

Ombuds report shows how to save on insurance

The latest Ombudsman for Short Term Insurance (OSTI) [annual report](#) makes interesting reading from a consumer perspective, especially the insights it provides on the most common reasons for claims rejection.



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The ombudsman finalised 9,167 formal customer complaints in 2019 resulting in a combined settlement of over R94m paid over by South Africa's insurers to aggrieved parties. Despite this impressive figure, "it remains significant that nearly 75% of all complaints received concerned motor, home and household insurance – and that, statistically, the vast majority of these complaints were unsuccessful," says Christelle Colman, insurance expert at Old Mutual.

In short, as with previous OSTI reports, the 2019 numbers confirm that motor, home and household policies remain the Achilles heel of the South African insurance industry insurance from a customer perspective. These are the three areas in which customers continue to make common disclosure and behavioural mistakes. They are also the areas where the most confusion exists concerning the, "level of cover provided by insurance policies as well as the circumstances required for claims to be accepted," says Colman.

As in previous years, the seven consistent drivers of insurance failure remain:

1. Under-insurance

Failing to insure household contents at their current and correct replacement value. Most people simply renew their home contents insurance policies every year without updating their level of cover even when they have bought new things or replaced older items.

2. Poor maintenance

Insurance policies only cover damage caused by unforeseen events. Home maintenance is the responsibility of the homeowner. Homeowners who don't maintain their homes adequately are at greater risk of having their claims rejected.

3. Alarms not working

Homeowners should ensure that alarms work at all times. It is the policy holder's responsibility to keep the security system operational. Should theft result from a faulty alarm, claims are likely to be rejected. Since this includes flat

alarm batteries, in an age of load shedding policy holders should also ensure their alarms are backed up with independent battery or other power sources.

4. Driving violations

A motorist driving under the influence of alcohol or narcotics or without a valid driver's licence is committing a criminal offence. Criminal acts automatically invalidate insurance cover. This includes reckless or negligent driving as well as speeding, especially if these can be shown to have been the cause of the damage or loss.

5. Unroadworthy vehicles

Broken windscreens or wipers or tyre treads below the legal limit of 1.6mm are common drivers of accidents and claims repudiation. Should it emerge that any aspect of the vehicle was not in working condition and contributed to the cause of accident, the insurance claim can be rejected on the basis of the vehicle not being roadworthy.

6. Safe overnight parking

Insurers have different requirements in term of what constitutes secure overnight parking. Off-street parking is acceptable to some, while others may insist that the vehicle be kept behind an automatic garage door, or even a locked door. Vehicle owners must ensure that the security requirements stipulated by their insurance policy are adhered to. Should motorists park their vehicles in unsecured driveways or on the street it is important to inform insurers in order to confirm they are indeed still covered for loss or theft and, if not, adjust their premiums accordingly.

7. Unnamed drivers are generally not covered

If a motor insurance policy provides cover for named drivers, claims will be rejected if another, unnamed, driver was behind the wheel at the time of the accident. If multiple people are to drive a vehicle, the insurer should be informed upfront and as much information as possible supplied. Another common mistake is parents listing themselves as the regular drivers of their children's vehicles in order to secure a lower premium. When it is found out – usually in an accident – that the parents were not the regular drivers of the vehicle the claim will in all likelihood be rejected.

There is also a burden of disclosure on customers. "It all starts with reading and understanding policies upfront," says Colman.

Also, since wording is still not as simple as it could be, it is important that customers ask as many questions as possible. Finally, "you can never give too much information to your insurer or broker," she says. Describe your home, vehicle and personal circumstances in detail so that, "insurers and brokers get an accurate view of your real exposure – and cover it precisely," she adds.

The combination of state-of-the art customer assessment processes and integrated broker networks with full and open customer disclosure, is critical for the insurance industry to develop detailed, informed and correctly nuanced

understandings of client risk. By partnering with customers to accurately apprehend their real-life experiences and exposures, “the insurance sector can support South Africans – on the fairest terms possible - to manage short term challenges and setbacks while building long term prosperity,” says Colman.

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