INSURANCE & FINANCIAL SERVICES OMBUDSMAN SCHEME

Information sheet

Claim settlement delays

Delays in having your insurance claim assessed can add stress during an already difficult time. Read this guide to understand what can cause claim delays and what help is available.

What are claim settlement delays?

Claim settlement delays are when an insurer does not finalise a claim within its usual expected timeframes. There can be many reasons why delays can occur. Context is important to understand if the delay is unreasonable.

Why is this an issue for consumers?

Following significant events, like natural disasters, impacted consumers can experience severe distress and uncertainty. During these periods, claim delays can also occur, compounding the stress of the situation.

The Fair Insurance Code sets out how house, contents and car insurers will engage with customers to settle claims, both as a business-as-usual activity and during natural disasters.

Understanding the general claim timeframes and how your insurer can support you during a claim can help make the claims process easier to navigate.

Things to know about claim settlement delays

Common reasons why claims can take longer than expected

Common reasons for claim delays include:

- a sudden increase in claims following a significant event, like an earthquake or flood
- high demand for assessors, tradies and building materials
- claim complexity, including claims that require technical expert reports or opinions
- involvement of EQC, in terms of requiring geotechnical reports to decide whether to pay for land value or remediation.

Natural disasters can be immensely stressful and upsetting for those impacted. Insurers have established procedures for natural disaster claims and priortise the most urgent cases.

Claims that are not related to natural disasters, but are lodged at about the same time can be impacted. This is due to the prioritisation of resources into the natural disaster claim response.

The Fair Insurance Code sets timeframes for insurers to respond to claims

The Fair Insurance Code (Code) applies to all insurance products except life and health policies.

The Code sets out timeframes that insurers will follow when you make a claim. It states the insurer will:

- acknowledge receipt of the claim within 5 business days
- decide whether or not to accept your claim within 10 business days of the date that the insurer has all the information it needs to determine your claim.

If that timeframe cannot be met due to complexity, or other reasons, the insurer will:

- explain why
- tell you how long it expects to take to make a decision on your claim
- update you at least once every 20 business days, or another time interval the insurer may agree with you, until your claim is resolved.

If you believe the insurer may not have met its obligations under the Code, you can make a complaint directly to the insurer. If you are unhappy with the complaint response, you can ask the IFSO Scheme to investigate your complaint, for free.

Claim settlement timeframes may be longer after a natural disaster or catastrophe

A natural disaster or catastrophe is a significant event where a large number of people require insurance support and repairs at the same time.

The Code confirms that insurers may not be able to meet the standard timeframes set by the Code when a catastrophe or disaster occurs. However, the insurer will commit to:

- responding as quickly as possible and in a professional, practical, and compassionate manner
- updating you at least once every 20 business days, or another time interval the insurer may agree with you, until your claim is resolved
- identifying and responding to customers experiencing vulnerability based on their individual circumstances.

The New Zealand Claims Resolution Service can support you after a natural disaster

The New Zealand Claims Resolution Service (NZCRS) provides a free service to homeowners who have made house insurance claims following a natural disaster.

The service provides independent advice and can support homeowners with insurance claims to help them avoid disputes, resolve issues and ensure claims are settled in a timely manner.

If needed, the NZCRS can coordinate with the relevant agencies involved in your claim to support a streamlined resolution process.

Tell your insurer if you are facing difficult personal circumstances

Insurers want to know if you are experiencing difficult personal circumstances that could mean your claim requires extra care. This can include health challenges, financial difficulty, or particular circumstances that make the claims process difficult for you.

Insurers are required to identify and respond to customers who are experiencing vulnerability and will let you know how they will support you during the claims process.

I'm not happy with the claim timeframes – what do I do now?

You can escalate your claim for review through your insurer's internal complaints process. If you are unhappy with the complaint response, you can ask the IFSO Scheme to investigate your complaint, for free.

Tips to avoid problems

Ask for details of expected timeframes and why you may be experiencing a delay

If the claim is not progressing as fast as you would like, make sure you understand the claims process timeframes and why there may be a delay.

With this understanding, you will be able to decide if you believe any delay is unreasonable and consider your next steps.

Provide all information requested to support your claim

You can help support the timely resolution of your claim by providing any information requested by the insurer.

If you face difficulties in providing the requested information, talk to your insurer so it is aware of your situation and can let you know next steps.

Maintain open communication with your insurer and repairer

Communication is important throughout the claims and repair process. You can ask the insurer and repairer for details of the repair and timeframes. Let the insurer and repairer know of any questions, concerns or issues you have, so you can resolve these together at an early stage. However, it is not helpful for you to send many emails to the insurer, because it will slow the process up.

Real life examples:

Kim's* cracked walls

Kim made a house claim after discovering cracks in the walls of her house caused by vibration from roadworks. The insurer initially accepted the claim and arranged for experts to assess the damage. However, a year later it declined the claim based on the policy exclusion for loss caused by vibration.

While the IFSO Scheme found the insurer could rely on the vibration exclusion, it found the insurer had significantly breached the Code due to claim delays, lack of transparency and follow-up relating to the incomplete repairs. The insurer provided an apology and payment to the customer in recognition of the service issues and Code breaches.

Consumers struggle after Cyclone Gabrielle

Following the Auckland Floods and Cyclone Gabrielle in 2023, the IFSO Scheme received a sharp increase in complaints about delays.

Consumers who had made claims unrelated to the Auckland Floods and Cyclone Gabrielle were experiencing delays to the settlement of their claims, due to the volume of work insurers were experiencing.

During this time, insurers still had a responsibility to update customers every 20 business days, or at another agreed time interval, until their claim was resolved. However, given the extenuating circumstances, it was reasonable to expect there would be delays and continuing communication from insurers to their customers was very important.

*Names have been changed