

## **The complaint**

E complain that Great Lakes Insurance SE has made an unfair claim decision in relation to a claim made on its commercial property insurance.

## **What happened**

E owns a commercial site with a number of properties within it. A fire broke out in one of the properties on the site and a claim was raised on the policy.

Great Lakes said the building in which the fire started (Building A), which caused the main damage, was not a building listed on the policy schedule.

It explained the policy, which was sold via a broker, had been amended in 2022 at renewal. The overall policy limit was reduced significantly from £8 million to £3 million, and this was based on the removal of Building A from the policy. The other main building on the site remained on the schedule (Building B) as well as other smaller outbuildings on the site. It said this was something agreed by E with the broker and the removal of Building A and lower level of cover, saw a reduction in the overall premium charged.

It said if the policy were to provide cover for Building A, it would need to consider the principles of underinsurance as the inclusion of this building meant the overall level of cover was not sufficient to provide cover for the potential total loss. It said this would mean it would only cover 44% of the claim if this was applied.

It also mentioned a previous arson attack on the property from 2020 which it said had not been disclosed. If it were to consider Building A was to benefit from the policy cover, it would need to consider whether there had been a misrepresentation when the policy was taken out and any remedy applicable based on this.

Our investigator looked at the complaint and didn't think the claim decision was unfair. He focused on the main issue and whether Building A should be considered to be covered under the policy. Based on the changes made to the policy and the reduction in cover and it not being included within the policy schedule, he didn't think Great Lakes acted unfairly when it said it wasn't covered.

He was satisfied Building A had been removed from the policy when the cover was amended and it would be unfair to ask Great Lakes to retrospectively cover a risk it wasn't asked to accept or price for, when the policy was taken out.

As Building A was not subject to the policy or able to benefit from it, he didn't go onto consider whether it would be fair to apply the underinsurance principles to an accepted claim, as this was not applicable. Nor did he feel the need to comment on any potential misrepresentation.

E and its representative argued that consideration should be given to page 4 of the policy document and paragraph E which states the following as being included within the definition of building:

*“e) drains, sewers, piping, ducting, cables, wires and associated control gear and accessories on the **Premises** and extending to the public mains, but only to the extent of **Your responsibility**”.*

The electrical room for the site was situated in Building A and E felt it was fair to expect Great Lakes to accept the claim. Its electrical supply had been interrupted for all other buildings on the site and this was because of the damage to the electrical room in Building A. E feels regardless of where services and equipment, as described, are situated on the site the cover should extend to damage to them.

Our investigator’s opinion remained that it would be unfair to extend the cover of the policy to risks not included when it was inception. As their opinion remained unchanged, the case was referred for decision at the request of E.

### **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.

I’ve decided not to uphold this complaint, for much the same reasons as our investigator. Naturally, I know E will be disappointed with this as the value of their claim is significant, but I’ll explain why I think Great Lakes has acted fairly with the claim decision made.

As our investigator did, I’ve focused only on what is relevant to this claim. I don’t think the principles of underinsurance or misrepresentation need to be considered as I think Great Lakes has acted fairly when it has said there is no insured loss. And I’ve focused on this alone as a result.

E has not challenged the finding that Building A had been removed from the policy when its level of cover was amended in 2022. Email correspondence from E’s broker at the time confirms the desire to proceed with cover for Building B and the outbuildings. It makes no reference to the inclusion of Building A.

Equally, the schedule does not include this building and there was a substantial reduction in the total level of cover overall. I don’t think there is any ambiguity on the policy wording or any ambiguity on the part of E over what they were insuring when the amendments to the policy cover were made. But if there was a concern about this and the sale, it would be the responsibility of the seller.

Based on the pre contract information and what the policy schedule set out as covered, I don’t think Great Lakes has acted unfairly when it has declined to provide cover for Building A.

I appreciate that despite this, E still believes cover should be provided based on the policy wording and the definition of Buildings and what this covers. It feels this shows that damage to its electrical cables, regardless of their location to the site should be covered. When the fire damaged these in Building A, it resulted in the other buildings being left without power and so damage has been caused to the buildings within the policy schedule and it would be fair to expect Great Lakes to repair this damage by repairing the damage to Building A.

I don’t agree the definition extends to this. Nor do I think the definition is ambiguous or unusual. It explains the buildings are:

*“The building(s) situated at the address(es) specified in the policy **Schedule** which include.*

*“e) drains, sewers, piping, ducting, cables, wires and associated control gear and accessories on the **Premises** and extending to the public mains, but only to the extent of **Your** responsibility”.*

Premises is also defined as *“the address(es) specified in the **Schedule**”*

This simply defines what items could be included within the building insured. But it is made clear at multiple points that the *“building”* needs to be specified in the schedule. To expect the cover to extend to damage at another building which has interrupted a service to an insured building with a view to repair the damage is not reasonable. As our investigator has said, it would not be fair to expect Great Lakes, by default, to accept a risk that it was asked to remove from its cover in this way. It was specifically not insured and with it being removed, the price of the policy was adjusted accordingly.

I cannot see that Great Lakes has acted unfairly when it as declined the claim. Building A is not recorded within the policy schedule as an insured building. The communication ahead of the policy being incepted indicates this was the intention of E and if not, it needs to address this with the seller.

Overall, Great Lakes has applied the policy terms fairly and explained why the cover does not apply to building A.

### **My final decision**

I don't uphold E's complaint and feel Great Lakes Insurance SE has made a fair claim decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 7 March 2025.

Thomas Brissenden  
**Ombudsman**