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Your Auto Policy Conditions Could Be the Reason for a Claim Denial



You might have heard about auto insurance policy exclusions, but did you know that conditions can put a dent in claims, too? Understanding the conditions within your auto policy is just as important as the exclusions.

Policy conditions are a set of rules that clarify what to do in a specific situation, like how to mediate a disagreement over the monetary value of a vehicle in an insurance settlement payout. Policy conditions may also dictate the process to follow when reporting an auto accident involving your vehicle — including how long you have to report it. If you don't follow these conditions, you might find yourself on the losing end of a claim.

"Duty to report" condition

Most auto policies have a section called "duty to report an accident or loss," which describes the rules you're expected to follow after an accident involving your vehicle. Not all policies are the same and duties can vary. Conditions might explain when to report an accident to the police and your insurance company, including how long you have to notify them. The clock starts ticking as soon as you become aware of the accident.

Here's an excerpt from a "duty to report" condition:

- The named insured or any insured person or person claiming coverage must contact the company within 24 hours after an accident or loss occurs.
- For accidents or losses that involve hit-and-run vehicles, unidentified motor vehicles, vandalism or theft, the accident or loss must be reported to law enforcement within 24 hours, or as soon as is practicable, after the accident or after the discovery of the vandalism or theft.
- A person who fails to perform any duty listed here or in this policy, or who fails to properly comply with all policy terms, may be denied some or all coverage and/or benefits.

If you fail to follow the conditions, it leaves the liability door open to interpretation — one that usually favors the insurance company.

How claims get denied

Using the conditions listed above, let's look at how a claims situation could play out.

You normally park your car on the street. On Monday morning, you notice damage to the passenger side door. There's no note. You have a busy week and the car is still drivable, so you go about your day. On Tuesday afternoon (30 hours later), you report it to the police. Later, your insurance claim is denied. The insurance company cites the duty to report clause, stating you failed to report the loss within 24 hours.

This example might seem extreme, but it's based on a real-life situation. The insured was denied their claim because they failed to contact the police within 24 hours. Even with extensive coverage and no exclusions, the insurance company could deny all or part of the claim based on the policy conditions — and they did. That's why understanding your insurance agreement (and having a great agent on your side!) is important.

Protect yourself and understand the conditions

Insurance policies differ, so take time to familiarize yourself with your policy's conditions. You might not have a strict 24-hour limit on reporting an accident, but you'll likely find some interesting rules that you've agreed to (and may not be aware of). If you're not sure about what your policy conditions mean, give your agent a call. They're happy to answer questions and explain the details.

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