

complaint

T's complaint is about the way Allianz Insurance Plc handled and settled its claim for fire damage under its Complete Property Owner policy.

background

A fire caused extensive damage to T's premises. When T claimed it became clear that it was underinsured under its buildings cover. Allianz said that it would only pay a proportion of the claim to reflect the fact that it had calculated its premium on the basis of the building being worth less than it actually was.

T accepted that it was underinsured but complained that Allianz had used the wrong figure to calculate its reduced settlement. T also complained about delay in handling its claim and Allianz offered £200 compensation.

Our adjudicator felt that £200 was a fair amount of compensation for the difficulties T had been caused by delay and poor communication but he agreed that Allianz had used the wrong figure for calculating the reduced settlement. Allianz asked for the complaint to be referred to an ombudsman.

my findings

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

Generally, we accept that insurers should be allowed to reduce settlements for underinsurance where they've explained and highlighted the importance of making sure items are insured for the correct values and the consequences of giving the wrong values.

Often we say this means highlighting the issues in renewal documents and policy schedules. Here the consequences of underinsurance in general terms were explained in the policy document. But, the policy document cross referred to values in the schedule and I don't think the way this was done was at all clear.

The policy document said that settlement will be based on the '*Declared Value (shown in brackets below the Sum Insured on the Schedule)*'. T's schedule showed against '*Buildings*' and under the heading '*Sum Insured*' £610,018 and below that (£530,450) with no further explanation of these figures, why they were different and what each represented.

I think it's asking too much to expect a policy-holder to read across from special conditions in the middle of a very lengthy policy document to be able to make sense of what these figures in the schedule meant. I think it's very likely that T was confused by Allianz's documents and I think the settlement should be based on the higher amount of £610,018.

Allianz has suggested that we should take into account that T accepted the lower settlement Allianz has already made in 'full and final settlement' of its claim. I think that is relevant but I think it would be unfair to hold T to standard form wording in an acceptance form when there is evidence that T hadn't understood the situation properly when it signed.

I agree that the £200 already offered is fair compensation for the delay T suffered and Allianz's poor communication.

my final decision

My final decision is to uphold the complaint in part. Allianz Insurance Plc should recalculate the settlement of T's claim using the figure of £610,018 as the Declared Value.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 5 May 2016.

Jonathan Coppin
ombudsman