In the Driver's Seat

Understanding Motor Insurance

FSO

Central Bank of Trinidad & Tobago

The National Financial Literacy Programme

In the Driver's Seat
Understanding Motor Insurance

Produced by the Office of the Financial Services Ombudsman and the National Financial Literacy Programme

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Foreword

Mr. Ewart S. Williams
Governor of
The Central Bank of
Trinidad and Tobago

Over the past few years, the Central Bank of Trinidad and Tobago in collaboration with the Ministry of Finance, has intensified efforts to upgrade the country's financial infrastructure and to improve the financial literacy of the population. Notable interventions in this ongoing policy thrust include:

(i) Amendments to the Insurance Act to bring the insurance industry under the regulatory control of the Central Bank; and

(ii) Amendments to the Financial Institutions Act 1993 (FIA) as the first phase of a broader reform of existing banking legislation.

In 2003, the Central Bank in collaboration with the Bankers Association established the Banking Services Ombudsman to deal with consumer complaints about banking services. In 2005, this was expanded to allow the Office of the Banking Services Ombudsman to treat with complaints against insurance companies and was renamed, the Office of the Financial Services Ombudsman (OFSO). A major intervention took effect in early 2007 when the Central Bank launched the National Financial Literacy Programme (NFLP).

Over the last eighteen months the OFSO and the NFLP Secretariat have worked closely on improving the level of financial literacy of the population through various interventions including lectures, pamphlets, advertisements and publications as well as electronic media all geared to consumers of specific financial services.

In 2007, the OFSO released a booklet entitled “Dollars and Sense”. The booklet, which was a compilation of banking tips which had been published in the newspapers, was very well received. As a follow up on this document, the OFSO and the NFLP Secretariat have collaborated to prepare “In the Driver’s Seat” which is intended to be a comprehensive guide to understanding motor insurance.

Work on this motor insurance guide was prompted by the review of the OFSO files which indicated that many of the complaints received resulted from a lack of understanding of motor insurance. While most insurance companies provide copious information about their insurance policies, policyholders are not sufficiently aware of their rights and obligations either because they do not take time to read the policies or because the information is not sufficiently reader-friendly. This booklet tries to fill this gap.

I would like to thank Mrs. Judy Chang for initiating this project when she headed the Ombudsman’s office. Her advice and support even after she left office was most helpful in the completion of the booklet. Special thanks are also due to Mrs. Rani Lakhan-Narace, President of the Association of Trinidad and Tobago Insurance Companies (ATTIC) who provided full and enthusiastic support; Mr. Henry Harper, General Manager of Trinidad and Tobago Association of Insurance and Financial Advisers (TTAIFA) who provided valuable feedback on the content; Mr. Bernard Aquing, Insurance Consultant, who served as Consultant and was responsible for producing the first draft of the document and Mr. Bertrand Nicholas, Insurance Consultant, who reviewed and provided input to the document.

Finally, my sincere congratulations go out to the Central Bank team that was responsible for the final editorial and production work. This group included Mrs. Jennifer Greaves, Senior Manager, National Financial Literacy Programme (NFLP), Ms. Ann Marie Narine, Financial Services Ombudsman, Mr. Clarry Benn, Lead Consultant, NFLP and the Editorial Committee, who were mainly members of the Central Bank staff;

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A Word from the Office of the Financial Services Ombudsman

This booklet entitled, *In the Driver's Seat*, is the first in a series on insurance tips and information produced by the Office of the Financial Services Ombudsman (OFSO). This forms part of the OFSO's contribution to the National Financial Literacy Programme (NFLP) launched by the Central Bank of Trinidad & Tobago.

The aim of this booklet is to simplify motor insurance so that consumers could understand the coverage they buy and how the insurance companies administer the policies. Consumers should then be in a better position to make informed decisions.

Note: *This booklet should not be considered as a replacement for your insurance policy contract which must be interpreted according to the specific terms and conditions contained in the policy document. The terms and conditions outlined in your policy contract would determine how the insurer treats with any claim which may arise under your insurance policy.*

chapter.1 Types of Motor Vehicle Insurance Coverage

Introduction

Motor vehicle insurance policies insure against loss or damage arising from the use of motor vehicles, inclusive of third party risks. General insurance companies offer motor insurance policies to meet different needs that consumers may have. Motor Insurance policies can be comprehensive or third party contracts which may include fire and theft.

