

Most common reasons for claims being repudiated

Why this one pager? – The FAIS ombud, TCF, and PPR clearly dictate that one needs to highlight the most common reasons for claim repudiations to your clients. This does not discharge you to familiarise yourself with the policy wording and asking for guidance if you are unsure about anything. As a qualified FSP you are not the layman in the street and should fully familiarise yourself with all exclusions.

What are the most common reasons for claims not being paid?

Late notification to the insurer. – The policy stipulates that a claim must be lodged within a reasonable time after you become aware of it. Please make sure all staff are informed of this requirement as it could lead to problems at claims stage.

Clients admitting liability. – As policyholder you may not admit to a mistake or liability under any circumstances. If you admit liability without the consent of the insurer your claim will be repudiated.

Request to withdraw funds from an investment has a set process the broker needs to follow. – If your client request funds via e mail into a bank account a staff member in your office must phone the client and confirm that they indeed sent the mail and they must also confirm the bank details to be used. Not providing proof that this process was followed will lead to a repudiation of the claim.

Investment instructions larger than R500 000 needs to be signed off by a KI in the FSP. – If you are given an instruction to invest lump sums above R500 000 for a client a KI needs to sign off that the instruction was carried out in accordance with the terms provided by the client and that the investment was indeed done as intended.

Investments not made in recognised FSCA entities or not through a SA LISP or MANCO. – These type of investment and any liability that might arise out of them will not be covered. Do not get involved in these investment opportunities and always make sure your due diligence is done in any investment you propose to clients.

The liability arose out of an activity not registered under your FSP license. – You are only covered for your registered FSP activities. Visit the FSCA website and search under your FSP number to see these activities if you are unsure. Work done for example as a Trustee by a KI in a FSP will not be covered.

PLEASE CONSULT YOUR POLICY WORDING FOR ALL EXCLUSIONS AND TRAIN ALL STAFF ON THIS

Please take note that this document is an information document only and not the binding policy wording.

Please consult the policy wording that will be binding on your policy
