



## Case study: Insurance

### REJECTION OF INSURANCE CLAIM AND COVERAGE REVOKED

Themes: Home Insurance, Loss adjustment-cause of damage, customer obligation to provide accurate and complete answers to questions, customer obligation to act in good faith.

Mrs M contacted her insurance broker to file a claim for damage to the roof of her home. The damage was believed to be storm-related. This claim required a loss adjuster to assess the cause and extent of the damage.

The loss adjuster subsequently visited Mrs M's property to assess it in person, in the presence of her contractor, and later revealed that in his opinion, and in the opinion of Mrs M's contractor, the roof damage was not caused by a storm and thus the claim could not be accepted.

Mrs M then had another contractor conduct an inspection of the damage to support her insurance claim. This contractor also concluded the damage was not storm-related. It had already been reported to the insurance company that the previous contractor had agreed with the loss adjudicator in concluding the roof damage was not caused by a storm.

The insurance company thus decided to reject the insurance claim on the basis that the damage was not caused by the storm, consistent with the three expert opinions.

Mrs M complained to CIFO regarding the rejection of her claim.

A second complaint arose after Mrs M was completing an application to insure her grandson to drive her vehicle.

During the compulsory questions to be asked regarding criminal matters, Mrs M replied 'No' to all the questions regarding her grandson and any criminal convictions against him, indicating that he had no convictions. Then, after a routine background check, it was discovered that Mrs M's grandson had in fact been convicted of a drug-related crime.

When the insurance broker inquired about the discrepancy, Mrs M claimed that she believed the questions were relating only to driving offences. The auto insurance application on behalf of her grandson was rejected and her home insurance policy was revoked. She complained to CIFO.

## Conclusion

Regarding the first complaint about the rejection of her insurance claim for the roof damage, CIFO did not have any evidence to call into question the opinions of the three experts, two of which Mrs M had engaged herself, and so decided to not uphold that aspect of the complaint.

The second complaint was also not upheld following CIFO's review of the Policy Statement of Facts in the application. It asks about 'any criminal offence other than driving offences', leading CIFO to conclude that the insurance company did not act unreasonably when they rejected the motor insurance application on behalf of the grandson and subsequently cancelled the home insurance. Good faith and the provision of accurate answers to clear questions are critical to the relationship between a customer and their insurer. This case was an example of what happens when both appear to be absent.