

The complaint

Mr and Mrs G complain that MSIG Europe SE declined a claim they made on their marine insurance policy after their boat was damaged.

What happened

Mr and Mrs G have marine insurance with MSIG.

In July 2023 the boat suffered gearbox damage, allegedly caused by hitting an underwater object. They experienced loss of power, noise, drop in oil pressure, and rising temperatures in both gearboxes. An inspection revealed significant water ingress in the gearboxes.

Mr and Mrs G repaired the boat at a cost of around £50,000 and submitted a claim to MSIG.

MSIG initially declined the claim citing mechanical failure which is not covered by the policy. Later MSIG partially accepted the claim, agreeing to cover the starboard propeller repairs, pressure testing, and the lifting and inspection costs. MSIG also awarded Mr and Mrs G £400 compensation for the delays in dealing with the claim.

Mr and Mrs G complained saying the process was confusing and they hadn't received any funds. The case was referred to this Service. Our Investigator found MSIG hadn't treated Mr and Mrs G fairly and so recommended it paid reasonable costs for the propeller repairs. The Investigator said it was fair to decline the claim for the IPS drive since the evidence suggested the damage was caused by a lack of proper servicing. She also said the £400 compensation was fair and reasonable.

Mr and Mrs G didn't agree. They said MSIG accepted all four propellers had been damaged and should be covered by the terms of the policy. They also said there was evidence to show the damage to the propellers caused the issues with the IPS drive. Because an agreement couldn't be reached the complaint has come to me to decide.

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, I've reached broadly the same conclusion as our Investigator, and I've explained why below.

I can see from the information provided that Mr and Mrs G have spent considerable time and effort in trying to engage with MSIG regarding this matter. And I don't underestimate the stress this has had on them. I want to reassure Mr and Mrs G that I've read and considered everything they have sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and reflects the informal nature of our service.

When looking at complaints relating to claims for damage, our service can't determine how the damage occurred. I'm not a mechanic or an engineer but I don't have to be to decide this case. Instead, what we look at is the information the insurance company relied on to make its decision and whether it treated the customer fairly in doing so.

The propellers

Having carefully considered the evidence I don't think it's in dispute that there has been damage to the starboard propellers by an underwater object or event.

MSIG accept the starboard propellers came into contact with an unseen underwater object. But that didn't cause the IPS drive to fail. So, it agreed to consider the reasonable cost of repair to the starboard propellers under the terms and conditions of the policy.

I have considered the evidence provided and there is damage and marks showing on all four propellers. Indeed, MSIG's initial report says, "*some minor damage was noted to the propellor blades as such it has been recommended these be rectified.*"

The claim notes clearly show that the surveyor identified damage to the propellers and confirmed it was consistent with the circumstances. Based on his expert assessment he recommended the repairs be covered under the policy. Mr and Mrs G supported this with an invoice confirming that all four propellers were repaired. And the repair specialist confirmed the damage was caused by the propellers hitting an underwater object. So, I'm persuaded the damage falls within the scope of the policy.

I am upholding this part of the complaint and so MSIG should cover the cost of repair to all four propellers.

IPS drive

Mr and Mrs G provided extensive information to support their case, such as reports and comments from the company who serviced the boat. I can see Mr and Mrs G believe the entire claim should be covered under the all-risk element of their policy. They provided a report to support their position that the propellers hit an underwater object at the same time, and this led to the failure of the IPS drive.

MSIG's surveyor said while there was evidence of underwater contact, it was insufficient to cause water ingress. In his opinion the failed filter and a sudden rush of oil caused the seals to fail. And so, the surveyor concluded that the damage resulted from a mechanical failure caused by the oil and filters not being replaced strictly in accordance with the maintenance protocol.

Mr and Mrs G have provided a further report on the likely cause of the failure of the IPS drive. I find the conclusions reached by the engineer are not adequately supported. The engineer relies on documents and photographs without physical inspection of the boat or its machinery.

Having carefully considered the evidence on balance, I'm more persuaded that the cause of the IPS drive failure is attributable to a lack of adherence to manufacturer maintenance protocols, which resulted in oil contamination and subsequent mechanical failure. This conclusion is based on the initial surveyor's report which is specific, detailed and is based on an actual inspection of the boat.

Compensation

I have considered the information provided to me by Mr and Mrs G. I must say that I empathise with the position they now find themselves in.

It is inevitable that some inconvenience will be caused as a result of having to make a claim. MSIG accept there were unreasonable delays that could have been avoided and so awarded £400 compensation. Given the issues I've reviewed, the extent of the avoidable delays, the award is justified and in line with what I would have recommended.

Conclusion

Having reviewed the information available to me I'm satisfied MSIG reached a fair and reasonable outcome to this claim. I say this because with any insurance claim the onus is on a policyholder to demonstrate they've suffered loss or damage as the result of an insured peril. Mr and Mrs G say the propellers were damaged by an underwater object and this led to the failure of the IPS drive. But I haven't seen any evidence that persuades me this is the case.

The crux of the complaint is that MSIG haven't seen anything that persuades them damage to the propellers caused the issues with the IPS drive. So, while it accepts there has been some contact of the propeller blade with an object it doesn't think the event caused the starboard IPS drive to have failed. And having considered the evidence I can't say that was unfair.

Therefore, I'm satisfied MSIG did enough to investigate the circumstances of the claim. It obtained reports that it is entitled to rely on when determining claims. It considered the evidence presented by Mr and Mrs G. The policy allows MSIG to decline a claim where the damage is as a result of a latent defect or mechanical breakdown. MSIG concluded that's what happened here, which led to it declining Mr and Mrs G's claim. Based on the evidence available to MSIG, I'm satisfied that was a fair and reasonable conclusion for it to reach.

I accept this decision will disappoint Mr and Mrs G. I know they want MSIG to pay for all the repairs to the boat. However, since I've concluded not all damage has been caused by an insured peril I can't ask MSIG to pay for all of the costs since they aren't covered by the terms of the policy.

Putting things right

In order to resolve the complaint, I direct MSIG Europe SE to do the following;

- Reimburse Mr and Mrs G for the cost of repairing all four propellers
- Add interest to the above amount at a rate of 8% simple per year, from the date the invoice was paid to the date of settlement.

My final decision

My final decision is that I uphold this complaint and direct MSIG Europe SE to settle the complaint by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 24 October 2025.

Kiran Clair
Ombudsman