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Failure to report claims can jeopardize your coverage

January 13, 2011 - Spotlights

You receive notice that an incident occurred on your property and are uncertain if it will turn into an actual claim. Since the incident sounds like it "may" have potential to develop into a full fledged claim, you report it to your insurance carrier. The insurance carrier assigns an adjuster and they immediately begin investigating and adjusting the incident. At a later date, suit papers are received for that same claim from an attorney, which you immediately send to your insurance carrier who assigns counsel and assumes defense of the case. Result - legal costs and judgments are paid under your insurance policy without a problem.

Sometimes an insured decides to not report an incident because of the uncertainty that it might develop into an actual claim. However, if the case develops into an actual lawsuit, the insurer may deny coverage when they discover the insured had prior knowledge of the incident but did not report it, maintaining the insured's failure to report the claim earlier jeopardized their ability to defend.

Incidents and accidents may happen every day, some of which are minor or inconsequential. If there are no injuries, you may be inclined to hold off on reporting an incident to your insurance company to prevent another claim from appearing on your claim history. This could be a costly mistake. The wording on most policies mandate that if an incident "may result in a claim," you are required to report it upon "first knowledge" of the incident.

How then do you keep the insurance carrier from setting a reserve and putting on your company's loss experience an incident that you believe is not likely to develop into a claim, while satisfying the policy's claim reporting provision?

Questionable incidents should be reported to your insurance carrier as "notice only" with a cover note that provides all the available information at your disposal. Be clear in your statement that your notification of the incident is for reporting purposes only. Once a claim number has been assigned, follow up with the insurance carrier to make certain that the claim does not carry a reserve and that the claim shows as closed on your loss experience report. If you are uncertain how to phrase your cover note, seek guidance from an insurance professional with claims handling experience.

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