

The complaint

Mr B is unhappy that Covea Insurance plc refused to pay a claim he made, and decided to avoid his home insurance policy, after his home was burgled.

What happened

Mr B held a home insurance policy with Covea which was inceptioned in October 2020 and renewed in October 2021. In August 2022 Mr B's property was burgled, and many valuable items stolen, so he made a claim to Covea.

Covea had concerns about the value of contents and valuables Mr B estimated when taking out and renewing his policy, so it appointed various experts to complete reports as to the value of Mr B's items. Based on these investigations, Covea said Mr B had significantly underinsured his contents and valuables and that the accurate valuations meant his items exceeded the policy limits.

Covea said it would not have offered Mr B cover had he provided accurate figures as to the full replacement cost of his contents and valuables. So, it avoided Mr B's policy from the point of inception and refused to deal with his claim.

Mr B complained about Covea's valuations and the decision to avoid his policy and refuse his claim. One of our investigators considered the complaint and thought it should be upheld. She said Mr B's policy was sold by a broker, and so she'd expect Covea to be able to evidence the information it required the broker to obtain from Mr B. She said the information Covea appeared to have asked the broker to gather wasn't clear and specific enough for him to have understood that it wanted to know the full replacement cost of Mr B's contents and valuables.

Our investigator also said it was for Covea to demonstrate that the answers Mr B provided, in this case the estimated values he gave, were unreasonable. And based largely on some discrepancies with Covea's valuations figures, she didn't agree it had done. So, she said Covea should reinstate the policy and reconsider the claim in line with the remaining policy terms, conditions and limits.

Covea didn't accept our investigator's opinion. It provided clarification on the discrepancies with the figures and maintained that it was clear it wanted to know the full replacement cost of the items.

As no agreement has been reached, the complaint 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.

Having done so, I agree with the outcome reached by our investigator. I'll explain why.

I want to be clear here that this complaint focuses solely on Covea and the things it was responsible for as Mr B's insurer. If Mr B has any concerns about any of the matters which were the responsibility of the broker, he'd need to raise those as a new complaint, and with the broker in the first instance.

In deciding to avoid Mr B's policy and refuse his claim, Covea has pointed to its policy terms and conditions and some wording on his statement of insurance. The policy booklet says:

*"Make sure you have enough cover
If you make a claim and you didn't have enough cover, we might not be able to pay your claim. We may even cancel or treat your policy as if it never existed. Or we might lower the amount we pay for the claim."*

And the statement of insurance explains the importance of ensuring details are correct and says when they aren't it may:

*"a. result in your details being shared with fraud prevention agencies, including the Police, Insurance Fraud Register, or recorded on fraud prevention databases;
b. entitle us to treat your policy as if it had never existed and we may retain the whole or part of the premium;
c. result in different terms being applied to your policy;
d. result in a claim not being paid in full or not being paid at all."*

Based on the above, and assuming I were to agree that Mr B had made an unreasonable disclosure, Covea's actions are in line with the policy terms. But as an ombudsman, I don't only need to consider whether its actions are in line with the policy, I also need to be satisfied that they are fair and reasonable in all the circumstances.

For me to conclude that Covea treated Mr B fairly and reasonably in these circumstances, I'd need to be satisfied that, at the point of sale and renewal, it made the broker properly aware of the information it wanted to know from Mr B. Effectively, that it gave the broker sufficient information to enable them to ask Mr B sufficiently clear questions. If it did, I'd then need to be satisfied that Mr B failed to provide reasonable answers to the questions he was asked. This is in line with laws and rules about the sale of insurance policies.

Mr B's policy was sold by a broker, so our investigator asked Covea to evidence what information it asked the broker to obtain about the value of Mr B's contents and valuables. Covea didn't provide anything to show what it specifically asked the broker to obtain, instead it provided copies of the statement of insurance and renewal confirmation documents from 2020 and 2021. So, like our investigator, I'm proceeding on the basis that these documents represent the specific information Covea asked the broker to gather.

The statement of insurance required Mr B to provide (or confirm) the contents "*sum to be insured*". There is nothing within this document which explains that this means the full replacement cost of Mr B's contents, which is what Covea says it wanted to know. And I think one possible reasonable interpretation of this question could be the amount Mr B wanted to insure his contents for. I also note that this document doesn't direct Mr B to cross reference any other documents to help better understand the information he was being asked to provide. And even if it did, I note there is no specific definition of "*sum to be insured*" across any of the policy documents.

Based on this, I'm not satisfied that Covea, via the broker, was clear enough that it wanted to know the full replacement cost of Mr B's contents. This is despite this information being some of the most important required when setting up a policy of this nature. As we've seen in this case, the consequences of a problem with this information can be severe. So, I think Covea ought to have been abundantly clear about what it wanted, and not left it up to other parties to interpret what it meant by 'sum to be insured'. And because it wasn't, I don't think it would be fair to conclude that Mr B failed to provide a reasonable answer when providing the figure he did for the contents sum insured.

