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# Life insurance and economic abuse

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The challenges faced by victim-survivors of economic abuse in accessing and ending life insurance protection

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## About this briefing

This briefing is authored by Professor James Davey, University of Bristol, and Johnny Timpson OBE, and presented by Surviving Economic Abuse (SEA), the only UK charity dedicated to raising awareness of economic abuse and transforming responses to it.

The purpose of the briefing is to create an awareness and understanding of how life insurance policies are used as a form economic abuse and coercive and controlling behaviour, and the devastating impact this has on victim-survivors' economic and physical safety. It explores the current legal and regulatory challenges that enable abusers to use life insurance as a mechanism to abuse victim-survivors. It makes recommendations for how changes to industry policy, practice and regulation can prevent the use of life insurance as a form of economic abuse, and support victim-survivors to establish economic freedom and safety.

*“He took out life insurance on myself and I begged him to cancel the policy. I had to contact the insurance company, change the direct debit payments, then default to get it stopped.”*

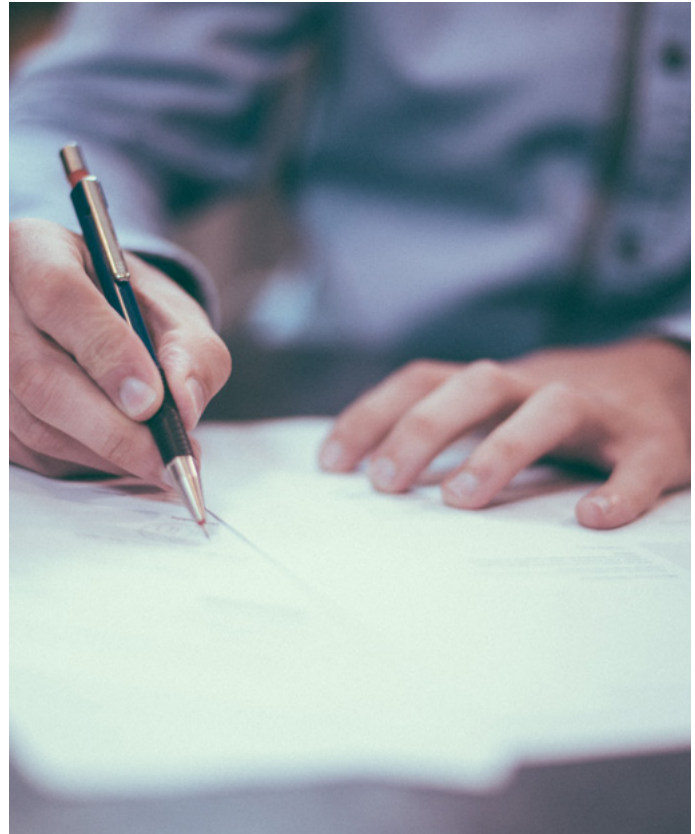
*Victim-survivor*

## Background on insurance and economic abuse

SEA was first introduced to the insurance industry as part of the Chartered Insurance Institute's Insuring Women's Futures Programme, which sought to collaborate with women's organisations and charities to understand the risks women face across society and their experiences of using insurance and personal finance. This included a series of reports authored by Jane Portas, which identified domestic abuse as one of 12 key risks in life that can affect women's financial security over 'Six Moments that Matter'<sup>1</sup> ®.

Following on from this work Portas worked alongside SEA CEO and Founder Dr. Nicola Sharp-Jeffs OBE, to consider the potential for economic abuse during these 'six moments' within a victim-survivor's life, considering how abusers take advantage of them to exercise control. Their report<sup>2</sup> found that joint insurance products and life insurance taken out in the context of creating fear and intimidation, are identified as key risks of harm. The report recommends that by intervening during these crucial life stages, financial services firms and policymakers can bring about change to improve financial resilience.

Subsequently, SEA, in partnership with Cooley LLP, identified the key challenges victim-survivors face using insurance products, through a review of final decisions by the Financial Ombudsman Service and the lived experience of victim-survivors. From this, Cooley LLP created a checklist, available on [SEA's website](https://survivingeconomicabuse.org/im-supporting-someone/resources-for-professionals/checklist-for-insurers/)<sup>3</sup>, for insurance professionals. This helpful tool allows insurers to consider their underwriting criteria, policy design and wording, customer support and claims handling, through the lens of economic abuse.



In February 2023, SEA was funded and supported by the Aviva Foundation to publish the briefing 'Insurance and economic abuse'<sup>4</sup> to build on this body of work to raise awareness of how victim-survivors of economic abuse are impacted by insurance products. The briefing makes recommendations that can support insurance firms transform responses to economic abuse. One of the recommendations included cross-industry work, involving the Association of British Insurers, to develop improved practices for the separation of joint policies in cases of economic abuse.

