

In April 2009, a tragic house fire in Kalamazoo appeared to be started from a child playing with matches. Sometimes, whether or not there is coverage, begins with a question as simple as "Did the homeowner live there?" And in this case, he did not.

All insurance premiums are based on the amount of calculated risk. Typically, a homeowners policy is less expensive because experience teaches that when the person who owns the home also lives in the home, losses are less likely and often less costly. Landlords pay more because of the greater risk of loss. In fact some providers don't offer landlord policies. As a result, some landlords will lie claiming that they live in a rental property to enjoy lower premiums. The problem is that if there is a major loss, the truth will be discovered and the house will be uninsured.

In the claim investigation process it was discovered that the named insured, although claiming to live at the premises at the time of the application of insurance, did not live there at all. In actuality, he rented out the premises months *before* he took out the policy of insurance and eventually *sold* the property on land contract, never informing the insurance company of any of it until after the loss. Unfortunately, a fire occurred and the insurance company only then discovered the named insured had lied about his residency in the application. As a result of his misrepresentations, in addition to the fact that the insurance company would never had written this same policy knowing the insured did not live there, the policy was rescinded. This means the policy premiums were returned and the policy was voided and treated as if it never existed in the first place.

The named insured sued the insurance company stating the Company couldn't rescind this policy or deny his claim because they *knew* he didn't live there. The plaintiff claimed he had proof that two individuals from the company came out to the premises at some point to inspect it. However, that too was untrue. Nonetheless, this spurious claim was enough to avoid the case being dismissed as a matter of law. After taking the deposition of a key witness from the insurance company, however, Plaintiff's counsel saw the insurance company had done their job and we were ready for trial. The next day they agreed to dismiss the lawsuit for nothing! (That's the firm's third "zero settlement" in 4 months.)

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