



THE

# Mediator

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## Natural Disasters Are You Prepared?

During this first quarter of 2010 our region was plunged into shock and sadness when two severe earthquakes struck in Haiti and Chile in January and March respectively, resulting in heavy losses of life and property.

Our region is frequently prone to natural disasters such as earthquakes, hurricanes and floods which directly impact the lives of many. Within minutes of a natural disaster, our lives as we know it can be changed forever. It is therefore important that we understand disasters and know what to do before and after to significantly reduce loss of life and property damage. Generally, most people give no thought to how they would take care of themselves and their families in the event of a natural disaster.

The Office of Disaster and Preparedness Management (ODPM) of Trinidad and Tobago is the government agency, responsible for the dissemination of information on natural disasters and education on disaster preparedness to the general public. The ODPM releases on a continuous basis a number of survival and preparedness tips as well as examples of emergency preparedness kits and information on shelter locations. This and more information can be found on their website [www.odpm.gov.tt](http://www.odpm.gov.tt)

In the wake of a natural disaster, you may be faced with some challenging and critical issues such as, falling behind on your mortgage payments, utilities and credit card bills. It is recommended that you contact your financial institution to discuss your situation, at your earliest convenience. In the case of property damage to your home or motor vehicle, or loss of life/limb, efforts should be made to contact your insurance provider and submit your claim as soon as possible. This will enable you to be back on the road to recovery sooner than later.

Crisis preparedness means planning and preparing for any disaster that may occur, so please "Be Prepared". In closing, our neighbours in Haiti and Chile have begun the long and arduous rebuilding process and so we must continue to offer our assistance and keep them in our prayers.

## Property Insurance Glossary of Terms

*courtesy the National Financial Literacy Programme.*

### Average Clause

A condition which encourages homeowners to insure their property for the correct value. You, the homeowner, will be penalized by not receiving full coverage for damages if your property is under-insured. You would not benefit if your home is over-insured.

### Claimant

The individual who makes a claim for payment of benefits under the terms of an insurance contract.

### Excess

The agreed sum or percentage of the claim which the policy-holder would be required to bear before the insurance company pays out any benefits on the claim.

### Fully Insured

If your property is fully insured, it means that it is covered for the current market value. A regular valuation of your property and adjusting your insurance premiums to ensure that you have adequate coverage is advisable.

### Homeowners policy & Householders Comprehensive policy

Homeowners policy covers actual buildings whereas Householders policy provides coverage for contents.

### Master Policy

The legal contract between an insurance company and a group insurance policyholder that provides coverage for a particular group of persons.

### Reinstatement Basis

Insuring your property on a reinstatement basis means that in the event of any disaster, you will be able to restore your property to its position before the damage occurred.

### Sum Insured

The maximum sum that the insurance company will pay on a claim. In other words, the sum insured is an upper limit of the funds that a claimant is eligible to receive.

### True Replacement Cost

The actual cost to repair or replace your home at current market prices.



## OUTREACH

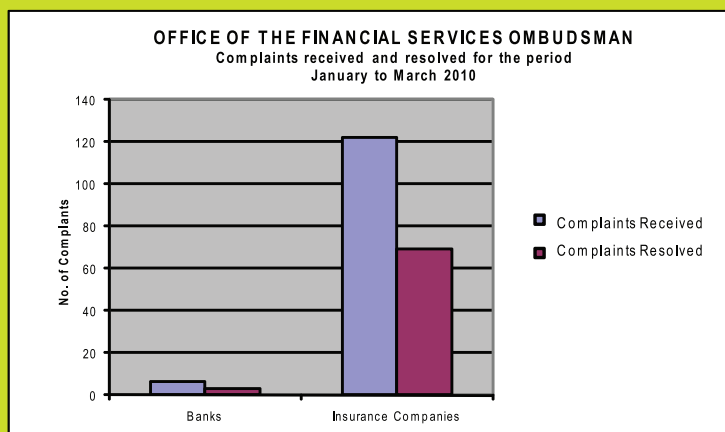


Ms. Wendy Knight, Ombudsman, Royal Bank of Canada paid a courtesy call on Ms. Ann Marie Narine, Financial Services Ombudsman, on February 24, 2010.

The Office of the Financial Services Ombudsman (OFSO) participated in an exposition held in Point Fortin to commemorate Small Business Month in January 2010.



	Complaints Received (included b/f)	Complaints Resolved
Banks	6	3
Insurance Companies	122	69
Total	128	72





# CASE STUDIES

## 1. Earthquake Damage Not Covered

The complainant’s home was covered under a homeowner’s protection policy when her house was damaged by an earthquake. She stated that she noticed cracks and breakage in the walls close to the roof of her patio and immediately made a report to her insurers. She was directed by them, to someone else, later identified as a loss adjuster who worked for the company, to have the damages reviewed.

Some time after the adjuster visited the premises, the damaged portion of the roof collapsed, causing the complainant to again contact the adjuster who then advised her to proceed with the necessary demolition work. He further advised her to submit an estimate for her costs to demolish and rebuild her patio. The complainant proceeded to repair her home, at her own expense and await reimbursement from her insurers. To her surprise, her claim was denied on the grounds of ‘construction inadequacies tantamount to poor workmanship’.



The insurance company, supported by the report produced by their loss adjuster denied the complainant’s claim on the basis that the damage was due to poor workmanship and this was strictly excluded under the policy. In his report, the adjuster also stated that the porch was added subsequent to the initial construction of the building and perhaps improper fastening of the porch roof, coupled with inadequate support columns were jointly responsible for the collapse.

