DRN-4309324

The complaint

Mrs W complains about the way her home insurance claim has been handled. I consider Great Lakes Insurance SE is responsible for this complaint.

Reference to Great Lakes includes its agents and representatives.

What happened

I'll summarise the main points about this dispute:

- Mrs W held a home insurance policy. It was taken out through a broker, T, and had been underwritten by an insurer, E, in 2019 and 2020.

- At the July 2021 renewal, T sent Mrs W policy documents which named E as the underwriter again. These documents included version 5 of the policy wording.

- In May 2022, Mrs W's building and contents were damaged by fire. She got in touch with T to report the damage. T passed that onto a claim handler company, who appointed a loss adjuster. They accepted the claim and took steps to settle it.

- During the claim, the loss adjuster sent Mrs W version 6 of the policy wording – which is different to version 5 she received at renewal. In particular, it shows the insurer is Great Lakes, not E. This became a key point of dispute.

- In August 2022, the claim was settled by paying cash, up to the index linked sum insured, for buildings, contents and alternative accommodation.

- Mrs W complained about a number of things. In summary:

    - There had been a lack of clarity about who the underwriter for the policy was and which policy wording applied to the claim.
    - In line with the terms of the policy she had been given, version 5, she sent claim information directly to the address specified – but the information was returned as the address wasn't up to date.
    - There were delays and a lack of communication during the claim.
    - She was caused a lot of wasted time during the claim. For example, she was asked to list all items of contents, despite the relatively low sum insured.
    - And she suffered financial losses making visits to the property.
    - The index linking wasn't calculated correctly.
    - Mrs W wasn't covered for costs relating to taking legal action against a third party or de-listing the property.

- A final response was issued on behalf of Great Lakes in September 2022. It said E had ceased underwriting new UK policies from early 2021 and Great Lakes took over from it. So when the policy renewed in July 2021, Great Lakes became the underwriter for it. But T had sent the old policy wording naming E as the insurer – version 5 – rather than the new one naming Great Lakes as the insurer – version 6.

Because of the mistake, Great Lakes said Mrs W could choose which of the two policy wordings to consider the claim under.

- Great Lakes also said it had accepted and paid the claim in full. It apologised for what had happened, including confusion about who the insurer was and poor communication, and paid Mrs W £100 compensation.

- Our investigator thought the complaint should be partially upheld. He was satisfied Great Lakes was the underwriter for the policy at the time of the claim – and it had been responsible for not providing T with up to date information prior to the 2021 renewal. But as Great Lakes had taken ownership for the claim from the outset, this mistake had little impact on the claim itself. He thought Great Lakes had caused avoidable delays and communicated poorly during the claim. To put that right, he said it should increase compensation to £600 and pay the cost of Mrs W visiting the property to deal with the missing gate, the neighbour's unhappiness with temporary props, and skip placement. He didn't uphold any other aspects of the complaint. And he said issues outside of the original complaint wouldn't be considered.

- Mrs W disagreed, asked for an Ombudsman to consider her complaint, and provided further comments. Rather than summarising them here, I'll include anything I consider material to the complaint in the relevant sections of my findings.

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.

When considering what's fair and reasonable in the circumstances I need to take into account relevant law and regulations, regulators' rules, guidance and standards, codes of practice and, where appropriate, what I consider to be good industry practice at the time.

Mrs W's submissions to this Service are extensive. Within this decision I won't be responding in similar detail. This is a reflection of the informal nature of this Service.

My role is to focus on what I consider the crux of the complaint to be which means I will only comment on those things I consider relevant to the decision I need to make. Whilst that means I won't comment on everything the parties have said, I can confirm I have read and considered everything said by both parties when reaching my decision.

Scope of the complaint

This complaint deals with the points Mrs W made in July 2022 and which were answered on behalf of Great Lakes in September 2022. It won't deal with any other matters. Mrs W is entitled to make a new complaint about any such matters to Great Lakes if she wishes.

There is one exception to this – the temporary props installed by Great Lakes. Since the original complaint, there's been further discussion and evidence gathered about this and I understand it's an ongoing matter. Mrs W has suggested it would be simpler and clearer for her to raise a separate complaint about this when she's able to present it in full. I agree, I don't think it would be helpful or practical to consider what happened on this point up to September 2022 only. So I haven't considered this point or made any findings about it.