1.1 Comprehensive

Comprehensive insurance covers physical loss or damage to your motor vehicle caused by:

- Accidental collision and overturning
- Fire, lightning, explosion
- Burglary, housebreaking or theft
- Riot, civil commotion, strike and malicious damage.

This policy covers your own damage and liability to third parties as required by law. The features and benefits offered under a Comprehensive policy vary from one company to another and **it is important that you understand what is or is not covered** by the particular policy. If you are not sure, ask your broker, insurer or its agent for specific details when you are purchasing your policy contract.

Some insurers extend their Comprehensive policy to include hurricane, earthquake and flood in their standard coverage, while others provide this cover for an additional premium.

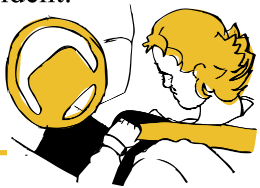
1.2. Third Party

The Motor Vehicle Insurance (Third Party Risks) Act, Chap 48:51 requires that, **at a minimum, every motor vehicle must be insured against third party risks**. It is therefore compulsory for all vehicles to carry at least third party motor insurance cover for use on all public roads.

Currently, the minimum third party insurance cover limits are as follows:

- Third Party Death or Bodily Injury - $1Million for any one claim by any one person and limited to $2Million, in respect of all claims, arising out of any one accident.

- Third Party Property Damage - $500,000 for any one claim by any one person and limited to $1Million in respect of all claims arising out of any one accident.



1.3. Full Third Party Fire and Theft

A Full Third Party Fire and Theft policy provides wider coverage than a Full Third Party policy. In addition to third party liability, cover is extended to the risk of fire and theft of your motor vehicle. However, it must be noted that this policy does not cover collision damage to your own motor vehicle, as in the case of comprehensive insurance.

Underwriting standards vary among insurance companies. For example, some companies will not offer comprehensive cover for motor vehicles that are considered old, that is, more than five (5) years old. Instead, they would offer insurance cover against Third Party, Fire and Theft risks only for such motor vehicles.

chapter.2 Basic Policy Terms and Conditions

2.1 Sum Insured

As a motor vehicle owner, you should ensure that the sum insured under your insurance policy represents the current market value of your motor vehicle. Market value is defined as the amount of money a buyer is prepared to pay and the seller is willing to accept, in the open market.

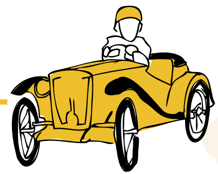
The market value is determined by the age of the motor vehicle, its condition, the accumulated mileage and the demand for that type of motor vehicle in the used car market. Two motor vehicles of the same age can therefore fetch vastly different prices.

Insurance companies use pre-determined depreciation rates to calculate each year the suggested sum insured of a motor vehicle. However, they would usually advise you (the insured) to obtain an independent valuation of your motor vehicle, particularly if you are not in agreement with the sum insured as calculated by the company.

2.2 Limitations to Use

If a motor vehicle is licensed for private use, i.e. carrying 'P' registration plates, it should not be used for hire, that is, to be rented or used as "ph" (private hire). Registered taxis carry 'H' registration plates while rented motor vehicles are usually recognized by registration plates beginning with 'R'. The insurance company will not honour any claims arising from any accident when the motor vehicle is being operated contrary to the use for which it is insured.

One example is the use of private cars for hire by their owners. In many areas in Trinidad and Tobago, it is quite common for commuters to travel in private cars or 'ph' taxis as they are commonly known. **Passengers should bear in mind that in the event of injury as a result of an accident, while in a "ph" taxi, they will not be entitled to any compensation from the insurance company.** The owner of the motor vehicle should also be aware that he or she will be personally liable for any property damage (e.g. third party vehicle, fence, house, etc.) arising out of an accident in which the motor vehicle is involved.



2.3 Young and Inexperienced Drivers

The insurance industry defines:

- young drivers as persons under the age of twenty-five (25 years) and
- inexperienced drivers as persons who have had a valid driver's permit for less

than two (2) years or those who have not been driving regularly, even though they may have had their permit for more than two (2) years.

2.4 Open vs. Restricted Coverage

Most insurance companies no longer issue open policies where anyone, who has the owner's consent, is permitted to drive the vehicle, including young and inexperienced drivers. Most standard insurance policies require that anyone who is permitted to drive the vehicle must be over the age of twenty-five (25) years and have at least two (2) years' driving experience.

Some companies restrict the use of the vehicle to drivers named on the insurance certificate only, for example the insured and spouse. Cover may be extended to young and/or inexperienced drivers upon the payment of an additional premium.

