

The complaint

A company I'll refer to as B have complained that Allianz Insurance Plc unfairly turned down its business interruption insurance claim after it was impacted by the Government's response to the Covid-19 pandemic.

Mr C, a director of B, has brought the complaint on B's behalf.

What happened

B held a business interruption insurance policy with Allianz. It claimed on its policy after its business was forced to close by the Government's response to the national pandemic. Allianz said the claim wasn't covered because Covid-19 hadn't caused damage to property, and while the policy provided cover for a specified list of illnesses, Covid-19 wasn't on that list.

B claimed on its policy again following the Supreme Court judgment on the Financial Conduct Authority's (FCA) test case. However, Allianz said the outcome of this hadn't impacted B's claim and so again declined its claim.

Unhappy with Allianz's response, B brought its complaint to our service. Our investigator looked into B's complaint but didn't recommend it be upheld. He didn't think B's claim was covered under the main section of the business interruption insurance policy or the extension for denial of access because Covid-19 hadn't caused damage to property. He also didn't think the extension for specified illnesses covered B's claim either because Covid-19 wasn't one of the illnesses listed on the policy.

B asked for an ombudsman to review its complaint.

What I've decided – and why

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

I'm sorry to hear that the pandemic and the Government's related actions have had an impact on B's business. However, I won't be upholding its complaint. I'll explain why.

Business interruption insurance offers protection from risks common to a business, but different policies can provide different types of cover. What is and isn't covered is set out in the policy terms and conditions. I've therefore looked carefully at this particular policy to see if Allianz has acted fairly, reasonably and in line with the terms and conditions of the policy when declining B's claim.

Damage

The terms and conditions of the policy say that:

“The Insurer will indemnify the Insured for Business Interruption as a result of Damage occurring during the Period of Insurance”

Damage is specifically defined in this section of the policy as

“Destruction, damage or loss insured under Sections 1 and 7 of this Policy”

Section 1 of the policy is trade contents. Section 7 is buildings which B doesn't have cover for as part of the policy. For cover to apply under this section, B's business interruption would have to have been as a result of destruction, damage or loss insured under the trade contents section of the policy. I haven't seen anything to indicate Covid-19 caused damage to B's contents, so I don't think this provides cover for the circumstances of its claim.

Denial of access

The cover provided by the policy is extended through various extensions. This extension says:

“Loss as insured by this Section resulting from interruption of or interference with the Business in consequence of destruction, damage or loss caused by any Event covered under Section 1 Trade Contents to property in the vicinity of the Premises which shall prevent or hinder the use of or access to the Premises, whether the Insured's property or the buildings at the Premises be Damaged or not.”

For this extension to provide cover, the interruption or interference to B's business would need to be in consequence of destruction, damage or loss to property in the vicinity of B's premises which prevented or hindered access to the use of B's premises. As I haven't seen anything to indicate Covid-19 caused damage to property in B's vicinity that hindered or prevented access to its premises, unfortunately I don't think this extension covers its claim either.

Specified illness

The relevant part of this extension covers loss as a direct result of a specified illness either at the business premises or within a 25 mile radius. The policy defines specified illness as either food or drink poisoning or any of the illnesses set out in a list following the extension. This extension doesn't provide B with cover in the circumstances of its claim, as Covid 19 isn't one of the specified illnesses.

When reaching this finding I'm mindful that Covid-19 wasn't something Allianz might have known about when the policy was drafted. However, there are policies that provide cover for all notifiable diseases, which is a defined list of diseases, updated by the Government, and which does include Covid-19. In contrast, B's policy sets out a specified list of illnesses which are covered by the policy and there is nothing in the policy which implies that it provides cover for illnesses not included, including any new illnesses which emerge. The purpose and effect of this policy is to provide cover in the event of these specific illnesses. There are in fact many illnesses that the policy doesn't cover. Therefore, I don't think the policy can or should fairly be read as covering any and all diseases.

B has referred to the Supreme Court judgment following the FCA test case however, the outcome of the claim would still depend on the terms of the policy. And having considered the matter very carefully, I don't think I can fairly require Allianz to pay B's claim.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 19 October 2021.

Sarann Taylor
Ombudsman