

The complaint

Mr M, a sole trader, complains about the decision of Hiscox Insurance Company Limited to decline his claims for business interruption relating to the second and third COVID-19 lockdown periods starting in November 2020 and January 2021. He is also unhappy with the addition to his policy of the exclusion Hiscox has relied upon and the handling of his claims.

What happened

The following is intended merely as a brief summary and does not capture the numerous correspondence sent in the course of the claim and complaint.

Mr M operates as a information technology and photography business. I understand this primarily relates to providing photo and website services to car retailers. His insured business premises are his residential address, although much of his work requires him to visit car dealerships, etc.

Mr M held a commercial insurance policy with Hiscox. The policy renewed annually in September. In February 2021, he contacted Hiscox to register business interruption claims. The claims he registered were those relating to the second and third lockdown periods (starting in November 2020 and January 2021) that were introduced by the Government as a result of the COVID-19 pandemic.

Ultimately, Hiscox declined Mr M's claims. In doing so, it relied in part on a change to the wording of Mr M's policy which had been made when he last renewed in September 2020. This change effectively excluded claims relating to COVID-19.

Mr M is unhappy these claims were declined and how they were handled including that he feels he was led to believe his claims would be met. He also said that he had not been made aware of the change to the policy wording.

Hiscox did not change its stance on the claims, but did offer Mr M £150 compensation for the service provided. This offer was made after Mr M had referred his complaint to the Ombudsman Service. Mr M remained unhappy and pursued the complaint. Our Investigator did not think Hiscox had incorrectly declined the claims, but agreed that the service provided was not to the level Mr M could reasonably expect and recommended that £150 be paid.

As Mr M remains unsatisfied, his complaint has been passed to me for a decision.

For the sake of clarity, I will just note here that Mr M has also raised a complaint about a claim made relating to the first lockdown, starting in March 2020. However, as this claim related to a separate policy, this complaint has now been considered separately by the Ombudsman Service and a discrete decision on this will be issued.

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.

Having done so, whilst I am sorry to hear about the considerable financial impact COVID-19 restrictions have had on Mr M, I won't be upholding his complaint. I'll explain why

Mr M has made detailed submissions, all of which I have read. However, as an informal service, I am not going to respond to each of the points he has made – rather I am going to focus on what I consider to be the key issues. Additionally, as noted above, the current complaint does not consider Mr M's complaint relating to the claim for the first lockdown.

The decline of the claims

The type of cover Mr M is looking to claim under is business interruption insurance. There are a range of business interruption insurance policies on the market covering different risks. For example, some only provide cover for basic things such as fire or flood, whilst others provide cover in more circumstances either as part of the policy or as optional add-ons. Whether or not an interruption to business is covered by a policy will be determined by the nature of the risks covered and the circumstances of the claim. It is not enough that the business be interrupted – the cause and circumstances of that interruption must be something that is covered. So, the starting point is to consider the specific policy Mr M took out.

The policy Mr M held renewed in September 2020 and the claims relating to periods after the date of that renewal need to be considered under the terms of that policy. The renewed policy included a change to the previous version. This change effectively removed cover for any potential claim relating to COVID-19 from the scope of the policy.

Mr M has said he was not made aware of this change and so Hiscox should not be able to rely on it. However, Hiscox has provided copies of documents sent to Mr M prior to the renewal. This included a 'summary of changes' documents which included the following:

"Please review the terms and conditions of your policy carefully. In respect of Contents, Property Away & in Transit and Business interruption please note the Communicable Disease exclusion which has been added to the policy. For Business interruption, this restricts the types of diseases covered to Specified Diseases. In light of the current Covid -19 threat, note that this is not a Specified Disease."

I consider this is clear that a claim for business interruption relating to COVID-19 would not be covered. And this is reinforced by the wording of the actual policy document which Mr M also most likely received.

Mr M has said he wasn't made aware of this change. If he received these documents, I consider that he would have been made suitably aware though. It is possible these documents were not delivered. However, having received some renewal documents, Mr M called Hiscox in August 2020 to query the financial limits relating to certain areas of cover. During this call, Mr M was read a statement similar to that above confirming the change. So, I consider Mr M was made aware of the change to his policy wording.

Given this, I consider it is fair and reasonable for Hiscox to be able to rely on the amended wording applicable to the policy renewed in September 2020. As Mr M's claims are based on interruption caused to his business by COVID-19, I consider that Hiscox acted appropriately in declining these claims.

The service provided

Mr M has also complained about the level of service provided. His complaint points include that he was led to believe his claims would be covered, that Hiscox took too long to give an

answer to the claims, and that communication with Hiscox generally was problematic. Again, Mr M has been specific and detailed in setting out his concerns. But as an informal complaint resolution service, I have looked at much of this holistically.

It should firstly be noted that having to make any insurance claim will involve a certain amount of inconvenience. It is also the case that it will usually take in insurer some time to consider and respond to a claim – often a number of months. This is especially true where there are a large number of claims being made, albeit an insurer should take action to limit the impact on customers where such situations arise.

Mr M raised his claims in February 2021. However, it took several months for Hiscox to indicate verbally to Mr M that they would not be covered. And it seemingly was not until late August 2021 that this was confirmed in writing. During this time, Mr M had contacted Hiscox on a number of occasions and it is clear he was unhappy with progress.

Mr M's unhappiness was furthered by his belief that he had been told in February 2021 when raising the claims that they would be covered. However, having listened to this call, I am unable to agree that this was the information he was given. Whilst the call handler confirmed that Mr M's policy did provide business interruption cover, she said *"I'm not sure of the ins and outs. I can log a claim, but I'm not sure what you'll need to prove or show, or what documents you'll need."* I don't think Hiscox said anything in this call that Mr M could reasonably rely on to say that his belief the claims would actually be met was founded on an incorrect statement by Hiscox.

So, whilst it is clear Hiscox could've provided a better level of service, I cannot hold it responsible for all of the distress or inconvenience caused to Mr M. And Mr M was able to speak to Hiscox on a number of occasions, so he would've at least been aware that his claims had not been forgotten.

It isn't though clear why Hiscox could not have provided an answer to the claims sooner, including why there was a delay between confirming the outcome verbally and then in writing, and especially given the nature of the exclusion ultimately relied upon. So, I consider Mr M was caused avoidable distress and inconvenience that Hiscox should compensate him for.

Putting things right

Hiscox has agreed to pay Mr M £150 compensation in relation to the handling of his claim. I consider this to be fair and reasonable, and Hiscox should pay this if it has not already done so.

My final decision

My final decision is that Hiscox Insurance Company Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 January 2023.

Sam Thomas
Ombudsman