

Denied! 6 Foolish Moves That destroy a Car Insurance Claim

Fox Business

When you purchase car insurance, you hope your claims will be paid.

But in many situations, your insurer can deny your claim because of things you've done. Negligence, criminal activity or simple forgetfulness all can cost you.

Here are six things you may do that can result in your insurance company refusing to foot the bill for your claim.

1. Filing a fraudulent claim

Tempted to pretend that old jalopy has been stolen so you can collect the car insurance money? Think it's harmless to exaggerate the extent of your damages in order to collect a few more dollars in your insurance payout?

Think again.

If you file a fraudulent or exaggerated claim and your auto insurance company finds out, your claim is sure to be rejected.

"Committing insurance fraud is a felony," says Amy Bach, executive director of the consumer advocacy group United Policyholders, which concentrates on insurance matters. "Knowingly committing a fraud is always grounds for denial of a claim."

2. Filing a claim for coverage you don't have

Often drivers don't understand their coverage, which can lead them to try to make claims for coverage they don't have.

For example, did you hit a deer? You don't have coverage unless you bought comprehensive insurance. Or perhaps you took you hit a slick patch in the road and slammed into a corner mailbox. Any damage to your car will not be covered unless you purchased collision insurance.

3. Expecting coverage for a loss excluded in your policy

You will not be covered for any loss that is excluded in your policy.

For example, in some cases, a car insurance policy may not cover you for business-related use of your

vehicle. So a claim for a fender-bender that occurred while making a work delivery could be denied.

4. Increasing a car's value without telling the insurer

When you increase the value of your car, you may not be covered for the full extent of damages if you haven't notified your insurer of the upgrades.

"If you do any heavy customization or special modifications to the wheels or body of your car, it's important to notify your agent immediately," says Rick Ward, director of auto claims for MetLife Auto and Home.

You may be charged a higher premium to reflect the increased value of your vehicle. If you haven't notified your car insurance company of improvements by the time you file a claim for damages, you will likely only receive compensation for your vehicle's original value.

5. Letting your policy lapse

Even if you've faithfully paid your auto insurance premiums for decades, a missed payment could jeopardize your coverage.

In this case, your insurer may suspend your auto insurance coverage until you are up-to-date on payments. The results could be disastrous if you're involved in an accident before your insurer has reinstated your policy.

"If you have a lapse in your policy, you'll have no coverage and will be forced to pay for the full extent of any damages yourself," says Ward.

6. Driving under the influence

Insurance companies are generally forgiving of stupidity. For instance, if you leave the keys in your car and it is stolen, most car insurance companies will still pay the claim, even though the theft was partially your fault.

Making poor choices like driving drunk or under the influence of drugs could cost you, however. In many states, insurers are allowed to deny a health insurance claim that occurs when you are involved in an accident and are legally intoxicated.

"Wherever you're driving, you need to understand the statutes and state laws that apply, so that you're aware of the consequences of your actions," Ward says.