

# Claim denied

WORKER ADVICE LINE  
(03) 9602 3326

When a policyholder (**client**) makes a claim on their insurance policy (**policy**), they will need to provide information including details of the incident and evidence such as pictures, expert reports or witnesses. Once an insurer has all this information, they will begin to assess the claim.

The insurer will then decide if the claim is accepted or denied. If the claim is denied, the insurer will send a 'formal decline letter' to inform the claim has been denied and why.

## 1. Review the policy

Clients should review their insurance policy or policies to confirm what is covered.

There are different types of policies such as:

- ▶ **Home or building insurance**, which covers for loss or damage to the structure or house;
- ▶ **Contents insurance**, which covers for loss or damage to the client's possessions;
- ▶ **Car insurance**, which covers for loss or damage to the client's car.

When reviewing the policy, the policy holder should consider the following:

- ▶ Whether the insurance policy is current;
- ▶ Whether the amount of money that the property is insured for is enough if the property was totally destroyed or needed to be replaced; Whether the insurance policy is current;
- ▶ What kind of events are covered;
- ▶ What kind of damage is covered;
- ▶ What kinds of events are excluded from cover;
- ▶ What kinds of damage is excluded from cover;
- ▶ What responsibilities does the client have under the policy; and
- ▶ What action does the policy require the client to take if they think they have a claim.

## 2. Understand why the claim has been denied

An insurance claim can be denied for various reasons:

There are different types of policies such as:

- ▶ **Policy exclusions:**  
Insurance policies contain exclusion sections which outline what is not covered. These exclusions can include certain types of damage such as damage caused by floods.
- ▶ **Failure to disclose information:**  
When a policy holder obtains insurance, they have a duty to disclose relevant information. If they do not provide their insurer with important information which is required to assess the claim, the insurer may reject it.
- ▶ **Disputes relating to coverage:**  
The policy holder and their insurer may disagree on what is covered by the policy if the wording is unclear.
- ▶ **Fraud:**  
If the insurer believes the claim is fraudulent, the insurer can reject the claim and cancel the policy.
- ▶ **Insufficient information:**  
Insurers rely on information provided to them to assess the claim. If the policy holder does not provide enough information such as invoices and photographs, or if the description of the event is unclear, the claim may be denied.

## 3. Steps to challenge a denial

If the claim is denied, the policy holder may decide to challenge the denial.

There are several steps a policy holder can take:

- 1. Review the denial letter:** The insurance company will provide the client with a letter explaining why the claim was denied. Make sure the client read this letter carefully to determine the reasons for the claim being rejected. This may help them to decide whether to proceed with reviewing the decision.
- 2. Review the policy:** The client should review their policy and consider whether they agree with the reasons the insurer has provided when rejecting the claim.
- 3. Discuss with the insurer:** Contact the insurer to discuss the denial letter. Sometimes claims are rejected because there is insufficient information or some misunderstandings which can be resolved if the client provides clarification.
- 4. Obtain further information or evidence:** Gather more evidence or clarify further details with the insurer. For example, submitting additional invoices or quotes, or obtaining witness statements. If the policy holder provides more information or evidence to the insurer that supports their claim this will help with the review process.
- 5. Request the insurer conducts an internal review:** If the client has discussed the denial with the insurer and still disagrees with the decision, they can request the insurer conducts an internal review of the decision.
- 6. Seek advice and assistance:** The client may want to seek assistance from a third party such as a financial counsellor or an community lawyer. A financial counsellor or lawyer can help to review the policy, advocate and negotiate with the insurer on their behalf.
- 7. Make a complaint the Australian Financial Complaints Authority (AFCA):** if the policyholder is not happy with the outcome of the internal review, they can make a complaint to AFCA . Any determinations by AFCA are binding on the insurer.
- 8. Issuing legal proceedings:** The last avenue for a client who is unhappy with the decision of an insurer or an AFCA determination is to issue legal proceedings in a court. The value and type of insurance claim will determine which court is appropriate to issue legal proceedings in. There are also time limits on when a proceeding can be issued so it is important to seek legal advice. Some law firms are prepared to take on claims against insurers on a no win no fee basis but it will depend on the circumstances of the matter.

## Costs to challenge a claim denial

The costs to challenge a claim decline can vary depending on the method chosen to challenge a claim. A client may have the capacity to run their own challenge, via an internal review, or in AFCA, without representation.

Where a client has capacity issues to challenge a claim denial, particularly with extensive loss or a complex interpretation of insurance policies, they may need to seek legal advice which can be costly.

## Other avenues to seek assistance for a claim denial

There are other ways to seek assistance in the event that a claim is declined such as:

- ▶ **Your local community legal centre**
- ▶ **Consumer Action Law Centre**
- ▶ **Disaster Legal Help Victoria**

If your client has any of these issues, call our worker advice line for advice and support

**WORKER ADVICE LINE (03) 9602 3326**

Monday - Friday 10am - 1pm & 2-5pm  [advice@consumeraction.org.au](mailto:advice@consumeraction.org.au)

