

complaint

Mrs K is dissatisfied with the offer of settlement made to her by AXA Insurance UK Plc in relation to a claim for escape of water made under her home insurance.

background

In May 2011, Mrs K contacted AXA to make a claim on her policy following an escape of water at her home. The appointed loss adjuster visited to inspect the damage and calculated the buildings value at risk (VAR) as £180,000. On this basis, AXA concluded that Mrs K's property was underinsured by 44% as the buildings were insured for £120,000.

A scope of repair works was prepared and Mrs K was offered a 66% contribution to these works. Mrs K was unhappy with the figure offered though as she felt the sum insured of £120,000 was adequate as the property is of timber kit build and was built at a cost of £110,000 (including the cost of the land) in 1994.

Mrs K also mentioned further damage to her property which AXA had not included the cost of repairing in the settlement figure. Mrs K accepted that as this damage had occurred since the loss adjuster's inspection, AXA would not have known about it but felt it should reasonably be covered.

Our adjudicator upheld this complaint and recommended that AXA should settle the claim in full. She noted that AXA had not provided any evidence to show that it had asked Mrs K a clear question at inception about the sum insured. She also felt that Mrs K had made a genuine attempt to provide AXA with the correct rebuild cost and it would be unreasonable to penalise her in these circumstances. The adjudicator also noted that the loss adjuster appears to have based his calculation of the VAR on information taken from the internet and, therefore, was not satisfied that the calculations were accurate.

With regards to the further damage, our adjudicator noted that AXA had offered to add the additional amounts to the settlement figure on receipt of photographs of the damage and quotations/invoices for the repair. Our adjudicator felt this was reasonable and Mrs K has now provided the required evidence which has been forwarded to AXA.

Finally, our adjudicator felt that some distress and inconvenience had been caused to Mrs K by AXA's unfair settlement. She felt that £100 compensation was due for this.

AXA did not agree with our adjudicator's findings. It stated that it did not assist customers in selecting an appropriate sum insured and felt that Mrs K should make a separate complaint if she was unhappy with the sale of the policy. It also felt that the invoice Mrs K had provided for the purchase of the timber kit property was not sufficient to show that the sum insured was adequate, as property prices and rebuild costs had increased significantly since 1994.

AXA further stated that its senior adjuster had confirmed that the VAR calculation had been correctly based on standard materials and that it was irrelevant whether Mrs K's misrepresentation of the rebuild cost was deliberate or innocent.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Regarding the further damage, AXA had previously advised that it would add the additional costs on to the settlement figure on receipt of the required evidence. Mrs K initially had not provided this, however, she has now provided photographs and invoices which have been forwarded to the loss adjuster for consideration, which I feel is reasonable. I am satisfied that AXA must now settle these elements of Mrs K's claim.

This service approaches complaints relating to underinsurance in the same way as those relating to non-disclosure. Therefore, I have considered whether there is any evidence of a clear question being asked at inception about the sum insured.

AXA has not provided any evidence to show that a clear question was asked, which explained what the sum insured means.

Mrs K has provided an invoice for the purchase of the timber kit property for £33,387. While I appreciate that costs have increased over time, Mrs K states that she built, decorated and furnished the whole property for £110,000 including the cost of the land. She would not be required to purchase land again and the cost of furnishing would not be included in the buildings VAR. Based on the above, it appears that Mrs K has made a genuine attempt to provide the correct rebuild costs and in line with our approach to underinsurance, in these circumstances I do not feel it is reasonable that AXA has settled the claim proportionately.

In any event, I am not persuaded that the loss adjuster's calculation is correct. It appears that he has based the figures on information from the internet (not supplied in support) which suggests that the rebuild cost of a timber kit property is equivalent to brick build. AXA states that brick is the correct construction type to use when calculating the VAR, however, it has not provided any evidence to support this (beyond the unsubstantiated findings of the loss adjuster). Therefore, I am not satisfied that it has done enough to support its allegation of under insurance.

Finally, it is clear that this matter has caused Mrs K some distress and inconvenience. I am satisfied that an award of £100 compensation is fair and reasonable.

my final decision

My final decision is that I uphold this complaint as I have found that AXA Insurance UK Plc had no grounds to settle Mrs K's claim proportionately. Consequently, I require AXA to:

- Pay Mrs K the outstanding settlement figure in full:
- Pay Mrs K the 44% which was deducted from the settlement already paid:
- Add interest to the settlement figures outstanding, at our recommended rate of 8% simple (less tax if properly deductible) calculated from the date of claim to the date of payment:
- Pay £100 compensation to Mrs K for the distress and inconvenience its unfair actions caused her.

Fiona Robinson
ombudsman