Clarity about the underwriter and policy wording

Mrs W's main cause for complaint is the confusion about which underwriter, and corresponding policy wording, is the correct one. She's concerned there may not be a valid contract of insurance in place at all.

Whilst I'm not looking at a complaint about E, so I can't consider or make any findings about it, I can provide some general background which may help to explain what happened.

E is a German insurer. Agreements in the European Economic Area meant it had been able to provide insurance in the UK. That agreement came to an end in December 2020.

From early 2021, E entered 'supervised run off' in the UK. That's why Mrs W found E still had permission to provide insurance in the UK in 2021. In summary, that arrangement meant E could continue to provide insurance for any *existing* policies – but it couldn't enter into *new* contracts for policies, including renewals, in 2021 and thereafter.

Great Lakes became the underwriter of this policy at the 2021 renewal. That meant version 5 of the policy wording was out of date at that time and version 6 was the correct one. However, there's no evidence to suggest Great Lakes had told T this and/or shared version 6 of the policy wording – which correctly named it as the underwriter – with T prior to the renewal. And T says it didn't find out about it and receive the new policy wording until after the renewal. So T used version 5 at the renewal, which named E as the underwriter.

In my view, responsibility for this mistake – and any consequences which flowed from it – sit with Great Lakes. I understand arrangements had been made for it to take over underwriting new policies and renewals from E in early 2021. So I think it should have provided T with the up to date policy wording, version 6, long before this policy renewed in July 2021. Had it done so, T would likely have shared the correct policy wording with Mrs W at the renewal and it's unlikely that any dispute about the underwriter of the policy would have arisen.

However, there are two key reasons why I don't think that made a significant difference to Mrs W's claim. Firstly, both underwriters under both policy wordings used the same claim handler company. That meant the correct party was contacted to handle the claim from the outset. And secondly, Great Lakes settled the claim, so Mrs W received the insurance cover she thought she was getting. Whilst there are disputes about the extent of the settlement, none of them are impacted by the choice of policy wording.

So even if Mrs W had received the correct policy at the renewal, I don't think the claim handling or outcome would have been any different. Mrs W would have been in touch with the same claim handler, loss adjuster and other agents and representatives of the insurer. And aside from the dispute about who the underwriter was, it's likely the claim would have taken the same course and been settled the same way. I accept Mrs W's point that there are some differences between the policy versions which *could* have had an impact on a claim. But my focus is on what did happen, and whether Great Lakes' mistake caused Mrs W to lose out. So I'll only consider the differences if they were relevant in this claim.

It's clear it was important to Mrs W to be sure the policy was valid, would cover her loss, and she was in touch with the correct parties about it. Great Lakes' mistake meant she couldn't be sure of that initially and that undoubtedly caused her avoidable distress and inconvenience. But I think the parties handling the claim provided a reasonable explanation about what had happened and were clear from an early stage that the claim was covered. So I'm satisfied that kept the impact of the mistake to a minimum. I know Mrs W wasn't satisfied with the information she received about this and has invested a considerable amount of time and effort challenging it and seeking further information. Whilst her strength of feeling is clear, I'm not persuaded all of this was necessary or reasonable, so I'll take that into account when considering what a fair amount of compensation would be.

Mrs W has argued that there was no valid contract of insurance in place. Version 6 was the correct policy wording and was, in my view, valid. Great Lakes has paid a significant amount of money to settle a claim under that policy. I don't think it would have done so had it not be the insurer of a valid policy. Whilst Mrs W was initially sent version 5 of the policy, I'm satisfied that was an administrative error and nothing more. I'm not satisfied such an error invalidated the contract of insurance with Great Lakes.

And even if I'm wrong about that, and the contract were either invalidated or with E, I would still have to go on to consider what impact that had on Mrs W. She understood she was insured up to a limit, and an insurer settled the claim to that limit, so I don't think it makes a material difference to the claim outcome whether the contract of insurance was valid or not. That means I don't think Mrs W lost out *even if* the contract were invalid.

