



CASE STUDY # 7

Breach of Utmost Good Faith

Comprehension of Utmost Good Faith

“Utmost Good Faith “is one of the basic principles which makes Insurance different from other legal contracts. It requires life to be assured to disclose all material facts related to income, occupation, lifestyle & personal medical history while making an insurance application and the insurance company to disclose all the benefits, terms and conditions of the product being applied for.

In reality, we witness many such instances where this principle doesn't get adhered to and the insurance company comes to know certain material facts about the life to be assured only after conducting further due diligence in the forms of medical tests or physical verification.

Financially sound and no health issues disclosed

We got an application from a male applicant, in his mid-forties, he applied for a Term Plan worth Rs 1 Cr along with Critical Illness rider worth Rs 20 Lacs. The applicant worked in the treasury department of a leading private sector bank and earned salary of Rs. 35 lacs per annum. He had submitted salary slips of the last 3 months along with bank statement reflecting salary credit for last 6 months in support of his financial standing. His lifestyle information was satisfactory, and he did not present any additional risk factor in the form of family history or personal medical history. While such an excellent financial profile provides an element of comfort to the underwriter, it's the medical reports of the applicant which was a spot of bother.

Health hazards as per medical reports

Age and sum at risk required the applicant to undergo physical medicals, which revealed a plethora of abnormalities. Build was found to be 34.54 (Height 176 cms and Weight 107 kgs). It's interesting to note that while Height was the same (176 cms) as per application form, weight was stated as 91 kgs. Blood pressure was normal, 130/80. Blood testing revealed series of deranged values, Serum Total Cholesterol was 206 mg/dl, HDL cholesterol 26 mg/dl and Triglycerides 95 mg/dl. While total cholesterol was marginally elevated, HDL cholesterol (good cholesterol) was significantly lower. Also, Triglycerides was surprisingly low. Rating so far:

	Life	CI
Build rating	46	41
Δ Cholesterol / HDL / blood pressure	35	42
Δ Glucose	-15	-15
Triglycerides rating	-10	-11
Exercise induced hypertensive reaction	0	0
neg. Stress ECG / norm. NT-pro BNP	0	0
norm. Echo	0	0
Total rating (exact)	56	57
Total rating (rounded)	50	50

We were keen to look at Liver Function Tests and not to our surprise LFTs were also found to be deranged. AST value was 98 mg/dl with lab upper limit of 42 and ALT value 92 with lab upper limit of 44. All other values were normal. Following an underwriter's instinct & since CI rider was involved a USG abdomen was called and the same showed Grade II fatty changes of liver.

	Life	CI
ALT (GPT) Rating	25	25
AST (GOT) Rating	25	25
AST/ALT Rating	0	0
HBsAg Rating	0	0
BMI Rating	0	0
Total Rating	50	50

From a rating perspective, the cumulative rating came at +100% EMR for Life and +125% EMR for CI, we offered Life at +100% EMR declined the CI rider considering rating threshold issues. Beyond this rating approach and decision, few issues remained unanswered. Given high BMI and raised total cholesterol, how Triglycerides was so low? What's the significance of low HDL cholesterol in this context?

Further probe & conclusion

The value of Triglycerides in correlation with other related findings indicate that the life to be assured was probably on medication which was not disclosed in the application form.

When we did a discrete doctor calling with the client, he affirmed that he was on medication for raised Triglycerides for past 6 months and, on treatment for inflammation of liver caused by non-alcoholic fatty liver for the same duration.

Using medical logic to unearth non-disclosure in insurance application is important & regular interaction with medical professionals helps INCHES underwriters to do this seamlessly.

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