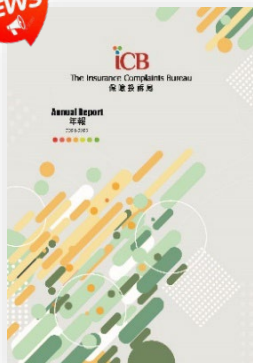


**ICB Connect** — a publication issued by the Insurance Complaints Bureau which presents our latest news/updates and a snapshot of statistical figures. It also highlights the latest complaint trends and emerging topical issues.



### Release of ICB Annual Report 2021/2022

The latest ICB Annual Report 2021/2022 has been released lately and can be downloaded from our website. You may also [click here](#) or scan the QR code below for a glance.

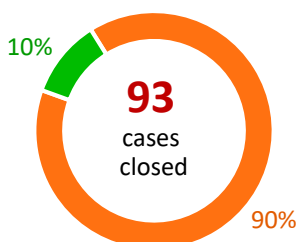
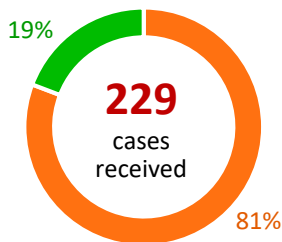
During the reporting period, ICB entered into a MoU with the Insurance Authority with a mutual commitment to enhance the effectiveness of complaints handling. Also, in response to the increase in the overall sum insured and benefit coverage, our jurisdiction limit has been raised from HK\$1 million to HK\$1.2 million effective 1 January 2022.



### Statistics Snapshot

Jan to May 2022

■ Claim related  
■ Non-claim related



**28** cases were mutually settled or awarded by the Complaints Panel

Total Settlement Amount:  
**HK\$1.88 million**

Closed cases

*Claim related*

*Non-claim related*

#### By types of policies (main categories only)



**63%**

Hospital/  
Medical



**21%**

Life/Critical  
Illness



**7%**

Accident/  
Disability



**5%**

Travel



**67%**

Life/Critical  
Illness



**22%**

Hospital/  
Medical

#### By nature of complaints (main categories only)



**34.5%**

Application of  
policy terms



**29%**

Non-disclosure



**19%**

Excluded  
items



**13%**

Amount of  
indemnity



**44%**

Contractual  
matters



**33%**

Operational  
issues

#### Outcome (main categories only)



**45%**

No *prima  
facie* cases



**25%**

Mutual  
settlement



**12%**

Upheld insurer's  
decision



**6%**

Claims  
awarded



**56%**

Complaints  
withdrawn



**22%**

Mutual  
settlement



**22%**

No *prima  
facie* cases



## Cases with no *prima facie* evidence

complaints lacking  
in grounds or  
substance

complaints that  
are frivolous or  
vexatious

### **Examples:**

- Q claims outside the scope of policy coverage
- Q claims not fulfilling basic requirements of policy
- Q claims fall within policy exclusions
- Q non-disclosure of material medical history
- Q maximum claim limit has been reached

## Case Study

Personal Accident Insurance:  
"Accident" & "Injury"



Larry sustained an injury to his left hip due to slippery floor in February 2021. He consulted Dr Li and was diagnosed as suffering from left hip injury and pain. He then received on and off acupuncture and physiotherapy treatments until end of May 2021. The insurer settled the related medical expenses incurred under the "Accidental Medical Expenses" benefit of his personal accident policy.

Several months later, Larry submitted a new claim to the insurer regarding his follow-up consultations with Dr Li for left total hip replacement. According to Dr Li, Larry had left total hip replacement in August 2021 to treat his left hip end stage arthritis pain problem. Dr Li further indicated that Larry had a history of left knee injury in November 2016 and was coincidentally found to have left hip degeneration/osteoarthritis. His left hip pain increased after the slip and fall accident in February 2021. He then decided to undergo left total hip replacement operation in August 2021.

It is stated in the provisions of the personal accident policy that "accident" means "an unforeseen and involuntary event" while "injury" means "bodily injury which is solely caused by an accident and independently of any other cause". Given that Larry had already suffered from degenerative changes to his left hip in 2016, the insurer considered that there was no objective evidence to support that his left hip end stage arthritis was solely and independently caused by the accident in February 2021. It therefore refused to pay the doctor's consultation fees relating to his left total hip replacement, amounting to around HK\$2,000.

According to the information available, Larry was found to have left hip degeneration/osteoarthritis in 2016 and conservative treatment was advised. During the period between 2017 and 2020, he had reported 4 new accidents due to left hip injury and submitted claims to the insurer for the fees charged by bonesetters. As the left hip total replacement was for treating his left hip end stage arthritis which was not solely and independently caused by an accident (an unforeseen and involuntary event), Larry's complaint was found unsubstantiated with no *prima facie* evidence.



## Pros and Cons of Automatic Premium Loan



An Automatic Premium Loan (APL) is an optional provision in life insurance policy that allows the insurer to automatically deduct the premium overdue from the cash value. The APL clause is normally exercised at the end of the grace period. Such provision prevents an insurance policy from lapsing due to missed payment of premium.

Similar to other standard loans, an APL does carry an interest. It is thus important for policyholders to pay back the amount of the loan plus interest. If a policyholder continues to take APL to pay the premium, the cash value of the policy may subsequently reduce to zero. At this point, the policy will lapse as there is no value left against which a loan can be taken.

Our review of the cases revealed that many policyholders complained that the cash/surrender value they received upon policy maturity/cancellation was far less than expected or significantly smaller than the lump sum they had paid for the premium over the years. Some even claimed that their policies lapsed without being notified and the policy value dropped to zero.

In one case, a policyholder complained that his whole life policy effected some 30 years ago lapsed without being alerted beforehand. He

queried why the policy value had fallen to zero. Upon investigation, the insurer indicated that APL was triggered as the policyholder had stopped paying premium 10 years after the policy was effected. Besides, he also applied for policy loan and dividend withdrawal several times. This led to an accumulation of interest and a decrease in the policy cash value. As no money was vested into the policy starting from the 10th policy year, premium, loan interest, as well as insurance fees and charges were deducted from the policy value in order to keep the policy inforce. When the policy value was no longer sufficient to settle these costs, the policy lapsed.

The insurer emphasized that policy anniversary statements had been issued to the policyholder regularly to inform him of the latest policy status. The amount of policy value, dividend, loan balance, loan interest rate, etc. had been duly shown in the anniversary statements.

Although APL may be benefit to policyholders in the sense that it is designed to prevent a policy from lapsing due to non-payment, it may be a trap if policyholders are not mindful of its execution and check the policy status periodically. One should be alerted that APL is usually granted at an interest rate comparable to traditional loans.



### **Message to insurers:**

- ✓ notify policyholders to make premium payment by all possible means before premium is due
- ✓ after APL was exercised, take initiative to inform policyholders of the policy status and the possible consequences of APL
- ✓ issue policy anniversary statements to policyholders timely to keep them informed of the latest policy status



### **Message to consumers:**

- ✓ make premium payment punctually
- ✓ repay premium plus APL interest as soon as possible if APL has been exercised
- ✓ review and examine the policy anniversary statement carefully, if in doubt of any figures or information, consult insurers or insurance intermediaries immediately