The statement of insurance was also completely silent on valuables. But the insurance schedule in 2020 (and renewal confirmation in 2021) did state that a valuables limit of £28,000 (£28k) applied to the contents cover, with a £5,000 (£5k) limit for any single item:

"Limits

If the following sections are shown on page 1 of your Policy Schedule then the following limits apply.

Contents Limits

The full replacement cost of all your valuables must not exceed £28,000 and the cost of the most expensive valuable in your home must not exceed £5,000."

Covea says it's clear from the sales and renewal information that the schedule and policy wording should be read in conjunction with the statement of insurance, in order to understand cover. And between those documents it maintains it was clear that it wanted to know the full, as new, replacement cost of all of Mr B's valuables and whether any single item would cost more than £5k to replace as new.

Covea's post claim valuation reports indicate that the total cost to replace all of Mr B's stolen valuables would have been £41,111.73 and that at least two items would cost more than £5,000 to replace as new. Covea has also shown that had Mr B provided this information at the point of sale (or the subsequent renewal), that cover would have been declined. Based on this, it maintains its decision to avoid the policy and refuse the claim was correct and fair.

As explained, my first consideration is whether I agree Covea was clear enough with the broker about what it wanted to know, so that they could make that clear enough for Mr B to understand. I appreciate Covea's argument that the policy booklet directs policyholders to review it alongside the statement of insurance and insurance schedule. But I'm not satisfied it's fair to expect a policyholder to review and cross reference several different documents, including one which is over 100 pages long, in order to properly understand what information is being requested during the sale or renewal process. What would be fair and reasonable is for Covea clearly set out to the broker what it wanted to know, which in this case seems to be the statement of insurance document.

That said, I don't necessarily think it's unreasonable to expect policyholders (or prospective policyholders) to review their insurance schedule as part of a sale or renewal, as this confirms the cover they are purchasing as well as any applicable excesses, limits and endorsements and is usually a fairly short document. And I accept that in this case, the schedule mentions the applicable limits, and these applied to the full replacement costs. So, based on this, I'll proceed on the basis that Covea – just about – made it clear enough that it wanted to know whether the cost to replace Mr B's valuables would exceed £28k, and whether the cost to replace any single item would exceed £5k.

Having satisfied myself that Mr B ought reasonably to have understood what Covea wanted to know, I'll turn my attention to the answers he effectively gave. What I mean by this is that by accepting the policy and its limits, Mr B effectively confirmed that his valuables would not exceed those limits.

To be clear, it is for Covea to show that the answers Mr B gave were unreasonable if it wants to rely on this to refuse his claim and avoid his policy.

Mr B has explained that many of the valuable items he owned were handed down by relatives, old, worn and scratched and so he thought a valuables limit of £28k and a single item limit of £5k would be more than sufficient. But Covea says his items needed to be able to be replaced, as new, within the limits.

I've thought about this, but I'm not persuaded that Mr B ought to have understood that the limits would apply to the "as new" replacement costs of his items – from the information Covea appears to have asked the broker to gather. I say this because there is no mention of "as new" or "new for old" or similar within the statement of insurance or insurance schedule. Instead, Mr B was simply told,

"The full replacement cost of all your valuables must not exceed £28,000 and the cost of the most expensive valuable in your home must not exceed £5,000."

So, I'm not satisfied the information Covea asked the broker to gather here was sufficiently clear for Mr B to have understood he needed to ensure his valuables could be replaced "as new" within the limits.

As mentioned, Mr B thought his valuables would fall within the limits due to their age and condition. And he's provided evidence, in the form of sales adverts for second hand items, that he could likely replace his lost items for around £23k, with no single item exceeding the £5k limit. So, as I don't think Covea was clear enough that it wanted the "as new" replacement cost, and in light of Mr B's testimony and evidence, I don't think Covea has demonstrated Mr B's acceptance of the policy limits was unreasonable.

I do appreciate that Covea's jewellery expert's report suggests the cost of replace all of Mr B's valuables (not just those stolen), as new, would have been around £46k. But the report doesn't list the separate items which make up this total figure, instead only itemising the items which Mr B has actually claimed for. For these items, the report suggests the retail cost to replace, as new, is around £35k. It also states that with its preferential supplier rates, the cost to Covea to replace Mr B's lost valuables as new would be just over £28k – i.e., the policy limit. But again, I'm not satisfied that Mr B ought to have understood the limits applied to the cost as new, and so I don't think relying on this report to conclude he was underinsured delivers a fair and reasonable outcome in the circumstances of this complaint.

To summarise, I don't think Covea's decision to avoid Mr B's policy and refuse his claim was fair or reasonable. I say this because it wasn't clear enough about what it wanted to know about the contents sum insured and because it hasn't done enough to show that Mr B's answers for the contents and/or valuable items were unreasonable.

To put things right, I think Covea needs to reinstate his policy and reconsider the claim in line with the remaining terms and conditions. It should also remove any record of the policy avoidance so that this doesn't impact Mr B in future.

My final decision

For the reasons explained above, I uphold Mr B's complaint.

- Covea Insurance plc must reinstate Mr B's policy and reconsider the claim in line with the remaining terms and conditions
- Remove any record of the policy voidance from any internal or external databases

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 July 2024.

Adam Golding
Ombudsman