This briefing on life insurance and economic abuse, builds on these recommendations by analysing the legal landscapes that allow life insurance policies specifically to be used as a tool for economic abuse and makes recommendations for changes in both policy and practice.

<sup>1</sup> Jane Portas (author and creator 6 Moments That Matter®), Securing the financial future of the next generation, 2019 Insuring Women's Futures (publisher).

<sup>2</sup> Portas, J., and Sharp-Jeffs, N. (2021). The Economic Abuse Threat Facing Girls & Women in the UK: 6 Moments that Matter in the Lives of Female Survivors. A Person-Led Approach for the Financial Services Sector in Empowering and Supporting Customers and Employees. London: 6 Moments That Matter and Surviving Economic Abuse, Copyright © 2021, Available from: <https://www.6momentsthatmatter.com/published-material>

<sup>3</sup> <https://survivingeconomicabuse.org/im-supporting-someone/resources-for-professionals/checklist-for-insurers/>

<sup>4</sup> <https://survivingeconomicabuse.org/wp-content/uploads/2023/02/Insurance-and-economic-abuse-SEA-and-Aviva-Foundation.pdf>

## What is economic abuse?

**In the UK, economic abuse is increasingly recognised and understood. This form of abuse involves the control of a partner or ex-partner's money and finances, as well as the things that money can buy and often occurs within the context of intimate partner violence. This includes exerting control over income, spending, bank accounts, insurance cover, bills and borrowing, as well as employment.**

Research conducted by the Aviva Plc<sup>5</sup> found that two in five adults in the UK had experienced a form of economic or financial abuse. 62% of respondents experienced economic abuse in the context of domestic abuse, with the abuse being perpetrated by an intimate partner or family member. Further research by SEA found that 95% of domestic abuse cases included economic abuse<sup>6</sup>. This research highlights the prevalence of the issue.

The immediate and long-term impact of economic abuse on victim-survivors is profound and far-reaching and has been evidenced to cause poverty, homelessness, debt, damaged credit records and bankruptcy. Circumstances that have been made worse by Covid-19 and further compounded by the cost-of-living crisis. Recent data provided by the Financial Support Line, run by Money Advice Plus with support from SEA, found that 90% of victim-survivors of domestic abuse are already in negative budget or have less than £100 surplus at the end of each month<sup>7</sup>. Victim-survivors currently have an individual average debt of over £20,000.<sup>8</sup>

Economic safety underpins physical safety, and without access to surplus funds and economic independence, it is impossible for survivors to leave the abuser and safely rebuild their lives. Post-separation economic abuse, often through continuing economic ties to the perpetrator, leaves survivors at an ongoing risk of serious physical, emotional and economic harm.

## Economic abuse and the law

As a result of the influencing efforts of SEA, in 2021 the government named and defined economic abuse in the statutory definition of domestic abuse within the Domestic Abuse Act for England and Wales.

Also after successful campaigning by SEA, the Domestic Abuse Act amended the Serious Crime Act (2015) to extend the offence of controlling or coercive behaviour (including economic abuse) to apply post-separation. The same legislation created the role of Domestic Abuse Commissioner with statutory powers to monitor government actions on abuse, including economic abuse.<sup>9</sup>

## The role of the financial services sector in response to economic abuse

The statutory guidance which underpins the Domestic Abuse Act formally recognises financial services such as banks and building societies as stakeholders for the first time. The Government's Tackling Domestic Abuse Plan calls on firms to sign up to the Financial Abuse Code<sup>10</sup> developed by UK Finance and strengthen responses to domestic abuse. There are 30 firms representing 40 brands already signed up and taking action to support survivors.

<sup>5</sup> [Two in five Brits claim to have suffered economic or financial abuse – Aviva plc](#)

<sup>6</sup> Further research by SEA found that 95% of those experiencing domestic abuse experienced economic abuse as a part of this.

<sup>7</sup> Data from the Financial Support Line Casework Service for Victims of Domestic Abuse, run by Money Advice Plus with support from Surviving Economic Abuse (SEA). Data relates to last three-month period measured, April – June 2023.

<sup>8</sup> [Statistics on coerced debt – Surviving Economic Abuse](#)

<sup>9</sup> United Kingdom Government, Policy paper: Domestic Abuse Act 2021, 2022.

<sup>10</sup> Financial Abuse Code, 2021 UK Finance Financial-Abuse-Code-2021\_Updated\_2022\_1.pdf (ukfinance.org.uk)



There are also examples of good practice, including banking partnerships with SEA, contained within the Financial Conduct Authority's (FCA) Guidance on the Fair Treatment of Vulnerable Customers (2021)<sup>11</sup>. Within this, the FCA recognises domestic abuse and economic control as a life event that can make someone vulnerable.

