

Aro Retail Package - Covid-19 Business Interruption claims – Ombudsman Decision

If you are a customer with ARO and have a Retail Package policy underwritten by Liberty Mutual Insurance Europe SE (Liberty), we recommend you read the Final Decision recently published by the Financial Ombudsman Service (FOS) regarding a complaint about a declined business interruption claim.

We feel this is important to share because the complainant was an SMEi customer with an Aro Retail Package policy underwritten by Liberty. A summary of the decision is set out below. (The full decision can be accessed by following the link [here](#).) To keep things simple, we've referred to the complainant as 'the Customer'.

What happened

The Customer made a claim after they were required to close due to the Government's actions in response to Covid-19.

Liberty declined the claim, saying that the policy only provided business interruption cover to the Customer if they had been required to close as a result of an outbreak of Covid-19 at their premises. Liberty said the policy would not provide cover for business interruption if it was due to the national coronavirus crisis, rather than an outbreak at their business premises. Because the Customer had closed as a result of the Government regulations put in place in response to the national pandemic, Liberty turned down their claim.

The Customer was unhappy with this decision. They said their business' location meant large crowds had passed through in the weeks before they closed, so it is highly likely someone with Covid-19 would have been at their premises. The Customer said it was unfair to turn down the claim, when they could not prove that anyone on the premises had Covid-19 due to a lack of testing at that time. They then escalated their complaint to the FOS for review.

What the FOS decided

The Ombudsman who was asked to review the matter did not uphold the complaint. They said that they had looked carefully at the policy to see if Liberty acted fairly, reasonably and in line with the terms and conditions of the policy and agreed with its decision to decline the claim.

In their findings, the Ombudsman refers to an extension to the policy with the heading 'Compulsory closure'. This covers:

"Interruption of or interference with the Business in consequence of compulsory closure by a public body authorised to prevent or restrict access to the Premises arising from

a) discovery of a notifiable human infectious or contagious disease at the Premises."

The Ombudsman recognised that Covid-19 is a notifiable human infectious or contagious disease, but did not think this extension covers the Customer's claim. They said the policy requires the compulsory closure of their business to have been because of the discovery of the disease at the premises and not due to the requirements of the Government regulations as was the case here. The Ombudsman goes on to say, even if the Customer's business had closed due to someone on the premises having Covid-19, that would only have been to allow for cleaning and not the longer-term closure of the premises required by the Government regulations.

What this tells us

The FOS is designed to resolve disputes between individuals and financial businesses. So, we are confident that they are best placed to help decide what is fair and reasonable when resolving contentious issues. In this case, they have clearly shown why the policy will not react to a business interruption claim resulting from closures because of the Government regulations. If you are an Aro customer and have a Retail Package policy underwritten by Liberty, we recommend you consider this decision before making or escalating any business interruption claim.

If you require any further information about the FCA Test Case on business interruption insurance, please visit the dedicated page on Liberty's [website](#).

Finally, for more information on the Financial Ombudsman Service please visit their page for customers on their [website](#).