

complaint

Mr and Mrs E complained about the amount UK Insurance Limited ("UKI") had increased the sum insured on their buildings insurance by over the years. They felt this led to them paying a higher premium than they needed to.

background

I issued a provisional decision which outlined the background to this complaint and the reasons why I was minded to uphold it in part. A copy of my provisional decision is attached and forms part of my final decision.

responses to my provisional decision

Mr and Mrs E said that they had never requested or accepted the compensation I had provisionally awarded. They went on to outline the financial hardship caused by the over charging of the premium. Mr and Mrs E also provided details of the premium they had paid from the start of the policy to 2008.

I did not receive any further comments or evidence from UKI.

my findings

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

increases in the sum insured

Neither party has provided substantive comments in this respect in response to my provisional decision. It therefore remains my view that the changes UKI made to the sum insured on Mr and Mrs E's policy each year were unfair and unreasonable because it is most likely they were not as per the RICS Index.

It also remains my view that to fairly resolve the matter, UKI should re-calculate the sum insured adjustment at each renewal (from the start of the policy) using the figures from the RICS index for June each year. It should then re-calculate the premium based on the revised sums insured that Mr and Mrs E ought to have paid at each renewal; and compare that to the premium they actually paid. If the overall premium Mr and Mrs E paid over the life of the policy was more than what they ought to have paid, UKI should refund Mr and Mrs E the difference.

compensation

I appreciate Mr and Mrs E's comments about them not requesting or accepting the £75 compensation. Nevertheless, it remains my view that the delay in UKI dealing with the matter caused Mr and Mrs E unnecessary distress and inconvenience. It also remains my view that our adjudicator's recommendation that UKI pay Mr and Mrs E £75 compensation for these delays was fair.

my final decision

My final decision is that I uphold this complaint in part. I require UK Insurance Limited to:

- re-calculate the premium for Mr and Mrs E's policy and refund any overpaid premium using the formula outlined above; and
- pay Mr and Mrs E £75 compensation for distress and inconvenience.

I make no other award against UK Insurance Limited.

Paul Daniel
ombudsman

C O P Y**PROVISIONAL DECISION****complaint**

Mr and Mrs E complained about the amount UK Insurance (“UKI”) had increased the sum insured on their buildings insurance by over the years. They felt this led to them paying a higher premium than they needed to.

background

The sum insured on Mr and Mrs E’s buildings insurance policy in 2002 was €111,500. By 2011, this had increased to €300,000. Mr and Mrs E’s bank, on behalf of UKI, explained that apart from one year when the sum insured had been increased during the policy year the increases had been due to index-linking – that is, the sum insured being adjusted every year to keep in line with rebuilding costs. The bank also explained that the Royal Institute of Chartered Surveyors (RICS) Index was used to calculate how much the sum insured should be adjusted by.

Our adjudicator concluded that the complaint should be upheld in part. She was satisfied the changes in rebuilding cost, and therefore the changes in the sum insured, had been calculated fairly. However, she felt UKI had failed to acknowledge Mr and Mrs E’s complaint and she asked it to pay £75 compensation for the distress and inconvenience caused.

UKI accepted our adjudicator’s conclusion but Mr and Mrs E did not. They felt the compensation should be much higher.

my provisional findings

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

increases in the sum insured

It is not unusual for policies of this nature to be index-linked. This can be advantageous to consumers as it helps to ensure that they are not underinsured. I do not consider the principle of index-linking itself unfair or unreasonable.

However, as I understand it, it is not so much the principle of index-linking that Mr and Mrs E complained about. They were more concerned with the amount their sum insured had increased each year (particularly given the recent economic downturn).

I therefore felt it prudent to check how the increases in the policy sum insured compared with actual the figures in the RICS index. The table below illustrates my findings.

Year of renewal	Previous years sum insured	New sum insured	Actual % increase in the sum insured	Average RICS % adjustment over the year	RICS % adjustment for June
2007	-	252,495	-	-	-
2008	252,495	267,645	+6	+5.6	+5.3
2009	267,645	283,704	+6	-0.3	+2.4
2010	283,704	290,796	+2.5	0.0	-2.6
2011	290,796	298,066	+2.5	+5.1	+7.3

Some further explanatory points:

- the Index I used was the BCIS House Rebuilding Cost Index (found on the RICS website at <http://www.rics.org/uk/knowledge/bcis/about-bcis/rebuilding/bcis-house-rebuilding-cost-index/>). I have no further information on the Index UKI used, so I assume the one I referred to was the same one referred to by Mr and Mrs E's bank;
- I could only obtain figures as far back as 2008;
- the figure in the fourth column is the average percentage monthly increase or decrease over the whole year; and
- the figure in the final column is the specific percentage increase for June each year (which was the time of the year that Mr and Mrs E's policy renewed)

It can be seen from the table that the actual percentage adjustments each year did not bear any relation to the figures I obtained. In three of the four years the percentage increase was higher than the index figure. Given the above information, I consider it most likely that there is a similar discrepancy in the preceding years.

I therefore consider it most likely that the changes UKI made to the sum insured on Mr and Mrs E's policy each year was unfair and unreasonable. This is because I consider it most likely that the changes were not as per the RICS Index.

To resolve the matter, I consider it fair for UKI to re-calculate the sum insured adjustment at each renewal using the figures from the RICS index for June. It should then re-calculate the premium based on that sum insured that Mr and Mrs E ought to have paid at each renewal; and compare that to the premium they actually paid. If the overall premium Mr and Mrs E paid over the life of the policy was more than what they ought to have paid, UKI should refund them the difference.

compensation

In my view, upon receipt of the complaint UKI unreasonably delayed matters (due to such arguments as the complaint being suitable for the Irish Ombudsman – even though we had already informed it on numerous occasions that it was a complaint we would be dealing with). I am also of the view that this delay caused Mr and Mrs E unnecessary distress and inconvenience.

However, UKI agreed to our adjudicator's recommendation that it pay £75 compensation for these delays. I am satisfied that this is fair.

my provisional decision

My provisional decision is that I uphold this complaint in part. I am minded to require UK Insurance Limited to:

1. re-calculate the premium for Mr and Mrs E's policy and to refund any overpaid premium using the formula outlined above; and
2. pay Mr and Mrs E £75 compensation for distress and inconvenience.

I am not minded to make any other award against UK Insurance Limited.

The parties now have until 10 September 2013 to provide further comments or evidence before I issue my final decision. To avoid raising expectations, they should note that I might depart from my provisional conclusions – either wholly or in part – depending on the comments/evidence I receive. If either party is prepared to accept my provisional decision in settlement of this complaint they should inform us as early as possible.

Paul Daniel
ombudsman