

The complaint

Mrs A complains that HDI Global Specialty SE (HDI) has unfairly limited her claim pay-out for damage sustained to her home during a storm. And has provided an unrealistic quote for the repairs. The policy is in Mrs A's sole name, so I have just referred to her throughout. HDI is the policy underwriter and so references include the policy administrator. Mrs A has complained separately about the comparison website through which she bought her policy.

What happened

In February 2020 Mrs A's home was damaged by a storm and she claimed to HDI. HDI appointed a loss adjuster who visited the same month and instructed a roof specialist to assess the repairs. The loss adjuster said the house wasn't well maintained, with rotten window frames and the roof had signs of wear and tear.

Mrs A obtained three repair quotes which averaged £90,000 - £110,00 and the loss adjuster arranged a fourth. She said HDI only agreed to pay on this quote, which it won't share, but is costed far less. Mrs A said she questioned the huge difference and said the quoting firm told her it wouldn't do the work. She said the quote would be acceptable if it covered all the work.

HDI made an offer to settle Mrs A's claim for about £40,000 + VAT. It said this was adjusted for wear and tear, betterment and the lower cost it can obtain the work for. HDI said the repair quote came from a firm qualified and able to do the repairs. It said that Mrs A had pointed out failed stonework, but this wasn't part of her claim and wouldn't be covered.

HDI reduced its offer as it said Mrs A was under-insured, having provided a rebuild cost of £500,000, whereas its loss adjusters said this is £618,000. It said this is only 81% adequate and the policy allows it to reduce the value of her claim proportionately. It said when Mrs A obtained her policy, via a comparison website, she was asked for the rebuild cost of her home and a professional estimate was provided which could be edited. The site provided help text to obtain the correct figure and explained the consequences of not doing so. HDI said the onus is on the policyholder to get this right and had this happened it wouldn't have offered her cover. HDI offered to appoint an engineer to reconsider the damage.

Mrs A said she can't repair or decorate, and her home isn't watertight and is incurring further damage. She said the fuel bills are unmanageable due to heat loss through drafty windows and the carpets are damp, affecting her family. Mrs A said she put the rebuild cost at the last sale valuation unaware this was incorrect. She said she answered the question truthfully, wasn't qualified to know the rebuild cost and didn't know she was only obtaining 81% cover. She wants the whole amount of the claim paid and to choose who undertakes the repairs.

Our investigator recommended the complaint be upheld. She said there's no dispute that the storm damaged Mrs A's home. And the policy allowed for a proportionate settlement of the claim based on under-assessment of the rebuild cost. But she said Mrs A answered the questions as well as she could and had arrived at a lower cost when subsequently assessing the rebuild cost. And so she thought HDI shouldn't apply a reduced settlement to her claim.

The investigator said HDI should review the repair quotes as Mrs A had shown she couldn't repair her home on its offer, and it should make a revised offer. She said HDI didn't need to include a special glass window as it wasn't included within the policy. She said HDI should pay Mrs A £200 compensation for the distress caused by its unfair initial offer of settlement.

HDI disagreed, saying Mrs A's husband had said he thought the rebuild cost she had used was wrong as it was below the latest valuation. In any event she had been asked to provide the rebuild cost, not the sale value and there was no ambiguity in the questions. HDI said if Mrs A thought the question was unclear, she should complain to the comparison website.

As to the quotes, HDI said Mrs A's windows could be repaired and this accounted for some of the difference - it offered her a choice of engineer to inspect the windows and stonework at HDI's expense. HDI said a policyholder can't choose which parts of a building are insured and so it would include the special window in the repair costs. As to the compensation, HDI said it was too early to know if its initial offer of settlement of the claim was fair or not.

Mrs A agreed to the appointment of an engineer to assess the damage and repair costs.

Another investigator from our service reviewed the evidence and decided the damage was likely due to a combination of age, poor maintenance and storm. She thought HDI's offer in respect of Mrs A's windows was fair and the stonework issue wasn't claim related. But said the roof estimate of £7,400 should be met in full as well as the estimates for the internals and bathroom (as already agreed by HDI). She said HDI should arrange for a further report on the ceiling as the evidence is inconclusive.

Mrs A was angry that conclusions had been reached on her claim without sight of the engineer's report. HDI disagreed that it should pay the full estimate for roof repairs as maintenance was required in any event. The complaint was referred to an ombudsman.

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.

The complaint concerns two key issues, firstly HDI's assessment of the underinsurance of Mrs A's home and the consequent deductions made to claims settlement, and secondly the amount and cost of the repairs to the storm damage.

Concerning the potential underinsurance, the policy states that if the sum insured is inadequate, any claim payment will be reduced by the proportion which the sum insured bears to the full cost of rebuilding the whole of the buildings. I have to consider if HDI has acted fairly or reasonably in applying this term and intending to proportionately reduce Mrs A's claim by 19%. In deciding this I have thought about the information HDI wanted to know from the comparison website and why Mrs A provided the information she did.

