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Insurance Claim Denial Checklist: What to Do When Your Insurer Refuses to Pay

A practical guide for policyholders, businesses, and insurance professionals, drawn from the Malaysian High Court case Lai Leong Peng and the Insurance Dispute.

1. **Check whether the insurer's refusal is based on something not in the policy**

In *Lai Leong Peng*, the insurer demanded that the policyholder pay customs duties before the claim could be settled. The court described this demand as "misguided and in bad faith" because it formed no part of the insurance contract. If your insurer asks for something that isn't in the policy, that condition is likely unenforceable.

2. **Find out if the insurer has already accepted liability**

The court found that the insurer had already accepted liability by assessing the vehicle as beyond economic repair and making a settlement offer. When an insurer does this, it cannot later introduce new conditions or try to escape the policy. If your insurer inspected the loss, declared the car a total loss, or offered a payout, that conduct may bind them.

3. **Challenge any misrepresentation allegation with evidence**

The insurer alleged that Lai had given a false Langkawi address to obtain a customs-duty exemption. The court rejected this because the Land Office, Road Transport Department, and Customs all confirmed the address was genuine. If your insurer claims you misled them, ask for

proof—and gather your own documentation to counter it.

4. **Insist that any repudiation follows proper legal procedure**

The court pointed out that even if there had been misrepresentation, the insurer should have repudiated the policy under Section 19 of the Contracts Act 1950. The insurer never did—its own witness admitted the policy had not been repudiated. A mere refusal to pay is not a valid repudiation. The law requires formal steps; if your insurer hasn't followed them, their attempted repudiation may be ineffective.

5. **Keep a complete paper trail and seek legal advice**

The court relied heavily on documentary evidence: the policy, the settlement offers, the insurer's solicitors' letters, and the confirmations from the Land Office, RTD, and Customs. Keep every email, letter, and note of every phone call. A well-documented case can make the difference between a denied claim and a court award of the full sum insured plus costs.

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