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This article is informational only.

## Damage to Customer Property? How to Sidestep Late Notice and Voluntary Payment Exclusions

When you cause what seems to be relatively minor damage to a customer's home or office, you may try to take care of the damage yourself without filing a claim with your insurance company. This frequently happens when you believe the repair can be done quickly for an amount lower than the deductible in your inland marine or auto liability policy.

But this well-intentioned business practice can come back to bite you, especially when the customer gets frustrated, repair costs exceed original expectations and the issue takes much longer than predicted to resolve. The issues can involve floors and other structural damage, or furniture, artwork and other property.

In these cases, you may end up filing a claim several weeks or months after the damage occurs. However, insurers require prompt notice of a claim as a condition of the policy and a duty of the insured. Failure to do so is considered "late notice" and could lead to no coverage for the claim.

There are similar conditions in policies regarding payments made for repairs without first consulting your insurer. These are considered "voluntary payments." Policies specifically state that you cannot voluntarily make a payment, assume an obligation or incur any expense without the consent of the insurer.

Insurers include these conditions in their policies because they want the opportunity to investigate a claim and determine if the repair is adequate and if proper resources were used to repair it. This is especially true if the insurer believes you paid too much for the repair or the work was not done correctly. In both these cases, claims can be denied.

### Notification, Documentation and Selection

To prevent coverage challenges in the claims process, you can take three simple steps. First, notify your insurance company as soon as you are aware the claim will exceed the deductible, even if you are trying to resolve the issue yourself. The claim can

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be submitted as “notice only” without affecting your loss runs and future premiums.

By putting the insurance company on notice and providing details of the damage and expected repairs, this simple pre-emptive step helps protect you if you trigger the claim later, if the damages become excessive or if the customer gets frustrated and you need help resolving issues.

Second, always document everything you do to repair the damage and resolve issues with customers. Documentation includes taking photographs of all the damage and keeping accurate notes of what happened and how you tried to resolve it with the customer. It

also includes keeping written records of communications and repair estimates with customers and contractors.

Finally, always use reputable, licensed and insured contractors for all repair work, whether it's for artwork, furniture or fixing floors and other structural damage to a building. . Make certain to ask for their Certificate of Insurance before contracting them to do any work. Taking shortcuts could end up costing much more down the road.

Voluntary payment and late notice insurance conditions may seem like an example of the popular adage, “No good deed goes unpunished.” But by following these three

preventative steps, you can carry on your good business practice and protect yourself along the way.

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