2.5 Policy Excess or Deductible

2.5.1 Comprehensive

A policy excess or deductible is a common feature of a Comprehensive insurance policy and it represents the portion of each claim that the insured must absorb. **The policy excess is usually**

calculated as a percentage of the sum insured and may be set at a minimum amount. For example, if the percentage of the sum insured is calculated to be $1,500 but the minimum excess is $2,000 then the insurance company will deduct the minimum excess of $2,000 from any claim settlement.

The amount of policy excess that is applied can vary from one insurer to another and depends on the type of loss suffered. For example:

- Own damage (physical damage to your own vehicle)
- Fire and/or lightning
- Theft, depending on whether or not an anti-theft device was installed
- Breakage of glass.

A higher policy excess is normally applied in respect of any young drivers permitted to drive under the policy.

2.5.2 Third Party

According to the terms of the policy contract, some insurance companies might impose an excess on a Third Party policy, for example, $1,000 for Third Party property damage claims e.g. another motor vehicle, fence, etc. **The excess is an arrangement under the contract, where**

the policyholder must be prepared to repay the insurer when a Third Party claim is settled, usually in exchange for a lower premium.

The law requires the insurance company to settle a claim, where its client is liable notwithstanding that there is an arrangement between the insurer and the insured. This excess is not applicable to a third party who has presented a claim. An insurance company that imposes an excess on its insured cannot refuse to honour a claim from an innocent third party, on the grounds that its policyholder has not paid his or her excess to the insurance company.

2.6 No Claim Discount

A **No Claim Discount** (NCD) is an insurance company's way of rewarding policyholders for being 'claims free'. On the other hand, where the claims experience is not good, there may be a loss of the NCD or even the application of a loading or increase to the premium at the next renewal date of the policy.

NCD is earned on each insured vehicle. However, it can be transferred to a second vehicle in order to reduce the premium that may be charged on that vehicle. The first vehicle from which the NCD was transferred will then start afresh and begin to earn its own NCD based on its accident history.

The maximum limits on NCDs may vary from one insurer to another. On a Comprehensive policy, the limit may range between twenty five (25) and sixty five (65) per cent of the premium. In the case of a Third Party policy, the limit varies between twenty (20) and forty (40) percent of the premium.

There is generally a misunderstanding regarding the loss of an NCD when a claim is presented by a policyholder who was not liable for the accident or event. Under a comprehensive policy, your insurer will settle your own damage claim and have your vehicle repaired. Your insurer will then seek to recover the amount paid out from the liable party's insurer. Until this amount is recovered, your insurance company is entitled to withhold your NCD in accordance with the policy conditions. If the amount paid out is received in full, the NCD will be reinstated. If not, it may be pro-rated as indicated above.

In the event of a claim, insurers do not usually take away the full NCD but may reduce it. Some insurance companies have introduced the concept of protecting your NCD in certain circumstances. For example, if you have the benefit of a sixty (60) per cent NCD and you have a claim, your NCD might be reduced to between fifty (50) per cent and forty (40) per cent, depending on the claim amount and not reduced to zero after the first claim. However, after two or three consecutive claims within a short period of time, the NCD may be taken away altogether or, your insurance company may decide to cancel your insurance policy because of the frequency of claims.

2.7 Subrogation

Subrogation is a legal concept that allows one insurer who has settled the cost of a claim to eventually recover those payments from the person legally liable (usually from the insurer of the liable party).

Normally this is done by sending a notice of subrogation to the insurer of the party at fault. The amount the insurer is seeking to recover will often include the policy excess and other uninsured losses, for example, loss of use.

When your insurance company recovers the amount paid out, it will reimburse you for the policy excess that you may have paid or that was deducted from the settlement previously paid to you. However, your policy may also allow for a pro rata refund of your excess if your company does not collect one hundred (100) per cent of the amount demanded.

Your responsibility in the subrogation process is to give your insurer full and complete co-operation. It means that you should not interfere with your insurance company's attempt to recover payments made on your behalf.

2.8 Useful Information

2.8.1 Liability to third parties

The law does not permit an insurance company to deny liability to a third party even if the driver of the insured motor vehicle was not operating in accordance with the terms of the insurance contract. The insurance company can refuse to pay its client's own damage – that is, the damage to your own motor vehicle under a Full Comprehensive section of the policy, since you are in breach of your contract. However, it cannot deny a third party property or personal injury claim if liability has been established. Normally, an insurance company will settle these third party claims but it is entitled to recover its payout from you personally.