HDI hasn't disclosed the information it requires of the comparison website and so it's unclear exactly what it wants from the question. The wording of the question itself and the help text is the responsibility of the comparison website.

HDI said the question makes the customer's requirements clear. HDI said the sum of £500,000 for rebuild is a maximum figure and can be edited. But it also said the insurance product automatically gives cover up to £500,000 irrespective of whether a customer requires less than £500,000. This 'default' figure doesn't make the information as clear as HDI suggests. Also, on the Key Facts document the £500,000 figure is described as 'cover'

and 'buildings sum insured', and on the insurance schedule it refers to this as 'Buildings including accidental damage £500,000'.

I think this leaves room for ambiguity and I find it understandable that Mrs A failed to understand exactly what was required of her. Based just on its loss adjuster's assessment, HDI has said the shortfall in Mrs A's cover is 19%. This isn't an exact science and I don't doubt that other experts would assess this at variance to HDI, particularly given the changes in labour and material costs over time. I think that a variance of 19% is much less than other examples of similar problems that we have seen, and I think HDI hasn't shown (as it is required to do) that it was unreasonable for Mrs A to have provided the information she did.

I think Mrs A was offering information that was already present on the screen and which she had little reason to doubt would apply in her circumstances. I'm aware there was explanatory text near the question, which might have prompted her to make enquiries about her response, but because she wasn't in any particular doubt, I don't think she felt the need to examine the matter further.

On balance I'm prepared to accept that Mrs A wasn't aware that the information she provided was incorrect and so I don't think it was fair for HDI to use the average clause to address the under-insurance its loss adjuster considers to have been in place. It follows that I don't think HDI should apply a proportionate settlement to Mrs A's claim.

I have gone on to consider the cause and cost of the repairs to Mrs A's home. So far as the damage is concerned there's no dispute about the presence of storm conditions at the time of Mrs A's claim, though the cause of some of the damage is disputed.

In these circumstances we are guided by the evidence and particularly expert reports. Mrs A has obtained quotes but not an expert report about the damage. HDI's loss adjuster had an inspection and report carried out by an engineer at Mrs A home in June 2021. This states that mortar and sealant was dislodged on most of the windows and that this and the distortion of the special window may have been caused by the storm. And also that ceilings had become distorted, and cornices damaged by rainwater coming through the roof. The report stated that many windows were rotten at the base of the frames but that this wasn't due to the storm but due to general decay due to prolonged exposure to moisture.

I can see that wear and tear and gradually operating effects such as rot aren't covered by the policy as they are maintenance issues rather than storm related. And so I think it's reasonable for HDI to have made an offer towards the repair of the windows, and should cover the full cost of repair of the special window which has bowed likely due to storm winds.

I can see HDI doesn't think it should pay for the roof repairs, but I think the roof would have been exposed to damage in the storm and appears to have been damaged to the extent that rainwater has entered the house and damaged the ceilings. Mrs A's quote does mention recent storm damage. The expert report doesn't support evidence of storm damage to the stonework, and I don't think HDI has to pay anything for this damage.

HDI said it is prepared to reconsider the settlement offer in the light of the engineer's report and that the special window would be included within any assessment of the repairs. I think this is a reasonable response to the circumstances of the claim and engineer's findings.

Putting things right

In conclusion and having considered the cause and extent of the damage, I agree with the investigator that the damage is due to poor maintenance, age and storm. The expert report and photos show that HDI's offer in respect of Mrs A's windows is fair and the stonework issue isn't claim related. I think that the estimate of £7,400 for the roof repairs should be met

in full as well as the estimates for putting right the internal damage and the bathroom (as already agreed by HDI). The investigator thought that HDI should arrange for a further report on the ceiling as the evidence is inconclusive. I agree with this and think that HDI should also consider Mrs A greenhouse claim which she says she has previously raised with HDI.

If Mrs A remains dissatisfied with aspects of the settlement offer or resolution by HDI that is not concluded here, she is at liberty to bring a separate complaint about this.

Mrs A is concerned that over two years have passed since her claim and the damage to her home hasn't been repaired. I sympathise with her for the delays, and although HDI was entitled to question her claim and elements are not covered as set out above, I think HDI was responsible for some avoidable delays for which it should pay Mrs A £200 compensation.

My final decision

For the reasons I have given above it is my final decision that the complaint is upheld. I require HDI Global Specialty SE to assess Mrs A's claim without reference to the terms relating to underinsurance in the policy and not apply a proportionate settlement to her claim.

I require HDI Global Specialty SE to make a fair offer in respect of Mrs A's windows, but not the stonework. It must pay the full estimate for the roof repairs and the internal damage and bathroom. It should reconsider the claim for the ceiling damage and Mrs A's greenhouse.

I also require HDI Global Specialty SE to pay Mrs A £200 compensation for the distress and inconvenience she has suffered as a consequence of HDI's poor handling of her claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 19 December 2022.

Andrew Fraser
Ombudsman