

The complaint

A limited company, which I will refer to as S, complains about the service provided by Aldium Insurance Services Ltd in relation to its commercial insurance policy.

What happened

The following is intended only as a brief summary of events. Additionally, even though other individuals have been involved in the circumstances, I have largely just referred to S and Aldium.

S operates as, what I will refer to as, a restaurant. S is linked to a number of companies that were all being dealt with together by Aldium.

S held a commercial insurance policy that had been arranged by Aldium. The policy had been arranged by Aldium for a couple of years with an annual renewal date in September. But, in January 2020, it was identified that the levels of cover relating to the business interruption element of the policy might not be suitable. And Aldium sought further details regarding the level of profit S was making and around what length of indemnity period would be appropriate. Aldium asked for these figures a number of times during February 2020, and may have sought them prior to this.

S provided its turnover figures on 5 March 2020. And Aldium responded the same day, recommending the business interruption sum insured be increased accordingly. Aldium also recommended that the indemnity period be increased from 12 months to either 18 or 24 months.

On 9 March 2020, S said:

“Can we make sure we have adequate cover for all the sites based on the last financial year’s trading...”

Questions were also raised at this time about the cover that would apply in the event of “lockdown”.

On 10 March 2020, Aldium confirmed it would get quotes. It also provided details of what the policy terms said in relation to a coronavirus related claim. S responded referring to concerns over “a government imposed Italy style lockdown”. I assume this is a reference to the restrictions that had just been introduced in Lombardy, Italy relating to the COVID-19 pandemic.

On 16 March 2020, S emailed again, referencing the UK Government announcements from that day and referring to concerns that venues such as S’s would soon be closed. Aldium received indicative quotes of the premium that would be required to increase the sum insured to the required level.

An email was sent to S from Aldium on 18 March 2020. Aldium provided further details about the potentially relevant cover provided by the policy, and said:

“The Insurers you are with actually exclude Epidemics, and they are now saying the Notifiable Diseases extension is intended to cover one-off localised incidents, not epidemics so they may not accept any claims at all”

No reference was made in this email to Aldium having received indicative quotes. And no information about these quotes was provided to S prior to the government-imposed restrictions forcing S to close several days later.

Aldium later received further information from X/X’s agent about the coverage provided. This did not significantly alter the position. And on 19 March 2020 it seems an exclusion was added to new/amended policies specifically relating to claims resulting from COVID-19.

At this time, no claim was submitted to the insurer of S’s policy, which I will refer to as X. It was not until 2021, after the Supreme Court had provided clarification on the cover that might be available from policies such as the one S had, that a claim was submitted. X ultimately accepted the claim and paid a settlement to S. The settlement was reduced on the basis that S was underinsured – as a result of the sum insured not having been accurately set in September 2019 or amended in early 2020.

X did add interest to the claim settlement, covering the period from January 2021 until the claim was settled. S has previously complained that X ought to have added interest from March 2020, on the basis that – in March 2020 – X had provided incorrect information about how the policy would likely respond in the event of a claim. I have previously considered this complaint and found that X was not responsible for this delay in the claim being submitted, and so it would not be fair or reasonable to require X to pay interest for this period.

S has now pursued its complaint that Aldium was responsible for it being underinsured and for the delay in the claim being reported.

Aldium does not consider that it is responsible for the underinsurance. It says it tried to correct the situation in early 2020, and that S delayed providing the required information. Aldium has said that S never confirmed the indemnity period it required, and so Aldium could only obtain indicative quotes, rather than formal quotes.

Aldium also does not consider it is responsible for the delay in the claim being made. It says it acted reasonably, given the information it had at the time about the likelihood of such a claim being met.

S brought its complaint to the Financial Ombudsman Service. Our Investigator thought that Aldium ought to have obtained formal quotes rather than indicative quotes. And that these could then have been acted upon to provide S with the appropriate level of cover prior to the introduction of the government-imposed restrictions which interrupted S’s business. So, he recommended Aldium pay S the amount that X otherwise would have covered as part of the claim, but did not due to the underinsurance, plus interest in relation to this.

However, our Investigator did not think Aldium could be held responsible for the delay in the claim being reported. He did not consider the information Aldium had provided S prevented S from making a claim. And that, whilst such claims would need to be made via Aldium, he did not consider that S had ever asked Aldium to actually make a claim.

S accepted the outcome, but Aldium did not. Aldium essentially said that by the time it received the indicative quote, X was not accepting renewals or new business. And that insurers were considering adding exclusions relating to COVID-19 to policies. And so Aldium does not consider X would have provided a formal quote at this point.

As our Investigator was unable to resolve the complaint, it has been passed to me for a decision.

