

Property Casualty Case Study

Case I – Automobile Non-Disclosure

Mr. B insured his car through an insurance agent in August, 2011. When his car was stolen in June of 2013, he contacted the agent to make a claim. The agent discovered that he had a total of four speeding convictions. In September, 2006, September 2007 and April 2008 he had been convicted for driving at over 30 mph in a 30 mph area. In March 2010 he was convicted for exceeding a 60 mph limit.

The Insurance Company refused to meet Mr. B's claim because he had not mentioned the convictions. He did not disclose at policy inception or when he renewed the policy in August 2012. Both the application and renewal specifically asked if there were any convictions in the previous 5 years.

Mr. B said that the agent had completed all the paper work for her and she simply signed it. He said he had not intentionally concealed any information from the agent. However, since her offenses were relatively minor, he considered that even if she told the agent about them, she would have still been insured.

Points from the Company's Point of view

- The question on the application and renewal forms were clearly worded. And even though it was the agent, not Mr. B, who had completed the form, Mr. B should have checked the answers carefully before he signed it.
 - The company considered that his failure to disclose the convictions was an oversight, rather than a deliberate attempt to conceal the convictions from the agent.
 - The company agreed that the convictions were relatively minor. It also agreed that it would still have insured him if it had known about them. But the company said it would, initially, have charged her 12% more premiums. It would then have charged a further 5% when she renewed the policy in 2012. So his failure to disclose her convictions meant that she had paid less than she should have done.

Questions

- How would you have handled this issue:
 - Deny the claim and cancel the policy?
 - Pay the claim and cancel the policy?
 - Invoice the insured for the difference of the premium amount paid and that which he should have paid?

Property Casualty Case Study 2

Case: Inaccurate details of stolen goods...

Mr. G made a claim for goods stolen from his home during a burglary. Among the many items he claimed for were some *Star Wars* DVDs. This alerted the company's loss adjusters to the possibility of fraud, since at the time of the burglary the films in question had not been released on DVD. The company denied the claim and cancelled Mr. G's policy from the date of his claim. Mr. G complained, arguing that he must have mistakenly claimed for pirated copies of the DVDs, and that this mistake did not warrant cancellation of the policy.

Company point of view:

It was a clear an attempt to defraud the insurer existed. There was evidence that showed "*beyond reasonable doubt*" – more than the usual civil requirement of "balance of probabilities" – that Mr. G was claiming for something that he could never have owned. This higher standard of proof indicated that Mr. G would still be guilty of fraud, even if the pirated DVDs did exist, since he had attempted to claim for legitimate copies.

Questions:

- Would you pay the claim for items with legitimate receipts only?
- Deny the entire claim?
- Deny the entire claim and cancel the policy?

Property Casualty Case Study 3 – 22 Year Old Claim

Case Summary:

Insurance company was contacted by a regulator, initially by phone, and later with a written inquiry, regarding a claim which occurred 22 years prior in 1993.

The former policyholder moved from one state to another and left personal property with an acquaintance near their former residence. This property allegedly disappeared sometime between the move in the fall of 1993 and the end of March 1994 when the loss was reported by the complainant's husband. The loss report data is still retained electronically, and the value of the property was estimated at \$70,000.

In her written inquiry the former policyholder cited a litany of personal problems in explaining her own delays in pursuing the claim. She indicated that she had a newborn child handicapped due the negligence of hospital staff in December of 1993. Her brother passed away in May of 1994, her husband developed physical and mental problems and her son had surgery to repair a cleft palate in mid-1994. She was at the children's hospital two to three times a month with her daughter. Her aunt and uncle passed away, followed by her husband and in 1997 she had a serious automobile accident followed by a stroke. She indicated that it took her years to return to some sort of normalcy.

Since the paper file no longer exists most information regarding the investigation is no longer available, however the financial data indicates that a loss was not paid. Insurance company's Special Investigations Unit was involved in the loss.

Questions:

- Was this inquiry appropriate? What obligation does a regulator have to a consumer to set reasonable expectations in a situation such as this?
- Claim information is increasingly automated and in the future will be available years and even decades in the past;
- When does an insurer's obligation to satisfy a claim end?
- What impact do paying old claims have on financial stability and the accuracy of data and reporting?
- Should the company refuse to consider further payments in this case?

Property Casualty Resolutions:

Case 1: Automobile Non-Disclosure

Company action:

Given the circumstances, the company felt that a fair and reasonable settlement would be for the company and agent to meet the claim on a proportional basis. The company agreed and paid Mr. B 85% of her claim.

Case 2: : Inaccurate details of stolen goods...

Company action:

The value of the DVDs was relatively small compared with the overall size of the claim, but the company did not feel this was a case of "*innocent and minimal exaggeration*". Mr. G had dishonestly claimed for something he was not entitled to. This went to the very root of the insurance contract, and was a breach of the policyholder's duty to act in "*utmost good faith*" when submitting a claim.

We also felt that this fraud, and Mr G's subsequent attempt to cover it up, cast doubt on the validity of the entire claim. The company's decision was to deny the entire claim.

Case 3: 22 Year Old Claim Reconsideration Request.....

Insurance company's document retention period for claim files is seven years beyond the closing of the active period of the claim. The policy contains a suit limitation of three years after the date of loss and the state's statute of limitations for both contracts and property damage is three years.

A response was provided summarizing this information and indicating that we felt that the time requirements for further consideration of the claim had expired.