To support financial services to effectively use the regulatory guidance to support victim-survivors of economic abuse, Dr Nicola Sharp-Jeffs OBE, SEA's CEO and Founder, developed 'Economic Abuse Principles' which integrates the coordinated community response (CCR) to the domestic abuse model. These principles draw upon regulatory guidance set out by the FCA, which seeks to help firms ensure good outcomes for all victim-survivors, as well as the Financial Abuse Code<sup>12</sup>. It includes firms being survivor-centred, safety-focussed, and intersectional in their approach to economic abuse, as well as exploring opportunities for developing coordinated and collaborative approaches to economic abuse.

Additionally, the FCA's Consumer Duty<sup>13</sup> sets higher standards of consumer protection across financial services and requires firms to put their consumers' needs first, with a particular emphasis on treatment of consumers with characteristics of vulnerability or who may be at a greater risk of harm, including victim-survivors of economic abuse. Under the duty, firms are required to avoid foreseeable harms across four outcomes including products and services and customer support. This offers firms a unique opportunity to review their existing and future services and products, including insurance, to ensure that they do not inadvertently facilitate economic abuse.

## What is the link between economic abuse and life insurance?

*"11 years after separation, I found out that for 10 years my ex-husband had a life insurance policy on me, and that was a moment that I felt really scared. I didn't know this was possible, the audacity to do something like that, that he would gain from my death on top of the years of economic abuse – if something happened to me, he would get rewarded from me dying. It doesn't stop after divorce at all."*<sup>14</sup>

Survivor

Life insurance policies represent an important financial protection for many people. Unlike most forms of insurance, which seek to restore the loss of an asset, life insurance policies pay out a cash sum upon death or diagnosis of a terminal illness, usually during the term of cover. Life insurance can be taken out in single or joint names, and aims to financially protect the beneficiary, usually a child or partner, upon death of the policyholder.

<sup>11</sup> Financial Conduct Authority, Guidance for firms on the fair treatment of vulnerable customers, 2021

<sup>12</sup> Financial Abuse Code, 2021 UK Finance Financial-Abuse-Code-2021\_Updated\_2022\_1.pdf (ukfinance.org.uk)

<sup>13</sup> <https://www.fca.org.uk/publication/finalised-guidance/fg22-5.pdf>

<sup>14</sup> The Economic Abuse Threat in the UK, 6 Moments that Matter, Jane Portas & Nicola Sharp-Jeffs



However, life insurance has also been identified as an opportunity for economic abuse and coercive and controlling behaviour, both during a relationship and long after separation. This includes:

- Life insurance policies taken out by an abuser without the policyholder's (victim-survivor) consent or knowledge and used as a mechanism for coercion and control, including threats to kill. For example, perpetrators threatening to take the victim-survivor's life to gain financially from the life insurance policy (threats to kill).
- The inability to split joint life insurance policies upon separation without both parties' consent. Perpetrators can use this as a mechanism of post-separation abuse, by refusing to de-link their joint life insurance policies.

The impact of these forms of economic abuse on victim-survivors' safety and economic independence are both profound and long-lasting. Through life insurances ties to their abuser, victim-survivors remain financially attached to the perpetrator, reducing their ability to regain control of their finances, and increasing the risk of coercive and controlling behaviour. As highlighted below, they are also known to create an incentive to kill, which places victim-survivors at an ongoing risk of harm and homicide. Although this is relatively rare in the context of the insurance industry, the risk of homicide for those experiencing domestic abuse is less rare, with a woman being killed by a partner or ex-partner every four days in England and Wales<sup>15</sup>.

## Insurable interest in life - the current legal position

Whilst life insurance cover should be taken out with the knowledge and consent of those being covered, the reality is that people have been able to take out life insurance cover on their partner without them knowing or being party to the contract. In addition, if the partners separate, the policyholder will still be able to claim against their ex-partner's death many years after divorce or separation. With 31.8%<sup>16</sup> of marriages in the UK ending in divorce, it is critical that there is flexibility in how these policies are set up and administered, particularly where a policy is being used to coerce, control, and threaten to kill a victim-survivor of domestic abuse.

To understand this position – and how we might change it – it is important to understand the concept of '*insurable interest in life*', the rules which govern who and what can be insured.

The Life Assurance Act (LAA) 1774 sets out the basis on which someone insures another person's life in English law. In the 1800s anyone could take out insurance against another person's life and, in fact, life insurance was frequently used to speculate the likely death of rich and famous people<sup>17</sup>. To stop this from happening, the LAA 1774 set out that there needed to be a sufficient relationship between the person purchasing insurance and the life being insured. The Act stopped policies from being taken out where there was no 'sufficient interest' however it did not define what these were. It also failed to establish when the interest in another person's life must exist.

