

complaint

Mr S complains that Royal & Sun Alliance Insurance Plc (RSA) unfairly declined a claim he made under his caravan insurance policy.

background

Mr S owns a holiday caravan, which he has protected by an insurance policy underwritten by RSA. In mid-2017, Mr S's granddaughter told him the boiler wasn't working. Mr S had an engineer look at the boiler, and the engineer said water had entered the boiler through the flue terminal and rusted a number of the components.

Mr S claimed under his policy, but RSA said it wouldn't pay for a new boiler. It said the damage was caused by rust, which had occurred gradually over time. And it said this kind of damage wasn't covered by Mr S's policy.

Our investigator thought the complaint should be upheld. She said the engineer had explained the boiler stopped working due to water getting into the electrical components inside, and the rust had simply prevented him removing the damaged parts. She didn't think the 'gradually occurring' exclusion applied and recommended RSA pay the claim.

I issued a provisional decision, saying I thought RSA had handled Mr S's claim fairly. I said:

Mr S's policy was 'all risk'. This means it didn't cover specific insured perils, but rather *all* damage caused to his caravan and contents would be covered, unless one of the policy exclusions applied.

RSA has said one of the exclusions *did* apply. Specifically the part of the policy which said cover wouldn't be provided for "*any Damage, liability, cost or expense of any kind directly or indirectly caused by or resulting from wear and tear, depreciation, corrosion, rusting, damp, insects, fungus, condensation, fading, frost or anything which happens gradually*".

So the issue for me to decide is whether RSA has fairly applied this exclusion.

The engineer's initial report is quite brief. It says water got into the boiler, and that due to the age of the appliance it needed to be replaced. It also says the individual components couldn't be removed for inspection due to severe rusting.

Our investigator spoke to the engineer in the course of her investigation. He explained what he thought had gone wrong in more detail than given in the initial report. He said that water had entered the flue and got into the fan, burner and electrical components of the boiler and stopped them working. He said the rust which then developed on the component casings compounded the problem as the parts couldn't be removed. He said the boiler failure was primarily caused by water getting into the electrics, and not in his view by the rust itself.

RSA didn't agree with this analysis. It said "*Had water entered the boiler entirely on one occasion and caused it to fail, you would most certainly have to see water entering the electrics to cause a sudden and unforeseen failure. You would not expect to see rust. Water/moisture touching the casing or metal components would not cause it to fail alone*".

It also referred the matter to one of its heating technicians, who said he wouldn't expect the fan screws to have rusted over such a short period of time had the boiler been maintained in line with the manufacturer's guidelines.

The engineer's initial report described the damage which meant the boiler needed replacing. It said water entered the boiler through the flue and caused the fan assembly, burner and burner box housing to become "*rusted so badly*" they couldn't be removed.

He later said he thought the primary cause of the damage was water getting into the electrics. But by his own acknowledgement he hadn't been able to inspect the electrical components inside the boiler due to the extent of the rusting of the fan assembly and burner. So I don't think he could have been sure that was the case.

And the engineer's initial diagnosis – that the boiler needed replacing because of extensive rust – tallied with the view of RSA's technicians.

Had rain suddenly getting into the electrics and shorting them been the issue then those components may have been able to be replaced. But Mr S is claiming for a new boiler. And the engineer said the boiler needed replacing because a number of parts of it were significantly rusted.

Taking all this into account I'm satisfied RSA has demonstrated the damage Mr S claims for was more likely than not caused by corrosion or rust over a period of time. And so I think it was fair for it to apply the exclusion in the policy and decline Mr S's claim.

RSA accepted my provisional decision, but Mr S didn't. He said he thought that rainwater getting into the internal parts of the boiler had caused the damage which meant it needed replacing, not rust. And that this entry of water was an insured event covered under the policy.

my findings

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 not been persuaded to depart from my provisional conclusions, and I'll explain why.

There aren't any 'insured events' under Mr S's policy, because it's 'all risk'. So *any* damage to his caravan would be covered, unless an exclusion applies.

Mr S is claiming for a replacement boiler, and the engineer who inspected the boiler said it needed replacing because of significant rusting to the parts. As rust is excluded under the policy I remain of the view RSA was entitled to apply the exclusion and decline the claim.

I appreciate Mr S has said he still feels the rainwater getting into the internal parts of the boiler caused it to fail. But for the reasons given in my provisional decision I'm afraid I don't agree and I'm satisfied RSA has demonstrated that the exclusion it's relied on applies.

I've also thought about whether, notwithstanding that RSA was entitled to decline the claim under the policy terms, it would be fair for it to pay Mr S for a new boiler. I've considered what Mr S has said, specifically that he couldn't have known about the damage or taken action to prevent it because it was happening in a closed, internal part of his caravan's boiler system.

But it's important to remember that Mr S's policy was all risk, and so provided very broad cover. So I don't think it would be fair to require RSA to pay for something excluded under the policy. And if Mr S had had a standard caravan policy I don't think this damage would have been likely to be covered either. Most standard policies would only cover damage caused by entry of water if it was a result of storm or flood. And there's no suggestion that was the case here.

So Mr S had a broad level of cover provided by an all risk policy, and the damage he's claiming for was excluded under that policy. He also wouldn't have been likely to be covered by a standard policy. As a result I don't think it would be fair to require RSA to pay the claim.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 April 2018.

Luke Gordon
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