

BRIEFING NOTE

Section 13A, UK Insurance Act 2015

- *Insurers' Obligations as to the Timely Payment of Claims*

Justyn Jagger & Sinyee Ong

7 July 2022

Introduction

The Enterprise Act 2016 amended the UK Insurance Act 2015 (the “IA”) by introducing Section 13A which obliges insurers to pay insurance claims within “*a reasonable time*”.

Since the introduction of S.13A, insureds and insurers have been left wondering what constitutes “*a reasonable time*”. Recently, in the case of *Quadra Commodities SA v XL Insurance Company SE & Ors* [2022] EWHC 431 (Comm) (“*Quadra*”) the English Commercial Court delivered a judgment to address this issue. We summarise the decision below.

Factual Background

Quadra Commodities, a company that specialised in trading agricultural commodities, was defrauded by a group of companies involved in the production, storage and processing of agricultural products, prompting Quadra Commodities to bring a claim for an indemnity under a marine cargo policy that covered loss and damage to property.

The Judgment

As a preliminary point, the Court held that two issues fell for determination. First, whether there were reasonable grounds for defending the claim, which onus fell on the Insurers. Second, whether payment was made after “*the reasonable time*” within which the insurer should have paid the claim, which onus fell on the Insured, Quadra Commodities.

As to the first issue, the Court held that there were reasonable grounds for defending the claim. The fact that those grounds were rejected in the Court’s judgment did not mean that those grounds were unreasonable. As to the second issue, the Court considered the list of factors to which S.13A(3) and the accompanying notes referred. Given the complex nature of the claim, the Court held whilst the conduct of the investigation and handling may have been slow, that did not of itself mean that the claim had not been paid within a reasonable time.

Proceeding on the above basis, Quadra Commodities succeeded in its claim for an indemnity, but not for breach of S.13A. The Court concluded that although the investigation of the claim had been too slow, as that investigation had been conducted during a period throughout which there were reasonable grounds for disputing the claim, there was no breach of S.13A.

Commentary

Most complex insurance claims are fact specific. By the same token, any claim under S.13A for damages for failure to pay within a reasonable time will also turn on the facts of the claim.

If Insurers have no reasonable basis for challenging their obligation to indemnify the cover holder, then the Court's indication that no more than a year should be taken to investigate, evaluate and pay a claim is helpful. It encourages prompt investigation, quantification and payment of a complex claim that is clearly covered by the policy.

On the other hand, if there are reasonable grounds for challenging liability, then a cover holder is less likely to succeed in a claim under S.13A, particularly as the litigation is likely to take longer than the one year that should be taken to investigate and evaluate the claim.

But one point is clear. The very fact that damages are available for late payment pursuant to S.13A provides an incentive on all sides to investigate and adjust a claim expeditiously, whether or not any arguments as to liability, reasonable or otherwise, are available to contest liability to indemnify the claim.

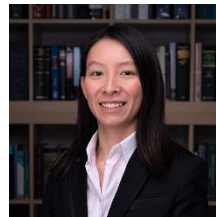
As specialist insurance lawyers, we advise on complex claims across all lines of insurance. To learn more about how we may assist, please feel free to contact any of our lawyers.

Justyn Jagger



justyn.jagger@sjlaw.com.sg
65 6694 7282 | 65 9154 9695

Sinyee Ong



sinyee.ong@sjlaw.com.sg
65 6694 7281 | 65 9148 5059