

The complaint

J, a limited company, complains about what AXA Insurance UK Plc did after it made a claim on its business protection insurance policy.

What happened

J is a restaurant business. In August 2024 a gas leak caused a four day closure of its premises. The electricity was also switched off by the gas company which led to a loss of J's refrigerated stock. J claimed on its policy with AXA. After investigating AXA said the cause of the gas leak was corrosion of the gas supply pipe. So it wasn't a result of accidental damage or any other insured peril the policy covered. And the loss of electricity supply wasn't accidental either; it resulted from a decision by the gas company to switch it off. It didn't think J's claim was something the policy covered.

Our investigator agreed the claim wasn't covered by the policy and thought it was fair AXA declined to cover it. J didn't agree. In relation to the stock claim it said the loss of power was an accidental failure from its perspective and didn't result from any deliberate act on its part or of the electricity provider. And in respect of the business interruption claim there had been an accidental failure of the gas supply to its premises which was completely unforeseen in nature. It thought it was the intention of the policy to cover both claims and if that wasn't the case it called into question the intended benefit of the policy and in particular the 'terminal ends' cover extension.

So I need to reach 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.

The relevant rules and industry guidelines say AXA has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably.

Refrigerated stock claim

The 'Property Damage' section of the policy contains a specific extension for 'Refrigerated Stock / Frozen Food'. I don't think it's in dispute that section is the relevant one in relation to this element of J's claim. That provides cover for damage to food in a deep freezer or refrigerator caused by:

- “(a) a rise or fall in temperature as a result of accidental breakdown*
- (b) accidental escape of refrigerant or refrigerant fumes*
- (c) accidental failure of the supply of electricity”*

The damage in this case wasn't caused by a breakdown of the refrigerator or the escape of refrigerant or refrigerant fumes. So for cover to be available it would need to result from the accidental failure of the electricity supply. However, the policy specifically excludes “*failure of*

the supply of electricity as a direct or indirect consequence of a deliberate act including strike action by the supply authority or their employees”.

In this case I appreciate the loss of electricity supply didn't result from any deliberate act on the part of J. And as I understand it was switched off by the gas utility company it didn't result from a deliberate act of the electricity supply authority either. But equally I think it's clear this wasn't an accidental failure. It resulted from a deliberate decision by the gas utility company to switch off the electricity to reduce the risk of the leaking gas igniting. So it was the direct consequence of a deliberate act (and the policy exclusion doesn't require that has to be done by the electricity supplier for it to apply).

I do appreciate this wasn't something J had any control over but as this wasn't an accidental supply failure I don't think the subsequent cause of the damage to its refrigerated stock is covered by the policy. AXA therefore acted correctly and fairly in turning down this element of its claim.

Business interruption claim

The cover offered by the business interruption section of the policy includes 'Prevention of Access'. But the policy endorsements explain that for J's policy that section is replaced by 'Denial of access (damage) cover. That says *“The insurer will cover the insured for any loss insured by this section resulting from interruption of or interference with the insured's business as a result of damage by the insured perils to property within a 1 mile radius of the insured's premises which prevents or hinders the use of the insured's premises or access to it, regardless of whether the insured's premises is damaged or not”.*

In this case I understand that following the gas leak J's premises were required to be closed and repair work then took place outside its property. So this section could, in principle, assist with the losses that caused. However, in order for cover to apply the damage needs to result from the 'insured perils'. And this section of the policy specifically defines those perils. They are *“fire, lightning, explosion, aircraft or other aerial devices or articles dropped from them, theft, earthquake, storm, flood, escape of water from any tank apparatus or pipe, leakage of oil from any fixed heating installation, impact by any road vehicle or animal”.*

I don't think any of those listed perils could reasonably be said to be the cause of the damage in this case. And while accidental damage is an insured peril under the policy more generally it doesn't fall within the specific definition of insured perils in this section. So I'm not satisfied an insured event covered by this section of the policy has taken place.

In any event this section also excludes restrictions on access as a result of *“any loss, destruction or damage to property from which the insured obtain electricity, gas, water or telecommunications services which prevent or hinder the supply of these services”.* Given the loss in this case was a result of damage to the gas supply pipe I think that exclusion would apply to the claim J made which also means it wouldn't be covered.

The endorsements to the policy also say 'Public Utilities' cover is replaced by 'Failure of selected public utilities cover - terminal ends'. That says:

“the insurer will cover the insured for any loss insured by this section resulting from interruption of or interference with the insured's business caused by the accidental failure of...

- a) the public electricity supply at the 'terminal ends' of the insured's supplier's service feeds to the premises*
- b) the public gas supply at the insured's supplier's meters to the premises...*

from which the insured obtain electricity, gas, water or telecommunications services, provided the insured supplier is situated within the territorial limits, where such accidental failure is a direct result of damage caused by an insured peril”.

The insured perils for this section of cover do include accidental damage. That’s defined in the main policy as “*unexpected and unintended loss destruction or damage caused by sudden and external means*”. However, the definition of that as an insured peril excludes damage “*caused by or consisting of corrosion rust wet or dry rot shrinkage evaporation loss of weight dampness dryness mould or toxic mould marring scratching vermin or insects*”.

There’s been discussion over whether the cause of the damage in this case (the gas leak) could be classed as accidental damage. I appreciate from J’s perspective it was unforeseen and unexpected and something which it had no control over. But even if the gas leak did represent accidental damage there’s a specific exclusion where that results from corrosion.

And I understand the gas utility company advised the reason for the gas leak (which led to the closure of the restaurant and the associated business losses) was a result of the corrosion of the gas supply pipe. I don’t think it was unfair in this case of AXA to conclude the exclusion would apply given corrosion was the identified cause of the gas leak and the resultant interruption to J’s business.

I appreciate J has suffered a loss through no fault of its own. I understand why it thinks that’s something its policy should assist with. But no policy will cover every eventuality. And in this case, and for the reasons I’ve explained, I don’t think AXA acted unfairly in concluding this claim didn’t meet the terms of the policy and declining to cover it as a result. I recognise this may also have caused J to question the value of this policy but if it has concerns about whether it met its needs that’s something it would need to raise with the business responsible for the sale.

My final decision

I’ve decided not to uphold this complaint. Under the rules of the Financial Ombudsman Service, I’m required to ask J to accept or reject my decision before 14 May 2026.

James Park
Ombudsman