2.8.2 Driving without insurance

You will be considered to be "driving without insurance" if you cannot produce a valid Certificate of Insurance as required under the Motor Vehicle Insurance (Third Party Risks) Act when asked to do so by an authorised officer (i.e. policeman or licensing officer) when driving your motor vehicle.

2.8.3 Transfer of unexpired insurance cover

Some motor vehicle owners sell their vehicles with the unexpired insurance as part of the deal. **This is against the law.**

Insurance cover cannot be transferred from one insured to another. Each insured must complete a proposal form with his or her insurer and the premium is determined based on the information submitted. When a motor vehicle is sold, the vendor must surrender the certificate of insurance to his insurer. If he or she so wishes, arrangements can be made to have the unexpired portion of the premium credited to the purchaser who must effect his own insurance cover separately.

2.8.4 Claim against registered owner

In the event of a claim arising out of an accident caused by an uninsured vehicle, the only recourse is for the injured party to take action against the registered owner of the motor vehicle through the Courts. Please understand that there are risks with taking action as this can be costly, time-consuming and may not produce the desired results unless the registered owner has the means to pay any awards that may be made by the Courts.

It is very important that you ensure that upon sale (or other form of disposal) of your motor vehicle, ownership is legally transferred at the Licensing Office of the Transport Division as required by law. By doing so, you will avoid any unwanted liability.

3.1 Requirements

When you are purchasing motor insurance, you are required to present certain documents to your broker, the insurance company, or its agent.

These documents include the following:

- Certified copy of ownership of vehicle
- Valid Driver's Permit (including that of intended driver/s)
- Passport or National Identification Card
- No Claim Discount Letter from your previous insurer (where applicable)
- Pro forma invoice (for new vehicle/s).

In addition to the above, you are required to complete a **Motor Insurance Proposal Form**. It is your responsibility to ensure that the questions are answered truthfully and correctly to the best of your knowledge. It is important for you to report any previous claims and accidents, even if you might not have claimed against your insurance company.

Helpful Hints

- You should inform your insurance company of any modifications to your vehicle, including any variations in the cc rating that can increase the vehicle's speed, any change in colour or any additional accessories such as mag rim tyres, etc.

- If you wish to include a young and/or inexperienced driver on the insurance policy, you should ensure that you disclose this information on the Proposal Form, so that the appropriate premium can be determined.

- If you purchased insurance for the private use of your vehicle, it must not be used for hire, either through a private rental agreement or as a private hire "ph" taxi, as these uses will not be covered by your insurance policy.

- Ensure that your vehicle is properly secured at all times. It is recommended that your vehicle be kept in a locked garage when not in use or overnight. Should you misrepresent the facts on your Proposal Form to obtain a more favourable premium, you would be considered to be in breach of your policy contract. For example, if you state that your vehicle is kept in a locked garage but it is actually kept on the road side at night and it is stolen, the insurer will not pay your claim.

- You can earn a discount by installing anti-theft devices and/or completing a defensive driving course. However, your insurer can deny a claim if your vehicle is stolen and it is discovered that the anti-theft device was not activated at the time the vehicle was stolen.

- Before renewing your policy, it is recommended that you obtain a valuation and condition survey to ensure that the sum insured is adequate and within the market value range.

3.2. Certificate of Insurance

The Motor Vehicle Insurance (Third Party Risks) Act, Chap 48:51, Section 5 requires that a Certificate of Insurance be issued as evidence that there is an insurance policy in force that covers personal injury and property damage caused by the motor vehicle. Motorists are required to produce a valid Certificate of Insurance on demand by a law enforcement officer or an officer of the Transport and Licensing Authority.

The insurer is required by law to prepare the relevant motor insurance policy document within seven days of receipt of the premium from the insured. However, an Insurance Certificate is normally given to the insured at the time of purchase and the insured is required to keep it in a safe place, either on his or her person or in the motor vehicle.

Section 14 of the Motor Vehicle Insurance Act requires that an insured driver return the Certificate of Insurance where the insurance policy is cancelled by the insurer, either by mutual consent or because of a provision in the policy. If this is not returned, the law requires the insurance company to institute legal action against the insured for the return of the Certificate of Insurance. Otherwise, the insurance company can be held responsible for liability to a third party as the insurance would be deemed to be valid.

