

The complaint

T, a limited company, complains about what Allianz Insurance Plc did after it claimed on its Contractors Plant insurance policy. The complaint is brought on its behalf by Mr D.

What happened

In January 2023 T made a claim on its insurance. It said in November 2022 there had been water ingress following a storm to an area where hire tools were stored. It thought a significant number of electrical tools had been adversely affected by that and were incapable of repair. Allianz appointed loss adjusters who instructed a specialist firm to inspect the equipment. That firm didn't progress their instructions and an alternative firm was appointed.

After considering their report Allianz turned down the claim. It said of the 125 items claimed for 50 had been found to be operable. The remaining items hadn't passed inspection because of missing parts or significant wear and tear. However, none of the items inspected showed evidence of damage caused by water ingress. Allianz said damage caused by wear and tear was excluded by the policy so didn't think the claim was covered.

Our investigator didn't think the evidence showed the tools had been damaged as a result of the water ingress and the damage that was apparent would be caught by the wear and tear exclusion in the policy. But she thought there had been some delays by Allianz in handling the claim for which it should pay £100.

Allianz didn't agree the delays in progressing the claim were ones for which it was responsible. It didn't agree to pay compensation. Mr D didn't agree with our investigator's outcome either. In summary he said:

- If there hadn't been delay by Allianz the tools would have been available for hire. So T had lost revenue during the period it wasn't able to do that. And he didn't think there had been significant delay by T in reporting the claim.
- He accepted wear and tear wasn't covered under the policy but hire tools often look used and were visually inspected prior to being hired and physically tested prior to the next hire. Tools not fit for purpose would have been disposed of.
- The expert report said items had been inspected which hadn't left T's premises. He said that called into question the validity of the report. And as the items had been left outside awaiting collection by Allianz that added to T's concerns about the handling of the claim.

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 Allianz has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably.

I've looked first at the terms and conditions of T's policy. This does provide cover for "*Loss of or damage to...Constructional Plant*". And the definition of '*Constructional Plant*' includes "*tools*". So the policy could in principle cover damage to T's tools caused by water ingress. But it doesn't cover "*the cost of rectification of wear and tear erosion corrosion or other deterioration caused by or naturally resulting from ordinary work use or exposure*".

Given those terms, I think the key question in this case is whether any damage to T's tools was a result of wear or tear or was caused by water ingress (or any other cause not excluded by the policy). In considering that I've reviewed the expert evidence on the items that was obtained by Allianz's loss adjuster. That recorded that 50 of the items were operating satisfactorily. And while issues were identified with the remaining items the expert has said "*none of the damage to the equipment seemed to be incident related, more a case of age and lack of maintenance*".

T says the report included items that hadn't been inspected but it hasn't provided any further information on this. And while I appreciate there was a delay in the items being inspected the expert report is nevertheless clear that any damage to the equipment wasn't incident related. T hasn't provided any evidence of its own to challenge that conclusion. In fact T accepted the hire tools in question would have been subject to wear and tear which matches the conclusions of the report. I've not seen clear evidence which shows there was damage to those items which resulted from something other than wear and tear or ordinary use and which could therefore be covered by the policy. As a result I don't think Allianz was at fault in saying this wasn't a claim it would cover.

Turning to the time taken to progress the claim I agree with Allianz there was an initial delay by T in the claim being reported; the incident took place in November 2022 but wasn't reported to Allianz until January 2023. But I think it's clear that there was then delay for which Allianz was responsible. It instructed a loss adjuster in February but the items weren't collected for inspection until May. And emails from that time refer to the loss adjuster having been "*badly let down*" by the business it had originally instructed to carry out this work. I'm satisfied there is delay for which Allianz is responsible between February and May 2023.

I've gone on to consider the impact of that delay on T. I appreciate it wasn't able to use the hire tools during this period. But I've not seen clear evidence that caused a loss to T during this period or of steps it took to mitigate any loss. And given that many of these items were identified by the expert report as not functional because of missing parts or for other reasons I'm not persuaded they are ones T would otherwise have hired out. I accept it will have been caused some inconvenience by the delay in progressing the claim but I think the £100 our investigator recommended is a reasonable way of recognising the impact on it of that.

My final decision

I've decided to uphold this complaint. Allianz Insurance Plc will need to put things right by paying T £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 20 December 2024.

James Park
Ombudsman