

# **CASE STUDY:**

## **Car Insurance Cover without transfer letter and subsequent hurdles in case of Claim settlement:**

### **Introduction:**

The undernoted case is actually occurred this year. I am going to write this case study, which is based on reality. In this case study; it is illustrating that non-compliance with the underwriting rules would reveal many problems and hurdles in case of occurrence of any loss, which will lead delay and/or non-settlement of the loss/claim, despite the fact that the claim is being genuine.

The complications/hitches in the settlement of claim and consequences of late and/or non-settlement of the claim are being further demonstrating in this case study. There are four parties involved in this case study i.e. the insurer/Company, the client/insured, the surveyor and the workshop. It is also highlighting in this case study that the actual mistakes & faults committed by the parties and at last matter/issue is being resolved by the Company/insurer with the co-ordination and cooperation of the client/insured.

### **Description:**

One of our clients (Mr. Muhammad Rauf Abbasi, resident of Islamabad) purchased a car from his friend (Mr. Sajjid Ur Rehman) and he got insured the same from our Company (Alpha Insurance Co. Ltd) under Private Car Comprehensive Insurance Policy Plan. Newly purchased car (Honda Civic, Model – 2013) was not transferred in the name of the client/Mr. Muhammade Rauf Abbasi (proposed insured) at the time of Insurance. The client/Mr. Muhammade Rauf Abbasi (proposed insured) had made commitment and assurance to the Company that he will transfer the car into his name in short period and requested to insure his car instantly. Consequently the Company had insured his vehicle i.e. (Honda Civic, Model – 2013) in May 2017 under Private Car Comprehensive Insurance Plan after pre-inspection of the said vehicle/car and was insured on his name. However, the car was not transferred on his name at the time of insurance and was registered on the name of previous owner (Mr. Sajjid Ur Rehman).

Afterwards, the client/Mr. Muhammade Rauf Abbasi (insured) had incurred a road accident in February 2018. He intimated the Company regarding the loss; subsequently the Company deputed the surveyor for the assessment of loss on the same day. After careful assessment made by the surveyor; approval was granted for repairing of damaged car to the workshop of Rs. 46,704/- (Net Payable Amount). After completion of repairing work; the car was handed over to the insured upon submission of required claim papers to the surveyor.

Afterward, the Survey report and other relevant claim papers were submitted to the Company by the surveyor. The same were sent to the Claim department at Head Office for settlement of claim and issuance of claim cheque in favor of the workshop accordingly as the claim was being genuine recommended by the surveyor. Later, the claim department raised the query after careful scrutiny of claim documents/papers that; the car was not registered on the name of the insured. There was conflict between motor policy documents and registration book of the car, since the owner of the car was not the insured according to registration book of the car because the name of insured mentioned on the registration book is different than the name of insured mentioned on the motor policy documents. The transfer letter was also not available. Consequently the Company had approached the insured for collection of transfer letter. Thus, the insured stated that he did not transfer the vehicle on his name due to the reason that he went abroad for an official visit and upon return, he forgot to transfer the vehicle on his name (*God knows well, whether insured forgot to transfer or he intentionally did not transfer due to the reason of certain Govt. transference fee*). Though, claim file was being stuck at the claim department due to the reason as illustrated above.

### **There are four key parties involved in this case i.e.**

1. **The Insurer/Insurance Company – (Main Key Party),**
  2. **The Client/Insured – (Basic Key Party),**
  3. **The Surveyor – (Minor Key Party) and**
  4. **The Workshop – (Central/leading Key Party)**
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1. **The Company** wants to settle the claim according to claim procedure and the claim policy of the Company within stipulated time period. The Company is main key party in this case and the Company had tried their best to settle this case at any cost.
  2. **The insured** is facing hard knock from the Company in shapes of in writing and telephonic reminders repeatedly for submission of transfer letter. However, insured had got repaired his vehicle from the workshop, so that he is least interested in the settlement of the claim. But the Company sustained high pressure on the insured for collection of required papers, because the Company had to settle the claim at any cost. Thus the insured is highly got involved in the claim settlement process and is the major and basic party of this claim settlement process.
  3. **The surveyor** is also involved to settle the case in order to get his survey fee from the Company, which is being released after full and final settlement of the claim. However, surveyor is minor key party and he was also keen to settle the case because his interest is involved.
  4. **The workshop** is most effective party in this case study of course and anxiously interested in the settlement of the claim in order to get their repair charges of Rs.

46,704/- net. (after deducting salvage and depreciation) from the Company. Workshop is central/leading key party because all the consequences had to bear by the Workshop, however workshop was blameless.

