

The complaint

Mr and Mrs I are unhappy with the settlement they've been offered by Admiral Insurance (Gibraltar) Limited (Admiral) following a claim under their home insurance.

What happened

Mr and Mrs I had a home insurance policy underwritten by Admiral. They specified a diamond ring for £9,800 for cover away from the home.

The diamond was lost from the ring, so Mr and Mrs I made a claim to Admiral. The claim was initially accepted by Admiral. They then declined the claim based on an endorsement on the policy which required the ring to be inspected annually. However, Admiral revisited things and overturned that decision again and offered settlement of the claim with 8% simple interest added, along with £150 compensation.

However, whilst the ring was specified for £9,800, Admiral said Mr and Mrs I were underinsured. Admiral said that if Mr and Mrs I had sufficiently insured the ring for the correct amount, which they said was £17,804, Admiral would have been able to repair or replace it like for like. And they say the most it would have cost them would have included a 33% discount from their supplier.

But Admiral weren't able to repair or replace it for the amount specified and insured for. So, Admiral took the specified value of £9,800 and then deducted 33% from that amount, as they say this would have been the approach if the ring had been insured for the full value and being repaired or replaced, but because it was underinsured, they weren't able to do either. This resulted in Admiral offering £6,556 in settlement of the claim.

Mr and Mrs I were unhappy with this, so they approached this service.

One of our investigators looked into things and upheld the complaint. She said she didn't think Mr and Mrs I had been given clear instructions on what to base the specified value on when answering the question about it when talking out the policy, and she thought the answer they had given was reasonable based on this. And she didn't think reducing the cash settlement was fair. Therefore, she said Admiral should pay the full specified value of £9,800.

Admiral didn't agree and asked for a final decision from 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.

Whilst I take into account all the facts of the case, including the policy terms and any relevant rules and legislation, my remit also includes what I think is fair and reasonable in all the circumstances of the case. Having considered everything, I agree with the overall outcome reached by our investigator.

Mr and Mrs I specified a diamond ring on their policy for £9,800. This is what they had paid for it. Following the loss of the stone, based on the description, Admiral's supplier says the value would have been £17,804, so significantly higher than it was specified for.

Mr and Mrs I's policy says that in the event of underinsurance, Admiral may proportionately reduce a claim settlement:

"If you do not tell us about any mistakes in or changes to the details in your policy documents, we may reduce the claims settlement proportionately, as set out in the example below, or even refuse to pay your claim at all.

For example, if the details you provided when arranging cover are incorrect, meaning the premium you paid was only 75% of what it should have been, we will pay no more than 75% of your claim."

Our investigator asked Admiral to confirm how much more the premiums would have been if the value of the ring had been specified for £17,804. Admiral provided evidence that the premium would have been an additional £26 for the year, so Mr and Mrs I had paid 92% of the premiums if the ring had been specified for the higher amount. However, Admiral hasn't applied this approach when reducing the settlement.

Instead, as Admiral say they weren't able to repair or replace the item for the amount specified, Admiral have taken the approach of simply deducting the discount percentage they say they would have received from their supplier (33%) to what was the declared specified value at the time. I don't think that approach is fair. The policy terms don't outline this is how claims would be settled in these circumstances, and this is significantly more than if Admiral was to apply the average term in the policy.

Admiral has received the premium for £9,800 of cover. Taking Admiral's approach here of simply deducting the 33% discount from the specified value, Mr and Mrs have paid for cover that they would never have been able to benefit from and I don't think Admiral's deduction here is fair or reasonable in the circumstances. I'll explain why.

Admiral says they would have expected Mr and Mrs I to have specified the value at today's market rates when taking out the policy, which they say is £17,804. So, they say Mr and Mrs I didn't answer the question correctly and as a result are underinsured. But Admiral hasn't been able to provide evidence of the exact questions asked at point of sale.

Instead, Admiral have provided different screen shots of what *may* have been asked, which isn't persuasive in showing exactly what *was* asked. And in any event, these screen shots don't explain what the specified value should be – price paid new, current price second hand, current price new etc. Instead, these (if they are in fact the questions asked) just simply say cost to replace it and do you have any items over £1,000 you wish to protect. In my view, that is a vague way to ask the question, and subject to the opinion of the proposer on how they should answer it, rather than a specific fact that Admiral was trying to obtain with guidance or explanation of how they were expecting this to be answered.

Mr and Mrs I specified the ring at what they paid for it several years before, which included the employee discount they received, rather than retail value at that time. Mr and Mrs I expected what they paid was the most they would ever be entitled to claim for, and they were satisfied that would put them back in the same position if they ever needed to claim. They believed that to specify the value for a higher amount than they paid would be fraudulent and trying to gain financial benefit for more than they were entitled to. And I think that's a reasonable explanation why they specified the ring for the amount they did.

So given Admiral hasn't shown a clear question was asked about what the specified amount should be based on, I don't think Mr and Mrs I have answered the question unreasonably.

The policy terms do mention that the amount isn't index linked, but also say it is for the policyholder to make sure they have enough cover, and that Admiral wouldn't pay more than the specified amount– and Mr and Mrs I were satisfied they did have enough cover, as that's all they thought they were entitled to and were satisfied with that. Furthermore, the specified item section on the schedule explicitly says that no valuation for the ring is required. So as far as Mr and Mrs I were aware, they answered the question reasonably, for the cover they expected to have, which was what they paid for the ring.

As Mr and Mrs I have paid for £9,800 cover, which they expected was the correct amount they should specify the ring for based on what they were asked for, and because I think they answered that reasonably, I think it would be fair and reasonable in all the circumstances for Admiral to settle the claim for the specified amount of £9,800. 8% simple interest should also be added to the additional amount due from the date of the previous settlement to the date of the payment of the remainder.

Whilst I'm directing Admiral to increase the settlement to £9,800, Admiral already said they have waived the excess as a gesture of goodwill and they've also offered £150 compensation, I think that's fair for what has happened including the conflicting claims decisions. So, I won't be awarding any further compensation on top of this.

My final decision

It's my final decision that I uphold this complaint and direct Admiral Insurance (Gibraltar) Limited to:

- Increase the total settlement to £9,800
- Add 8% simple interest* from date of payment of the previous settlement to date of payment of the remainder
- Pay the £150 compensation already offered, if they haven't already done so

*If Admiral Insurance (Gibraltar) Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs I how much it's taken off. It should also give Mr and Mrs I a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I and Mrs I to accept or reject my decision before 20 December 2023.

Callum Milne
Ombudsman