

The complaint

Mr O has complained about the total loss settlement Amtrust Europe Limited paid to settle a claim he made against his caravan protection insurance policy.

What happened

Mr O bought a caravan insurance policy with the insurer Amtrust. Unfortunately his caravan was damaged by fire and declared a total loss.

Amtrust said it would settle the claim by paying the sum insured listed under the policy of £18,000.

Mr O said he paid £20,000 for the caravan from new in November 2017.

At the time of his claim, the market value for the caravan was more than the £18,000 sum insured amount Amtrust said it would pay.

Amtrust agreed the market value was higher than the sum insured, but it didn't uphold Mr O's complaint. It said it was for Mr O to declare the correct sum insured when he bought the policy. As it had settled the claim for this amount, Amtrust said it had done nothing wrong.

The Investigator recommended the complaint should be upheld. She'd asked Amtrust to provide evidence of the question Mr O was asked when he applied for the policy, but Amtrust hasn't provided this. And she asked Amtrust to show if it would have charged Mr O a higher premium to indemnify him for the market value of the caravan rather than the sum insured amount. Amtrust said it would have, but didn't provide evidence to support this.

Amtrust said the policy was sold through a broker and so it doesn't know why the sum insured was set at £18,000. Mr O told the Investigator he would have given a sum insured of £18,000 as an estimate of what the caravan might be worth, taking into account depreciation.

On 23 March 2023 Amtrust said it had asked the broker to provide it with details of the sale of the policy and would sent it to this service the following day, but we haven't received details of the sale of the policy.

On 29 March 2023 the Investigator recommended Amtrust increase the settlement to the market value of the caravan, at £20,300 based on the trade guides in line with our approach.

Amtrust didn't agree, so the case has been passed to me to decide.

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.

Amtrust told us the policy was sold through a broker. Even so, it isn't unreasonable to expect an insurer to provide evidence of the application of the policy it underwrote. Amtrust hasn't provided this service with any evidence of the application.

So I've looked at the policy documents provided by Amtrust which were sent to Mr O when he bought the policy in August 2022.

There are different ways to settle Mr O's claim under Amtrust's policy depending on the age, if purchased from new, and manufacturer year for the caravan. In Mr O's circumstances, the market value term applies. Amtrust's policy says the following for this term:

"c. Market value

If neither a) or b) above apply, We may pay the current market value of the Caravan at the time of the loss or damage (as shown in the current edition of Glass's Guide to Caravan Values), taking into account the age of the Caravan and any deduction to reflect pre-accident condition."

For me to be satisfied that Amtrust has treated Mr O fairly and in line with the policy, it needed to provide proof that Mr O was asked a clear question about the value of his caravan when he applied for the policy. And it needed to provide evidence by way of its pricing to show that it would have charged Mr O more by paying Mr O the market value. Even though this information is commercially sensitive, this service finds it reasonable for an insurer to share this with us so we can check a customer has been treated fairly. By not providing this information, Amtrust hasn't shown that it has been prejudiced by paying the market value instead of the sum insured amount.

So I think a fair outcome is for Amtrust to increase the total loss settlement to £20,300 in line with the trade guide valuation for Mr O's caravan.

As Mr O has lost out on the difference in the settlement sum, in line with our approach, I think Amtrust should pay interest at our recommended rate on the difference as set out below.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint. I require Amtrust Europe Limited to do the following:

- Increase the total loss settlement to £20,300.
- Pay interest on the difference from the date of the claim to the date it pays Mr O at a rate of 8% simple interest a year.

Amtrust Europe Limited must pay the compensation within 28 days of the date on which we tell it Mr and Mrs O accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O and Mr O to accept or reject my decision before 22 June 2023.

Geraldine Newbold
Ombudsman