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Why do insurance claims for Scottish Plant Hire businesses get declined?

A guide to improving the chances of getting your claim paid

Plant hire claims can be challenged far more often than most policyholders expect, and not because the insurer is being "awkward" — but because the policy was written for specific risks that didn't match the circumstances of the loss.

Here are the top ten reasons plant hire claims get knocked back, with a focus on how insurers think about them and how you can avoid these problems before they arise.

1. Breach of physical security conditions (the #1 reason)
This is the big one — especially for theft claims.
Common issues:

- Tracker required but not fitted, not working or not activated
- Immobiliser bypassed or keys left in/on the machine
- Plant left outside a secure compound
- The secure compound didn't meet the policy definition (height, fencing type, locked gate)
- No proof the security measures were in place

Insurers treat these as conditions precedent — breach them and the claim fails, even if the theft was genuine. Your broker should be highlighting these conditions to you.

2. Non-disclosure or misrepresentation

It is imperative that the description of your business that is given to insurers by your broker is 100% accurate and complete.

If the risk isn't what the insurer thought it was, they'll revisit the insurance contract – even after a loss.

Examples:

- Plant was used in forestry, marine, airside, rail, or renewables - but this was not disclosed to the insurer
- Hire "with operator" contract - when policy assumed 100% dry hire
- Overnight storage at client sites – policy assumed all plant returned to depot overnight
- Higher-value or specialist plant not declared
- Company and/or Director CCJ's not disclosed

Even innocent non-disclosure can result in reduced or voided claims. Your insurance broker should be asking you the right questions and visiting your premises / sites to fully understand your business and ensure that this does not happen.

3. Contractual liability beyond policy cover

Generally speaking, insurers only cover legal liability, not whatever your contract says you'll pay.

Make sure that you are aware of the extent of your liability under your contracts and what element of this is uninsured or uninsurable. Adoption of SPOA contract hire terms will go a long way to minimising your exposures.

4. Other warranties and conditions

Insurance policies are often full of warranties and conditions that the policyholder must adhere to. Failure to do so may lead to a claim being rejected.

5. Excluded perils or activities

Policies often explicitly exclude exactly the event that caused the loss.

Common exclusions:

- Underground services
- Vibration, subsidence, or weakening of support
- Work near water or tidal areas
- Rail, aviation, or highway authority land
- Heat, welding, or cutting operations

These are often found in policy in endorsements. A good insurance broker should be highlighting these exclusions to you at policy inception and renewal.

6. Lack of operator competence or breach of method
Especially relevant for damage and injury claims.

Issues include:

- No evidence of training or certification
- Operator using plant outside design limits
- Incorrect attachment fitted
- No risk assessment and method statement (RAMS) in place and/or followed

Insurers may argue the loss arose from reckless or unauthorised use.

7. Poor maintenance and inspection records
If a failure looks mechanical, insurers will ask:

- Was the plant maintained to manufacturer standards?
- Are LOLER / PUWER records up to date?
- Were defects known but ignored?

If the answer is no, the claim may be declined as wear and tear or gradual deterioration.

8. Late notification or mishandling of the claim

This often trips up an otherwise valid claim.

Examples:

- Theft reported late to police
- Insurer notified days or weeks after the event
- Repairs authorised before insurer inspection
- Evidence lost or plant moved

Most policies require immediate notification.

9. Fraud indicators or database flags

Even when the claim is genuine, past events can lead to deeper and slower moving claim investigations by insurers. Its important that claims are genuine and well supported with documentation.

Triggers include:

- Inconsistent timelines
- Missing keys with no explanation
- Previous history of disputed claims
- No evidence or missing evidence
- Conflicting witness statements

10. Excesses, waiting periods, and underinsurance
Not technically repudiation, but often feels like it.

- Loss falls within the excess (eg a £5,000 excess means that you are self-insuring for the first £5,000 of any loss)
- Business Interruption waiting period not met (eg a seven day waiting period means that you are self-insuring for the first seven days worth of consequential trading losses)
- Underinsurance – plant insured value does not match replacement value
- Policy sub-limits apply and reduce claim payment

The claim "exists" but in reality pays little or nothing.

The uncomfortable truth
Most rejected plant hire claims fail because of one or more of the following:

- The cover was poorly designed by the broker who failed to understand the risks to be insured and therefore did not convey an accurate description of the business risks to the insurer
- The policy conditions were poorly explained by the broker to the policyholder
- The policyholder failed to adhere to the policy terms

- The policyholder chose a cheap price over the right cover
- Insurance coverage failed to keep up with the growth and evolution of the business
- The physical security and operational processes of the business were not fit for purpose

Insurers don't need to prove dishonesty — just proof that a policy condition wasn't met.

How to reduce claim rejection risk

Appoint an insurance broker skilled and experienced in arranging cover for Scottish Plant Hire businesses to advise you and put your insurance programme in place.

- Review your cover with your broker at least annually
- Be prepared to pay a fair price for the right cover
- Treat physical security conditions as non-negotiable
- Align your hire contract liability with insurance cover
- Keep training, inspection, and maintenance records tight and up to date
- Notify your broker immediately of a loss
- Review cover whenever your operations change