

Understanding the Claims Process and the Factors that Affect Payouts

Insurance Marriage

PROPOSAL

WILL YOU INSURE ME?

ANSWER YES OR NO!

Sometimes if Yes

CONDITIONS MAY APPLY!



Insurance Marriage WORD OF ADVICE

- **If you are not ready for it don't get into it!**
- **The benefits far outweigh the disadvantages!**
- **It is a legally binding contract!**
- **Some marriages go bad because of non-disclosure of a material fact before the marriage and even during the marriage!**

FACTORS WHICH AFFECT THE PAYOUT

- **At proposal stage**
 - Non disclosure/misrepresentation
 - Under insurance
- **During the policy period**
 - Failure to disclose some fact that is material e.g. adding an extension to the property

FACTORS WHICH AFFECT THE PAYOUT

- Change of occupation
- Building unoccupied for more than 40 days
- Poor maintenance

FACTORS WHICH AFFECT THE PAYOUT

MAINTENANCE: *Your Policy does not cover you for the cost of gradual deterioration. IT IS NOT A MAINTENANCE CONTRACT. It is a condition of the Policy that you keep your property in good order and take reasonable steps to avoid damage.*

FACTORS WHICH AFFECT THE PAYOUT

Claim Point

- Failure to report loss to insurer within specified time frame
- Failure to report loss to relevant authority
- Failure to adhere to policy conditions
- Unspecified items – Jewelry
- Willful inflation of claim
- Outstanding premium
- Deductible
- Policy assignments – banks and other financial institutions

FACTORS WHICH AFFECT THE PAYOUT

- Insured named in policy deceased
- Underinsurance
- Property Ownership
- Lack of knowledge of policy terms and conditions
- Sum Insured – if under insured then for total loss amount will not be sufficient to rebuild
- Inflation
- Failure to prevent damage

FACTORS WHICH AFFECT THE PAYOUT

- **Other Insurances – Contribution**

If at the time of any incident which results in a claim under this Policy there is any other insurance covering the same damage or liability or any part of it, we will only pay our ratable proportion of the claim (**excluding Section VI Personal Accident**) where the full amount is paid

FACTORS WHICH AFFECT THE PAYOUT

Other Insurances – Contribution cont.

- Policy must insure the same property which was damaged
- Cover the same contingency (peril) which caused the damage
- Protect the same insured interest
- Have been in force at the time of damage
- Must be contract of indemnity

Underlining principle here is that you should be placed in the same position rather than making a gain. If so then property insurance can be used as unlawful investments.

Claim Payment Calculation

- Example – Sum Insured is Adequate and No Deductible

Policy A. Sum Insured - \$150,000.00

Policy B. Sum Insured - \$150,000.00

Partial Loss Claim - \$ 50,000.00

Each Policy Would Pay - \$25,000

Loss Payable	x	Sum Insured		50,000	x	150,000.00
		Total Sum Insured				300,000.00

Each Insurer Pays \$25,000.00 each. However insured would receive lower amount where the excess and average applies.

FACTORS WHICH AFFECT THE PAYOUT

- **Fraud**

“If any claim under this policy is in any respect fraudulent or if any fraudulent means or devices are used by the Insured or any one acting on his behalf to obtain any benefit under this policy all benefits under this policy are forfeited.”

FACTORS WHICH AFFECT THE PAYOUT

Policy Cover and Claim Settlement could be

- Indemnity Basis
- Reinstatement Basis

FACTORS WHICH AFFECT THE PAYOUT

Policy on Indemnity Basis – Building

The intention of the policy is that the insured will be placed in the same position that they occupied immediately before the event subject to any limitations in the policy.

Here a claim calculation on an indemnity basis will take into consideration depreciation

Examples

Building – Home which is not properly maintained

FACTORS WHICH AFFECT THE PAYOUT

Insurance on Contents

- Most contents insurance policies are not policies of indemnity but reinstatement

Wording:

“At our option we will repair, replace or pay the cost of replacement as new except for clothing, where a deduction for wear and tear will be made.”



