

The complaint

Mr and Mrs V complain that Covea Insurance plc (Covea) unfairly avoided their contents insurance policy based on an inflated valuation of their contents, and refused to pay their claim.

Mr and Mrs V jointly held contents insurance underwritten by Covea. For ease of reading, I'll refer to Mrs V throughout my decision. Any reference to Covea includes the actions of agents acting on its behalf.

What happened

Both Mrs V and Covea are aware of the background to this complaint. So I've summarised what I think are the key events.

Mrs V claimed under her contents policy for jewellery stolen during a burglary. Covea valued the jewellery at £68,000 (figures rounded for simplicity) using photos Mrs V provided.

Because Mrs V's total contents cover was £75,000, Covea arranged a second jewellery valuation and a full valuation of her contents. The second jewellery valuation, at £71,000, was similar to the first. Covea valued the remaining contents at £35,000. Overall, Covea calculated that Mrs V's contents had a value of £103,000 which meant she was underinsured.

Covea refused to pay the claim, avoided Mrs V's policy because she'd not given the true value of her contents, and refunded her premiums.

Mrs V complained because she didn't think Covea had valued her jewellery fairly. She said many items were gifts and she believed the jewellery was worth much less than the valuations.

Our investigator thought Covea had fairly declined the claim and avoided the policy because it reasonably relied on its two similar valuations to conclude that Mrs V hadn't given the correct value of her jewellery. Our investigator didn't uphold Mrs V's complaint.

Mrs V didn't agree and, to support her complaint, she provided a comparison of the jewellery valuations along with evidence of prices of comparable pieces. She didn't think Covea's valuation was an accurate reflection of her loss, and she thought it had unfairly avoided her policy. Mrs V asked for an ombudsman to decide.

I issued a provisional decision in March 2024 explaining that I was intending to uphold Mrs V's complaint. Here's what I said:

provisional findings

Covea said it was entitled to avoid Mrs V's policy because she didn't declare the true value of her contents. I asked Covea to provide evidence of the question it asked when Mrs V bought the policy, and it provided a screenshot as follows:

How much would it cost to replace the entire contents of your home?

We've estimated a total contents value based on:

- *Your property details*
- *The average amount insured by most UK households*
- *The items you've already told us about*

Based on this evidence, I'm not persuaded Mrs V gave an answer based on fact. Essentially, the question asked her opinion of the value of her contents. Not only that, but a reasonable person might expect Covea's estimated value, based on the reasons it gave above, was reliable.

Covea also asked Mrs V whether she wanted to insure any other items worth over £1,000 each. Mrs V specified a ring which she thought was worth £3,000. In her submissions, Mrs V said she didn't think her jewellery collection was worth the amount Covea said. Her evidence of the retail price of similar pieces persuades me that she reasonably believed none were worth more than the £1,000 limit.

So, I'm not currently persuaded that Covea demonstrated Mrs V gave a factually incorrect answer when it asked her the value of her contents.

Turning to the valuations, Mrs V thought Covea's valuation of her jewellery was inflated. She didn't, and still doesn't, think it was worth £68,000. Therefore, Mrs V simply wants Covea to assess her claim in line with the cover available to her under the policy. Covea said it reasonably relied on the experts' valuations, so it maintains Mrs V was underinsured.

Ordinarily, I'd think that was a fair response. And given that the two valuations are broadly similar that would seem to support Covea's position. However, Mrs V provided a comparison of the valuations which highlighted significant inconsistencies.

While I'd expect slight differences, when taking the lowest valuation for each piece of jewellery, the total comes to £47,000. That's over £20,000 less than the overall total on each of Covea's valuations. Examples of the differences are:

- *Valuation A values an antique gold watch as £200. Valuation B is £2,550*
- *Valuation A values a set of gold necklaces as £5,500. Valuation B is £1,250*
- *Valuation A values seven single bangles as £3,933. Valuation B is £7,295*

This pattern continues through the list, so it can't be said that one supplier inflated the value of all the pieces. Further to this, Mrs V provided photos of similar single bangles for sale at a high-street retailer. The listed prices were mainly in the £190 to £300 bracket. So, taking the upper retail value, the evidence suggests Mrs V could've replaced the seven bangles for around £2,100 - almost half the amount of the lowest valuation Covea provided, and a quarter of the highest valuation.

Overall, the evidence shows there's a significant disparity in the valuation of each piece. Therefore, I'm not persuaded that Covea's valuations are reliable or an accurate reflection of the true cost of Mrs V's jewellery.

Covea valued Mrs V's contents at £103,000. Mrs V insured them for £75,000. Covea said it wouldn't have offered cover if it'd known Mrs V's contents were valued over £75,000. I've seen its underwriting criteria and I'm satisfied that's correct. However, the evidence suggests the valuations were inflated by at least £20,000, and likely more. Therefore, it follows that Covea hasn't demonstrated Mrs V was underinsured or that it would never have offered cover.

