

The complaint

Mr S and Mr W complain about the way International General Insurance Company (UK) Ltd (IGIC) has settled a claim under its marine insurance policy.

What happened

The circumstances of this complaint are well known to both parties, so I've summarised events.

- Mr S and Mr W co-own a vessel for which they have marine insurance. The policy is underwritten by IGIC. For ease of reading, I'll refer to Mr S throughout my decision.
- When the vessel's mast snapped, Mr S sought to make a claim under the policy to have the damage repaired. Mr S provided quotes which estimated the repairs to be approximately £10,000.
- Initially IGIC rejected the claim on the basis its surveyor had said the most likely cause of the damage was wear and tear or corrosion.
- Mr S disputed the surveyor's findings and instructed his own surveyor who reached a different conclusion.
- IGIC accepted there was some doubt as to whether wear and tear was the cause of the damage and so, accepted the claim. At first, it offered £3,000 but subsequently increased this to £6,500 (subject to a £150 excess) having agreed to Mr S retaining the salvage.
- IGIC paid the settlement amount, but Mr S later said he didn't consider it to be fair. He said that as the total sum insured was £9,500, this is what IGIC should pay. He also considered £50 compensation – for delays whilst handling the claim - to be insufficient. So, he brought a complaint to this Service.
- An Investigator considered it but didn't uphold it. Because Mr S remained unhappy, the complaint has been passed to me for an Ombudsman's 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.

Having done so, I'm not upholding this complaint and I'll explain why.

Settlement amount

The policy limit for Mr S' policy is £9,500. The crux of his complaint is that he wants IGIC to pay £9,500 – the sum insured – towards the cost of repairing his vessel. He's said he'll cover the difference between the cost of the repairs and the insured amount because whilst the

vessel might be considered beyond economic repair, he wants to keep the vessel in use.

IGIC has said the market value for similar vessels was around £7,500, and as Mr S wanted to retain the salvage, it agreed a settlement of £6,500. Mr S hasn't disputed the market value IGIC presented, nor has he argued the salvage deduction. And on its face, in light of the evidence presented by Mr S, I see no reason to question these sums.

Insurers do take into account costs when considering different methods of repair or how to settle a claim. This in itself isn't unfair, and I don't think it's unreasonable to expect insurers to be prudent when making this kind of decision. IGIC has chosen to cash settle the market value of the vessel. Mr S instead wants it to contribute towards the repair as this is the greater sum. And while I recognise Mr S' request, I'm satisfied it falls to IGIC to determine how it chooses to settle the claim – as long as it has done so fairly in the circumstances

So, for the reasons above, I'm satisfied it's reasonable IGIC is only required to pay the market value – subject to a deduction for salvage – and so, I won't be asking it to increase the settlement amount.

Compensation

IGIC has accepted there was a delay of a few weeks whilst handling Mr S' claim – some of which was attributable to a delay with its surveyor producing the report, and discussions which took place to reach a final position on the claim. It's reasonable that an insurer would need to spend time considering a claim – especially when the policyholder is challenging the outcome of it.

Whilst I understand Mr S is unhappy IGIC initially declined the claim and says this caused unnecessary delays - which in turn meant the repair costs increased – its initial decision was based on the information it had available at the time – namely, its surveyor's report which said wear and tear or corrosion was the most likely cause of the damage, and therefore, wasn't covered.

Following evidence supplied by Mr S' surveyor, it reviewed things – which is what I'd expect it to do. So, whilst things may have taken longer, I'm not persuaded this is wholly attributable to IGIC's handling of the claim.

And so, whilst there were some delays, these were for a relatively short period of time. And on balance, I consider £50 compensation to be reasonable in the circumstances.

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 and Mr W to accept or reject my decision before 21 September 2023.

Nicola Beakhust
Ombudsman