

Property Insurance Litigation: Navigating The Tension Between Insurers And Policyholders

Global insurance trends for 2025 – Transactions, Regulation and Disputes

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The Inherent Tension

The right of
insurance
companies to
investigate

VS.

The anticipation
of the
policyholder to
receive
compensation

The Inherent Tension

VS.

The right to verify liability to protect all policyholders and manage funds responsibly

The obligation to compensate promptly without causing further harm to the policyholder

Background Data

Israel

- 🔥 Approximately 45,000 fire incidents occur annually in Israel (2022, State Comptroller Report)
- 🔥 Estimated annual fire damage: 1.75 billion Euros (Fire & Rescue Authority 2020).


Worldwide

- 🔥 More than 133,000 fire incidents in England in 2024 (GOV.UK, Fire and rescue incident statistics: England, year ending September 2024)
- 🔥 Estimated damage costs: 3.2 billion pounds (GOV.UK, Economic and social cost of fire 2023)
- 🔥 Worldwide: 2.3 million fire incidents reported in 2022 (CTIF 2024 Report).
- 🔥 In the US alone, 2020 fire damage to structures was estimated at \$22 billion.



Fire Claims in Businesses

- Ordinary businesses often operate on credit turnover and maintain limited inventory.
- A fire can be a significant and even a fatal event for such businesses.
- Timeliness of payment is critical to business recovery and survival.

Documentation Requirements

- According to Section 23(b) of the Insurance Contract Law, insured must provide relevant documents upon request.
- Insurers often send long, burdensome demands through adjusters or experts.
- The insured must cooperate.
-  The line between legitimate requests and abusive delay tactics is often blurred.

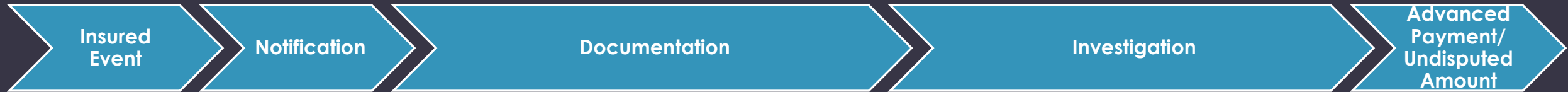
The Standard Policy: Advance Payment

- Section 17(a) of the standard policy: the insured is entitled to an advance to start recovery.
- The purpose is to prevent business collapse post-loss.
-  In practice, insurers rarely pay advances.
-  Advocacy is needed to increase use of this clause to support insureds.

The Obligation To Pay Undisputed Amounts

- Section 27 of the Insurance Contract Law defines the deadline by which the insurance company must pay insurance benefits and states that they may be claimed separately from the remaining benefits.
- Payment of undisputed amounts should not depend on full document submission or waiver signatures.
- 📌 ○ Insurers often avoid partial payment to gain leverage in final negotiations.
- 📌 ○ Insureds are under financial stress post-loss, giving insurers unfair bargaining power.
- 📌 ○ Impractical clause: insured parties lack sufficient incentive to pursue the undisputed portion.

Timeline



Case Examples

Toys Store

🔥 Issue: delay

Documentation

ongoing process of questioning, including demands for documents that are not relevant for the purpose of receiving an advance payment, as well as a delay in handling the claim until the financial report for the previous year is provided.

Motorcycles Store

🔥 Issue: No official expert opinion

Investigation

Appointing of three different fire investigators on behalf of the insurance company. Nevertheless, it didn't relay on any of them, extending the investigation phase pending the publication of an opinion that is consistent with its interest.

Case Example

Case No. 7298/10 Hadar Insurance Company v. Achad Ha'am

- 🔥 Compensation for consequential damages due to a breach of the policy (delay in payment of undisputed amount).
- 🔥 Penalty interest does not preclude an insured from seeking damages arising from a breach of contract.
- 📌 The legislative framework, supplemented by judicial interpretation, primarily offers remedies that operate retrospectively, rather than preventive measures.
- 📌 The statutory framework frequently offers remedies which, while theoretically available, prove impractical or ineffective from the insured's perspective
- 📌 Possible Solutions?