

Insurance company penalised for "lackadaisical" handling of claim

A long-term insurance company has been ordered by the industry's watchdog to pay compensation for its shoddy handling of a claim.

Judge Ron McLaren, the ombudsman for long-term insurance, castigated Channel Life for its "lackadaisical" approach. He said his office had seldom seen "such poor levels of service", and ordered that compensation of R7,500 be paid to the complainant for suffering material inconvenience and distress.



Judge Ron McLaren, long-term insurance ombudsman

Case

The insured passed away on 4 November 2013 and a claim was submitted on 13 December 2013.

Between 17 December 2013 and 24 November 2015, Channel Life requested the attorneys handling the deceased's estate on no fewer than five occasions to submit the same set of documents - despite these having been provided to the insurer on 24 February 2014.

Channel Life paid R2,384.21 in respect of the claim on 12 May 2016. It paid the balance of the claim amounting to R21,789.14 on 3 June 2016. The insurance company advised that no interest would be paid on the claim amounts as the assessment of the claim had been delayed by the outstanding claim requirements being submitted late by the executor of the estate.

Complaint

A complaint was lodged by the widow of the deceased. Following intervention by the office of the ombudsman, Channel Life agreed to pay interest calculated from 18 June 2014.

Channel Life was requested by the ombudsman to consider paying a compensatory award. It offered R1,500 which was declined by the complainant.

The matter was discussed at an adjudicator's meeting and the ombud made a provisional determination on the basis that Channel Life was in possession of the required claim documentation as early as 17 June 2014 and that the continued requests for documentation after that date delayed the payment of the claim and caused the complainant material inconvenience and distress.

The meeting also held that following the payment of the initial amount of R2,384.21, the complainant was again inconvenienced when it was established that a further claim payment was due, but had not been paid.

The meeting agreed that a compensatory payment of R7,500 for the material inconvenience and distress caused, be awarded.

Dispute

Channel Life disputed the provisional determination and submitted that on 17 June 2014, the insurance company was under the impression that there were still outstanding documents. It said the reason for the continued requests was the failure by the executor of the estate to respond to their requests.

Channel Life accepted that they delayed the full payment but submitted that "this was due to values confirmation".

It added that the quantum of R7,500 as compensatory award was out of line with precedents and was not fairly balanced. Channel Life said whilst it had not acted expeditiously in the matter, at the same time, it had not been at fault.

Channel Life offered compensation of R2,500 which was rejected by the complainant.

The matter was again discussed at an adjudicator's meeting on 20 January 2017 which upheld the provisional determination. The insurance company has complied.