ARiSe Newsletter

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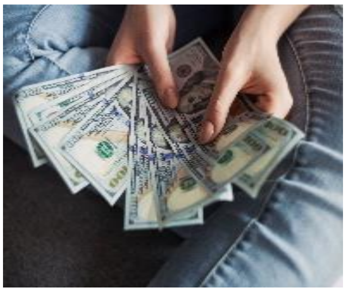

Claims: Fidelity Guarantee Claim Case Study

Insurance is not a physical product that a person can touch or feel. It is an intangible based on the premise that the insurer shall compensate the client fairly if a loss occurs due to an insured event subject to the client acting in utmost good faith. This article will define and provide a detailed example of a fidelity guarantee claim highlighting the importance of acting with utmost good faith.

The storekeeper stole coconut cream in excess of the quantity ordered

The claim's basis was a storekeeper responsible for coconut cream stored in boxes. Whenever a customer placed an order, the storekeeper would remove more stock than the order required. Due to the layout of the warehouse, it was possible to conceal the stock in a manner that the missing stock was not apparent.

The storekeeper maintained this behaviour for a few months but on the day, that he did not come to work the inventory check took place.

The employee was collecting boxes for an order and noticed the shortage of stock. The storekeeper was responsible and subsequently terminated with the assistance of photographic evidence.

The client reported the claim by email. After due deliberation and a visit from the assessor the claim was fully paid.

We request our clients to refer to Issue #5 of the ARiSe Newsletter for more information on the Fidelity Guarantee insurance cover.

With respect to the lessons learnt from the claim, we can readily suggest multiple elements that must have been satisfied in order for the claim to be paid. These comprise of the following limited list:

1. **Having the Fidelity Guarantee cover** – The cover is for loss / damage to property or money caused by the insured's own employees and / or direct financial loss sustained by the insured as a result of fraud or dishonesty of an insured employee. It is worth noting that the Burglary / Theft cover does not cover the risk of loss or damage caused by employees.
2. **Provision of required documents for the claim** – When the insurer determines whether the claim can be paid, they will consider factors such as the subject-matter of insurance, the location, the duration of time within which the loss occurred, risk management strategies, past experience, and other considerations as they deem necessary. The insurer scrutinizes the supporting documents and if there are any inconsistencies, the claim repudiated.
3. **Cooperation with broker and insurer** – In addition to supplying the required documents, it is advisable that the client cooperates fully with the broker and insurer to ensure smooth claims process. It is important to note that the duty of disclosure and principle of utmost good faith applies even after the claim.

We can see from the above examples the importance of understanding the concept of insurance as a risk transfer strategy, which requires constant attention and diligence to perform successfully.

That the loss occurred over a period indicates a possible revision to managing the risk and preventing such situations from occurring in the future.

Furthermore, it is also worth highlighting that the client was fully cooperative in the processing of the claim and as a result, the claim paid within a reasonable time.