



Case study: Insurance

INSURANCE-BACKED GUARANTEE CLAIM NOT PAID AFTER PROPERTY WORK CAUSED DAMAGES

Themes: Insurance-backed guarantee; second professional opinion.

This complaint relates to an insurance-backed guarantee claim that was not fully paid when building work on a complainant's property caused damage.

In January 2017, contractors installed cavity wall insulation at Mr M's home. Mr M later noticed damp at the property and contacted a chartered surveyor to inspect it. The surveyor said the insulation had caused dampness in Mr M's home and should be removed. He estimated the cost of this and repairs required as a result of the installation to be £31,000. As the insulation installer had ceased trading, Mr M contacted the insurance-backed guarantor (insurer) to claim. They arranged for another surveyor who agreed the installation was poor and the insulation should be removed. He said the property should be repaired once it had dried out which could take three months after the insulation was removed. He estimated it would cost approximately £11,000 to remove the insulation and £3,000 for the repairs.

The insurer said that removal of the insulation would fall under the policy cover for 'defects', and the policy limit for this cover was the contract value of the original installation (approximately £700). The insurer offered to pay Mr M the policy limit for 'defects' towards the removal but said he would have to pay for the rest. The insurer advised they would cover the property damage aspect of the claim under the policy cover for 'consequential damage' which had a policy limit of £20,000 but it would assess this aspect of the claim again once the insulation was removed. Mr M felt the property damage should be rectified straight away and requested £3,000 to make those repairs. The insurer rejected this part of the claim and stated that the issue would return if the removal was not completed prior to having the property damage repaired. The insurer offered £200 towards superficial damage but, if Mr M accepted this it would constitute the full and final settlement for any consequential property damage. Mr M complained, but the insurer reiterated their offer of approximately £700 towards the insulation removal and £200 towards the property damage. Mr M rejected their offer and took his complaint to CIFO.

CIFO investigated and explained that the insurer was required to complete a long-lasting and effective repair to the 'consequential damage' and it could not do so without first removing the insulation. CIFO recommended the insurer cover the full cost for removal of the insulation under the 'consequential damage' provision in the policy but said it was reasonable to allow the property to dry out before repairing the property damage. CIFO also recommended the insurer pay Mr M £750 for the distress and inconvenience their handling of his claim had caused.

The insurer offered to remove the insulation and repair the property damage but refused to pay Mr M the recommended compensation for distress and inconvenience. Mr M accepted this offer in full and final settlement of his complaint.