

VÉZINA FLASH

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LATE REPORTING OF INSURANCE CLAIMS... WHAT ARE THE CONSEQUENCES?

The possibility of coverage or other claims issues due to late reporting exists in every type of policy. The consequences will vary according to the type of coverage involved and the importance of the delay. Was the insurer prejudiced because of the delay? Did the delay cause an aggravation of damages? Are there certain conditions in your policy which, in the event of late reporting, may limit or eliminate your claim?

The classic example of late reporting occurs in a liability claim. Most insurers are loath to deny coverage unless they feel that prejudice, such as the inability to properly investigate or defend the claim, has been caused. In these cases, the usual response is to deny coverage to the insured, however the insurer may continue to deal with the claim subject to some form of reservation agreement. Following a denial of coverage, there are several possible impacts to the insured, notably:

- ◆ You will be forced to support additional legal expenses to directly defend the legal action against you or to sue your own insurer for coverage or both.
- ◆ You may be condemned to pay the amount of a judgment to the claimant without recovery from your insurer.
- ◆ There will be a major drain on your company's resources in lost time, misdirected priorities and energy, as well as the pure financial impact.

All of these repercussions could be avoided by early reporting of the loss to the insurer.

With regards to other types of policies, late reporting can lead to

financial prejudice other than that associated with the complete denial of coverage previously noted.

For instance, if you delay reporting a property or a boiler and machinery claim, the insurer may hold you responsible for any aggravation of damages thereby causing you to bear the cost for these damages—above and beyond your deductible! For example, a simple water damage claim which is reported late may lead to mold propagation or other damages related to the utilization of improper drying/restoration methods, the costs of which would be borne by you. With early reporting, the insurer could advise you on repair methods or suggest qualified experts. There might also be an impact on your business interruption claim such as a delay in commencement of coverage, a reduction in the period of admissibility allowed by the Insurer, etc.

The key to ensuring the most complete coverage and indemnification from your insurer after a loss is to contact your Vézina account executive or a member of the Vézina service team as soon as you are aware of a claim or of any circumstances which may give rise to a claim. With their professional advice, you will be able to make a reasoned decision concerning the reporting of the loss or incident. We can also provide you with loss management techniques prior to a loss occurring which will assist you in reacting more efficiently in the event of a claim or incident.

Our goal is to help you to protect your bottom line and to provide added value and exceptional service every time your insurance needs come into play.

To consult “Back issues”, please go to our web site www.vezinadefault.com



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