### **What are the complications/hitches in the settlement of this claim and consequences of non-settlement of this claim?**

- The claim policy of the Company is to settle all motor claims (except theft claims) within 30 days-time after submission of the survey report and other relevant claim papers. If, the Company was not settling this case then the claim settlement policy of the Company had also been turned aside or deviated.
- The claim file was being stuck at the claim department due to the reason that the car was not registered on the name of the insured, (*because, the registration book was showing the name of previous owner (Mr. Sajjid Ur Rehman) of the car while motor policy was showing the name of the insured (Mr. Muhammad Rauf Abbasi) and the transfer letter was also missing*). Even though the vehicle had already been handed over to the insured after repairing.
- If, the claim did not settle, then consequences/affects had to bear by the workshop not the insured i.e. the claim settlement cheque could not be issued to the workshop. However there is no mistake committed by the workshop, whereas all the consequences had to suffer by the workshop in this case. On the other hand; the workshop was repeatedly asking for the claim settlement cheque.
- And if, the claim was not settled and claim amount was not paid to the workshop; as a result; the workshop will not take any case from our Company in future and it will also imitate bad impact of our Company in the market as well and the other workshops will also reluctant to get repair our vehicles. These were the extreme consequences of non-settlement for the Company in long run.

### **Resolving the matter/issue (Solution adopted by the Company);**

The company had asked the insured to submit following documents in order to settle the claim and the claim settlement cheque has to be made in favor of the workshop accordingly:

- a) Written Statement from previous owner (Mr. Sajjid Ur Rehman - name of owner mentioned on the registration book) that the car was sold to the insured (Mr. Muhammad Rauf Abbasi – name mentioned on the motor policy documents) specifying date of sale and amount received by the previous owner in respect of sold of vehicle. Written statement must be duly signed by previous owner with two witnesses. Copies of computerized national identity cards were also required with the statement.

- b) An affidavit on stamp paper of Rs. 100/- duly attested from the notary public has also been submitted by the insured to disclose actual fact of non-transference of the car in his name up till at the time of claim.
- c) The insured was also directed to transfer the car in his name immediately and submit copy of transfer letter to the company.

After the submission of the aforementioned documents/papers; the claim has been settled and payment has also been released in favor of the workshop, but it took long time and the claim settlement had cost time i.e. late settlement.

### **Mistakes committed by involved parties (at the time of insurance / post insurance and at the time of claim):**

- **The Client (Insured): (Noncompliance – commitment / assurance made);**  
First of all, the insured had made commitment and assurance that he will transfer the vehicle on his name in short period and submit the same to the Company accordingly, but he failed to fulfill his commitment.  
Therefore in first instance the client made a mistake and then it leads to pile up further mistakes from the other parties and if, the client had transferred the vehicle on his name in time and submitted the copy of transfer letter to the Company then the claim settlement scenario was absolutely altered in this case.
- **The Underwriter: (Noncompliance - underwriting rules);**  
The name of the insured and name mentioned on the registration book must be the same according to underwriting rules or otherwise transfer letter required. In the above case name of the insured and name mentioned on the registration book were different and transfer letter was also not available, so that it was defined that the vehicle was not transferred on the name of the insured.  
Therefore the underwriter must not underwrite the insurance policy unless the transfer letter is being produced by the client, which shows that the vehicle has been transferred on the name of the proposed insured/client.
- **The Surveyor: (Noncompliance - in depth analysis & thorough scrutiny of claim documents);**  
After the completion and submission of complete claim papers, the surveyor had allowed the workshop to handover the vehicle to the insured after completion of repair work. In the above case, the surveyor could not noticed or oversight that the vehicle registration book depicts different name and policy documents show different name. Consequently the surveyor did not ask to the insured for transfer letter.

Therefore the surveyor must made in depth scrutiny of all required claim papers and if, the surveyor noticed that the vehicle transfer letter was not provided by the insured then the vehicle was not handed over to the client unless he produced transfer letter to surveyor in this case.

- **The Claim handler of the branch: (Noncompliance – in depth analysis & through scrutiny of claim documents);**

The surveyor had submitted the survey report and other relevant claim documents to the claim handler of the branch. The claim handler of the branch did not make in depth scrutiny of claim documents upon receipt from the surveyor, hence he had also not noticed (as like the surveyor) that the vehicle registration book depicts different name and policy documents show different name. And so, he transmitted the claim documents to the Claim Department at Head Office for settlement.

Therefore the claim handler of the branch committed same mistake as committed by the surveyor; that he did not made in depth scrutiny of all claim papers duly received from the surveyor and if, the claim handler noticed that the vehicle transfer letter was missing so he might ask for transfer letter from the insured before sending claim documents to the claim department at Head Office.

### ***Conclusion:***

*“The Underwriting/Insurance rules and regulations must be strictly followed in order to avoid any future complication/hitch sustain more specifically in case of occurrence of any claim. Additionally, all documents/papers must be carefully and thoroughly scrutinized before the acceptance and underwriting any insurance plan in order to avoid any future hurdles/complications.*

*Furthermore, swift and in time Claim settlement is a key factor for all the insurance companies. Thus the claim settlement must be made within the shortest possible period in order to boost up and encourage the trust and motivation of the client(s) on the Company along-with that it will also escalate the goodwill of the Company in the Insurance sector as well as in the market.*

*It is a general phenomenon that, in time or swift claim settlement is worthwhile i.e. boost up and encourage the trust and motivation of the client(s) on the Company and conversely, late claim settlement is unworthy i.e. discourage & depress the trust and motivation of the client(s) on the Company”.*