

## **The complaint**

Mr D, as a director, complains on behalf of T, a limited company, about Zurich Insurance PLC's handling of a claim made on a business insurance policy.

## **What happened**

T holds insurance with Zurich. In August 2020, T's premises were flooded and a claim was made with Zurich.

Zurich made a settlement for items damaged in the flood in March 2022. Mr D, on behalf of T, complained in June 2022 that Zurich hadn't made a settlement under the business interruption section of the policy, even though a sum has been calculated for this. He was also unhappy with the length of time taken to progress the claim as a whole.

Zurich acknowledged that the claim had been unnecessarily delayed and offered £350 compensation to recognise this. However, it said that further information was required in order to properly calculate the appropriate settlement under the business interruption section of cover.

Mr D referred T's complaint to our service. Our investigator thought Zurich should pay an additional £250 compensation because of the avoidable delays. Zurich accepted our investigator's findings. Mr D didn't accept this as he said Zurich should also be required to pay the business interruption settlement. As no agreement could be reached, T's complaint has come to me to make a final decision.

## **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 aware that since Mr D referred T's complaint to our service, Zurich has outlined to our investigator what further information it says is still required in order to calculate the settlement for the business interruption element of T's claim. Mr D continues to disagree with Zurich's position. Zurich has said it doesn't consent for our service to consider matters which have occurred since it issued its final response to T's complaint in August 2022. As that's the case, I'll only be considering Zurich's handling of the claim up to that date. I won't comment on anything that's happened since.

Insurers must handle claims promptly and effectively. It's accepted that an insurance claim will cause disruption and inconvenience, and will often take some time to resolve. However, insurers can't cause unnecessary and avoidable delays. Zurich has acknowledged that there were avoidable delays during the course of T's claim. It offered £350 as compensation for this. Mr D believes the compensation should be higher, pointing to medical problems he and his wife have suffered during the course of the claim which he attributes to the delays. He also says there's no reason for the business interruption not to have been paid.

What I need to do therefore is establish what avoidable delays there were, up to August

2022, the impact of these delays and appropriate compensation for this, and finally whether I can conclude that Zurich should have made the business interruption settlement by August 2022.

### *Delays and their impact*

Zurich accepts there had been delays to the claim, and also with our investigator's conclusions around the delays, and how that should be recognised.

Mr D, on behalf of T, has explained the impact on himself and his wife. He points to health problems which he attributes to Zurich's lack of action to resolve the claim and says the business has ceased trading because of the delays.

I'm sorry to hear of the health issues of Mr D and his wife. However, I'm unable to make any award to recognise the distress and inconvenience they've suffered individually, as the entity complaining to our service is T itself – not them as individuals. We can only award compensation which recognises the inconvenience to T.

As I've covered below, the settlement for business interruption remains outstanding, and Mr T links the failure to settle this as being one of the primary reasons why T ceased trading.

The claim itself had been ongoing for around two years by the time of T's complaint, and Zurich's final response to the complaint. I acknowledge that there are complexities to a claim of this nature, which involves a number of different stakeholders and elements to the claim. The premises T trades from are owned by a separate entity, with certain insurance matters being dealt with by them. There are claims for equipment and goods at the premises, as well as the business interruption.

It's apparent that there were several occasions on which little or no meaningful progress occurred for several weeks or months. Within those periods, I can't see any explanation for the delays or pro-active efforts on the part of Zurich to chase up outstanding information or carry out further enquiries. I also think it's fair to say there was a lack of meaningful updates to T during these periods.

I'm satisfied that the lack of clarity and need to chase up Zurich for updates on the claim, as well as deal with enquiries on a piecemeal basis, would have the effect of causing inconvenience to T. To recognise that inconvenience, I agree that the £600 proposed by our investigator as total compensation is a fair amount. It's in line with our approach to these matters, while also recognising that the distress caused to Mr T and his wife isn't something we can take into account.

Zurich had already offered £350 compensation, so should pay an additional £250, making £600 in total.

### *Business interruption settlement*

The business interruption section of the policy effectively makes a settlement where due to an insured event occurring, a business is unable to trade until damaged equipment and premises are repaired or replaced. In order to calculate the correct settlement, the insurer will typically need to see the business' accounts and other records.

The role of our service isn't to act as a claim handler, so I'm not in a position to calculate what settlement Zurich should be making for business interruption. What I can do is say whether I believe the requests made by Zurich were reasonable, and whether any reasonable enquiries were outstanding at the time of its final response to T's complaint in

August 2022. If I conclude that there were reasonable outstanding enquiries at that time, I won't be able to say Zurich should have settled the claim on or before that date.

In its final response to Mr D, Zurich said that in order to move forward with the business interruption claim, it needed to carry out further enquiries. I've seen correspondence sent by Zurich to T's representatives, and to other parties which T was copied into, outlining enquiries Zurich was seeking to make in order to validate T's claim.

Those emails followed correspondence between T and various representatives of Zurich, including an accountant. At the conclusion of that correspondence, a figure was put forward by Zurich's accountant as being the amount claimed by T for the business interruption element of the claim. T agreed with this figure.

Zurich maintained up to the point of issuing its final response to T's claim (and continues to say) that without the necessary information being received and the enquiries completed, it's unable to make any further payment to T in settlement of any aspect of the claim.

Zurich's queries are focussed on having clarity on the timeline of the claim, an understanding and evidence of the items and amounts being claimed and detail around the awareness of the incident and actions taken by others involved.

Based on what I've seen, and given the amounts being claimed, I'm satisfied that the enquiries were reasonable and proportionate. I'm also satisfied that up to the point of Zurich's final response, and between July and August 2022, Zurich had communicated appropriately with T about the enquiries it was carrying out and that these were necessary in order to proceed with the claim.

I haven't seen any evidence that T was told by Zurich that the amount put forward in July 2022 would be paid, or that liability for that claim had been accepted by Zurich.

### **My final decision**

It's my final decision to uphold T's complaint in part. In order to put things right, Zurich Insurance PLC must pay an additional £250 compensation, making £600 in total. Zurich must pay this amount within 28 days of us telling it T accepts our decision. If it doesn't, it must pay simple interest on this amount at a rate of 8% from that date to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 20 June 2023.

Ben Williams  
**Ombudsman**