

The complaint

Mr and Mrs J have complained about Accredited Insurance (Europe) Ltd (AIE)'s decision to decline a claim they made for a lost engagement ring.

What happened

Mrs J lost her wedding and engagement ring during a hospital visit. AIE accepted the circumstances of the claim had occurred.

Mr and Mrs J had insured Mrs J's engagement ring as a specified high value item, at £4,500. The value of Mrs J's wedding ring fell below the limit of £2,000 for a specified item.

Accredited accepted the claim for the lost wedding ring, but declined the claim for the lost engagement ring in full. It said Mr and Mrs J had breached the endorsement to have a recent valuation for the engagement ring.

Our Investigator recommended the complaint should be upheld. He found AIE said under the policy that it may pay a reduced claim, but didn't provide under the policy what circumstances this may happen, and so was at its discretion.

AIE's appointed jewellery valuer had provided a valuation for the engagement ring for more than Mr and Mrs J had estimated its value at. While he agreed they hadn't been able to meet the endorsement attached to the insured specified item, he thought it unfair to decline the claim in full.

Based on the difference in premium AIE would have charged Mr and Mrs J for the correctly valued item, being 10% more, the Investigator recommended AIE meet 90% of their claim for the lost engagement ring in line with their jewellery valuation.

Mr and Mrs J acknowledged receipt of the Investigator's view. AIE didn't agree. It said the policy terms are clear that it can decline a claim in full if a customer doesn't provide a recent valuation when making a claim. It said its decision is not about the value of the engagement ring. AIE said an example of where it may pay a reduced settlement would be where a valuation is just over three years old, so it can apply discretion here.

I issued a provisional decision on 9 October 2023. I thought AIE should pay 90% of the jeweller valuation for the engagement ring, being the percentage of the premium Mr and Mrs J had underpaid to insure it.

Both parties replied to my provisional decision. Mr J said they had nothing further to add. AIE said the ring was effectively underinsured as 90% of the jeweller's valuation means AIE would pay a settlement of £4,635.

AIE says both its valuation endorsement and inspection warranty endorsement has been breached. It says that while the jewellery valuation endorsement says they may pay a reduced settlement, the inspection warranty endorsement doesn't say this. So it doesn't agree it should meet the claim.

I considered what AIE had said - and I issued a response to both parties. I said:

"In relation to the valuation proposed in my remedy, this was set at 90% as the difference between the price paid for the valuation estimated by the customer of

£4,500 and the approved jeweller valuation which AIE said meant a 10% difference in premium.

I take the point in relation to the ring being underinsured. And so I am inclined to change my remedy for AIE to meet the claim for the premium paid at £4,500. But the remainder of my view stands for the reasons given. It is accepted that the customer didn't comply with the endorsement(s) but it is also accepted that the loss occurred. And so I remain of the view that to refuse to settle the claim in its entirety is unfair."

Mr J in response asked for clarification as to whether he needed to pay an additional excess, as he said they had already paid the excess under the claim. Our Investigator clarified that under the terms of the policy, Mr J has therefore paid the excess for the claim which includes the engagement ring.

AIE said it appreciates that I intend to lower the settlement amount to £4,500 but it still doesn't agree it should meet the claim - as it says both the valuation endorsement and the inspection warranty endorsement have been breached.

So the case has been passed back 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.

There's no dispute that an insured event took place. AIE has accepted that the incident occurred where Mrs J lost her wedding and engagement rings.

Mr and Mrs J insured Mrs J's engagement ring as a specified insured item at £4,500.

Their policy with AIE says the following for this item:

"If you make a claim for any watch or item of jewellery shown on the schedule with a replacement value of £2,000 or more, you must provide a professional UK valuation from within the last three years.

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"

Mr and Mrs J provided a copy of the original receipt for the engagement ring when it was purchased in 2014 for £3,934. They haven't had the ring valued or inspected since then, so it hasn't complied with AIE's valuation and inspection warranty endorsements under the policy.

The valuation endorsement suggests that AIE might pay a reduced claim amount, but although it has provided an example to us, the policy doesn't say when AIE would pay a reduced claim amount, rather than decline the claim in the absence of proof of a recent valuation.

Mr and Mrs J paid an additional premium in order to insure the engagement ring. We asked AIE to confirm what difference in premium there would have been, had the valuation for the engagement ring matched their jewellery valuer's at £5,145.

AIE said Mr and Mrs J would have needed to pay an extra 10% of the original premium it paid; from £265.24, to £292.41.

Being unable to provide a valuation to an insurer, where one has been agreed to by a provision of an endorsement in the policy is material to the claim in question. It authenticates the value of that item. So it understandably allows an insurer to deal with claims more easily for high value and potentially high risk items.

However, whether or not Mr and Mrs J had a valuation - or inspection - as required by the endorsements had absolutely no material effect on the loss which occurred. Having a valuation or inspection would not change the fact that Mrs J lost her engagement ring. It is good industry practice that if a breach of an endorsement is not material to the loss, the insurer cannot rely on it to decline the claim.

So, in line with my provisional decision, I think AIE's decision to decline the claim for the engagement ring in full was unfair.

The Investigator recommended AIE meet the claim by paying 90% of the value set out under the policy by Mr and Mrs J at £4,500. But Mr and Mrs J paid the correct premium based on this valuation amount. So I don't think this is a correct remedy.

Taking into account AIE's comments about the proposed settlement set out in my provisional decision, I think a fair outcome is for AIE to pay a settlement sum of £4,500 for the engagement ring, based on the premium Mr and Mrs J paid to insure it. Both parties are aware of my intended change to the remedy and have had the opportunity to provide further comments, before issuing my final decision.

I understand AIE's decision not to meet the claim for Mrs J's engagement ring caused Mr and Mrs J upset. For the distress and inconvenience caused, I think AIE should pay compensation of £150.

My final decision

My provisional decision is that I intend to uphold this complaint. I intend to require Accredited Insurance (Europe) Ltd to do the following:

- deal with Mr and Mrs J's claim for the specified item - the engagement ring - by paying a settlement sum of £4,500 based on the premium they paid to insure it under the policy in line with the remaining terms and conditions.
- pay Mr and Mrs J £150 compensation for the distress and inconvenience caused.

Accredited Insurance (Europe) Ltd must pay the compensation within 28 days of the date on which we tell it Mr and Mrs J accept 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 Mr J and Mrs J to accept or reject my decision before 5 December 2023.

Geraldine Newbold
Ombudsman