

The complaint

Mr T complains that Zurich Insurance PLC declined his claim on his insurance policy after a fire on his boat.

What happened

Mr T had an insurance policy to cover his boat. In June 2022 there was a fire on the boat and he made a claim. Zurich declined the claim as it said the policy excluded damage caused by a mechanical or electrical breakdown and it said that is what had caused the fire.

Mr T made a complaint as he said the policy covered him for damage due to fire so the claim should be accepted. Zurich didn't uphold the complaint. It said that Mr T's engineer's report suggested that the fire had started due to damage to the motor cable which had been worn through. It said this showed it was due to gradual deterioration and wear and tear which was also excluded under the policy.

Mr T brought his complaint to this service but our investigator didn't think it should be upheld. He thought Zurich had done enough to show that the damage was caused by either a mechanical fault or wear and tear, so he thought it had acted fairly by declining the claim.

Mr T didn't agree. He said that the claim should have been considered under the fire cover in the policy and none of the exclusions in that section applied to his claim. He also said that the part of the policy Zurich had quoted about mechanical failure being excluded related to damage to personal possessions only so also wouldn't apply. He asked for the complaint to be reviewed by an ombudsman.

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.

Zurich has declined Mr T's claim as it says two policy exclusions apply. One that excludes mechanical failure and one that excludes damage due to gradual wear and tear.

I've considered the report Mr T provided from the expert who inspected the boat. It stated as follows:

'A thorough inspection was carried out. During this inspection it was noted that the burned main engine start cable was split/melted in two in the vicinity of the Port rear engine mount. Surrounding cabling, both the negative bridge to the battery and service supply were also badly damaged indicating a dead short had occurred and all positive cables had come into contact with the start cable and/or each other. In our opinion, given the location of the start cable which had become separated, the insulation on the starter motor cable has likely worn through after coming into contact with the engine mount. This in turn would have caused this cable to short out against the engine. The shorted main start cable would have then melted through the battery supply cables insulation causing these cables to overheat. The fire was caused by burning cable insulation the whole length of all three main battery cables.'

From this it seems that the cause of the fire was one of the cables being worn and subsequently coming into contact with other cables. This caused the engine to short and subsequently ignite.

The policy states under section 3:

'We will not pay for

Loss or damage caused by:

Gradual Deterioration, unless the Gradual Deterioration could not have been identified by servicing, maintenance...'

As the expert suggests that the cause of the fire was due to the wearing of a cable, it seems most likely that this is because of the gradual wear and tear of that part. As this would have most likely happened over time. And this is something that could have been identified by an inspection or service. I therefore think Zurich acted fairly by relying on this exclusion to decline the claim.

Mr T has said that he had carried out a number of checks and services on the boat as part of routine maintenance just before the fire. However he hasn't provided any evidence to show what checks were carried out and what was found. And while I understand why this would have been difficult for him to collect as it is stored on the boat, I have to consider the evidence available to Zurich when it made its decision. And based on the expert report I think it acted fairly. Should Mr T obtain any further evidence then he should present this to Zurich in the first instance for it to consider.

I've also considered what Mr T has said about Zurich considering his claim under the wrong section of the policy. He's said it should have been considered under section two, as this provides cover for damage caused by fire.

However the consideration for an insurer is the proximate cause of the event. And once the boat was inspected, the cause was found to be a mechanical failure. This led to the cables overheating and igniting. But the proximate cause of the damage was the mechanical failure. The fire was just a result of the cables overheating because of this. So as mechanical failure in itself isn't covered as a peril under the policy, only the resultant damage from the mechanical failure can be considered. This would only fall under accidental damage cover in section three, unless an exclusion applies. So I think Zurich acted fairly by considering the claim under this section.

Mr T also pointed out that the endorsement Zurich relied on to decline the claim due to it being a mechanical failure, applies solely to damage to personal belongings. I've put this to Zurich and it hasn't provided anything to persuade me that this endorsement would apply to this claim. So I agree with Mr T that Zurich incorrectly relied on this exclusion in the first instance and it wouldn't fairly be applied here.

However as I'm persuaded it has fairly declined the claim under the gradual deterioration exclusion in Section three, I'm satisfied it has acted fairly by declining the claim overall. As it needs only to show that one exclusion applies, in order to do so.

Finally, I note Mr T's comments about the copy of the policy documents we had on file being from 2018 and therefore not the relevant document for the time of the claim. I agree this wasn't the relevant document and I apologise for this oversight. However I want to reassure Mr T that since the complaint came to me I have obtained the correct document from Zurich. And while there is little difference in wording, all of my considerations have been based on the wording that was relevant at the time of the claim.

My final decision

For the reasons I've given, I don't uphold Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 28 July 2023.

Sophie Goodyear
Ombudsman