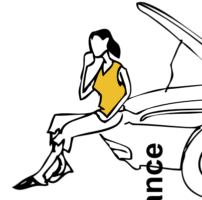
3.2.1 Genuine brokers and agents

Make sure that the brokers and agents you are dealing with are registered. If in doubt, ask them to show you their current certificate of registration from the Central Bank of Trinidad and Tobago and verify the information.

3.3 Add-on Special Benefits

3.3.1 Road side assistance

Some insurers extend the provisions of their motor insurance policy to include road side assistance as a benefit. The insurance company generally contracts the services of a third party to provide such service.



Normally this will include:

- Free towing in instances of a mechanical breakdown or because of an accident
- Flat tyre assistance
- Breakdown due to battery problems or lack of fuel and
- Lock Service (should you lock your keys in the vehicle).

This benefit can be included for an additional charge to your premium. However, the use of this service should not affect your “No Claim Discount”.

chapter.4 How to Make a Claim

4.1 Motor Vehicle Accident

In the case of a major accident:

1. Call the police immediately!

2. Mark the position of the vehicles at the point of impact.

3. If possible remove your vehicle to the side of the road to allow the free passage of traffic provided there is/are no serious personal injury or fatalities.

4. Exchange the following information with the other party involved:
   - Driving permit number
   - Insurance certificate of the vehicle.

5. Take down the following information from the Certificate(s) of Insurance:
   - Insurance Company of other party
   - Policy/Certificate Number(s)

• Name(s) of Owner(s) of the vehicle(s)
• Period of Insurance (and expiry date)
• Any other information in respect of the names of persons permitted to drive.

6. If possible, obtain the names, addresses and telephone contact numbers of any witnesses in any other vehicle/vehicles and any other independent witnesses to the accident.

7. **DO NOT ACCEPT LIABILITY**. It is a condition of your Policy that you do not accept liability for the accident. You should therefore comply with the terms of the insurance policy.

8. Secure your vehicle and do not leave it unattended. Call for a tow vehicle if your vehicle cannot be driven and have it taken to a garage, safe place or your home.

9. Report the accident to the nearest Police Station and ensure that it is properly recorded in the Station Diary. Provide a full account of the accident and the names of witnesses and ensure that the police officer has taken the information accurately. Read the statement for accuracy. Take note of the police officer's name and badge number.

10. **Failure to report an accident is an offence** (Section 79 of the Motor Vehicle & Road Traffic Act, Chap.48:50). If the accident is considered to be minor, there may be a verbal agreement between the parties involved not to report the matter to the police. However, there may be a change of heart by the other party/ies involved and this may leave you open to prosecution. The best advice is for you to report the accident to the police, however minor it may appear at the time.

4.2. Making a Claim

If you are making a claim, you must do the following:

1. Complete the Motor Vehicle Accident Claim Form with your insurer.

2. Submit the following to the Insurance Company:
   - Estimate for repairs (clearly itemized)
   - Information on the third party's vehicle such as the registration number, owner's name and the name of the driver
   - Statement or letter from your insurer if you are claiming from third party insurer

- Proof of ownership (Certified Copy of motor vehicle registration)
- Original receipts for doctor's or hospital fees (in the case of a claim for personal or passenger injuries)
- Pictures of your damaged car (if available)
- Proof of Identification
- Letter from the VAT office advising of your VAT status
- An up to date Inspection Certificate, where necessary.

4.3. Settlement of Physical Damage

When settling your claim, the insurer will apply the principle of **indemnity**. This means that **the final settlement you will receive should place you in the same position that you were in prior to the accident**. Disagreements tend to arise between the claimant and the insurer regarding the application of this principle. Many claimants believe that they are entitled to full settlement of their estimate for repairs without any adjustment, while the insurer will usually adjust the estimated figures downward. The claimant is not expected to enjoy any better position as a result of his or her misfortune.

A motor vehicle is a depreciating asset i.e. its value decreases over time. The reduction in value begins as soon as the new vehicle leaves the car showroom and is driven onto the road. The market value of your vehicle is determined by a number of factors such as the type of vehicle, its use, accumulated mileage and physical condition of the vehicle. Market value and not the sum insured is the basis of the valuation of the vehicle at the time of loss and this is determined by a registered Loss Adjuster. **An insurer will not pay more than the sum insured but in the event of a claim, it will pay the current market value, which is usually lower than the sum insured.**

When settling a claim for repairs to your vehicle, the insurer will pay to replace your damaged parts with parts of similar age and use. In other words, your damaged used part will be replaced with another used part. When the replacement parts are ‘foreign used’ parts, there is usually no contribution towards the cost of the part required by the claimant.

