

complaint

Company P has complained that Enterprise Insurance Company plc wrongfully cancelled their self-drive hire insurance policy and didn't give them the correct refund of premium.

background

Company P had a self-drive hire policy with Enterprise. They renewed this policy through a new commercial broker that they hadn't used before. Enterprise then arranged for a risk manager to visit Company P's premises. Enterprise cancelled Company P's policy following their risk manager's site visit because he'd found that Company P weren't trading from the business address they'd given them.

Company P complained the cancellation of their policy was unfair because they'd told their previous broker that their business address had been flooded, and they weren't able to use it until it was repaired. They think this broker should have passed this information on to their new broker. They also complained that Enterprise didn't give them a proportionate refund of their premium when they cancelled the policy.

Enterprise said they didn't know Company P weren't trading from the business address they'd been given. And, as their policy was arranged on a 'minimum and deposit' basis, Company P had been given the correct refund of premium as per their policy terms. Company P weren't happy so they bought their complaint to us.

The adjudicator who investigated their complaint said Enterprise acted reasonably when they cancelled Company P's policy. But he thought they should give Company P a proportionate refund of premium.

Enterprise disagreed with the adjudicator's view because they said they weren't told Company P couldn't use their business address. And minimum and deposit premiums were common in self-drive hire policies because of a higher risk of late notified claims. And it was clearly set out in Company P's policy.

I issued a provisional decision in February 2016, and I said I wasn't intending to uphold Company P's complaint. As a business' trading address is a key fact in calculating the premium and assessing risk on a policy. I thought Company P should have told their new broker they weren't using their business address when they renewed their policy with them. Particularly given the length of time they were out of their unit. But they didn't do this.

Enterprise also explained that minimum and deposit premiums are common in self-drive hire policies because insurers see a higher risk of late notified claims. So they charge a minimum and deposit premium and only refund a proportion of any extra premium charged above this amount, as a way of covering the cost of these claims. I thought this was reasonable. And I thought this meant it was fair that they didn't give Company P a refund of their minimum and deposit premium.

Enterprise accepted my provisional decision. Company P disagreed. They've said the risk manager who arranged to meet them for a site visit the previous year knew about the flood at their unit. And as this risk manager recommended the new broker to them, Company P didn't need to tell this broker because their insurer already knew about it. And this new broker didn't ask them to verify their business address when they renewed their policy. They also said it wasn't fair that Enterprise didn't give them notice of the second site visit, and

cancelled their policy after this, without giving Company P chance to explain the situation. And, as there hadn't been any late notified claims on their policy, Enterprise should now give them a proportionate refund of premium.

my findings

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've decided not to uphold it.

Company P have sent an email showing that the risk manager who visited their business address in 2014 knew they weren't able to use it at that point. So as this risk manager already knew about the situation, it wasn't reasonable for Company P to need to tell their new broker about it.

As I said in my provisional decision, the renewal documents Company P were sent by the new broker clearly say that it's '*extremely important that you take care when providing information to enable the insurers to consider the risk*'. Company P originally told their first broker about the flood in late 2013. And that the repairs should take around eight weeks. As their policy renewed in August 2014, I think it would have been reasonable for them to explain to situation to their new brokers given the amount of time they'd been out of their unit. And the renewal proposal they were sent had their business address as the unit that they weren't able to use. So I think it would have been reasonable for them to clarify this with the new broker.

Company P have also said that this risk manager knew about the flood at the unit on his site visit in 2014, and Enterprise were happy to insure them on this basis. So it wasn't fair that they then cancelled the policy after the second site visit. But the first site visit took place not long after the flood. The second site visit was over a year later, and Enterprise still hadn't been told by Company P that they couldn't use their unit or when they were expecting to move back in. So I think it was reasonable that Enterprise then cancelled their policy when they found out.

Company P have also complained that it wasn't fair that Enterprise didn't give Company P any notice of the second site visit. So they weren't given chance to explain the situation to Enterprise.

Enterprise did send Company P a letter giving notice that they were going to cancel the policy. So Company P could have contacted them then to explain the situation. And after the cancellation, Enterprise did investigate Company P's complaint about it. So I think Company P did have the opportunity to explain the situation to Enterprise.

As Company P said they could still keep their cars on the forecourt, I asked them to send me pictures of this. Company P didn't send me any evidence relating to the use of the unit. They say it isn't normal practice for them to take pictures of their cars or their site. And it's unreasonable for me to ask for this. But without any evidence that they are able to use their unit while it's being repaired, I can't say that Enterprise acted unreasonably in cancelling their policy. And if they were trading from a different address or keeping their cars at a different address, they should have told Enterprise, so Enterprise could assess the risk and agree to provide cover for this.

Company P say that Enterprise cancelled their policy so they could keep the full premium, and this was because Company P didn't make any claims on their policy after renewal. As Enterprise have to pay to cover claims on Company P's policy, I don't think they would cancel the policy because there hadn't been any claims.

Enterprise have explained that M&D premiums are common in commercial self-drive hire policies because there's a higher risk of late notified claims. Company P say that as there haven't been any late notified claims on their policy, they should now get a proportionate refund of their full premium. But the premium arrangement is based on the possibility of late notified claims on policies covering self-drive hire. And insurers charge a minimum and deposit premium, and keep this full premium, as a way of covering this risk, whether or not there are late notified claims. And as I said in my provisional decision, I think this is reasonable.

Company P's policy said they would only get a proportionate refund over the minimum and deposit premium. And their Schedule of Insurance says what the minimum and deposit premium amount was. Company P have had a proportionate refund of the premium they paid above this amount. So I don't think Enterprise need to pay them any more.

So – in summary - I think Company P should have told their new broker that they couldn't use their unit when they renewed their policy. And I think it was fair that Enterprise cancelled their policy because they didn't know about this. And I think it was fair that they didn't get any refund of their minimum and deposit premium.

my final decision

For the reasons I've discussed above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask [insert anonymised name here] to accept or reject my decision before 11 April 2016.

Mary Dowell-Jones
ombudsman