

The Importance of Filing Claims in a Timely Fashion

One of the keys to having your insurance claims paid promptly is to file them in a timely manner.

Virtually all commercial insurance policies — from liability and workers' compensation to commercial auto and property — require that a notice of claims be filed within a certain amount of time after an incident. For businesses that procrastinate, that's a costly mistake when they learn their insurer refuses to pay the claim.

It may seem counterintuitive for a business not to file a claim when they learn of an incident, but there are a number of reasons a business might make this bad decision:

- An insured may not feel responsible for a slip and fall accident on their premises when it happens. They may instead wait to see if the insured sues, and that could be months later. This robs the insurer of doing its own investigation of the potential claim so it can better defend against it.
- An insured may feel that the damage their business suffered in a storm was negligible and not worth filing a claim over. They may fix it themselves and later find out that the damage was much more extensive than they originally thought.
- The insured may assume the claim will just "go away" and they wait thinking that if they file a claim their insurer will raise their rates.

To avoid this fate, familiarize yourself with the claims-filing time provisions of your policies. They all have them, but they will not often include an exact amount of days that you have for filing a claim, and conditions vary.

For example:

Commercial general liability policies — These will typically include a condition that the insured "must see to it that [its insurer is] notified as soon as practicable of an 'occurrence' or an offense which may result in a claim."

It further requires the insured to "immediately record the specifics of the claim or 'suit'," and to "notify the insurer as soon as practicable" of a claim or suit brought against the insured.

Business auto policies — These typically include a condition stating that an insured must give its insurer "prompt notice of the 'accident' or 'loss'," and the insured should further "immediately send the insurer copies of any request, demand, order, notice, summons or legal paper."

Why filing late is so bad

Failing to file a claim on time with the insurer not only violates your insurance policy conditions, but also robs the insurer of being able to conduct a thorough investigation and assessment. And getting a late start on the investigation can instead drive the cost of that claim higher.

The worst mistake you can make is failing to notify your insurer of a lawsuit against your organization. That could result in the insurer not being given time to answer the complaint in a timely manner, resulting in a default judgment against your firm.

The takeaway

Ways in which an insured can avoid late reporting include:

- Reporting claims immediately after incidents occur. The sooner the better.
- Consider also reporting incidents to your insurer that you are not initially sure will necessitate making a claim.
- For liability claims, report incidents even if they do not result in a third party threatening to sue. The earlier the insurer is aware of an incident, the faster they can begin gathering evidence and talking to witnesses.
- Familiarizing yourself with your policy conditions and training your staff in how to identify what could be a potential claim.
- Notifying your carrier immediately in the event your organization is sued.
- Appointing someone in your firm as a point person to whom your staff would refer potential claims. They would also be responsible for reporting to management and to your insurer.
- Checking your umbrella and/or excess insurance policies to see if they include different notice requirements than what are on the primary insurance policy. Sometimes they differ even though an excess policy is tied to a primary policy.

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