inform the

insurer / insurance broker, any incident that happens to any of your assets that is claimed against might not have cover as the insurer might find out that you did not inform them of the material change. Insurance brokers are valuable in this respect as they might negotiate favourable terms with the insurers that benefit you.

In matters relating to your insurance, never assume and be surprised. Be cautious during the policy period, and think of the losses that might occur to your assets. You know your business, and are best positioned to decide what the material changes are or not.

After an Incident



Notify your broker / insurer as soon as possible and give all the details of the incident

Your assets are always at risk. Some of the losses / damages that occur due to the risk are below:

1. Truck capsizing and causing an accident
2. Fire that has broken out on your property
3. High sums of money withdrawn from an account in a few hours without prior notice
4. Loss of baggage while travelling to another country.
5. Damage to your TV due to electricity fluctuations

Share all information related to the claim with your broker. They are experienced professionals who will advocate on your behalf, where the claim is valid and properly supported.

“Better the devil you know than the one you don’t” – R. Taverner (1539)