However, after the intervention of the Ombudsman’s office and considering the long relationship with the customer, the company offered an ex-gratia payment. This recommendation was then reviewed by an independent investigator appointed by the Ombudsman’s office who concurred that the calculation of the settlement was reasonable and that the complainant should be advised to accept same. However, she declined to accept the offer and the OFSO closed their files on the matter.

### Lesson of the case:

The investigator appointed by the Ombudsman’s office found that the ex-gratia payment offered by the company was fair and worthy of consideration by the complainant. In his evaluation of the claim, the OFSO’s investigator considered both earthquakes mentioned by the complainant as separate events and his estimated settlement was not far from that offered by the company. The investigator also indicated that any additions to the main building should have been brought to the attention of the insurer to have same covered by way of an endorsement on the policy.

## 2. Property Insurance should represent Market Value

Ms. R. reported that after an earthquake of magnitude 5.8, her home suffered some structural damage. She surveyed the property and subsequently made a claim to her insurance company for compensation to repair the damage. The company, after reviewing her claim, made an offer of settlement to Ms. R, but she was of the view that it was inadequate and she did not accept. She tried to negotiate a better settlement on her own but to no avail. Ms. R then visited the Office of the Financial Services Ombudsman seeking assistance to resolve her matter. The Ombudsman’s Office contacted the insurance company for their position on the complainant’s claim.

In their response, the company explained that the findings of the adjuster’s report indicated that:

1. The damages appeared to have occurred over time. While some of the damage appeared to be recent, a significant portion was sustained over a longer period
2. The estimate for repairs submitted was overstated and included work unrelated to the damage caused by the earthquake
3. The Sum Insured on the property of \$201,000.00 was inadequate and a more realistic amount of \$ 750,000.00 was suggested

In the circumstances, the complainant’s home was deemed to be underinsured, i.e., insured for less than its current market value. As a result, the claim was subject to the application of the Condition of Average Clause. This provision contained in the homeowner’s policy states that **‘the insured shall be considered as being his/her own insurer for the difference (between the insured and marker values) and shall bear a rateable proportion of the amount of such loss’**. The company was therefore prepared to settle the claim for the net adjusted amount after the application of the average clause and the policy’s excess.

The Office was of the view that the company’s offer was fair and reasonable and advised Ms. R accordingly. She was also given the option to engage the services of another certified adjuster should she remain dissatisfied with the company’s offer. Ms. R did not accept the company’s offer nor did she pursue the matter further through the Ombudsman’s Office. As a result, her complaint was eventually withdrawn and the file was closed.

### Lesson of the case:

It is important that homeowners with property insurance understand the terms and condition of their policy contract to avoid disappointments in the event of a claim. The insurance company is within its rights to apply the terms and conditions in the determination of a claim settlement. Policyholders are reminded that they must ensure that the sums insured are adequate at the time of applying for the insurance cover and at renewal of the policy.

## Complaints Process

### Scope of Services

The OFSO can consider matters relating to a wide range of products and services offered by the banks and insurance companies. Generally, we will investigate issues such as:

#### Banks

- Deposit Accounts
- Loan Accounts
- Investment Services
- Trust Accounts
- Mutual Funds

#### Insurance

- Life policies
- Individual Annuity contracts
- Fire and general insurance
- Third Party Property Damage claims to a maximum of \$ 25,000.00, under a Motor Policy

### Complaint Guidelines

- Before the Ombudsman office can accept a complaint, the following guidelines should be considered:
- The matter must have first been referred to the institution at which the complaint arose and the complainant is still not satisfied with the outcome.
  - The subject of your complaint must have first occurred on or after January 1, 2003 in the case of a banking complaint and after January 1, 2004 in the case of an insurance complaint.
  - The complaint must not be related to the institution’s general risk management policies, general rate of interest offered, or the pricing of products and services, such as premium rates, fees and charges.

- The matter must not currently be or have been before the courts or an arbitration body or any other dispute resolution process.

### Making a Complaint

- The complaint must be in writing on the prescribed form. (Forms available at our offices or can be downloaded via our website).
- The form must be signed by the Complainant and the authorized representative, if necessary.
- It must state the names and addresses of both the Complainant and the branch of the bank or insurance company.
- The facts pertaining to the complaint must be supported by any relevant documents. Also, you should include the nature and extent of the loss suffered and the relief being sought from the OFSO.

### Resolution of Complaint

The Ombudsman Office will assess your complaint to determine whether it falls within its terms of reference. Thereafter, all attempts are made to settle the dispute by agreement between the two parties, that is, yourself and the financial institution.

If no agreement is reached, then a full investigation is launched into the matter leading to the making of a recommendation or finally to an award by the Ombudsman to settle the matter.

The complainant does not surrender his/her legal rights and is free, at any time, to explore other options for the resolution of his/her complaint including taking legal action. In this case the OFSO will consider the matter closed at that stage.

For Further information, you may contact or visit:

### The Office of the Financial Services Ombudsman

Located at: First Floor, Central Bank Building, Eric Williams Plaza, Independence Square, Port of Spain  
The OFSO Tobago office is located at the THA Conference Facility, Glen Road, Scarborough

Tel: 625-4921 Ext.2685/2681/2675/2650      • Email: [info@ofso.org.tt](mailto:info@ofso.org.tt)      • Website: [www.ofso.org.tt](http://www.ofso.org.tt)