<sup>15</sup> <https://www.womensaid.org.uk/information-support/what-is-domestic-abuse/myths>

<sup>16</sup> [Divorce Statistics UK 2023 | NimbleFins](#)

<sup>17</sup> Wagering contracts are now prima facie enforceable in English law by virtue of the Gambling Act 2005.

'Sufficient interest' has been broadly defined in subsequent case law which identifies two types of potential interest today. These are '*financial*' and '*ties of love and affection*'. English Law only requires 'interest' to be present at the time of the policy being taken out. This means if the partners separate, the policyholder will still be able to claim against their ex-partner's death many years after divorce or separation.

Only a spouse or partner can take out insurance in the interest of 'ties of love and affection'. It's important to note that no other person can insure the life of another on this basis. Parents cannot take out life insurance for their children, and children cannot insure against their parents. It is possible for a person to insure their own life<sup>18</sup> and name another as beneficiary, but the beneficiary would have to be named on the policy<sup>19</sup>. Any other relationship would have to reflect some legal duty to care for (or to receive care from) that other person and would be limited to the financial value of that duty<sup>20</sup>. However, it is the underwriter's discretion to treat the policy as null and void under the definition of interest. The risk here is that if challenged, the definition of interest could be altered or interpreted in another way.

This means that in the eyes of the law, spouses are automatically assumed to have unlimited interest in their partners' lives, so they can take out life insurance against them without them necessarily being a part of the contract. It's also worth noting during the time the LAA was set out in the 1800s, women were considered to be men's property (chattel). This highlights the fact that insurance contracts today, are largely subject to 18th and 19th century insurance law.

The classic example of this is the US Supreme Court case of *Schaeffer*:<sup>21</sup> As long as the marriage existed when the life insurance policy was created, a husband could maintain the policy over his ex-wife after divorce and continue to benefit from her death.

## Abby\* contacted her insurer to cancel a joint life policy that had been taken out many years ago with the abuser.

At first, Abby was told that the policy could not be cancelled without the consent of both parties. Abby told the insurer that she could not contact the joint policy holder due to domestic abuse. The insurer explained that the joint policyholder had a legal interest in the policy and explained it could not be cancelled without his knowledge or consent. Abby told her insurer that the abuser had agreed for the policy to be cancelled but he was unwilling to call them himself. As a result, the policyholder was advised to cancel the direct debit. This resulted in letters being sent to both parties, letting them know the policy would lapse if no action was taken.

After receiving this letter, the abuser contacted the insurer and reinstated the policy. The policyholder cancelled the direct debt three times, however each time the policy was reinstated by the abuser.

Aware that the abuser was using the insurance as a mechanism to maintain power and control, the insurer was able to discuss the options with Abby and eventually they agreed to cancel the policy<sup>22</sup>.

\*name anonymised

18 As own-life interests are unlimited, it is technically possible to insure your own life hundreds of times and assign the benefit to another. The market in policies over persons legitimately insured and then traded to strangers (known as 'stranger owned life insurance' or STOLI is controversial: E Mathews, 'STOLI on the Rocks: Why States Should Eliminate the Abusive Practice of Stranger-Owned Life Insurance' (2007) 14 Conn Ins LJ 521(on US law). Similarly, it is technically possible to insure your spouse's life hundreds of times and transfer the benefit of the policy to others.

19 S. 2, LAA 1774

20 S. 3 LAA 1774. This rule tends not to be enforced strictly.

21 *Connecticut Mutual Life Insurance Company v. Schaeffer* 94 U.S. 457 (1876) (US Sup Ct), [18]: '...a life policy, originally valid, does not cease to be so by the cessation of the assured party's interest in the life insured'.

22 The Economic Abuse Threat Facing Girls and Women in the UK: 6 Moments that Matter in the Lives of Female Survivors. A Person Led Approach for the Financial Services Sector in Empowering and Supporting Customers and Employees

## Incentive to kill unchecked by formal legal rules

As we have seen, English law has a relatively restrictive vision of who can lawfully insure against another person's life. In practice, this restriction is not routinely enforced. This is undoubtedly one of the reasons why a broader concept of '*insurable interest*' was supported by the industry in a Law Commission project (described below). The industry wanted the formal legal position to reflect what was generally already done in the market.

When considering the need for statutory reform, it is worth noting that English law currently has no mechanism to stop insurers from selling policies to those without an insurable interest, and only has the effect of making the policy unenforceable in these cases. English law also does not prevent insurers from acting outside of policy by paying out to the individual without an insurable interest as a gesture of good will. This means that there are still opportunities for those without an insurable interest to be sold policies and financially gain from them.