When “foreign used or used” parts are not available, the insurer will allow a new part to be used as a replacement. However, the claimant will be required to contribute towards the cost of this new part since this new replacement part is a ‘betterment’ as the vehicle is no longer new.

Helpful Hints

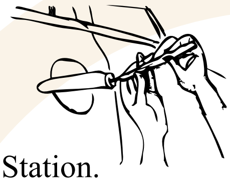
- Provide the insurance company with a full and accurate account of the accident on the Claim Form and take care to include all the relevant facts.

- It is normal for an insurer to conduct investigations into the circumstances surrounding an accident in which one of their insured vehicles is involved. You should therefore co-operate with the investigator if one is appointed.

- Note that an adjuster may be appointed to survey the damage to your vehicle. He will determine whether the labour cost is adequate and whether the damaged parts can be repaired or should be replaced. Generally, his report to the insurance company will guide the final settlement that is made for your claim.

- Ensure that you pay any applicable excess in order to expedite repairs to your vehicle in the case of a claim under a Comprehensive policy.

4.4. Theft of a Motor Vehicle

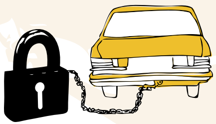


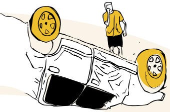
In the event of theft of a motor vehicle, you should:

1. Report the disappearance of the vehicle immediately to the nearest Police Station.
2. Notify your insurance company and complete the necessary Claim Form.
3. Co-operate with the insurance investigator. It is the normal practice for the insurance company to engage the services of an investigator to verify the circumstances surrounding the claim.
4. Pay any applicable policy excess as stated in your policy.
5. Deliver the set of spare keys to the insurer.
6. Sign the Motor Vehicle Transfer form. In the event that the vehicle is recovered after the claim is settled, the insurer will have title to the vehicle.
7. Produce a letter from the VAT Office advising of your VAT status.

Helpful Hint

- Most insurers wait approximately six (6) weeks before settling a claim for theft. This gives sufficient time for a full investigation to be conducted by the investigator and the police. It also provides adequate time for the vehicle to be recovered.





4.5. Personal Injury

Persons who suffer injury in a motor vehicle accident are entitled to compensation from the person who is at fault in the accident. The insurer for the driver of the motor vehicle that is liable in the accident will be required to pay compensation (damages).

An injured party has four (4) years within which to make a claim for personal injury; thereafter any right to file a suit against the insurance company will be lost.

In the event of a personal injury claim, you will be required to submit the following information:

1. Full medical report on injury and treatment received for the injury sustained in the accident.
2. Bills and receipts for expenses incurred.
3. The estimated costs of any further treatment or corrective surgery required as a result of your injury as confirmed by a doctor.
4. Details of any loss of wages or earnings.
5. An assessment of disability and the impact on your ability to work in the future.

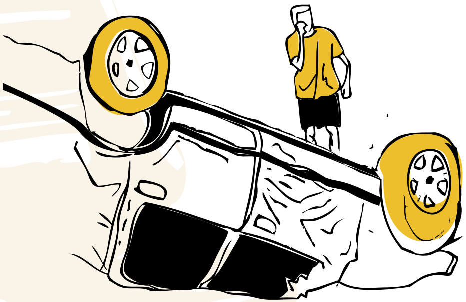
Helpful Hint

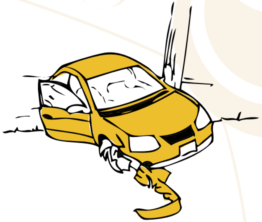
- A claim for personal injury is often complicated and may require that you obtain legal advice during the process.

4.6. Claim in Excess of the Sum Insured

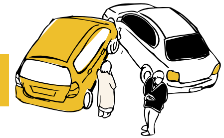
The law does not release the owner of a motor vehicle from liability in the event that there is a court award that is higher than the insured limit in the policy. For example, if the claim for personal injury is $3 million, the insurer may settle the third party to the limit of $2 million as required by law. Assuming that the insurer did not issue a policy for a higher limit, the claimant can still seek to recover the balance of $1 million from the liable party (the owner of the vehicle).

