

■ Consumer advice

# Client cries foul over policy shock

Divorcee fights back after insurer refused to pay out claim for 'dishonesty'

**L**AST August, two men broke into Jane Doe's\* Knysna apartment. One of them raped her, while the other stripped her home of more than R75 000 worth of household goods.

Among the stolen items were a sapphire and diamond ring, a flat-screen TV, two laptops, three cellphones and digital and video cameras.

The 49-year-old self-employed divorcee, who was told she was under-insured, endured weeks of double-checking by Outsurance agents wanting to know where and when each claimed item had been bought, and for how much.

The insurer even requested contact details for Doe's ex-husband to ensure her description of the ring tallied with his memory of it. A few weeks after the incident, she received a renewal notice which thanked her for her "continued support" and included a premium increase, along with product and service updates.

But not long after that, her robbery claim was repudiated due to "material misrepresentation", and her policy was cancelled.

Heavily sedated at the time, Doe vaguely recalls Outsurance telling her that upon investigation following her claim, it had discovered she'd had insurance cancelled by Auto & General 10 years ago.

"A decade is a long time to remember details," said Doe. "When I was with Auto & General, I'd been married so I wasn't the only one dealing with the insurer. Since then, I've got divorced, moved town, house and jobs."

In June, Doe's friend Sue Ryan, who works in the insurance industry, took up the case on her behalf, asking Outsurance for a written

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## THE POWER REPORT

record detailing the reasons behind the rejection.

She told the insurer that Doe wished to lodge a complaint with the Ombudsman for Short-term Insurance and needed the reasons in writing. Outsurance refused.

Said Ryan: "I stand firm in my belief that she was raped twice. Once literally and the second time by Outsurance."

So what was behind Out-

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surance's decision?

Head of client relations, Natasha Kawulesar, said Doe had failed to disclose the previous cancellation when she took out the cover.

"We ask this question specifically as we do not provide cover where clients had been declined cover by other insurance companies. If she had answered this question honestly, we would not have offered her cover," said

Kawulesar.

The previous cancellation related to an alleged "dishonest" contents claim in 2001.

So why didn't it give full reasons in writing to Doe as requested? It should have, said Kawulesar, and this would be addressed with those responsible.

At Outsurance, client information given at the time of taking insurance cover is validated only when a claim is lodged; the extent of the validation depends on the value and nature of the claim. Surely it's fairer to consumers to check all relevant information before agreeing to cover and taking their money?

"Validating information at the stage of a sale would be extremely expensive, unnecessary and an unfair cost to our clients who provide correct information... [it] will result in higher costs and an increased premium," Kawulesar said.

"Since we base our contract on a relationship of trust that our client has provided true information, we believe that our validation process at the stage of a claim is both ethical and fair."

Even though it seems to clash with the code of conduct of the South African Insurance Association (SAIA)? The code states that all material information must be obtained by the insurer at the time of underwriting and not at claims stage. Underwriting at claim stage can include credit or financial record checks, looking for judgments, defaults as well as claims or previous insurance cancellations

which may not have been disclosed, or were misrepresented when the policy was taken out.

SAIA's spokesman Kwanele Sibanda said the association did not support any practice where "insurers only obtain or *check* [my emphasis] information material to their willingness to enter into an insurance contract, or which may influence the cost of the insurance, at the time a claim arises". Non-compliance and/or "undesirable market practice" would be investigated and addressed with members, Sibanda said.

Kawulesar denied any breach of SAIA's code: "We obtain all the material underwriting information during the underwriting stage. We validate at claims stage information pertinent to the claim. Part of this is the previous insurance check that is done on certain claims."

Peter Nkhuna, senior assistant ombudsman in the office of the Ombudsman for Short-Term Insurance, said Doe needed to lodge a formal complaint before her case could be properly evaluated.

Nkhuna said that regardless of the outcome, if an insurer cancelled a policy, it had to refund premiums.

Doe received no refund. Kawulesar said it had paid two motor-related claims in the two years she'd been covered, and one had been higher than the premiums she'd paid.

Why had Outsurance paid these claims at all? Turns out the first one was such a small amount, the insurer hadn't bothered to validate. In the validation process for the second, Doe's previous history "didn't come up".

Seems not all validations — or insurers — are equal.

\* Name changed to protect the reader's identity.