

Policy Wording, Gaps and Exclusions



Having an insurance claim declined just when you need it most could cripple your business. Here are some pointers to avoid being left in the lurch, writes

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Exclusions and gaps in insurance cover, which can cause a claim to be rejected or not paid in full, are a reality and it is imperative that you understand the fine print in your insurance policies and take steps to counter these uninsured gaps.


To avoid exclusions, it is essential to discuss the terms of your insurance cover with a broker who is able to explain all the terms and conditions of a policy with you and advise you as to what additional cover is available to cover the instances when your policy will not pay out.

Some events, like losses incurred as a result of riot or terrorism can be included in your policy as an extension of cover at minimal cost.

Non-disclosure is a policy clause that all insurers can use to decline a claim. Check with your broker before undertaking any risk that you may be unsure of. If it's not covered, you may find that the insurer will accept the additional risk at a very small premium increase if at all.

Your broker can also assess whether you may have too much insurance which can allow insurers to avoid payment under the "allocation" argument. Although full coverage is available under a single policy, the possibility that another insurance policy might apply provokes argument that the insurer is only responsible for its "allocated share" of the covered loss. Buyers who purchase extra insurance may, then, be subject to more rejected claims than those who purchase less.

There may also be other policies which are more suited to your particular circumstances and which will not have the same exclusions.

Your insurance broker is not just a commission earning paper pusher - they're there to provide advice. And if they get it wrong, and a claim is declined, the insurance ombudsman can hold them accountable. 



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