

INFORM YOUR INSURER OF ANY CHANGES CONCERNING THE USE OF INSURED PROPERTY

Short-term insurance contracts operate on good faith and it is the insured's responsibility to disclose all material facts that may reasonably be expected to enable the insurer to properly assess the risk.

This was the gist of a ruling by the Office of the Ombudsman for Short-Term Insurance ('OSTI') in upholding an insurer's decision to reject a claim in which a vehicle that was being used to carry goods was insured for private, work, and business use under a personal lines insurance policy where it should have been insured under a commercial policy.

The insurer submitted that the risk would not have been accepted on the cover or at renewal if the insured had informed it that the vehicle was used to carry goods. The insurer also pointed out that the details of the regular driver and the risk address had changed and had not been disclosed to it.

The insurer said that its assessment found that the insured had used the vehicle for purposes outside the scope of the agreed terms, and therefore a condition of the cover had been breached.

According to the assessor's notes, the driver had used the vehicle to collect and deliver goods on behalf of the insured's business twice a week over the preceding six months. The assessor's report stated further that, on the day of the accident, the driver was on his way to collect auction items from a storage location and then deliver them to the insured the following morning.

Based on the assessor's findings, the insurer submitted that the insured's use of the vehicle fell outside the scope of private, work, and business use, in terms of the cover, agreed to at inception. It stated that the underwriting guidelines for the personal lines insurance policy specifically excluded "the carrying of trade samples or goods".

The insurer pointed out that the insured's use of the vehicle did not fall within the scope of any other category of use provided in the policy. The insurer submitted that, in the circumstances, the vehicle should have been insured under a commercial policy.

"In our assessment of the evidence, we noted that some of the insured's submissions to this Office contradicted the submissions made to the insurer at the claim stage. Considering the above, the Assistant Ombudsman found in favour of the rejection of the claim on the ground that there were material changes concerning the use of the vehicle," said the Ombudsman.

The insured referred the matter for review on the ground that there was no proof that the insurer had sent a copy of the policy wording to her broker. The insured submitted that she was not provided a copy of the insurer's full policy (the policy wording), which contains the limitations of the cover. She said that she only received a copy of the policy schedule which only indicated that the cover was for private, work, and business use.

The insurer, in subsequent correspondence to OSTI, provided a copy of an email addressed to it by the insured's broker. It confirmed that a copy of the policy wording was sent to the insured when the policy was incepted.

"We were satisfied that the insured was provided a copy of the policy wording. The insured had an obligation to familiarize herself with the terms and conditions of the cover... alternatively, consult further with her broker," OSTI said.

OSTI made a final ruling upholding the insurer's rejection of the claim.

Ends,

About the Ombudsman for Short-Term Insurance

The Office of the Ombudsman for Short-term Insurance (OSTI) is an independent, non-profit industry ombud scheme. Short-term insurance includes: motor, house owners (buildings), householders (contents), cell phone, travel, disability and credit protection insurance, and commercial insurance for small businesses and sole proprietors. OSTI's mandate is to provide the insuring public and the short-term insurance industry with a free, efficient, and fair dispute resolution mechanism through an alternative dispute resolution process, applying the law and principles of fairness and equity. OSTI is not a court of law. It examines the information and evidence placed before it by the parties to a dispute and makes recommendations that are guided by the legal position and principles of fairness and equity. In rare instances where required, OSTI may make rulings. It does not, nor is it empowered to, procure evidence or witnesses, or investigate a complaint. OSTI, it must be stressed, operates independently of both the Financial Sector Conduct Authority and the Prudential Authority in its adjudication and dispute resolution process.

Issued by:

Meropa Communications
For interviews contact:
Lichelle Govender
lichelleg@meropa.co.za
082 958 4722

On behalf of:

The Ombudsman for Short Term Insurance
1st Floor, Block A
1 Sturdee Avenue
Rosebank
Johannesburg
South Africa
2196
Office Tel: +27 11 726 8900
www.osti.co.za