

Media Release
For Immediate Release

Be entirely truthful, give all the facts when taking out a policy or reporting a claim

Comments from the Ombudsman for Short-Term Insurance on misrepresentation, non-disclosure, dishonesty and fraud by policyholders

When you take out a short-term insurance policy, the responsibility lies with you to provide the insurer with all the necessary information so that it can correctly underwrite (assess and price) your risk.

The information you provide at sales stage is used to enable your insurer to accurately determine whether or not to cover you, what premium to charge and whether the policy should be endorsed with special conditions.

The Policyholder Protection Rules requires the insurer to design its sales questionnaire so that it can readily draw out from you the correct answers which are required to underwrite the risk. The insurer is also required to explain to you the purpose of the questions, and the fact that a claim can be rejected if you have provided incorrect information. If incorrect information is provided unintentionally, your insurer may still pay out a claim (but is not obliged to).

The Office of the Ombudsman for Short-Term Insurance sees far too many complaints where policyholders intentionally provided incorrect details at sales stage in the hope of paying a cheaper premium. We receive numerous complaints from consumers where their insurer has subsequently rejected a claim on the basis of a material misrepresentation or non-disclosure at sales stage. The types of important information policyholders sometimes neglect to reveal is having suffered previous losses or cover refused by a previous insurer.

If you misrepresent or fail to disclose material facts to the insurer, your policy may be cancelled with effect from the start date. In this event, you will be entitled to receive a refund of all premiums paid since the start date, but this is cold comfort when you are faced with a big claim such as when your vehicle is a write-off or your home burgled.

Your duty to disclose does not end once the cover starts. You are required to inform your insurer of any material change to your circumstances throughout the life of the policy. In the case of a car, such material events may include a change in address, regular driver, number of claims submitted and so forth. You are also required to be entirely truthful about the circumstances prompting a claim submitted to the insurer for payment. The insurer needs to establish the facts surrounding the loss so as to determine its liability in terms of the policy.

Most insurance policies contain a clause entitling the insurer to reject the entire claim even if just one aspect of it is found to be dishonest. Insurers do detailed investigations of a claim, and at this stage any misrepresentation would invariably be revealed. For instance, on a vehicle accident claim it may perform an assessment interview with witnesses, including the third party, tow operators and the police. The insurer may also request medical reports, bank statements, vehicle tracking reports and cell phone beacons and billing to ascertain whether the policyholder complied with the terms and conditions of the insurance contract. Where a policyholder has had a policy cancelled for dishonesty, it will prove difficult for that person to find alternative cover in future.

Fraudulent claims are a major challenge to the short-term insurance industry. To reduce the number of fraudulent claims, insurers appoint investigators to validate high value or suspicious claims (which are often highlighted by sophisticated computer systems, and even your social media activity). Though the burden of proving fraud is high, and lies with the insurer, the implications are serious. A fraudulent claim may not only result in a claim being rejected or the cancellation of a policy, but the matter may be reported to the police.

Therefore, to make sure you have valid and on-going cover, you as a consumer need to pay close attention in your dealings with the insurer so as always provide true and complete information, and to make sure it remains up-to-date.

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About the Office of the Ombudsman for Short-Term Insurance

The office of the Ombudsman for Short-Term Insurance is an independent organisation appointed to serve the interests of the insuring public and the short-term insurance industry. By applying the law and principles of fairness and equity, it resolves disputes between short-term insurance companies and their clients.

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