This reinforces the sense that the person insured has little or no control over being the subject matter of a life insured. Other jurisdictions, and notably the United States, have sought to address this issue. The shocking case of *Liberty National Life Ins v Weldon*<sup>23</sup> exemplifies this.

In the case of *Liberty National Life Ins v Weldon* Life insurance was taken out against the life of a two-year child by an aunt-by-marriage. The aunt murdered the child by poisoning, in order to take the benefit of several policies taken out against the child's life. The insurer was successfully sued in a wrongful death suit for failure to properly establish the relationship between the insured and the life insured. No equivalent action has been established in English law, although similar shocking cases have been reported.



SEA and Advocacy After Fatal Domestic Abuse (AAFDA) have drawn attention to cases of suicide or homicide in the UK where an abuser has benefitted from life insurance pay-outs and/or disposing of, and even selling, the victim's economic assets.<sup>24</sup> The Home Office Domestic Homicide Review Panel, which SEA sits on, has reviewed cases in which perpetrators were set to receive large life insurance pay-outs, sometimes from various policies, after murdering a partner or ex-partner. Other cases have also been reported in the media.

There is a potential for life insurance to be used as an incentive to kill which is largely unchecked by formal legal rules. Whilst such incidences remain relatively rare, in the context of the insurance industry, this risk is much higher for victim-survivors of domestic abuse. Therefore, although life insurance does indeed benefit many, the seriously harmful effect it can have should not be overlooked.

A Domestic Homicide Review conducted in Middlesbrough, North Yorkshire found that the perpetrator had been planning ways to take his wife's life. A key part of the prosecution against him outlined that he had taken out over £2 million in various life insurance policies to cover his wife's death before murdering her.

The perpetrator claimed their home had been ransacked and the victim was attacked by an unknown party. Had he not been convicted of her murder, the perpetrator would have received over £2 million across multiple policies.

<sup>23</sup> 100 So 2d 696 (Ala 1957).

<sup>24</sup> Claire thanks community in touching film | Barnsley Chronicle <https://www.barnsleychronicle.com/article/21172/claire-thanks-community-in-touching-film>



In another shocking case reported in the press, Ian Stewart was convicted of murdering his wife Diane Stewart in 2010 and his fiancée, Helen Bailey in 2017.

Diane's death was not treated as suspicious at the time and Stewart received £96,607.37 in payouts, including £28,500.21 from a life insurance policy taken out against Diane's life<sup>25</sup>.

Seven years later Stewart was found guilty of murdering his fiancée Helen through poisoning and strangulation. He stood to gain £1.28 million as well as other assets from the life insurance policy. Prosecutors said he was motivated by greed and accused him of killing Helen for financial gains.<sup>26</sup>

*"I was financially and economically controlled and physically abused for every penny. I was afraid to leave because I didn't have the financial independence and I was frightened of the repercussions he threatened, [He] had taken out life insurance policies in my name...and he threatened to benefit by pushing me to suicide. I couldn't comprehend the level of detail to which he had planned for my life ending, the financial gains to him and the network of sympathy and support he had mapped out from my potential death"<sup>27</sup>*

Victim-survivor

*"Still my ex keeps pestering and threatening me. Recently I was forwarded a letter from an insurance company about an application my ex made for life insurance in mine and my daughter's name. I really worry about my daughter, she sees her Dad and I know he has physically assaulted his new girlfriend."<sup>28</sup>*

Victim-Survivor

<sup>25</sup> [Ian Stewart found guilty of murdering wife in 2010, six years before he killed his author fiancée Helen Bailey | UK News | Sky News](#)

<sup>26</sup> [Helen Bailey's fiance Ian Stewart found guilty of her murder | UK News | Sky News](#)

<sup>27</sup> Nicola Sharp-Jeffs, Kathryn Royal and Keith Gibson, 2023, Seen but Sidelined

<sup>28</sup> The Economic Abuse Threat in the UK, 6 Moments that Matter, Jane Portas & Nicola Sharp-Jeffs



## Proposed insurance law reforms

Insurance contract law has undergone an unprecedented period of reform since 2005. One of the main areas for potential reform was a consideration of the doctrine of insurable interest put forward by the Law Commission, which produced a draft private members Bill<sup>29</sup>.

The broad purpose of the draft Insurable Interest Bill was to further liberalise the basis on which life insurance could be purchased. It proposed to extend the current own life/spouse/civil partner category to a person who 'lives with the insured as a spouse or civil partner'. A further extension was suggested for 'those who [are], or [are] treated as, the child or grandchild of the insured'. Essentially, allowing more people to take life insurance against a loved one, potentially without their knowledge or consent, and in the case of co-habiting couples, the cover would remain enforceable even when they no longer live together. Extending the Bill in this way could increase the risk of life insurance being used to harm individuals, and careful consideration must be given when making this recommendation to ensure harm to victim-survivors of economic abuse can be mitigated.

