

a statistical analysis of matters closed by OSTI in 2018

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During 2018, OSTI finalized a total of



9 474 formal complaints

This was 97% of the total number of complaints registered in the same period.

OSTI classifies complaints according to the type of insurance policy the consumer complains about, the issues involved and the outcome of the dispute.

Highest categories of complaints received:



Motor vehicle insurance at 48% of the total number of finalized complaints.



Followed by **homeowners insurance at 21%**.



Complaints relating to **commercial insurance increased** from 8% in 2017 to **9% in 2018**.



Household content insurance complaints decreased from 6% in 2017 to **5% in 2018**.

The remaining 17% of complaints related to other insurance products including personal accident, water loss, travel, all risk, mobile device, legal expenses, hospital cover and gap medical cover.

In more than two thirds of finalized complaints, consumers complained about the insurer's decision on a claim. Overall, the majority of these complaints, at 36%, related to the rejection of a claim on the basis of an exclusion or warranty in the policy terms and conditions. This figure remained virtually unchanged when compared to 2017. It is clear to OSTI that many consumers do not know or understand what is in their policy documents. Because it is not possible to go through all of the terms and conditions of cover at sales stage, insurers are required to provide the insured with policy documents drafted in simple language. The insured must read these documents and consult the insurer or broker should there be a need for clarity. If a dispute relates to what the insured was told when the policy was being sold, OSTI considers all sales communications, written and verbal.

The remainder of finalized complaints related to complaints about non-claim related policy disputes, such as policy changes, cancellations or lapsing, premium increases and service related complaints.

“So what, in relation to these categories, did people complain about the most?”

Motor vehicle insurance disputes

The majority of complaints considered by OSTI, at 74%, were for accidental damage. This was also the case in 2017. Warranty and mechanical breakdown claims comprised 9%. Theft and hijack claims comprised 8%, a slight decrease from 9% in 2017.

The **primary cause** for complaints was the **amount offered for the settlement of claims**. The disputes varied from the calculation of vehicle and/or salvage values, uninsured credit short-falls and accessories, excesses and the use of alternate or second hand part prices in calculating the repair amount, to name a few.

The **secondary cause** for complaints was rejections based on the insured's alleged **non-disclosure or misrepresentation of underwriting details at sales stage**. However, OSTI saw a 22% decrease of such complaints in 2018 compared to 2017. OSTI has always emphasized the importance of the insured's contractual obligation to provide true and complete information when taking up a policy or updating it. Insurers are also required to conduct the sales process in accordance with the agreed industry code.

OSTI also recorded a **15% decrease in the number of considered complaints** relating to rejections on the grounds that the insured was **driving under the influence of alcohol (dui)**. We believe this decline can be attributed to several factors, including increased consumer awareness and responsibility on the dangers and consequences of dui, measures taken by the insurance industry (such as the 'take me home' service) and, the strong approach taken by OSTI on the insurer's evidentiary burden when defending this rejection. DUI still remains a very real problem for the insurance industry and we must caution consumers that a rejection may be justified on circumstantial evidence, despite the driver not having been tested for alcohol consumption by way of a breathalyzer or blood test or having been convicted of a criminal offence in relation to the incident.

The number of complaints related to rejections based on the policyholder's obligation to exercise due care and prevent loss increased substantially in 2018, by 48%, when compared to 2017.

18% of motor vehicle insurance disputes were resolved in favor of the insured, with a recovery of **R53 641 058,00** where the dispute related to a claim.

Homeowners insurance disputes

Last year, **61% of complaints** considered by OSTI under



homeowner's insurance related to claims for **damage caused by acts of nature**. These claims relate primarily to storm related loss. In 2018, this figure **dropped to 58%**. Theft and burglary claims on the other hand increased from 4% in 2017 to **6% in 2018**.

The **primary cause** for complaint, at **48%**, was the rejection of claims on the **basis of the condition of the property**, this being wear and tear, lack of maintenance, defective design, construction, workmanship and building material. This was also the case in 2017. This rejection reason causes consumers a lot of unhappiness, however it is the insured's contractual responsibility to ensure that the building structure is properly maintained and is in compliance with applicable building regulations. If the damage claimed for is attributed to the condition of the property, the policy may not respond even if an insured event did occur.

The **secondary cause** for complaint related to **settlement calculations**. Underinsurance is a real concern. This is when the sum insured is less than the property replacement value. In this case, the insurer will only settle proportionately and the insured will be responsible for the difference. For example - If the sum insured is R400 000 and the replacement value


is R500 000, only 80% of the loss will be paid out. This can be devastating to the insured, particularly during these soft economic times. The main misconception is the insured's belief that the municipal value, purchase price or bond amount is the correct value, without taking into account inflating building costs, renovations and reinstatement such as professional fees, demolition and debris removal which can add up to 20% of building costs. It may be necessary for the insured to seek professional advice on the replacement value - after all, for many of us our homes are our biggest assets.

12% of homeowner's insurance disputes were resolved in favor of the insured, with a recovery of **R12 369 548,00** where the dispute related to a claim.

Household content insurance disputes

Theft and burglary claims comprised 71% of complaints considered by OSTI under this category. **8%** related to **acts of nature**, **6%** to **accidental damage** and only **3%** to damage caused by **power surge**.

As in 2017, settlement calculations were the primary cause for complaints. Although rejections based on the insured's alleged fraudulent act, dishonesty or



misrepresentation on a claim was the second highest cause for complaints, our records indicated a noticeable 31% decrease in these complaints compared to 2017.

15% of household content insurance disputes were resolved in favor of the insured, with a recovery of **R3 288 605,00** where the dispute related to a claim.

Commercial insurance disputes

The **majority of complaints** considered by OSTI related to **motor vehicle** (29%) and **building claims** (30%). Overall, the primary cause for the complaints was settlement calculations and rejections on the ground that conditions of cover were not met. The latter includes issues such as motor vehicle roadworthiness, commercial driver's licenses, building security measures and fire safety. Insurers may conduct a professional risk survey during the underwriting process and, based on the findings, either endorse limitations or strict conditions of cover, with which the insured is contractually obliged to comply.

16% of commercial insurance disputes were resolved in favor of the insured, with a recovery of **R13 987 137,00** where the dispute related to a claim.

OSTI evaluates its service and quality across a broad

range of issues we see as critical to our success.

Based on OSTI's overall performance, from its Contact Center to complaints submission and handling, **60% of complainants** who completed our customer experience surveys indicated that they were **satisfied with our service**, process and communications. OSTI must work hard to improve this rating. This improvement also comes from enhancing consumers understanding of OSTI's processes and the expectations that they have of our service.

Every service complaint helps us understand where we need to improve. Resolving disputes in the shortest time possible was a common issue raised by consumers. The **average time** to resolve disputes in 2018 was **104 days**. In 2017, it was 131 days. The office target is 100 days. However, speed is only part of the picture. It is essential that consumers feel they have been treated fairly, whatever the conclusion reached on the dispute.

Strengthening internal controls and improving efficiency was a key objective of our new complaints handling process introduced on 3 January 2019.

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