Vehicle owners must therefore pay attention to the limits of liability stated in their policy. You can purchase third party limits in excess of the limits that are required by the law if you believe that you need the additional cover.





chapter.5 Writs



After an accident, the owner of the vehicle involved in the accident or third parties (for example, passengers or pedestrians) may file a writ against the person who, in their opinion, is responsible for the accident resulting in damage.

Upon receipt of a writ or summons from a court or a letter threatening the filing of any action by an attorney-at-law, you are required to immediately contact your insurance company. There is a time frame of eight (8) days within which the insurer must enter an appearance in court in its defence, failing which the Plaintiff can obtain judgment in default.

chapter.6 Complaints Process at the OFSO

The Office of the Financial Services Ombudsman (OFSO) provides an avenue for resolving complaints against an insurance company before they reach the Courts. The services provided are free and are available to individuals and small companies whose assets (excluding real estate) do not exceed $1.5million.

Where a dispute arises and cannot be amicably resolved between a consumer and an insurance company, the consumer can approach the OFSO for assistance if the complaint meets the following criteria:

- ***Undue Delay*** – more than 60 days have elapsed since lodging the claim at the insurance company and no final decision has been reached
- ***Denial of Liability*** – the insurance company has denied liability for the consumer's claim and the consumer has reasonable evidence to support otherwise
- ***Inadequate offer*** - the insurance company has offered to settle the consumer's claim but the consumer believes that the amount being offered is inadequate to cover his losses.

If a complaint falls into one of the above categories, the consumer must complete a prescribed Complaint Form and submit it along with copies of all supporting documents.

The OFSO has the authority to mediate in the following instances:

- Where the amount in dispute in any type of insurance is less than $500,000
- In the case of a motor vehicle accident, where the claim for physical damage to property caused to a third party is no more than $25,000.

The OFSO, however, does not handle complaints relating to third party personal injury claims.

The OFSO tries to settle the dispute by mediation between the insurer and the complainant. The mediation process is not binding on either party and the complainant has the option to withdraw at any time and refer the dispute to another forum.

Where the parties cannot reach a mutually acceptable solution, the Financial Services Ombudsman can make a recommendation for settlement and/or finalize an award on behalf of the complainant up to a limit of $500,000.

Once accepted by the complainant, an award is binding on the insurance company and must not be greater than the amount required to compensate the complainant for direct loss or damages suffered. An award is paid in full and final settlement and the matter is then considered resolved. The complainant cannot approach the insurance company at any time in the future on any issue relating to the same claim.

The OFSO is located on:

First Floor
Central Bank Building
Independence Square
Port of Spain
Telephone: 868-625-4835 ext 2685, 2681 and 2650
Website: www.ofso.org.tt

Word/Term	Explanation
Accident	An unforeseen event that usually results in a loss.
Adjuster	Same as Loss Adjuster - a person appointed by an insurer or insured to assess and quantify the extent of damages to claims. Adjusters are licensed by the Central Bank.
Agent	Person who acts on behalf of an insurance company and usually accepts proposals for insurance for a commission. Agents are licensed by the Central Bank.
Broker	Insurance broker - is an independent licensed insurance adviser who acts on behalf of his client when placing insurance cover with an insurer. He usually receives commissions from the insurer – in some instances he may earn fees from his client; unlike an agent, he may obtain quotations from different insurers. Brokers are licensed by the Central Bank.
Casualty	Liability or loss arising out of an accident.

Word/Term	Explanation
Casualty Insurance	Class of insurance business that covers liability or financial loss arising out of an accident and payments of compensation to third parties who suffer bodily injury or death.
Claim	A demand for payment of compensation or other benefits under a policy of insurance.
Commissions	Amount/monies paid by an insurer to an Agent or Broker for placing policies.
Contribution	Refers to the way two or more insurance policies covering the same risk will share the loss. However, locally it commonly refers to the amount an insured will pay towards the cost of a new replacement part in motor claims when a used part is not available.
Contributory Negligence	The sharing of liability by the claimants involved in an accident.

Word/Term	Explanation
Constructive Total Loss (CTL)	An insurer will declare an asset to be a CTL if it is deemed uneconomical to repair - usually the repair cost is 50 % or more of the actual market value of the asset.
Complaint	A grievance or dissatisfaction about a service or compensation being offered. Individuals with complaints against insurance companies can take them to the Office of the Financial Services Ombudsman at the Central Bank of Trinidad and Tobago, Independence Square, Port of Spain.
Comprehensive Insurance	Comprehensive insurance in the local context includes a wide range of cover but is nonetheless subject to exclusions and conditions - not all policies provide identical cover so it is advisable to review the policy contract.
Deductible	An amount that the insured must bear before the insurer pays - also referred to as a policy excess. If the claim is below the deductible, no amount is payable by the insurer.

