



## **Insurance Ireland Code of Practice for Underwriting Mortgage Protection Insurance for Cancer Survivors**

### **Briefing Note and Code of Practice**

#### ***Background***

This document outlines a **Code of Practice** that relevant insurers will use to improve access to mortgage protection insurance for cancer survivors. It comes in the context of the Private Members Bill on the issue, the Central Bank (Amendment) Bill 2022. Insurance Ireland and its members believe that the Code will lead to a faster, more streamlined process for impacted cancer survivors. They see the approach as a pragmatic solution to ensuring consumer choice and affordability of life insurance products for as many consumers as possible.

#### ***Context***

Insurance Ireland and its members want to provide as much choice for consumers as possible in the protection market and at affordable rates. They understand the unique set of challenges facing cancer survivors. They want to ensure that this cohort of customers is given every possible support including a simpler, speedier application process.

At the outset, they want to reassure those affected that as things currently stand, it is not the case that all applicants who disclose a cancer diagnosis are automatically or arbitrarily declined cover.

They are mindful, however, that some are declined mortgage protection insurance as a result of their cancer diagnosis and are acutely aware of the impact this can have on those applicants<sup>1</sup>. In this regard, they have been working to develop an improved outcome for these customers, while also keeping in mind the needs and expectations of the entire customer base.

Working with a number of stakeholders both inside and outside of its membership, Insurance Ireland has set out a Code of Practice to reassure cancer survivors that they will receive fair treatment when they apply for mortgage protection insurance. Where the Code of Practice is adopted, insurers will disregard any disclosed cancer diagnosis where specific circumstances apply in an application for decreasing term assurance in association with a mortgage.

The aim of the Code of Practice is to strike a balance between ensuring that cover can be offered to as many cancer survivors as possible, while also endeavouring to ensure there are no detrimental effects for other customers.

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<sup>1</sup> For context, granting a mortgage is not dependent on having appropriate life cover in place. Section 126 of the Consumer Credit Act 1995 provides that where obtaining insurance for a mortgage proves difficult, or at an unreasonable cost, there is an exemption available at the discretion of the lender. Ultimately, it is a decision for the lender on whether to allow the loan without mortgage protection insurance, but it is permissible under the legislation to do so.



## ***The Pooling of Risk: Protecting Fairness for All Applicants***

Insurance is the pooling of risks. All policyholders contribute to the pool which will pay out in the event of the death of the insured person. Costs are proportionate to risks.

In terms of cancer specifically, many factors like the type of cancer, stage of cancer, treatment plan, age at diagnosis and duration since treatment ended are considered in the risk assessment.

Depending on the outcome of the risk assessment, the insurer must carefully consider its ability to provide cover and the cost for the individual person in relation to the group of already insured people. Insurers use validated medical data and research in their risk assessments to ensure that it is fair and is evidence-based.

### **Code of Practice**

Insurers signing up to the Code of Practice agree to adhere to the following principles when underwriting mortgage protection insurance for survivors of cancer<sup>2</sup>. These are the minimum requirements for the application of this Code of Practice; an individual insurance firm may decide to go further if it so chooses.

This goes beyond the existing regulatory requirements for insurers, which include but are not limited to:

- Insurance Distribution Directive (IDD)
- Consumer Protection Code (CPC)
- General data Protection Regulations (GDPR)
- The Equal Status Acts 2000 - 2018
- Life Disclosure Regulations
- Consumer Insurance Contracts Act 2019

**The Irish insurance sector already operates a number of principles of fair treatment some of which are part of the oversight and regulation of financial services providers. These include that:**

- In general, insurers do not exclude any applicant from insurance based on a simplistic underwriting process. When a significant medical history is disclosed, such as cancer, an underwriter will review and consider that risk.
- Insurers use evidence-based decisions around cancer and comorbidities<sup>3</sup>. They ensure that decisions are based on actuarial or statistical data or other relevant underwriting or commercial factors.
- To the best of their ability, insurers strive to communicate to applicants the types of additional information that may be asked of them, particularly where a significant medical history is disclosed.

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<sup>2</sup> While consumers will be asked about their history of cancer and other illnesses, this approach ensures that if falling into the Code of Practice, that history of cancer will be ignored within the stated criteria. Insurers need to gather this data to measure/quantify this risk and also have the data to demonstrate adherence.

