



**RiskBox**



# **Blog**

**The Minefield of Claims Notification**

### **The Minefield of Claims Notifications Why is this important?**

In our view, claims notification has never been more important. At the moment we are all working in a rather peculiar world, with different pressures to deal with. Insurance is not immune in that regard. COVID, the accompanying economic environment and the future uncertainty is leaving many insurers nervous. They are being more cautious on what business they will quote for, need greater amounts of information and are charging more for equivalent policies than this time last year.

Crucially this caution also applies to their approach with claims.

What this means to you is that insurers can be less flexible with claims received today than they might have been 12 months ago. They tend to be tighter on adherence with the clauses and conditions on their policy, and none more so than when considering the claims notification obligations.

Notification of claims is a complex area. Even if your business has remained with the same insurer for years the obligations can vary significantly from when the policy was originally taken, and often changing as quickly as a premier league football kit.

Add to that how insurers often have a multitude of wordings with differing notification conditions. Then throw in how some can be vague with their stipulations and you enter an area where it's easy to come unstuck.

If you are ever in doubt whether an incident or claim should be notified, speak to your broker. That's what we are here for.

### **Where to find the deadlines.**

Claims notification deadlines are detailed within the policy documentation itself, and usually that means the policy wording. However there can be several different notification conditions, as the obligations will vary depending on the section.

Understandably there will be different requirements for notifying insurers of a stolen laptop compared to those when you've received correspondence alleging an infringement of Intellectual Property.

What this means to you is that there will normally be separate claim notification obligations for each section of a policy. Add that to the variances between insurers, different wordings and changes made to policies each year it quickly becomes a minefield.

## **How Might They Vary?**

Notification obligations can vary in a few ways.

### **When?**

Some clauses will be explicit and state specific timescales for a claim to be notified, which can be pretty short. It's not unusual to see some policies where liability claims need to be notified within timescales as short as seven days. Others can be quite subjective, perhaps asking for claims to be notified within a "reasonable timescale" or even "immediately".

### **What?**

Some notification clauses are quite specific as regards what needs to be notified, such as making the trigger the receipt of any form of written allegation of liability for injury or damage. Other couldn't be more vague if they tried; imposing notifications where you are obliged to notify literally any "incident" which could ever possibly result in a claim, no matter how unlikely that might be.

### **How?**

Some policies will impose certain obligations regarding how the claim is notified. For example, does it need to be in writing or over the phone? With some more modern policies insurers will offer claims portals or other online facilities where you can notify the latest incident. You just need to be careful that you adhere to whichever method is required. There are some more technical aspects with the above, regarding how the wording of these clauses affect the insurance contract itself, but the above remains a good base to work from.

## **What Happens If We Don't Notify Correctly?**

This is where problems can arise.

There is no absolute certain result from late notification, as insurers can use their discretion. However the basic answer is you open yourself up to having your claim rejected legitimately.

At one end, you have the small simple claim. For example, someone spilled water on an office laptop and took a few weeks to let insurers know. The amount is low, the damage is clear and there hasn't really been any negative impact on the insurer's position by the late notification.

Chances are a reasonable insurer will just agree to settle this, and probably give a gentle reminder to you of your notification responsibilities.

That's the good outcome.

What happens though when it is a large and complicated loss. Perhaps you've had a significant break-in and lost thousands of pounds worth of computers. You've had the police in, replaced the equipment, got new doors installed and now decide to give insurers the heads up.

Big problem. Insurers will normally want to appoint loss adjusters for large claims. They will need to check how the break-in occurred, that the premises was secured along with the policy conditions and alarms were set properly. If the doors have been replaced, or perhaps the alarm upgraded, then it's really tough to evidence that the policy terms have not been breached.

If the loss adjuster believes the policy has not been adhered to then they can recommend the claim as not being covered and you have a fight on your hands trying to prove you complied.

Take another example, one of your clients slips when meeting at your premises, injuring her arm. You don't notify insurers and assume it will go away.

Two months later you receive a solicitors letter alleging you are liable for her injury and seeking compensation. The solicitor claims the premises was untidy and that the floor was wet, causing her to slip.

How would you know, or be able to prove, that this was not the case? Your defence is seriously hampered from day one, and subsequently so is that of your insurers. It is therefore quite possible insurers will consider their position prejudiced, the notification condition breached and reject your claim.

### **Key Tips**

Please see our key tips on when to notify your broker of a potential claim, noting it is certainly not exhaustive, and if you are ever in doubt give your broker a shout.

### **Don't Take Chances**

If you are ever unsure, notify your broker. They can advise you on whether the incident in question needs to be referred to insurers at that stage. That is what you engage them for, so let them do their job.

### **Size Is Important**

If you ever suffer a larger loss contact your broker immediately. Whether you've suffered a break-in, a serious injury to an employee or received legal papers from an unhappy client threatening to sue you for thousands of pounds, don't delay.

### **Legal Matters**

Any formal correspondence alleging liability must be advised to your broker straight away. This could be a solicitors letter as mentioned above, or it might be directly from the client threatening legal action, or it might even be from a regulatory body. Whatever the case, never sit on it.

### **Beware The Grumbles**

Particularly relevant for Professional Indemnity, it is often possible to identify potential problems before they ever turn legal. Be acutely aware of your clients grumbles. If they are frequently complaining about perceived deficiencies with the work delivered, delays or additional costs, then be aware as they may become the dreaded solicitors letter. Additionally, getting insurers involved early can lead to a better result for everyone, as most Professional Indemnity policies include mitigation of loss cover, allowing you to squash problems early.

## **Renewals**

At every renewal you are obliged to notify insurers of any claim or incident that could turn into a claim. Therefore be extra careful to check that you have notified your broker of everything that might become a claim. This goes beyond the obvious peril of having insurers reject a claim, potentially going as far as insurers withdrawing cover due to misrepresentation of the risk

## **Emergencies**

Insurance is not just about paying claims, but also about protecting the insured business in the first place. A great example is how Cyber & Data packages include specific support services to tackle attacks and breaches quickly on a 24/7 basis. Make sure you are fully aware of what “out of hours” emergency services are provided by your insurer so you can use them when the worst happens

# Get in touch with us

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