The confusion about the policy wording didn't have a direct impact on the claim settlement. But it did mean that when Mrs W complied with the term in version 5 requiring her to provide information to the claim handler, this was returned because the address was out of date. It had been updated in version 6, which Mrs W didn't have at the time. I can understand why that was frustrating for her. However, she was already in touch with the loss adjuster at that time and could have shared the information with them too. Whilst she had concerns that the loss adjuster's appointment was ambiguous, I disagree. I think it was reasonable to accept they were working as an agent of the insurer. And whilst it would have been frustrating to have the documents returned, the time she spent preparing them wasn't wasted because she could still share the documents with the relevant parties. Nonetheless, I'm satisfied Mrs W was caused some avoidable distress and inconvenience, and I'll take that into account when thinking about a fair level of compensation.

It may help to explain that many insurers don't handle claims themselves, so they may not be in direct contact with their policyholders. It's quite common for insurers to appoint claim handlers and/or loss adjusters to deal with claims on their behalf. Some may also choose to delegate authority for complaint handling to agents too. That was the case here, which is why Mrs W didn't hear directly from Great Lakes but did hear from its agents. Insurers are entitled to do this. So just because Mrs W didn't hear directly from Great Lakes, it doesn't follow that it isn't the insurer of her policy. I'm satisfied it was ultimately responsible for the claim, including the payments made, and this complaint.

Index linking

At the July 2021 renewal, the buildings sum insured was around £260,000. In August 2021, it was increased to £300,000.

The policy says the sum insured will be index linked monthly in line with the Rebuilding Cost Index by RICS.

In principle, I think this should start from the renewal. However, the index for July 2021 was 1.8%. And applying that increase to £260,000 would be significantly less than £300,000. So I think it was reasonable for Great Lakes to begin indexing from £300,000 in August 2021.

Doing that until May 2022 gives a figure of around £325,000 – which is what Great Lakes paid. The fire happened on the last day of May, so the claim may strictly have been made in June and that might justify going a month further. But in June 2022 the index was negative, so there would have been no benefit to Mrs W if Great Lakes had taken that approach.

At the time Great Lakes carried out the index linking, some of the figures were 'provisional' or 'forecast' as they were relatively recent. I don't think it was unreasonable for Great Lakes to base the index linking on the RICS information available at the time.

Mrs W has pointed out that the sum insured at the July 2022 renewal was set to £332,700. But I don't think that has any impact on the claim settlement as there's no evidence to suggest this figure is the one indicated by RICS index linking.

Potential claim against third party

I understand Mrs W considers a third party may have been responsible for the fire which caused damage to her property. So a claim could be made against that third party for damages – those insured and otherwise.

The policy says Great Lakes *may* take responsibility for conducting a claim in Mrs W's name. So it has the choice whether to take action against a third party. And it doesn't provide cover for the cost of Mrs W taking action of her own against a third party.

Great Lakes considered taking action but decided not to. I think that's a legal and commercial decision it's entitled to make, based on its view of the strength of the evidence available, the likely costs involved, and its own appetite to take such action. It told Mrs W that meant she was free to issue a claim against the third party, if she wished to, and at her own expense. I'm satisfied that's in line with the policy terms and fair and reasonable.

De-listing the property

Mrs W's property was Grade II listed. I understand she began the process to apply to have it de-listed. If it were de-listed, that would likely reduce the cost of repair, so Mrs W asked Great Lakes to pay the cost of the de-listing process.

Great Lakes said the policy didn't cover this cost. The policy covers expenses Mrs W has to pay and which Great Lakes agrees to. It hasn't agreed and I'm not satisfied Mrs W *had* to take steps to de-list the property. So I agree with Great Lakes the cost isn't covered.

Whilst I recognise Mrs W's point that it may overall have been more cost effective for Great Lakes to pay for the process and potentially benefit from a lower claim settlement, I don't think that means Great Lakes is required to deviate from the policy in this way. It's entitled to follow the policy, not pay for the process as it's not covered, and pay the full sum insured to Mrs W in claim settlement.

Claim handling and associated costs

I won't go through everything that happened during the claim, I'll focus on the key events.

In summary, this was a claim for significant damage that's clearly had a considerable and lasting impact on Mrs W and her family. Whilst that's plain to see, any distress and inconvenience that flows from the fire itself isn't Great Lakes' responsibility – the policy doesn't compensate for the upset caused by the damage itself.