Additionally, there were no provisions within the proposed Bill that restrict the insured's ability to purchase insurance without the consent of the life insured – meaning insurance could still be taken out against another person's life without their knowledge. This is a framework in which abusers exerting economic control could thrive, creating an incentive to threaten and coerce or even kill a victim-survivor. Although the Bill is not currently expected to be put before Parliament, it will be important to review and challenge it on these grounds if it does.

Future law reform, through bills such as the Insurable Interest Bill, must address the ability of one party to purchase insurance without the consent or knowledge of the life insured. It must also consider the dangerous implications for victim-survivors of economic abuse when proposing the extension of current own life/spouse/civil partner category to a person who 'lives with the insured as a spouse or civil partner'. Without addressing the issues of consent, this may extend the opportunities for abuse.

29 [Insurance Contract Law: Insurable Interest – Law Commission](#)

## Introduction of the Consumer Duty - the regulatory position

A currently under-researched area is the extent to which public law duties on insurers might impact the legal situation as outlined above.

In addition to what is set out in English Law, insurers are subject to detailed codes of conduct as licensed parties under the Financial Services and Markets Act 2000. These rules are chiefly the responsibility of the Financial Conduct Authority to implement and oversee. These rules cover the design of products, their sale and claims made under them. The Insurance Conduct for Business Sourcebook (COBS), which regulates life assurance with an investment component, has rules which specify how insurers should engage with customers in relation to the sale and administration of insurance. These rules also stipulate that insurers must treat customers fairly when handling claims.

The recently implemented FCA 'Consumer Duty'<sup>30</sup> is also relevant as it requires firms to ensure good outcomes for all retail customers and reduce foreseeable harm-from product and service design, price and value, through to customer support and understanding. The Consumer Duty makes explicit reference to firms paying attention to the needs of vulnerable customers throughout the customer journey - with specific attention to the drivers of vulnerability as outlined in the FCA's guidance on the fair treatment of vulnerable customers.<sup>31</sup>



Domestic abuse and economic control are also explicitly named as a characteristic of vulnerability. The FCA's recent Financial Lives Survey found that 4.1% of UK adults reported that they had experienced some form of financial abuse in the last five years – this equates to 2.2 million adults. Furthermore, the survey revealed that 0.2 million UK adults reported that they had tried to explain the financial abuse they were under to a financial services firm in the last five years and the firm was not understanding of their situation.<sup>32</sup> SEA and Simmons and Simmons LLP have recently published a briefing paper<sup>33</sup> on the Consumer Duty and the FCA's guidance on the fair treatment of vulnerable customers, to offer firms a practical guide to implementing the duty and preventing economic abuse<sup>34</sup>.

At present, the regulatory position may lead to firms selling joint policies as these are marginally cheaper. However, with the majority of sales being conducted on a non-advised basis<sup>35</sup>, this could be why so many people opt for joint cover, as it's cheaper in the long term. But as we have seen, these policies can be detrimental in that they cannot be split upon separation if all parties do not consent and cover can be taken out without the insured's knowledge or consent. The default towards joint policies may impose a significant cost on victim-survivors of economic abuse. These costs are often overlooked when regulatory action is considered because they are thought to affect only a sub-section of society and the harms are often uncertain in scope and difficult to measure.

As previously highlighted, economic abuse is a widespread issue and life insurance has been used as a form of coercion and control, including threats to kill, thus providing a strong rationale for action. Therefore, it is imperative to devise a way to separate joint life cover, whilst allowing financial services to continue to sell the product to the many people who benefit from it.

30 [FG22/5: Final non-Handbook Guidance for firms on the Consumer Duty \(fca.org.uk\)](https://www.fca.org.uk/publications/consultations/fg22-5)

31 [FG21/1: Guidance for firms on the fair treatment of vulnerable customers \(fca.org.uk\)](https://www.fca.org.uk/publications/consultations/fg21-1)

32 [Financial Lives 2022: Key findings from the FCA's Financial Lives May 2022 survey](https://www.fca.org.uk/publications/consultations/fg22-5)

33 [How the Consumer Duty can transform responses to economic abuse - Surviving Economic Abuse](https://survivingeconomicabuse.org/how-the-consumer-duty-can-transform-responses-to-economic-abuse/)

34 <https://survivingeconomicabuse.org/how-the-consumer-duty-can-transform-responses-to-economic-abuse/>

35 [https://www.actuariatpost.co.uk/downloads/cat\\_1/Swiss%20Re%20Term%20%20Health%20Watch%202023.pdf](https://www.actuariatpost.co.uk/downloads/cat_1/Swiss%20Re%20Term%20%20Health%20Watch%202023.pdf)



Clauses permitting the division of joint life policies into own life policies are commonplace in the market however, both parties' consent is still required to separate or cancel the policy. The inclusion of such a clause may also increase the cost of the policy and may require an additional administrative charge on separation. It might also require the insurer to consider the extent to which the risk(s) has changed. This is something on which further research is also required.

