



## Case study: Home Insurance

### REJECTION OF A CLAIM FOLLOWING A THEFT

Themes: Insurance claim; theft; reasonable conduct by insured; interpretation of policy; claim denied; non-binding recommendation for compensation above CIFO statutory limit

The complaint relates to the non-payment of an insurance claim for the theft of two valuable rings.

In November 2011 Mrs A purchased and revalued two rings. Mrs A then insured the rings for a combined value of £191,250.

In 2015 Mrs A wanted to sell the rings and asked the original dealer, a trusted acquaintance, for advice. Mrs A was introduced to the dealer's jeweller contact who she also knew. This jeweller confirmed that he would keep the rings in his jewellery shop's secure facilities until he could find a buyer. Mrs A agreed and handed the rings over to the jeweller.

As no interest had been shown in the rings, Mrs A asked the jeweller to return them. When the rings were returned, one appeared to have been altered, so Mrs A took them to another local jeweller to request an expert opinion. Both rings were found to be fakes. Mrs A immediately requested an explanation from the jeweller. The jeweller stated that his co-director, who had left the firm, may have been responsible for the theft. It was accepted that the real stones had been swapped out and replaced with fake ones.

Mrs A reported the matter to the police and made an insurance claim. The insurance company rejected the claim because a loss through "deception" was not considered a covered insurance event. The swapping of the stones, the insurer argued, was a deception rather than a theft. The insurance company also said that the complainant failed to advise them that the rings had been transferred to the jewellery shop and that a formal agreement was not in place that would ensure the rings were covered by the jeweller's own insurance policy.

Mrs A was referred to CIFO. CIFO determined that the complainant trusted the original dealer and this trust extended to the jeweller contact. CIFO felt that Mrs A's transfer of the items for the purpose of sale was neither careless nor irresponsible and the jewellery store's security arrangements were suitable. CIFO also determined that the insurers did not require prior notification of the ring's transfer to the jewellery store because this was not listed as a material change that required notification under Mrs A's insurance policy. Finally, CIFO's investigation noted that the term "deception" relied upon by the insurance company was not a clearly defined term within Mrs A's policy.

CIFO upheld the complaint believing that the rings were lost due to theft and had not been taken by deception after they were transferred to the jeweller in good faith with the view to being sold. CIFO determined that the insurer should pay £150,000 to Mrs A in accordance CIFO's £150,000 binding compensation limit as set by law. CIFO made a non-binding recommendation that the balance of the amount lost, £41,250, also be paid. The insurer agreed to pay Mrs A the entire amount of £191,250.