

The complaint

Mrs J has complained about her home insurer, Ageas Insurance Limited, as it has sought to settle for only a portion of the repair cost to her fire damaged home.

What happened

Mrs J's home suffered a fire in early 2020. Ageas appointed a loss adjuster. On the first visit the adjuster determined that a surveyor was required to determine the rebuild value of the property. The loss adjuster, based on rates for a standard property, had felt the rebuild cost would be £498,000. But he noted Mrs J's property is listed so the standard property rates would not apply. And the figure based on the standard rates was very close to the sum the property was insured for – £500,000. So he felt that the sum insured was likely inadequate, meaning a professional analysis of the rebuild cost was required.

A surveyor initially calculated a rebuild sum of £629,000, but this was revised. The revised figure, based on rates applicable at the point of the policy's last renewal, was £640,837. Ageas considered what premium it would have charged Mrs J for a sum insured of that value and compared that to the premium she had actually paid. Ageas said that showed she was 57% under-insured, so it would only pay 43% of her reinstatement costs.

This was set out in a final response to Mrs J. In the same letter Ageas accepted her claim had been handled poorly at times and offered £300 compensation. Mrs J remained unhappy – she disagreed that she was under-insured. She said she had gauged the rebuild cost for her property using an on-line calculator, and whilst this doesn't account for properties being listed, she had added a contingency to that value to generate her sum insured. She said she felt this was a fair way to do it as whilst her property is listed it doesn't have many listed features and so, in her view, by-and-large, modern similar materials could be used and it wouldn't cost much more to reinstate than a non-listed property.

As well as complaining to us, Mrs J continued a discourse with Ageas. Ageas said it would revise its settlement offer. It said it was still satisfied that Mrs J was under-insured. But it said it was prepared to base its settlement on the rate of under-insurance presented by the sum insured against the correct rebuild rate, as opposed to a comparison of the premiums. Ageas said that would mean it would pay 78% of Mrs J's reinstatement costs (as opposed to 43%). Mrs J still argued that she had not been under-insured, in her view, and said she felt Ageas hadn't adequately shown its calculations were correct or fair. She provided an email from a relative, who had previously held a position of significance in terms of listed properties, which said in their experience rebuilding this house in a similar format wouldn't cost much more than for a non-listed property.

Our investigator explained that as a service we rely heavily on expert opinions, and here such would come from a surveyor. He didn't think, considering what the policy allowed for, he could reasonably conclude Ageas had done anything wrong in settling the claim as it had. He felt its offer of compensation was fair.

Mrs J provided a valuation from a surveyor which confirmed standard building rates had been used to determine a rebuild cost of £570,000. Mrs J said she was trying to obtain a further report from another surveyor but in the end nothing further was provided.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Legislation exists which, in certain circumstances, allows insurers to settle claims where there is under-insurance, based on the percentage of premium paid, against that which would have been paid. Some insurers have included similar methods for settlement in the terms of the policies they provide. This means in the event the legislation doesn't apply, the policy terms still might. But some insurers are less prescriptive in their policies about how they will settle claims if there is under-insurance (and the legislation doesn't apply or isn't being relied upon for some reason), commenting merely that if the sum insured is not reflective of the rebuild cost the claim settlement may be reduced.

Mrs J's policy explains what Ageas sees the rebuild cost as and says that if the sum insured is not enough to cover the full rebuild cost of the property, any settlement made for a claim may be reduced. The policy doesn't give a formula for how this will be done. The legislation says reduction can be based on the proportion of premium paid against that which would have been charged if the correct rebuild sum had been used. Ageas originally planned to mirror the redress method provided for by the legislation. But upon review Ageas decided to treat Mrs J more favourably and look at the percentage represented of the rebuild cost originally selected against what it felt the correct cost was. This meant it saw Mrs J as being 78% insured rather than just 43%, and that only 22% of her claim costs were not covered by it, rather than 57%. I think this was reasonable of it.

I know Mrs J has concerns with the rebuild costs Ageas has put forwards. I've considered what she says and the views put forwards by her relative. However, Ageas has had a surveyor complete a fully costed breakdown of the costs they'd expect to encounter in reinstating Mrs J's listed property. Whilst Mrs J has provided an alternate view from a surveyor, the surveyor's report doesn't include the level of information Ageas' surveyor has provided. Mrs J has said that her surveyor, and others she has spoken to, simply don't offer that level of detail – I don't know why that might be. But I do see that in their report dated 2 February 2021, Mrs J's surveyor, said the rebuild cost of Mrs J's property – *based on standard building rates* – is £570,000. And I'm mindful that the extra detail Ageas' surveyor provided was to account for the fact that the standard building rates alone won't adequately calculate the rebuild cost of a listed property. Rather allowances have to be factored in which then generates the level of detail Ageas' surveyor has provided, and is absent from Mrs J's surveyor's report. So I'm not persuaded that the evidence provided by Mrs J reasonably shows Ageas' rebuild cost is wrong such that she was likely not under-insured.

I know Mrs J thinks that all insurers work with a threshold for under insurance and that this is often 80% - meaning that if a claimant is 80% insured, the underinsurance will be ignored and the claimant will be treated as though they are full insured. Also that Mrs J believes there is either a margin for error and/or a degree of professional judgement in the rebuild cost which means a few items or costs, more or less, could have an impact on the overall value. So Mrs J thinks that because Ageas now views her as being 78% insured, it should give her the benefit of the doubt, increasing that figure to 80%, which in turn would then mean it could view her as being fully insured. I understand why Mrs J might think all this – but there is no standard 'threshold' in the insurance industry beyond which all insurers will ignore under-insurance. Some insurers do build such a margin for error into their policies. But not all. And the Ageas' policy wording doesn't include this.

I appreciate this has been a difficult and stressful time for Mrs J. However, and whilst Ageas has noted it made some failings in handling the claim, I think it's fair to say the most upset has been caused to Mrs J because her home is not fully insured. I know she feels Ageas' settlement offers have been unfair. But as I've explained above, I think Ageas has acted fairly and reasonably in this respect. Fire claims in general can be complex and I see that here, as well as the under-insurance which complicated matters, Ageas did feel the need to complete a forensic assessment before accepting any liability for the loss. This did delay the claim but I think it was reasonable for it to want to make those enquiries. Ageas though, in its final response, seems to acknowledge that Mrs J wasn't always dealt with compassionately. Ageas has offered £300 compensation for the upset caused by its failures in handling the claim. I think that, in the circumstances here, that is fair and reasonable. I'm not going to require it to pay anything more.

My final decision

I don't uphold this complaint. I don't make any award against Ageas Insurance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 6 May 2021.

Fiona Robinson

Ombudsman