Research in the US found that victims of domestic abuse (not limited to economic abuse although research suggests 95% of domestic abuse victims experience it) are often treated as significantly higher risk for both life and property insurance once that element is included in risk classification.<sup>36</sup>

Based on these issues, we recommend a fundamental research question needs to be answered regarding how joint life cover can be disentangled in a way that is economically viable and does not (itself) become a potential source of economic abuse. As noted above, there is a risk that seeking to separate cover on the grounds of economic abuse might have an adverse effect on the victim-survivor's ability to seek independent cover.

Additionally, we recommend that life insurance cover should be set up on a single life basis as the industry default, placed in Trust where appropriate with a minimum of three trustees appointed. Trustees should be made aware of their duties and responsibilities, including in response to economic abuse through specialist training.

## Best practice in Australia

In Australia, the Financial Services Skills Council (which is the equivalent of the Association of British Insurers (ABI) in the UK) has created a Life Insurance Code of Practice (the Code). Like the Financial Abuse Code in the UK, the Code for insurers in Australia has been implemented on a voluntary basis. For firms who agree to be bound by the Code in Australia, it requires them to have internal policies and training to understand and decide how best to support customers who experience domestic abuse, and to have a publicly available policy about how they will support affected customers.

The Code includes minimising the number of times a victim-survivors needs to disclose their experiences of abuse, considering the unique needs of victim-survivors in product design and referring the customer to specialist support.

The Financial Services Skills Council requires its members to prominently display the domestic abuse policy on their websites and additionally there are mystery shopping agents to check the quality of the sales process. With most life cover sales in the UK now being made on a non-advised telephony basis, the Protection Distributors Group is calling for insurers to undertake similar mystery shopping in the UK, as well as implementing a similar code of conduct for insurers.

36 [Financial Lives 2022: Key findings from the FCA's Financial Lives May 2022 survey](#)

## Recommendations

Based on the briefing's findings, it is evident that life insurance products and services are currently being used by abusers to cause harm to victim-survivors of economic abuse. Under the Consumer Duty, insurance providers have an obligation to prevent foreseeable harm to vulnerable customers, including victim-survivors of economic abuse, through their products and services.

### Recommendations for insurance firms

Therefore, in the current absence of necessary legal reform, we recommend that insurance firms proactively amend their policies, procedures and practices, as well as provide necessary training for staff, to prevent foreseeable harm to vulnerable customers. This should include the following actions:

1. Establish mechanisms for joint policies to be cancelled or replaced with individual policies to reduce the risk of harm to the victim-survivor of economic abuse. This might include insurers adopting standard clauses in terms and conditions that enable one party to end life insurance policies over their life or to convert them to some form of own life policy. This would require coordinated regulatory and market action in cases where there is known domestic abuse.
2. Proactively seek to close opportunities for life insurance policies to be taken out in joint names without one party's expressed consent or knowledge. This could include standard practice where insurance providers confirm all parties' consent to a policy being set up in their name, and adjustments should be made to ensure all parties are able to access this information and provide consent.
3. As standard practice, set up life insurance cover on a single life basis, placed in Trust where appropriate with a minimum of three trustees appointed. Trustees should be made aware of their duties and responsibilities, including economic abuse awareness.

4. To develop domestic abuse policies that are prominently displayed on their websites, so victim-survivors know how their insurer can support them in response to economic abuse. This should be supported by domestic abuse training for advisors who are offering support to victim-survivors, based on the SEA/Cooley LLP Insurance Guidance.
5. For UK insurers and principals of appointed agent networks to review their agent appointment process, agent training and monitoring through a domestic abuse lens. This could include firms carrying out regular mystery shopping to check the quality of sales processes and call handling, and in particular the identification and fair treatment of vulnerable customers.

### Recommendations for industry leaders and membership bodies

Industry leaders and membership bodies have a critical role to play in supporting insurance firms to meet the Consumer Duty by offering consistent and effective support to victim-survivors of economic abuse as vulnerable customers, and to prevent abusers from causing foreseeable harm through their products and services.

1. Therefore, we recommend that industry leaders and membership bodies follow the approach taken by UK Finance in the publication of the 2021 Financial Abuse Code, to develop an insurance industry specific code of best practice. The code should set out how insurance providers can support victim-survivors of economic abuse and prevent abusers from using insurance as a form of economic harm, including the specific recommendations made above for how firms can prevent the use of life insurance products to cause harm.
2. We also recommend that any future review of the 2021 Financial Abuse Code should consider and include the learning developed in SEA's briefings about how insurance products are used to cause harm and make specific best practice recommendations for firms.

