

Why insurance claims go wrong

With so many day to day pressures, deadlines, emails and telephone calls, Trustees will often treat their trust asset insurance renewal as a chore, to be resolved as quickly as possible - but this is not a healthy approach.

Such an approach or, dare we mention it, attitude, could leave the insurance unsuitable or insufficient which could cause a claim to get repudiated or reduced. This can at best cause client dissatisfaction or, at worst a professional indemnity claim against the Trustees for negligence.

Insurers do pay valid claims but insurance policies are contracts (which can be rendered void) and just like any other form of contract, the terms need to be understood. Rather than seeing it as a chore, Trustees should invest adequate time and treat their insurance arrangements as a priority and a reflection of their prime fiduciary duty to protect the trust assets.

How to side-step potential problems:

Avoid complacency

All too often insurance cover is renewed with the existing providers with little or no attention to the renewal terms or policy cover. Insurers are under no obligation to continue the previous year's contract terms and are free to alter the basis of cover at renewal. It is important that you spend time reviewing the new terms and liaise with your professional insurance advisors.

Review the sum insured

Insurers will generally apply inflation-protection index linking to the sum insured, so spend some time checking the adequacy of these values. Should a claim occur, then insurers or the loss adjusters will want to know how the sum insured was calculated.

Review the occupancy

Settlers or beneficiaries will not always advise the Trustees of their movements and leaving a property unoccupied can affect the insurance cover. Insurers do not like empty premises as they attract vandals, arsonists and squatters. They are also more prone to water damage losses. Failure to advise insurers of lengthy periods of unoccupancy could invalidate the insurance contract. Generally unoccupancy periods that exceed 30 days should be notified to insurers.

Understand the warranties

Many insurance policies contain additional warranties or endorsements and failure to follow these to the letter can invalidate the insurance policy. It is important that users of the property (ie; the trust beneficiaries, or other tenants) are made aware of the contract conditions and the importance of following them. Examples include an Alarm Warranty for a high value residential property (calling for the burglar alarm system to be set every time the premises is left empty) or a Waste Warranty for commercial premises (calling for all trade waste to be swept up and removed from the premises at the end of each working day).

Vantage

Vantage is a specialist insurance broker to offshore service providers and has a great deal of experience in providing advice and insurance solutions for trust company clients. Please do not hesitate to make contact if you have any concerns over your client insurance business. We can assist with advice and guidance to ensure that your position as trustees is fully protected.