



## Case study: Insurance

### INSURANCE CLAIM REJECTED DUE TO NON-COMPLIANCE WITH SECURITY REQUIREMENTS

Themes: Claim rejection; security requirements; customer obligation to properly protect the insured asset; bicycle insurance policy; insurance broker as 'agent' of insurer

A customer objected to the rejection of a bicycle theft insurance claim. The claim was rejected due to the limitations in the insurer's policy about keeping the insured asset secure.

In April 2020, Mr M discovered that his bike had been stolen. Mr M had stored the bike in a council-supplied, shared, residents only, secure bike hanger which he rented. Mr M submitted a claim to his insurance company for the value of the bicycle and the damaged accessories, estimated to be worth £750.

The insurer rejected the claim citing that the bike was stolen from a place that did not meet the insurance policy's 'security requirements' for the 'insured location'. The insurer also stated that, as the bike was left for more than 12 hours outside the insured location, according to the policy the bike would be considered 'abandoned'. Mr M appealed the rejection of the insurance claim stating that the policy did not clearly state that a bicycle theft from a council-supplied bicycle hanger would not be covered, but Mr M did notice that provision would be granted to bicycles stored in a 'communal outbuilding'. However, the insurer continued to reject the claim as they stated a 'residents only, council supplied bicycle hanger' did not comply with the specific policy phrase 'communal outbuilding within the boundaries of the property'.

In May 2020, the insurer responded and explained that although the bicycle hanger was on Mr M's road it was not the insured location defined in his policy (which was his home address). As the bicycle was not at the insured location for more than 12 hours, it was considered abandoned, and Mr M's appeal was rejected. The insurer referred Mr M to CIFO, and Mr M brought his complaint to our office.

CIFO investigated and concluded that the definition of 'abandonment' was quite different to the commonly accepted definition of the word and that policy exclusions regarding the bicycle storage significantly limited the scenarios in which cover would be granted. CIFO explained that both the regulator's code of conduct for the jurisdiction in which the policy was sold and the Licensed Insurer's (Conduct of Business) Rules, 2018 require significant and unusual terms to be highlighted and explained to customers at the point of sale.

The policy documentation made clear that the insurance broker was acting as the insurer's agent when selling the policy. This meant that the insurer was responsible for any acts or omissions made by the insurance broker when selling the policy. CIFO concluded that it was unreasonable for the

insurance company to rely on the unclear policy exclusions to decline the claim. CIFO recommended the insurance company settle the claim in line with the remaining terms of the policy and pay interest of 8% on that settlement, from the date of loss until the date of the final settlement.