DRN-3831445

The complaint

Ms A is unhappy that QIC Europe Ltd declined a claim she made for lost jewellery under her home insurance policy.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Ms A got in touch with QIC in September 2022 after she lost a pair of earrings.

- QIC declined the claim because Ms A hadn't had them valued within the previous three years.

- Ms A last had them valued in March 2018, at £3,500. She didn't think it was fair for QIC to require her to get regular valuations, noting it can be costly to do so and it can mean being without the earrings for many weeks at a time. She estimated the value at the time of the loss was likely to be around £4,000 and accepted that the policy would cover a maximum of £3,500 only. She pointed out that the policy term QIC relied on said it may decline or reduce the claim and questioned why QIC hadn't offered something towards her loss.

- During our investigation, QIC told us that it usually chooses to offer a reduced claim settlement where the value of the item was close to the threshold for specifying items or where the valuation was only slightly more than three years old.

- Our investigator didn't think QIC had acted fairly. She noted Ms A hadn't complied with the policy term but she didn't think QIC had shown it would be reasonable to decline the claim in full as a result. Instead, she thought it would be fair to settle the claim at 86% of the value, which is the proportion Ms A insured the earrings for compared to the estimated value of them at the time of the loss. In part this was because Ms A had paid a premium for specifying the earrings.

- Ms A agreed with this. QIC didn't agree and said, in summary:

    - The policy term allowed it to decline the claim if the valuation was outside the three year period. That's the case here, so it acted fairly.
    - Whilst Ms A had paid a premium to cover the earrings specifically, the policy nonetheless entitled QIC to decline the claim in these circumstances.
    - QIC saw no reason to offer a reduced claim settlement.

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.

Ms A has a home insurance policy with QIC that provides cover for, amongst other things, loss of any items of jewellery worth up to £2,000. Ms A chose to add cover for these earrings at a specified value of £3,500.

At the renewal in March 2022, the policy schedule contained a policy term which said that for any items of jewellery worth over £2,000, a valuation from within the last three years would be required. It said:

> *We will not pay your claim, or the amount of the claim may be reduced, if you do not provide the proof we ask for.*

I'm satisfied the term is clear. I don't think it's an inherently unfair or unreasonable term. Requiring regular valuations for higher risk items means they're more likely to be insured for an accurate amount. That helps insurers to manage the risk by setting premiums and policy terms accordingly. It can also benefit policyholders. In the event of a claim, there's likely to be strong evidence of ownership and the value of the items.

There's no dispute that Ms A didn't comply with the term. Her valuation was around four years old at the time of the renewal and several months older at the time of the claim. The term doesn't make clear at what point the three year timescale is measured to, but it was exceeded whether it was the renewal or the claim.

The policy term gives QIC the right to decline the claim outright in these circumstances. However, the term also notes it may reduce the claim settlement – but it doesn't set out in what situations it will reduce the settlement, or by how much. Whilst QIC seems to have internal guidance for how it might approach such a situation, this doesn't appear in the policy, so it doesn't make up the contract of insurance. And even if the term simply said it would decline all claims where valuations were older than three years, I would still consider whether it would be fair to do so in the circumstances of a particular claim. So although I'll take into account the situations in which QIC says it would typically offer a reduce settlement, I'll bear in mind the policy doesn't limit a reduction to these situations.

So the question for me is whether it was fair and reasonable for QIC to decline the claim outright in this particular case. Having thought about all the points made by both parties, I'm not satisfied it was. I'll explain why.

I think it's relevant to consider what impact Ms A breaching the term has had on QIC. Has it made a material difference to the claim outcome or to the premium or other policy terms applied at the renewal? For example, if the valuation was very old – or perhaps there was no valuation at all – QIC may argue that it was unable to manage the risk with any accuracy and it may be fair for it decline the claim outright. But that's not the case here. The valuation wasn't, in my view, significantly outside the timeframe. And QIC hasn't suggested the value changed significantly either.

Ms A has estimated the value increased to around £4,000. I think it's likely that if she'd insured her earrings for this much at the renewal, QIC would have increased her premium. I'm satisfied this is material to QIC – it means it's likely to have lost out on some of the premium it should have received. Because of this, I'm not satisfied it would be fair for Ms A to receive the full £3,500.

However, on the other hand, Ms A has paid to specifically insure the item. I'm not satisfied it would be fair for her to lose out entirely in this situation. And QIC hasn't pointed out any other ways in which it may have been negatively impacted that are more significant than the premium. For example, it hasn't said that it wouldn't have insured the earrings at all had it known their value was greater than £3,500.

Overall, this is a case where it doesn't feel fair for the claim to be paid in full – or for it to be fully declined. Instead, I'm persuaded the fair outcome is to pay a proportion of the claim.

Our investigator suggested QIC pay 86% of the specified value based on Ms A's estimate that the earrings were worth just over £4,000 at the time of the claim. Ms A accepted that. Whilst QIC disagreed with the principle, it hasn't challenged Ms A's estimate.

In the particular circumstances of this case, I'm satisfied 86% is a fair and reasonable settlement. It takes into account that Ms A didn't comply with the policy term – and this likely had a financial impact on QIC. It also takes into account that the impact is limited to an additional premium – and Ms A has specifically insured her earrings.

That means QIC should pay 86% of the specified value, less the excess, and can apply any other relevant policy terms.

My final decision

I uphold this complaint.

I require QIC Europe Ltd to settle the claim for 86% subject to the remaining terms and conditions of the policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 17 March 2023.

James Neville
Ombudsman