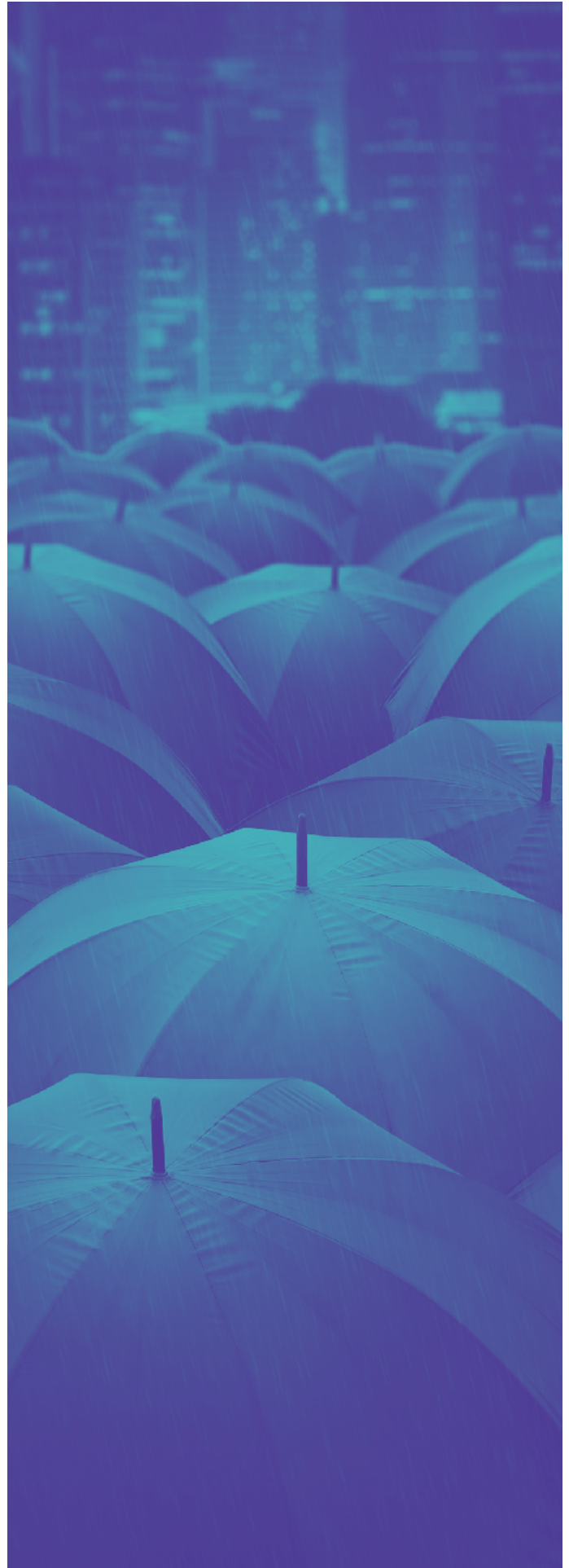
## Recommendations for the regulator

1. We recommend that the regulator considers how they can use the Consumer Duty to ensure that firms minimise foreseeable harms to victim-survivors through the use of insurance products and services.
2. Additionally, we recommend the regulator encourages industry leaders to develop an industry-led code of best practice regarding how firms can support victims-survivors, which reflects the approach taken by UK Finance to develop a Financial Abuse Code and best practice in Australia.

## Recommendations for researchers and policymakers

1. It is evident that antiquated legal rules currently enable economic abuse through life insurance products, and therefore legal reform is both necessary and overdue. However, to enable effective legal change, we recommend a fundamental research question must be answered regarding how joint life cover can be disentangled in a way that is economically viable and does not (itself) become a potential source of economic abuse. As noted above, there is a risk that seeking to separate cover on the grounds of economic abuse might have an adverse effect on the victim-survivor's ability to seek independent cover.
2. Additionally, we recommend that any future law reform, through proposed legislation such as the Insurable Interest Bill, must address the ability of one party to purchase insurance without the consent of the life insured. These reforms must also consider the dangerous implications for victim-survivors of economic abuse, when proposing the extension of current own life/spouse/civil partner category to a person who 'lives with the insured as a spouse or civil partner. Without addressing the issues of consent, this may extend the opportunities for abuse.

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Surviving Economic Abuse (SEA) is the only UK charity dedicated to raising awareness of economic abuse and transforming responses to it. We work day in, day out to ensure that women are supported not only to survive, but also to thrive.

#### **Find out more**

Contact us:

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