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Better safe than sorry - Report all incidents!

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Recently, I observed an online discussion among consulting colleagues from around the country regarding the question of whether to advise clients to report each and every incident to their General Liability insurer or whether to report only those incidents where it appears certain that a claim or suit will result.

It seems that a number of consultants have observed a significant increase in claim denials for late reporting. A large number of these denials have resulted in litigation between policyholders and their insurers - not a pleasant or inexpensive ordeal. One consultant stated: "I have been retained on at least a dozen late reporting matters in less than two years, and nearly all could have been avoided with proper incident reporting." The consensus is that it is best to be safe and report all incidents.

While it may be true that a high number of incident reports might have a negative underwriting effect at the time of renewal, it is felt that the potential for denial of coverage is too great a risk to take in this time of increased insurance company scrutiny of claims and "tightening" of claim filing requirements.

For organizations that generate a high enough premium and are subject to high incident frequency, consideration can be given to implementation of a Self-Insured Retention (SIR) with a provision requiring reporting only of claims that reach 50% of the SIR amount.

My recommendation is that you report all incidents in a timely manner but, on any incidents where it is not deemed likely that a claim or suit will result, that you ask the insurer not to establish a formal claim file with a loss reserve, but to acknowledge receipt of the report for "record purposes". This should protect you from a late reporting denial should a claim or suit arise while, at the same time, satisfying your insurance contract responsibility.

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