

complaint

Mr and Mrs A are unhappy about the claim settlement offered by Teachers Assurance Company Limited under their home insurance policy following a fire. Mr and Mrs A appointed representatives on their behalf - H.

background

Mr and Mrs A's empty property suffered fire damage and they made a claim. Loss adjusters were appointed and following an assessment of the damage a settlement offer of approximately £36,000 was made to Mr and Mrs A because of underinsurance. Mr and Mrs A didn't accept this and Teachers reconsidered the offer. Eventually it decided to consider the claim under the policy section for exceptional circumstances. This was due to the large underinsurance and because it wouldn't have offered cover had it known the true property value. Teachers also said it could've voided the policy altogether. The exceptional circumstances wording said "*we may pay the difference between the sale value of your home in the open market immediately prior to the loss or damage and the value of your home following such damage.*" Teachers offered £110,000 for the buildings claim and said this was the best settlement option. This amount is the balance between the pre loss valuation of £150,000 and the after loss valuation of £40,000. H on behalf of Mr and Mrs A didn't accept this. H said reinstatement costs should be paid less wear and tear up to the maximum liability under the policy (£280,000) plus costs for emergency repairs. As agreement couldn't be reached Mr and Mrs A brought their complaint to this service.

Our adjudicator didn't uphold the complaint. She said she felt the level of underinsurance was severe enough to allow Teachers to apply the exceptional circumstances wording. She felt Teachers had done enough in the sales process to allow Mr and Mrs A to value their property correctly. Our adjudicator accepted Teachers wouldn't have offered cover had it known the correct sum insured required. Mr and Mrs A didn't accept this and asked for their complaint to be passed to an ombudsman for a final 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.

Teachers said that the sum insured has been wrong right from when the policy was set up. But H said Mr and Mrs A weren't given enough guidance by Teachers. I've seen the documents and note that the policy schedule clearly confirms that the sum insured is the rebuild cost. It also clearly states that the rebuild cost is different to the market value. The documents also include website links to insurance sites where rebuilding cost calculations can be done. So I don't think that Teachers acted unfairly or unreasonably regarding the building sum insured.

H has said that the first claim settlement offer from Teachers highlights that Mr and Mrs A haven't been treated fairly. Teachers said that the offer was made in good faith based what it knew at that time and that it did reconsider and make a further offer in the hope of reaching an agreement. I can see both points of view here but I don't think Teachers acted unreasonably based on what it knew when it made the original offer.

H has pointed out that there's no definition within the policy for "*exceptional circumstances*". So H said it can't be used for this claim. Teachers have said this is exceptional because a

repair or reinstatement isn't achievable due to circumstances beyond the control of the policyholder and the policy provider. Teachers also said reinstatement isn't and never will be a realistic option. I haven't seen any evidence to suggest that Teachers is acting unreasonably on this point. The evidence suggests the property was in a poor condition and Mr and Mrs A are unlikely to live in the property again as they moved out many years ago.

The property was insured for roughly £280,000 but the survey valuation following the claim said it had a rebuild cost of around £1.75 million. Teachers said it wouldn't have offered cover for a property with such a high rebuild cost as it doesn't insure such property. Throughout the claim Teachers has said it's willing to reconsider these values if Mr and Mrs A get their own independent survey done. But it's difficult to dispute the valuations from Teachers and its point that the property is vastly underinsured. H said, in line with the policy, the claim payment should be for reinstatement minus wear and tear up to a maximum amount - the sum insured.

The exceptional circumstances wording in the policy does give Teachers the option to apply the difference between the property sale value prior to the loss and sale value after the loss. So the offer made of £110,000 is the balance between these two figures. Teachers have also offered £7,500 for contents and subject to invoices will pay for emergencies, safeguarding the property and fencing. I think that's fair. Although I understand what H said about the policy wording I think that Teachers' offer is reasonable. I accept that had Teachers known the true rebuilding value it wouldn't have offered cover in the first place. I take on board that Teachers felt it could've voided the policy but instead agreed to deal with the claim. This was despite the underinsurance and the premium paid being lower than it should've been. I think Teachers acted reasonably when it opted to use the exceptional circumstances wording as noted within the policy.

my final decision

I don't uphold this complaint. I make no award against Teachers Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs A to accept or reject my decision before 9 February 2017.

John Quinlan
ombudsman