

complaint

Mr B is unhappy that Millennium Insurance Company Limited reduced his storm damage claim settlement under his home insurance policy due to underinsurance.

background

Millennium accepted Mr B's claim but said that it had calculated the rebuilding cost of the property and this showed that Mr B was underinsured. As a result Millennium proportionately reduced the claim settlement in line with the underinsurance. This meant the total claim for 1,042.25 was reduced to £496.69.

Our adjudicator didn't uphold the complaint. He said that Millennium's settlement offer was reasonable. He said that Millennium had used the standard industry guidelines to calculate the correct building sum insured and used the correct calculation for applying underinsurance to a claim. Mr B didn't accept this and asked for his complaint to be passed to an ombudsman for a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

What I have to decide is whether or not Millennium acted reasonably when it made Mr B a reduced offer in settlement of his storm claim.

Millennium has calculated the rebuild cost of the property using the Building Cost Information Service (BCIS) calculator. This is a standard industry used calculator. This takes into account the property location to allow for regional differences. Using this calculator, Millennium found that Mr B's property was insured for 52.7% of its current rebuilding cost. It settled Mr B's claim on the basis of 52.7% of the cost of repair after also deducting the policy excess.

Mr B has provided information to show that when he had the property built the cost was considerably less than the rebuilding cost calculated by Millennium. Mr B believes his sum insured was adequate. The original amount was calculated by Mr B based upon what he had paid to have the property built and he'd discussed this with his broker. Although I understand Mr B's point about how much it originally cost him that isn't the issue and it isn't the point Millennium made when it offered settlement. I think Millennium's point that it wouldn't be able to rebuild the property in the same way or over the same timeframe as Mr B is a reasonable one. Mr B has mentioned how different contractor's prices vary widely even though they are providing the same services. This is a valid point and one that's a consideration built into the BCIS calculations that insurers use.

Millennium's documentation referred to the full rebuilding cost and the policy includes an underinsurance wording. Millennium used the insurance industry guidelines so it can ensure that it follows the standard industry approach to sum insured issues. Mr B is unhappy with the details provided but he hasn't provided any up to date alternative figures to counter what Millennium has produced.

I think Millennium has acted reasonably when it used the underinsurance calculations and offered Mr B the lower settlement.

my final decision

I don't uphold this complaint.

I make no award against Millennium Insurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 February 2016.

John Quinlan
ombudsman