However, Great Lakes has a duty to handle claims promptly and fairly, including timely and helpful communication. Where it didn't do that and it added avoidably to the distress and inconvenience suffered by Mrs W, I think it would be fair and reasonable for Great Lakes to pay appropriate compensation.

Great Lakes itself has accepted its communication was lacking. There were a number of parties appointed by Great Lakes and it wasn't always entirely clear which one was supposed to be taking the next step or what the next step was. Mrs W often had to chase for updates when I would expect them to be proactively given to her by the party managing the claim for Great Lakes. When she did receive updates, they tended to lack clarity and didn't deal with all the relevant points. And she was asked to approve costs for one of the agents, which I wouldn't expect to happen. This caused Mrs W some concern about the expectations of her as the policyholder and the way the claim was being managed. Given all of these points, which are just a summary of what went wrong, I can understand why she felt the claim hadn't been handled fairly and had caused distress and inconvenience.

Mrs W doesn't live at the property – her home is a considerable journey away. The distance, and other family factors, made it difficult for her to make trips to the property.

When making a claim, especially one with significant damage, it's common and reasonable for an insurer to expect a policyholder to provide access to and meet at the property at a number of key stages. The cost of doing this isn't covered by the policy and it's not something I'd expect Great Lakes to compensate Mrs W for. However, where additional avoidable visits were required of Mrs W, I think it should pay compensation to reflect her financial losses unnecessarily incurred and wasted time.

The investigator identified several such unnecessary visits in the period up to the final response. Great Lakes hasn't challenged this and I agree that if it had managed the claim better, they would have been avoided. These are the visits to deal with the temporary propping, skip placement, and the missing gate. If Mrs W provides evidence of her costs facilitating these visits, Great Lakes should reimburse her. I will factor her wasted time into the compensation for non-financial loss.

On a related point, Mrs W needed access to inspect the contents and she was trying to make arrangements to do that. However, she didn't receive clear and prompt information about how to do that, which made things more difficult for her than they should have been. This added unnecessarily to her distress and wasted some of her time, so it will also be factored into the compensation for non-financial loss.

I don't think it was unreasonable for the loss adjuster to ask Mrs W to list all the contents. Whilst the relatively low sum insured meant the claim for damaged items would likely exceed the sum insured, an itemised list of everything damaged would have been helpful if either Great Lakes or Mrs W had taken action against a third party. And the loss adjuster is entitled to consider whether the total value of contents has any impact on the claim or the policy.

The claim was settled within three months, which isn't wholly unreasonable in the circumstances. Given the significant damage and corresponding costs involved, I think it was inevitable the claim would take some time to quantify. However, that process could have been conducted more quickly. That would have lessened the avoidable impact on Mrs W.

Mrs W has asked to be paid for her time spent collating information for the claim. The policy says it will pay reasonable expenses incurred where Great Lakes has asked for specific information relevant to the claim. I haven't seen evidence of such expenses from Mrs W. If she has them, she's entitled to share them with Great Lakes for it to consider. Aside from that, I wouldn't usually expect an insurer to pay for a policyholder's time dealing with a claim. Any wasted time is factored into compensation and isn't paid as an expense.

Overall

Looking at the overall claim handling, up to the final response in September 2022, I'm satisfied there were a number of aspects that fell short of expectations and caused Mrs W unnecessary distress and inconvenience – at a time that was already particularly upsetting and difficult for her.

The lack of clarity about the correct underwriter and policy wording also contributed to this.

As a result, I'm satisfied Great Lakes should pay compensation. I'm satisfied a total of £600 is reasonable in the circumstances. If Great Lakes has already paid the £100 it offered in its final response, it only need pay the remaining £500.

My final decision

I uphold this complaint.

I require Great Lakes Insurance SE to:

- Pay a total of £600 compensation*.
- Pay Mrs W's travel costs, subject to evidence, for visits she made to the property to deal with the missing gate, the neighbour's unhappiness, and skip replacement – all up to the date of the final response letter in September 2022.

*Great Lakes must pay the award within 28 days of the date on which we tell it Mrs W accepts my final decision. If it pays later than this, it must also pay interest on the award from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 10 October 2023.

James Neville
Ombudsman