Five ways in which your conduct could invalidate your insurance policy

[**Johannesburg: 29 July 2019**] Having your valuables covered under a short-term insurance policy provides much needed financial security against loss or damage. However, should you fail to uphold your end of the deal an insurer may be well within its rights to declare a policy to be invalid. Being at the receiving end on an invalidated insurance policy can be surprisingly easy if you do not understand the operating provisions of your policy. Below we highlight some of the things consumers do which might result in the insurer cancelling cover or refusing to pay out on a claim.

1. Providing incorrect details about the regular driver under a motor vehicle insurance policy.

Your insurer underwrites the policy based on the risk profile of the regular driver. The regular driver is the person who will drive the vehicle most often in any given monthly period. A regular driver's age, insurance and claims history, occupation and how long he or she has had a valid driver's license are but some of the critical factors taken into account when determining whether cover will be granted and, if so, on what terms.

For example, a 38 year old woman who has had her driver's license and an insurance for 10 years, works from home and has not suffered a loss in over 3 years will be likely to fetch a low insurance premium. By contrast, an 18 year old with no insurance history or a driver with losses in the past three years will be considered to be a greater risk and so will pay a higher premium. For this reason it is often tempting to a higher risk driver to misrepresent who the regular driver is in order to receive a lower premium. This may initially save you a few hundred Rands, however, when the insurer eventually finds out the truth (usually during the process of validating a claim), it will be entitled to void the policy from its commencement date and your claim will be denied, leaving you with the full cost of your loss. Now that's an expensive gamble as a way to save money!

Some insurance policies provide cover on a named/nominated driver only basis. This means that if anybody, other than the driver who is named on the policy drives the vehicle and a loss occurs, the policy will not respond.

Some policies will not cover a driver under 21 years old or one who has only had their driver's license for less than a specific period, e.g. 2 years. Proper disclosure is therefore essential.

2. Failing to update your risk address.

Have you moved house, or moved to a different city? What about your work address? Insurers determine premiums based on risk and part of your risk is determined by your street address. What are the risks of flooding or fire at your new address? Is it a densely populated area? What are the crime statistics? Your insurer also needs to know the level of security at your new address. Are there burglar bars or an alarm system protecting your insured home contents? Is your insured vehicle going to be parked in a garage, behind locked gates or on the street? All of these factors impact the assessment of the risk and must be disclosed to the insurer whenever relevant during the currency of the policy.

A greater risk often goes hand-in-hand with higher premiums. If you do not tell your insurer, this is referred to as a material misrepresentation or non-disclosure, and may render the policy void.

3. Using the insured property to conduct business when this was not declared to your insurer.

If you make use of your vehicle or home for business, then your insurance risk is considered significantly higher. The longer you are on the road, for example, the higher the chance of being in an accident or hijacked.

You may say, but wait, I am not self-employed or running my own business. That is beside the point. If you regularly use your vehicle to attend client meetings and site visits, your insurer may consider this business use. Again, proper disclosure is essential.

Maybe you decided to be helpful and economical by using your vehicle for a lift club travelling to work with fare paying passengers. Your insurer must be informed as this could mean that you need a different type of insurance altogether. If the insurer considers this a taxi service, and it does not have a product which covers that risk, your policy will be of no use.

From an insurer's perspective, frequent visitors to your home for your business may increase the risk of theft. Your business operations may also result in an increased risk of fire. If properly underwritten, your home contents or building insurance may require strict compliance with specific building regulations relating to the risk of fire or security measures relating to the risk of theft in order to enjoy cover.

If your property is insured under a personal lines policy, your cover may be invalidated by virtue of not disclosing this material fact.

4. Motor and home improvements.

Thinking of renovating your home? Getting out the drill or hammer and doing a bit of DIY on a Sunday may seem like a good idea. Maybe following a YouTube tutorial on tiling your floors or waterproofing the roof seems easy enough. However, poor design and faulty workmanship on your house may result in damage not being covered by your insurance policy. Rather get an expert opinion for all major building work to avoid invalidating cover for certain losses.

Notify your insurer before commencing major building work on your property as this may affect your cover during this process. If a wall comes crashing down or there is a theft of your home contents, there is a good chance of your insurer rejecting a claim because you did not inform it of this change in the risk. Building work which alters the size or security features of your home must also be discussed with your insurer as these will influence the sum insured and other elements of your cover.

Most insurance policies mention specifically that vehicles which have been enhanced to improve performance are not covered. Discuss this with your insurer before purchasing such a vehicle or effecting the upgrade.

5. Exaggerating your loss.

Exaggerating the value of your loss or claiming for an item you either did not own or lose is the most common type of insurance fraud. You may be thinking, how will my insurer ever find out? Insurance companies have investigative departments whose job it is to check things like this when you claim.
Complainants often seek to justify this by arguing that a claim is inflated in order to make up for the fact that insurers will not always cover the full amount in respect of each individual item actually lost or damaged.

This is not the way to claim. You run the risk of invalidating the entire claim, including your genuine loss. Some insurance policies contain a forfeiture clause which entitles the insurer to reject the entire claim where there is any evidence of fraud or dishonesty.

Insurance can be incredibly complex and every policy is different. Make sure to read your policy terms and conditions carefully and play open cards with your insurer or broker at all times.

Should you have a dispute with your insurer relating to any aspect, try first to resolve it with your insurer. If you are still not satisfied, you can approach our office for assistance.

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About the Office of 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 (with a turnover of less than R35 million per annum). 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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