

## **The complaint**

A company, which I'll refer to as D, complains that Travelers Insurance Company Limited declined a claim on D's business protection insurance policy.

Mr L, who is a director of D, brings the complaint on D's behalf.

## **What happened**

D hires out boats for customers to use on a lake. Following severe weather, the owner of the land suspended D's access to the lake and instructed D to stop operations for a short period.

Mr L made a claim on the business interruption section of D's policy for the lost revenue but Travelers Insurance declined the claim, saying there had not been a sudden event causing damage to property, so the requirements set out in the policy terms had not been met.

D complained but Travelers Insurance didn't change its position. It said the prevention of access arose purely due to the notice of suspension of activities from the landowner, not due to a sudden event causing destruction or damage to property.

Our investigator said the complaint should be upheld and asked Travelers Insurance to reconsider the claim.

Travelers Insurance disagrees and has requested a 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.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly, and not unreasonably reject a claim. I don't think Travelers dealt with the claim fairly, for the following reasons.

The policy covers business interruption where there's prevention of access "*...as a result of any sudden event resulting in*

1. *destruction or damage to property in the vicinity of the Business Premises which will prevent or hinder the use of the Premises or access to them or cause loss of custom to you directly due to loss of amenities in the immediate vicinity whether the Premises or your property in the Premises are damaged or not; or*
2. *the blockage of:*
  - 2.1 *any insured Property comprising a berth, wharf, dock or quay used in the Business for mooring Vessels: or*
  - 2.2 *any approach channel or waterway to the Premises.**or as a result of physical loss or damage"*

Travelers Insurance has provided a number of comments, but the key points include:

- The weather conditions developed over a period of days. This wasn't one, sudden event.
- There needs to be a blockage of specific property. And there's no evidence of a blockage to either a "berth", "wharf", "dock" or "Quay" "used for mooring Vessels", or an "approach channel or waterway to the Premises". The landowner's decision to suspend operations does not constitute a blockage.

I've considered its comments carefully but don't think this would be a reasonable way to apply the policy term.

The term refers to there being either damage or the blockage of the berth, wharf, dock or quay, or the water. So it's not relevant that there was no damage to D's property. If there was a blockage caused by a sudden event, that would satisfy the policy term.

I think the weather conditions could be said to be a sudden event. There was a named storm which caused widespread disruption and damage, including flooding at the lake and dangerous conditions in the water. And it wasn't just the weather that caused the interruption to D's business – it was the landowner's decision to suspend D's access and its instruction to stop operations. I don't think D had any choice but to comply with those instructions.

The policy doesn't define a "sudden event", but it doesn't require there to be a sudden "physical" event. D was not allowed to access the lake and was instructed not to operate. That happened suddenly. Applying the ordinary meaning of "sudden" I'm satisfied the decision to prevent D from operating was a sudden event.

The policy doesn't define "blockage" so I've considered the ordinary definition of this. A typical definition would be "something that stops something else passing through, or the act of stopping something passing through". I'm satisfied that is what happened here.

The landowner blocked access to the waterway through the instruction it gave to D. I note the underwriters acknowledged that the term doesn't specifically say there must be something physically blocking access. D was prevented from accessing the lake and the area where the boats were used.

Applying these definitions would, in my view, also reflect the intention of the parties and the commercial sense of the agreement. The purpose of this section of the policy is to provide cover in circumstances where something happens suddenly, which blocks access and prevents D from using the water. It would be reasonable to say that happened here.

I think Travelers applied too narrow an interpretation of the policy terms. In the particular circumstances that applied here it wasn't fair to decline the claim on the basis there was no sudden event or blockage. Travelers Insurance should treat this as a sudden event resulting in a blockage and reconsider the claim on that basis, in line with the remaining policy terms.

D is a family business and Mr L has explained how difficult the situation was for him and his co-director. I appreciate things were very difficult. But as the policyholder is D – a limited company – I can't award any compensation for distress caused to Mr L or his co-director.

He also says the fact the claim wasn't covered led to financial consequences and damaged D's credibility; in particular, after what happened, the landowner only renewed their licence to operate for one year, rather than the five year period they had anticipated. It's difficult to say that only happened due to the way the insurance claim was dealt with – and D may still be able to agree a longer extension. I don't think D has evidenced further financial losses caused by the claim being declined.

**My final decision**

I uphold the complaint and direct Travelers Insurance Company Limited to reconsider the claim in line with the remaining policy terms.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 25 July 2025.

Peter Whiteley  
**Ombudsman**