Word/Term	Explanation
Depreciation	The decrease in the value of an asset over time as most assets have a limited useful life. At the time of a loss, the value is established by applying a depreciation factor to reflect the remaining useful life of the asset.
Discharge Form	A form which a claimant is required to sign on settlement of a claim, which states that the insurer’s liability has been fully settled and no further claim arising out of the same event can be presented.
Excess	Same as deductible - an amount that the insured must bear before the insurer pays. If the claim is below the excess, no amount is payable by the insurer.
Exclusions	Terms in an insurance policy under which the insurer will not pay if loss sustained is caused by an event or peril that is not covered.

Word/Term	Explanation
Exposure	The measurement of risk.
Office of The Financial Services Ombudsman (OFSO)	The Complaints Authority, established and funded by commercial banks and insurance companies, where individuals and small businesses with complaints can take them for resolution at no cost to the complainants. Final decisions of the Ombudsman are binding on the insurer but the complainant is free to seek other legal remedies if not satisfied with the decision of the OFSO.
Fraudulent misrepresentation	The deliberate provision of wrong and/or misleading information to an insurer when making an application for insurance. An insurer can deny a claim if the information provided is material and fraudulent.
Indemnity	A key insurance principle which states that the policyholder should be returned to the same position that he/she was in immediately prior to the loss - there must be neither gain nor loss. Insurance is not meant for a policyholder to profit from a loss.

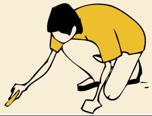
Word/Term	Explanation
Liability	An obligation on a policyholder to pay damages arising out of an event. The obligation can be legally enforced.
Loss of Use	This is considered an uninsured loss. In the event of a motor claim, the insurance company will compensate the claimant for "Loss of Use" using a per-day monetary value. Payment is calculated by multiplying the daily rate by the number of days that the adjuster estimates it will take to repair the vehicle.
Market Value	The current price of an asset (a motor vehicle) that a buyer will pay and a seller is willing to accept.
Material Fact	Information that, if disclosed, will influence the decision of a prudent underwriter and therefore must be made known to the insurance company at the time of providing information.
Misrepresentation	Misrepresentation can be innocent or fraudulent. Innocent misrepresentation is unlikely to affect insurance cover after the

Word/Term	Explanation
	passage of time. On the other hand, fraudulent misrepresentation is ‘fraud’ since it is deemed to be deliberate and intended to mislead the insurer and can render the policy void and of no effect. No claim may therefore be paid.
No Claim Discount (NCD)	This is a system of reward to a motor vehicle owner if he/she has a “claims free” record. Each year a discount is earned until the maximum limit is reached.
Occurrence	An event (a loss) which triggers payment.
Renewal	The offer by an insurer to a policyholder to insure the risk for another period – usually a further period of one year at the expiry of the policy.
Risk	Often referred to as the probability of a loss - financial, physical or otherwise.
Salvage	The value of an asset (motor vehicle) in its damaged condition or the disposable value of the wreck which can be sold for its parts.

Word/Term	Explanation
Subrogation	The right of the insurer, after settling a claim, to pursue recovery against the party that is responsible for the loss, usually against the insurer of the liable party.
Sum Insured	The amount stated in the policy. It represents the limit that the insurer will pay in the event of a total loss.
Term	Insured period.
Third Party	The person who may have been injured or whose property was damaged, other than the insured or the insurer.
Total Loss	The complete destruction of insured property where there is no salvage or residual value.
Underwriter	A person in an insurance company who assesses risks and is authorised to accept or refuse cover at a given premium and under given terms and conditions.

Word/Term	Explanation
Utmost Good Faith	A key insurance principle which states that all parties must act on the basis of trust. However, the applicant for insurance has a duty to provide all information that will assist the underwriter in assessing the risk in order to arrive at an appropriate premium. Generally, in the commercial sector, the principle is known as 'let the buyer beware'.
Valuation	A value placed on property for insurance purposes – for example, a motor vehicle has to be valued in order to determine the sum at which it should be insured.

Notes



Notes

NFLP contact information

Address:	National Financial Literacy Programme Central Bank of Trinidad and Tobago Eric Williams Plaza Independence Square Port-of-Spain
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The National Financial Literacy Programme