That said, I've thought about the action available to Covea if Mrs V had been underinsured. It avoided the policy because it said she misrepresented the true value of her contents. But, looking at the policy, I think the wording would suggest to a reasonable person there's a greater likelihood of a claim settlement being a proportion of the underinsurance rather than policy avoidance. I've emphasised the two key words in the following which persuade me of that.

The renewal documents state:

*"Please check the enclosed Statement of Insurance and let us know as soon as possible if you need to make a change to your cover or if your details are incorrect or missing. Failure to do so **may** result in your insurance being cancelled or a claim not being paid."*

The contents cover section states:

*"The insured value of your contents needs to cover the entire replacement value of all your contents. If the insured value shown above represents less than 100% of the full replacement cost of the contents of your home, we **will** reduce the amount claimed in proportion to this underinsurance. For example, if the insured value of your contents represents 75% of the amount needed to replace all the content, we will only pay 75% of your claim."*

Overall, the evidence currently available suggests that Covea treated Mrs V unfairly by avoiding her policy and refusing to pay her claim.

I said I was minded to require Covea to reinstate Mrs V's policy and consider her claim fairly under the terms and conditions. If Covea had already refunded the policy premium to Mrs V, it would be entitled to ask for that payment back or to deduct the equivalent from any settlement amount.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Responses

Mrs V didn't provide anything further for consideration.

Covea didn't agree with my provisional decision. It said, even taking the lowest individual value from each of the two valuations, the total claim would still exceed the policy maximum for high-risk items. Further to this, Covea said that although the policy included an average condition (described above as a settlement in proportion to the underinsurance), given the amount by which Mrs V was underinsured, it wouldn't be appropriate in the circumstances. Therefore, Covea maintained the appropriate remedy was to avoid the policy.

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.

Having done so, my final decision is to uphold Mrs V's complaint. That said, I'll address Covea's comments in order to further explain my decision.

Covea pointed out that using the most cost-effective value for each item would still exceed the policy limit. While I agree with the fact of its comment, I didn't ask Covea to consider the claim using the lowest value of each of its valuations.

In my provisional decision, I explained why I couldn't rely on the accuracy of the valuations: the difference between the two valuations was too great to consider that one or the other was a fair assessment of Mrs V's jewellery collection.

As a reminder, Mrs V also submitted findings in respect of the value of some pieces of jewellery. Those valuations were significantly lower than Covea's. And Mrs V remains certain that her jewellery collection was not worth the amount Covea claimed.

So, in the absence of a reliable valuation, Covea should consider the claim fairly, in line with the terms and conditions of the policy. That does not mean it should settle the claim in line with its lowest valuation.

I've noted the additional policy wording Covea provided to support its decision to avoid the policy. However, I don't agree that it strengthens Covea's position. The wording makes suggestions to ease claim handling rather than stating consequences of underinsurance. I've copied the text here and emphasised the relevant words.

*"We strongly **recommend** that for items of jewellery or valuables, an up to date valuation is obtained and kept in a safe place. This **will considerably ease** the handling of any claim where such items are lost or destroyed. For items of jewellery, valuables and personal belongings valued at in excess of £500 a valuation or proof of purchase **may be required** in the event of a claim. It is also **advisable** to keep a photograph and full description of valuable items, including serial and model numbers, for ease of identification in the event of a theft."*

Nothing in this paragraph *requires* Mrs V to do anything. Nor does it confirm Covea would avoid the policy.

Therefore, I haven't changed my mind about the remedy available to Covea for Mrs V's underinsurance. As I said in my provisional decision, it's fair to say a reasonable person would expect a settlement in line with the average condition rather than policy avoidance.

My decision is about whether Covea treated Mrs V fairly when it avoided her policy and refused to pay her claim for the reasons it gave. I find that it didn't. So, to put matters right, Covea should reinstate the policy and consider the claim.

It's not appropriate for me to say exactly how Covea should consider the claim. But it may wish to consider a new valuation based on Mrs V's description of her jewellery, or evidence of similar pieces available to buy. Mrs V's policy has a limit of £15,000 for high-risk items. That doesn't mean I'd expect Covea simply to pay the full amount. I'd expect it to consider the claim and, if appropriate, settle it in line with the policy. That may mean applying the average condition, paying the full claim, or paying nothing at all.

My final decision

For the reasons I've explained above, and in my provisional decision, I uphold Mrs and Mr V's complaint. Covea Insurance plc must:

- Reinstate the policy.
- Consider Mrs and Mr V's claim fairly in line with the policy terms and conditions.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V and Mr V to accept or reject my decision before 2 May 2024.

Debra Vaughan
Ombudsman