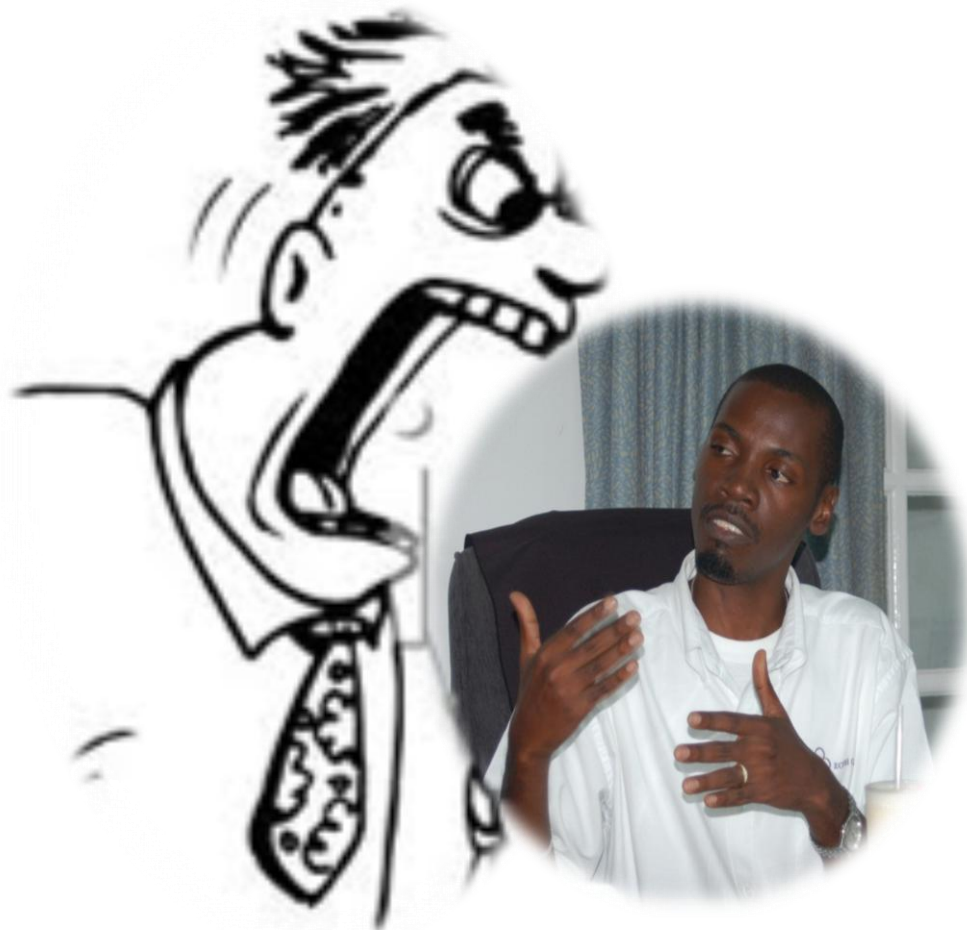
FACTORS WHICH AFFECT THE PAYOUT

Contents Claim

- Payment is based on 3 options
 - Repair
 - Replace – with actual item
 - Pay the cost of replacement
- **Important to Note**
 - Electronics and the like become obsolete fairly quickly
 - Jewelry and artworks appreciate

Must ensure that values are adequate. You may be under insured or paying unnecessary premium.

FACTORS WHICH AFFECT THE PAYOUT



FACTORS WHICH AFFECT THE PAYOUT



FACTORS WHICH AFFECT THE PAYOUT

Policy on Reinstatement Basis Building

- Sum insured must represent the cost of rebuilding
- Considerations
 - Rebuilding cost at time of insurance
 - Inflation
 - Building cost on the last day of insurance
 - Cost and time involved in obtaining planning permission
 - Fees applicable in rebuilding; example electrical certification form from Ministry of Infrastructure

Premium & Proposal Forms

- Payment of Insurance premiums
- Proposal form and its impact on claims

Example



SUMS TO BE INSURED:

SECTION I – BUILDINGS

The buildings, garages, walls, gates, fences, outbuildings, paved areas, aerials, and landlord's fixtures and fittings, awnings and Jacuzzis. To take advantage of our replacement value cover, you should insure for full replacement value.

Main Building	\$100,000.00
Additional building if applicable	–
Swimming Pool	–
Retaining Wall(s)/Gates/Fences	–
Sea wall(s), Docks, jetties, piers, or similar waterside structures (special conditions apply)	–
Architect & Surveyors Fees	–
Removal of Debris	–
Other - please specify	–
TOTAL:	\$100,000.00

Notes to Making A Claim

What You Should Do

1. Report the matter to the relevant authority where applicable
2. Check if you have a valid Claim:
3. Take photos of the damage
4. Tell us as soon as possible
5. Obtain estimates as soon as possible for repairing the damage

Notes to Making A Claim

What we will do

1. Where the damage is serious we will arrange for someone to call upon you as soon as possible
2. In other cases we will let you know if we need any more information. In some cases we may be able to settle your claim on the basis of the details contained in the Claim Advice Form and your estimate.

Deductibles

The first part of any claim which you have to bear

- Under the Comfort Zone policy there are various deductibles. The applicable deductible is dependent on the type of claim being made
- Catastrophe Deductible
 - Hurricane – 2% of the Sum Insured
 - Minimum – \$1,500.00
 - Theft and Accidental Damage to Pipes: \$250.00
 - Malicious Damage and escape of water: \$500.00
 - Riots, floods: \$1,000.00

Underinsurance & The Average Clause

What is under Insurance?

What is the Average Clause?

How would under insurance affect my claim?

Claim Adjustment Using Average

Claim Adjustment Calculation

Sum Insured:	\$100,000.00
Actual Rebuilding Cost:	\$200,000.00
Repair Cost:	\$ 25,000.00
Deductible:	\$ 2,000.00

Average Calculation: $\left\{ \frac{\text{Sum Insured}}{\text{Actual Rebuilding Cost}} \times \text{Repair Cost} \right\}$ Less Deductible

Claim Adjustment Using Average

Claim Adjustment Calculation

Sum Insured:	\$100,000.00
Actual Rebuilding Cost:	\$200,000.00
Repair Cost:	\$ 25,000.00
Deductible:	\$ 2,000.00

Average Calculation: $\left\{ \frac{100,000}{200,000} \right\} \times 25,000 \left\{ \text{Less } 2,000 \right\}$

Settlement Figure: \$10,500.00

The Claims Process

- **Notification**
- **Investigation**
- **Negotiation**
- **Settlement/Denial**

The Claims Process

- **The role of loss Adjuster**
- **Claim Disputes**
- **Reinstatement of sum insured**

FACTORS WHICH AFFECT THE PAYOUT

REMEMBER

- Adequate Sum Insured
- Premium Payment
- Proper Disclosure
- Timely Submission of all Relevant Documentation

WILL RESULT IN PROMPT CLAIM SETTLEMENT



For more information, please call 451 3244 or email ecglobal@ecfh.com