

THE INSURED MUST PROVIDE TRUE AND COMPLETE INFORMATION ABOUT THE LOSS WHEN CLAIMING

Honesty is the best insurance policy. Blatantly lying or omitting the truth when claiming puts you on a slippery slope. If you get caught committing insurance fraud, you not only could have a claim denied but could experience more extreme consequences.

In supporting the denial of a claim, the Ombudsman for Short-Term Insurance (OSTI) recently relied on an insurer's warning that a policy may be cancelled if false or incomplete information is supplied in connection with an application for cover or a claim.

The insurer rejected a claim and cancelled the policy on the basis that the insured had intentionally misrepresented and/or provided dishonest information concerning an engagement ring and computer tablet to receive a benefit.

The insurer submitted that the discrepancies in the replacement price and valuation of the engagement ring made it impossible to validate the claim.

It added that, given the value of the ring, it found it peculiar that the insured had not specified it in the policy. Concerning the tablet, the insurer said that the insured was claiming for the same device which was stolen, blacklisted, and last used in March 2016.

The insured was dissatisfied with the rejection of his claim and approached the OSTI for assistance on the ground that the insurer had not proven that his claim was not valid. The insured sought to set aside the rejection and to compel the insurer to remove its record of the cancellation of his policy based on fraud or dishonesty.

Senior Assistant Ombudsman, Ayanda Mazwi, found that the discrepancies concerning the engagement ring and the tablet reasonably indicated that the insured claimed for items lost in previous incidents.

She said that the policy wording also had an exclusion which stated that the value of jewellery may not exceed one-third of the sum insured. The sum insured in terms of the schedule was R302 500.

According to the insured's submissions, the total value of jewellery items stolen in this incident alone, was around R200 000, exceeding the one-third limit. Furthermore, on its alleged value, the engagement ring would fall within the locked safe warranty.

"After reviewing the policy documents, we also noted that all jewellery and watches per item, pair or set that exceed R20 000 per item in value, which are not specified under the portable possessions section, must be kept in a locked safe when not in use. The warranty further stated that 'In the event of a claim, there must be visible, forcible and violent entry to the safe'," said Mazwi.

"These arguments were not put forward by the insurer as grounds for declining liability. The terms and conditions of the cover also placed a contractual obligation on the insured to give the insurer true, correct, and complete information concerning the claim," Mazwi added.

She explained that the purpose of this obligation is to allow the insurer to establish the facts surrounding the loss and to determine its liability for the claim. The assessment findings herein pointed out material discrepancies on this claim.

“When discrepancies are found during the validation process, it demonstrates that the insured has not been truthful and/or upfront in his submissions and prejudices the insurer's right to validate the claim. The policy also contains a forfeiture clause that entitles the insurer to reject the entire claim and cancel the policy retrospectively where there is evidence of dishonesty or that the quantum of the claim has been inflated.”

The Ombudsman found that the insured did not provide the insurer with conclusive evidence of the alleged replacement or ownership of the items in dispute at the time of the loss.

“Essentially, the credibility of the insured's claim is in question. Issues concerning the engagement ring and tablet were irreconcilable. The valuation in respect of the replacement ring was conducted after the loss. This evidence must, therefore, be reviewed under a rigorous standard. The insured's email was not sufficient evidence on which to accept the valuation certificate without the insured's proof of purchase, the repairs, and an explanation of the significant discrepancy in the value of the ring. In the same regard, the replacement of the tablet was not confirmed by any evidence and the issues concerning its blacklisting have not been cleared.”

When assessing the merits of the review, the Ombudsmen found that this matter had the hallmarks of a dispute which cannot be resolved in this forum.

“Against this background, the unanimous decision of the escalation committee is that this complaint is not capable of a resolution in this office and is better suited for adjudication in a civil court as envisaged in clauses 5.1 and 7.3 of OSTI's Terms of Reference,” Mazwi concluded.

Ends.

About the Ombudsman for Short-Term Insurance

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.

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