<sup>3</sup> A comorbidity is a health condition that exists along with a primary health condition.

- Individual insurers will continue to engage with relevant stakeholders to use appropriate medical, statistical and scientific data necessary to further improve the risk assessment process for mortgage protection insurance.

In addition to these fair treatment principles, insurers also commit to the following Code of Practice for cancer survivors who apply for mortgage protection insurance.

***Insurers will disregard any disclosed cancer diagnosis where all of the following circumstances apply and an application for decreasing term assurance in association with a mortgage will not be rejected, nor will a higher premium apply, in relation to the cancer condition, if:***

- The application is for a new individual decreasing term life insurance contracts in connection with a mortgage, covering the risk of mortality only. Applications for other insurance benefits or other products to provide an income or payment in the event of ill-health or accident are not included.
- The application is for a policy in connection with a mortgage on the applicant's principal private residence. A principal private residence is where the applicant lives most or all of the time. This includes first time buyers, home movers and re-mortgages but not second homes or buy to let mortgages.
- The amount of life insurance is the lesser of the mortgage amount OR €500,000 per applicant.
- Treatment for cancer ended more than seven years prior to their application or more than five years if the applicant was under 18 at the time of diagnosis.

Treatment has ended means<sup>4</sup> being in "complete remission" **and** "active treatment" having ended more than seven years prior to the date of the application, where the cancer was diagnosed when the applicant was aged 18 or over; or having ended five or more years prior to the date of application where the applicant was aged under 18 at time of diagnosis.

1. Complete remission is determined by a cancer survivor's treating oncologist. This includes the absence of signs and symptoms related to a cancer diagnosis which may be determined by, but not limited to, physical examination, radiological investigation and serum biomarkers.
2. The term "Active treatment" represents the use of surgery, radiation therapy, chemotherapy, biological agents, immunotherapy, bone marrow transplant or any evidence-based medical approaches to cure a cancer. These therapies may have been employed in both the primary (adjuvant and neoadjuvant) settings and secondary setting. The term "active treatment" excludes anti-hormonal medications or any form of preventative therapy or medicine designed to reduce recurrence risk following complete remission.

According to our member data, over 90% of all life cover policies in association with a mortgage are €500,000 or under. Therefore, this sum assured is likely to capture the vast majority of mortgage applications.

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<sup>4</sup> This was designed by an independent oncologist and independent actuary and adopted by Insurance Ireland for the purposes of the Code.

### ***Exemption from the requirement for Life Cover when applying for a Mortgage***

There may unfortunately still be instances where no insurer is in a position to offer life cover although these should be reduced with the implementation of the Code.

When this happens, and where the specialist advisers simply cannot source an alternative, it does not mean that cancer survivors still cannot get a mortgage. There is an exemption from this requirement in the Consumer Credit Act 1995 that states that lenders can waive this requirement where:

- The applicant is over 50 years old; or
- Where loans to people who belong to a group who would not be acceptable to an insurer, or would only be acceptable to an insurer at a premium significantly higher than that payable by borrowers generally.

**The granting of this waiver is at the discretion of the lender. If a customer is declined a mortgage due to a lack of life cover, the advice is to ask the lender or your broker/financial adviser about this.**

Data from the Banking and Payments Federation of Ireland obtained by the Minister for Finance in October 2021 estimates that, on an annual basis, 2% of mortgage approvals to consumers have been granted a waiver, and only 0.05% of mortgage applications approved by its members did not proceed to draw-down due to a lack of mortgage protection insurance.

### ***Specialist Support for Customers***

It is important that the applicant is able to access specialist support in understanding which insurers can offer the most appropriate cover and most suitable approach to underwriting for each applicant's specific circumstances. Brokers Ireland host a register of intermediaries who specialise in recommending appropriate cover for cancer survivors.

### ***Oversight of Adherence***

In order to promote confidence in the application of the Code, Insurance Ireland will appoint an external reviewer to ensure that the provisions of the Code of Practice have been implemented and are being adhered to. A report on this will be made available to relevant stakeholders.

The first review will take place in January 2025, in order to review implementation, with the next review due in 2028 and every three years thereafter. The Code of Practice will also be considered in line with every review, which will include the definition set out within the document.