

## SPECIAL REPORT

### MISREPRESENT ONE SMALL PART OF A CLAIM AND THE ENTIRE POLICY IS VOID

(03-01-11)

---

This Special Report was written by Kenneth R. Hale, J.D., CPCU, AAI, LIC of Marsh & McLennan Agency LLC. Mr. Ken Hale can be contacted at 734-525-2412 or khale@mma-mi.com. More Special Reports are available at [www.mma-mi.com](http://www.mma-mi.com).

---

A recent Michigan Court of Appeals decision is instructive in how we provide information required by an insurance company in order to receive claim payments.

In this case, the insured made three separate claims under a homeowners policy. The first was a claim for emergency living expense, the second was a personal property claim, and the third was a claim for damage to the building. The insured misrepresented the amount of personal property in the home at the time of the loss. As a result of this misrepresentation, the insurance company denied the entire loss.

The Michigan Court of Appeals said in *Martin v Farm Bureau General Insurance Company*:

The insurance policy clearly states that the entire policy is void if the insured conceals or misrepresents material facts or circumstances, engages in fraudulent conduct, or makes false statements relating to either the insurance or a loss to which the insurance applies. The policy condition does not differentiate between coverages for personal property, realty, and emergency living expenses and specifically voids the whole policy upon the finding of misrepresentation or fraud.

Furthermore, the misrepresentation or fraud must only pertain to a loss, in order to nullify coverage. Thus, to void the policy, the insured is not required to lie about all of his or her losses; rather, a lie related to a single loss operates to void the policy.

We recently saw a case where an insured suffered the theft of a bulldozer. The insured did not have a copy of the original invoice for the bulldozer but knew exactly what the purchase price was, and therefore created what appeared to be a bill for the invoice with the correct amount of the purchase price. Because this prospect reconstructed the invoice, and even though the amount of the invoice was correct, the insurance company denied the entire claim based upon misrepresentation.

The message here is that clients must be totally honest with every aspect of an insurance claim, and pushing the envelope of honesty can result in a denial of an entire claim, which in some cases could be a multi-million dollar claim.

---

*This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Marsh & McLennan Agency LLC shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting or legal matters are based solely on our experience as consultants and are not to be relied upon as actuarial, accounting, tax or legal advice, for which you should consult your own professional advisors. Any modeling analytics or projections are subject to inherent uncertainty and the analysis could be materially affective if any underlying assumptions, conditions, information or factors are inaccurate or incomplete or should change.*