

Simple mistakes that lead to rejected insurance claims – and how to avoid them

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There is a common misconception that having insurance guarantees a successful claim. After all, premiums are paid every month with the expectation that, when something goes wrong, the policy will kick in. In reality, however, claims can be rejected not because of complex fine print, but because of everyday assumptions about what is covered, how policies work, or how incidents should be reported.

To ensure your claim doesn't get rejected, avoid these five common mistakes that policyholders make:

1. Misunderstanding policy exclusions

A report by the Ombudsman for Short-term Insurance (OSTI) shows that policy exclusions are the main reason why insurance claims are rejected. Many policyholders overlook exclusions or fail to go through their policies, which can unfortunately lead to great disappointment at claims stage when they find out they are not covered for a specific event. For example, basic home insurance policies may exclude damage from natural disasters, while many business insurance policies do not include cyber coverage. An insurance adviser plays an important role in terms of providing guidance on such matters.

2. Lack of 'duty of care', maintenance or wear and tear

While insurance protects your property, it is not a substitute for regular maintenance. Claims linked to neglected upkeep – such as leaking roofs left unrepaired, faulty wiring, or non-functional alarm systems – may be reduced or rejected.

If damage occurs as a result of poor maintenance or failure to exercise due care, the insurer may determine that the loss was preventable. For businesses, this can extend to compliance requirements such as fire safety measures, security protocols and equipment servicing.

3. Inaccurate or outdated information

Underinsurance remains a significant issue in both personal and commercial lines. When assets are insured for less than their true replacement value, insurers may apply the average clause, resulting in a reduced payout. In a rising cost environment, regular reviews are essential to ensure cover keeps pace with reality.



It is equally important to ensure that all material information is disclosed accurately at application stage, and updated when circumstances change. This includes renovations, new equipment purchases, increases in stock levels, changes in business operations, or alterations to security measures. At claims stage, policyholders must also provide supporting documentation such as proof of ownership, invoices, valuations and maintenance records where required. Incomplete or inaccurate disclosures can lead to disputes, delays or reduced settlements.

4. Delayed reporting

As most policies require incidents to be reported within a specific timeframe, waiting to notify your insurer can complicate or invalidate a claim. In cases of theft, liability or commercial loss, delayed reporting can also affect investigations and recovery efforts. The best approach is to notify your insurer or adviser immediately and allow them to guide the next steps.

5. Unpaid premiums

It may seem obvious, but lapsed policies due to unpaid premiums are a frequent cause of rejected claims. If a premium is not paid within the agreed grace period, cover may be suspended or cancelled entirely. While automatic debit orders reduce this risk, policyholders should still monitor payments and ensure that premiums are paid on time.

At the end of the day, insurance is a proactive risk management tool rather than a reactive safety net. Policyholders should know upfront exactly what they are covered for, and just as importantly, what is excluded – long before they ever need to submit a claim. Taking the time to review your policy, ask questions and clarify uncertainties with your adviser can prevent costly misunderstandings and ensure there are no surprises when it matters most.