

complaint

Mr A complains about Allianz Insurance Plc's handling, and settlement, of a fire claim made under his home insurance policy.

background

In September 2013 Mr A's let property suffered fire damage. He made a claim to Allianz. It appointed a loss adjuster to investigate the claim.

The buildings sum insured under the policy was £50,000. The loss adjuster reported to Allianz that this was inadequate. He thought it should have been £150,000. Allianz accepted the claim but informed Mr A it would apply the average clause to this claim (because the property was underinsured). Mr A believes Allianz's decision to apply the clause is unreasonable. He also feels that his loss of rent claim should be for more than five months.

Allianz made Mr A an offer to settle the claim in January 2014. He refused to accept it. He complained to Allianz. It looked at his complaint but maintained the same view.

Mr A made a complaint to this service. To resolve the matter, he proposed that Allianz agree to one of the following:

1. Appoint another loss adjuster to value the property and reassess the claim; or
2. Settle the claim in full; or
3. Apply average to the higher quote and
4. Pay loss of rent until the settlement of the claim.

Our adjudicator investigated the complaint but didn't recommend that it be upheld. She thought Allianz had reasonably applied the average clause. She also thought the policy documentation was clear and reasonably made Mr A aware that it was his responsibility to ensure the property was adequately insured. She said it was reasonable for Allianz to rely on the loss adjuster's valuation of the property.

She said Mr A hadn't provided any evidence which proved the loss adjuster's assessment was wrong. She thought Allianz was liable, under the policy, to pay loss of rent until the property was returned to a habitable condition. Allianz had made a reasonable offer to settle the claim in January/February 2014. Mr A decided not to accept this offer and this led to the property being left in an uninhabitable state. She didn't think Allianz was responsible for any further loss of rent. Finally, our adjudicator thought that Allianz had handled Mr A's claim reasonably.

Mr A disagreed with our adjudicator's findings. He said that the loss adjuster's valuation was wrong. He also felt that Allianz should've accepted a higher quote for repairs he'd obtained (as the basis of its settlement). This was because Allianz had delayed settling the claim for three months by which time the tradesman who provided the lower quote refused to carry out the work at the rate quoted.

Mr A asked for his complaint to be referred for an ombudsman's 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.

underinsurance

It's a policyholder's responsibility to make sure that they have adequate cover for their needs. Home insurance policies typically include a term about an insurer's liabilities if a property is underinsured. I have seen Mr A's policy schedule. That contains a clear warning:-

"Sum Insured

It is essential and in your own interest that you consider the adequacy of your cover advising us immediately of any increases or alterations required. Please check that the sums insured contained in this Policy Schedule represent the full re-instatement value of your equipment etc. Failure to specify an accurate sum insured could result in claims payments being reduced by the proportion of the stated sum insured to the correct value at risk."

I have also seen the policy terms and conditions. These include the following:-

"How much to Insure For?

It is up to You to make sure that the amount You insure for represents the full value of the property concerned. For Buildings, this means the full cost of rebuilding Your property including any outbuildings plus an amount for any additional charges which could be incurred in rebuilding such as demolition costs, architects and surveyors fees and complying with the requirements of local authorities. For Contents and Valuables 81 personal Effects, this means the full cost of replacing all the property as new. Remember, if you underinsure any claims payment may be reduced."

"Settlement of claims

Underinsurance

If the Sum Insured is less than the full replacement cost We will only pay the same proportion of the loss or damage as the Sum Insured bears to the full replacement cost. For example, if the Sum Insured represents only one half of the full replacement cost We will only pay for one half of the amount lost or damaged."

I think it was reasonable for Allianz to rely on the underinsurance clause when settling Mr A's claim. None of the conditions I've quoted above are unusual in nature – they are commonplace in home insurance policies. The conditions are clearly worded. Mr A was made reasonably aware that it was his responsibility to ensure his property was adequately insured.

Mr A's property was underinsured by two thirds of its value. Mr A has provided no evidence as to why he thought a sum insured of £50,000 was adequate, or why the loss adjuster's valuation was wrong. In the circumstances, I think it was reasonable for Allianz to rely on the information provided by the loss adjuster to confirm the value of the property. It was also reasonable to apply the underinsurance clause when settling the claim.

loss of rent

Mr A's policy provides him with cover for loss of rent when he has suffered loss or damage under the basic cover section of his policy (as here). It covers him for loss of rent payable for the period it takes to restore the property to a habitable condition. Allianz has assessed that a period of five months was adequate. This allowed for the time it had taken for Allianz to make an offer and the time it would have taken for a contractor to put the property back into a habitable condition. I think that this is reasonable.

claim handling

Mr A's claim was made in September 2013 and the loss adjuster attended the property ten days later. During the visit, the loss adjuster asked Mr A to obtain two quotes from contractors. He drew Mr A's attention to the fact that the property was under-insured. The loss adjuster prepared his preliminary report three days later. Mr A didn't provide the quotes until October 2013. Thereafter the matter was referred to underwriters due to the under-insurance.

Although I see that there is a delay between October 2013, when the quotes were provided, and January 2014, when an offer was made, I don't think this was necessarily unreasonable. But for the issue of under-insurance, I think an offer would've been made earlier. Also, I'm not persuaded that Mr A has suffered a financial loss as a result of any delay by Allianz. This is because he was paid loss of rent for five months from the date of the claim, including the period taken to make an offer.

Mr A's proposals

Mr A said that his relationship with the loss adjuster had broken down, so he was unable to rely on that valuation. I've not seen any evidence that the loss adjuster's valuation was wrong. So, I don't think it is fair to ask Allianz to appoint another loss adjuster to reassess the claim. I also don't feel Mr A's request that Allianz should pay his claim in full is reasonable when the policy contains an under-insurance/average clause. Finally, I don't think that Allianz should apply average to the higher quote Mr A provided.

my final decision

My final decision is that I don't uphold this complaint. I make no award against Allianz Insurance Plc.

Claire Woollerson
ombudsman