THE ALS GROUP

Managing Risk to Influence Successful Outcomes

Notice of a Claim

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Timeliness of notification is one of the most frequently litigated coverage issues within the claims process. It is often due to people not recognizing an event or occurrence as being a claim per the policy or unintentional delays in reporting. Delayed reporting can cause policyholders to run into significant issues, such as coverage concerns and evidence spoilage, which may lead to complete claim denial.

This is illustrated in a recent New York court ruling, which held that a demand letter received met the definition of a claim per the policy. In this case, John Mellesmoen, an employee of Match Group, sent a letter demanding a settlement for compensation and damages or he would pursue legal action.

Although the letter did not explicitly demand a specific monetary amount, but rather compensation and damages, it indicated Mellesmoen's intent to pursue legal claims. The district court initially ruled that Mellesmoen's letter did not qualify as a claim under the policy. However, upon appeal by the insurer, the Second Circuit court found that the letter did meet the policy's claim definition, which is a written demand received by any Insured for money or services, including the threat or initiation of a suit.

Match Group did not notify its insurer until after the policy expired, rather than at the time of receipt, which resulted in a coverage denial. The policy in question required that notice be given before the policy expired. Although Match Group notified the insurer shortly after the policy period ended, the issue of timeliness – particularly in light of the weekend as well as statutory interpretation – remains unresolved.

Timeframe:

- 8/17: Plaintiff filed complaint against Match Group
- 8/18: Match Group was notified of the complaint
- 8/19: Match Group notified their brokers
- 8/20 12:01 AM: Match Group policy expired
- 8/21: Broker notified insurer of complaint

The Second Circuit court remanded the case to determine whether the notice, given after the policy expired, was timely.

This case underscores the importance of understanding that a claim might be recognized before formal legal action is initiated. The situation also highlights the fundamental principle: always provide notice immediately, regardless of the perceived merit of the claim, to ensure coverage is preserved.

At the ALS group, we ensure all potential claims are thoroughly reviewed and discussed to determine the best course of action, including reporting and pursuit through insurance.

If you have any questions on claims or incident response or want to discuss your company's claims process, please contact Maggie Ingels, Senior Consultant, Claims and Risk Services, at 732-395-4262 or mingels@thealsgroup.com.