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 have reached the same outcome as our Investigator. I'll explain why.

Firstly, I will just note that S is linked to other companies that have brought essentially the same complaint to the Ombudsman Service. These are separate companies, with separate cover though. So, whilst – given the similarities involved – my findings are likely to be similar, I have considered them separately.

Secondly, both parties have provided detailed submissions. I have considered all of these, but I have focussed this decision on what I consider to be the key outstanding issues. This is not intended as a discourtesy, but rather reflects the informal nature of the Ombudsman Service.

S has accepted the position regarding the delay in reporting the claim. As a result, I have not discussed this further within this decision.

Aldium does not agree it should be responsible for covering the shortfall in the claim settlement that resulted from S being underinsured though. It considers that S was responsible for the delay in quotes being sought and that by the time Aldium was in a position to act, X would not have provided a formal quote for an increased sum insured that would not have included an exclusion relating to COVID-19.

I have considered the timeline carefully. It isn't overly clear how Aldium arranged a policy that did not provide adequate cover in the first place. This has not been investigated as part of this complaint, so I cannot comment on this. Were I to be coming to a different conclusion, further investigation might be required.

I do also note that S could have provided the information required more promptly. It seems that this was provided once the likelihood a claim might be required in relation to the pandemic began to significantly increase. Had the information been provided sooner, it may be that this situation would have been avoided.

However, my role here is to consider whether – in the circumstances that did exist – Aldium acted appropriately.

I appreciate Aldium's comments over not having all of the information it needed for a formal quote. But I think S's response on 9 March 2020 that the cover be based on the previous year's trading indicated that S was seeking 12 months of cover. It is also notable that Aldium's response at this point was that it would now seek quotes. It did not inform S that information was potentially still outstanding. So, I do not agree that Aldium should not have sought formal quotes at this point.

I appreciate that Aldium may have been under the impression that a claim might not be possible under the policy terms for the circumstances that ultimately arose. But, the situation at this time was very uncertain. It was not clear how the UK Government was going to respond, or what the circumstances might be that would require a claim. What was known was that COVID-19 had been categorised as a notifiable disease, it was spreading, and other countries had responded in ways that had closed businesses. It was also known that S

was underinsured. So, it ought to have been clear to Aldium that having the appropriate level of cover in place was a matter of urgency at this point in time.

Aldium ought to have sought formal quotes, and provided S with details of these as quickly as it was able.

I have considered whether formal quotes would have been provided by X. Aldium has referred to the relationship of X and its agent – a broker with delegated authority. I do appreciate the workings of this relationship. But, regardless of which of these specific parties would've taken the relevant action, it is necessary to consider what this action would most likely have been.

Aldium has said that a formal quote would not have been offered. I note that X was not offering quotes to new customers or for renewals. However, this isn't what S was seeking. S was seeking to amend the terms of its existing policy. So, I am not persuaded by the evidence provided that this would not have been offered at this time. And I am also persuaded that the timing of such a quote would've been the same regardless of whether it was indicative or formal. No evidence has been provided that the latter would've taken longer.

Aldium has also said that, if a formal quote had been provided, it would have been on the basis that an exclusion relating to COVID-19 would have been added. I note that Aldium has referenced that a third party insurer that X's agent also had delegated authority for did add such an exclusion around this time. But this was subsequent to the timing of the indicative quote Aldium had received for S. So, even if I were persuaded that X – or its agent – would've introduced such an exclusion at the same time this third party insurer did, this would not have impacted a formal quote that had been provided prior to this point in time. I think X would've been bound by the formal quote, and this quote would have been on terms that did not include such an exclusion.

Ultimately, I consider Aldium should've sought a formal quote, that such a quote would've most likely been provided for a mid-term adjustment, and that the decisions to introduce relevant exclusions were taken subsequent to when this quote would've been provided. I also consider S would most likely have accepted the quote.

It follows that, but for Aldium's decision to seek an indicative quote (and potentially even the fact that details of this quote were not then provided to S), S's policy would've been adjusted to provide a higher sum insured that would not than have led to X proportionately reducing the claim settlement. In summary, Aldium's actions resulted in S receiving only a partial settlement. So, Aldium should pay S the sum required to make up this shortfall.

Putting things right

Aldium Insurance Services Ltd should put things right by:

- Paying S £132,184, which is the shortfall in the settlement paid by X due to the application of underinsurance.
- Add 8% simple interest to this amount from January 2021 to the date Aldium pays this settlement.

My final decision

My final decision is that I uphold this complaint. Aldium Insurance Services Ltd should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 18 July 2025.

Sam Thomas
Ombudsman