

The complaint

Mrs H complains because Great Lakes Insurance SE hasn't offered to refund the premiums she paid for an annual-multi trip travel insurance policy.

What happened

Mrs H purchased an annual-multi trip travel insurance policy, provided by Great Lakes. The policy was purchased on 27 February 2020, to cover trips worldwide of up to 50 days duration. The policy started on 26 May 2020 and ended on 25 May 2021.

Mrs H paid a total of £92.02 excluding Insurance Premium Tax (IPT) for the standard level of annual multi-trip travel insurance cover, which also covered her for a declared medical condition. She also took out travel disruption extension cover at a cost of £18.33 excluding IPT. In total, Mrs H paid £132.41 for her policy.

While Mrs H had a number of holidays planned for 2020, they were cancelled due to the Covid-19 pandemic. So, on 5 August 2020, she contacted Great Lakes to ask it to freeze her travel policy.

Great Lakes informed Mrs H that a full refund couldn't be provided as her "cooling off" period had expired. And it said freezing the policy wasn't possible. Instead, Great Lakes offered Mrs H pro rata credit towards the cost of purchasing either a new policy of 15 months for the price of 12 or a deferred annual policy. But Mrs H wanted a cash refund and, unhappy with Great Lakes' offers, Mrs H cancelled her policy and referred her complaint to our service.

One of our investigators investigated and considered Mrs H's complaint, who acknowledged the unique and unprecedented circumstances of Covid-19. They set out the details of the relevant cancellation rights and how they applied in the circumstances of this case. That means it's not unreasonable for an insurer to keep any premiums relating to the risk it covered during that time.

Our investigator explained that Covid-19 didn't make it impossible for the contract of insurance to be performed because cover under the policy started on 26 May 2020 and the policy covered various risks during that time. However, they recommended upholding this complaint because they didn't think the complaint resolution that Great Lakes had offered was fair and reasonable in all the circumstances.

Our investigator recommended that Great Lakes issue a pro rata credit voucher to Mrs H that recognised the length of time she'd been on cover. Great Lakes agreed with our investigator's view of this complaint and proposed to issue Mrs H with a credit voucher for £106.65. But Mrs H didn't agree and requested an ombudsman's assessment. I've therefore been asked to decide what is a fair and reasonable way of resolving this complaint.

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.

Our investigator identified, and set out, the rules, regulations and law. I agree those are the relevant considerations which apply to the specific circumstances of this case.

The terms and conditions of Mrs H's travel insurance policy with Great Lakes state:

"You have the right to cancel your policy within 14 days of the date of issue or receipt of your documents, whichever is later. We will only refund to you any premium you have paid, less any fees and charges if you have not travelled, or have made, or intend to make a claim. If the notice of cancellation is received outside the 14 day cooling off period no premium will be refunded, however discretion may be exercised in exceptional circumstances such as bereavement or a change to the policy resulting in us declining to cover your medical conditions".

Like our investigator, I don't think it's fair and reasonable for Mrs H to receive a full refund of the premiums she requested because:

- The 14 day cooling off period commenced on the date the policy was purchased as confirmed in the policy terms and conditions. So, Mrs H had until 12 March 2020 to cancel her policy and receive a refund of the policy she had paid. I'm satisfied Mrs H was reasonably made aware of the cancellation terms that applied to her policy, which are typical of those found in most travel insurance policies.
- Mrs H didn't contact Great Lakes to discuss the impact of the pandemic on her policy until 5 August 2020. And on this date she asked it to freeze her policy as she wasn't able to travel. As Great Lakes said it wasn't able to do what Mrs H wanted, she cancelled her policy.
- I've seen evidence showing that Great Lakes cancelled Mrs H's policy on 5 August 2020 in accordance with her instructions. However, this was outside the cooling off period. So, there wouldn't have been a requirement under the relevant industry rules and guidelines for the insurer to offer a refund. I say this because it's a fundamental principle of insurance law that if the insurer had started to bear risk – for however short a time – the premium paid is not returnable.
- As I've outlined above, the contract of insurance says that no refund is due for cancellation outside the cooling off period except in exceptional circumstances. The examples of exceptional circumstances identified in the policy are specific to the individual policyholder, such as bereavement or changes to their health. They don't extend to cancellation as a result of the Covid-19 pandemic.
- I understand why any travel plans which Mrs H might have had during the policy year changed due to circumstances outside of her control. So, I've thought about whether it would be fair and reasonable to ask Great Lakes to depart from industry rules and the terms and conditions of Mrs H's contract because of the exceptional and extraordinary circumstances surrounding Covid-19.
- Covid-19 was an unanticipated and unforeseen event, outside of the control of both parties to the insurance contract. However, Covid-19 didn't make it impossible for Mrs H's contract with Great Lakes to be performed – this is because cover under the policy started on 26 May 2020.

- Mrs H was insured from 26 May 2020 for travelling on any number of worldwide trips of up to 50 days duration which she may have taken until the policy expired. She's said she wasn't able to travel abroad while covered by this policy due to the pandemic. But, because of the way annual multi-trip insurance policies work, an insurer has no way of knowing how many such trips a policyholder has taken since their policy was inception.
- The price set by Great Lakes covered Mrs H for the cancellation of any holidays which she had booked and was due to take from 26 May 2020 until 25 May 2021. So, she would have been covered if she had had to cancel any number of holidays because of any listed events insured under the policy including, for example, her falling ill with her declared pre-existing medical condition.
- As I mentioned in the background to this complaint, Mrs H contacted Great Lakes on 5 August 2020 to ask it to freeze her policy. By this time, her policy had 294 days left to run before it expired.
- Great Lakes cancelled Mrs H's policy on 5 August 2020. So, it covered the risk of Mrs H making a successful cancellation claim for any number of pre-booked holidays, or the risk of travelling on any number of holidays, from 26 May 2020 until 5 August 2020. So, regardless of what Mrs H's cancellation rights were, it isn't unfair for Great Lakes to retain any premiums relating to the risk it covered.
- However, after Mrs H's policy was cancelled, Great Lakes was no longer bearing any risk of a successful claim being made. Like our investigator, I think it would be reasonable for Great Lakes to refund the equivalent to 294 days of unused cover.
- I've already mentioned that Mrs H paid for optional travel disruption extension cover. This cover includes extended cancellation benefits as well as extended curtailment, travel delay and enforced stay benefits. But Great Lakes was no longer covering the risk of a claim under the optional travel disruption extension cover from 5 August 2020. So, it would be fair and reasonable for her to receive a pro-rata refund of the premium she paid for this cover.
- Great Lakes has told our service it's prepared to refund Mrs H £106.65. I've carefully checked the calculation it's provided our investigator and can see that it's reached that figure by dividing the sum Mrs H paid by the total cover length (365 days). It's then multiplied that value by the number of days Mrs H wasn't on risk (294 days) – giving a refund of £106.65. I can't fairly find that this approach is unfair.
- Great Lakes has said it's intending to send Mrs H a pro rata credit voucher, which is valid for 36 months. It's also stated that Mrs H can either use the voucher towards the cost of another annual multi trip policy or transfer it to a third party. But Mrs H has told our service she wants a cash refund instead of a voucher.
- Mrs H has told our investigator that she's unlikely to purchase another annual multi-trip policy because she doesn't intend to travel as extensively in the future. She's also said she's well enough to travel abroad in the future. So, there's no evidence to suggest that her health might preclude future travel.
- While I can appreciate why a cash settlement might be preferable to Mrs H, our service would typically view a voucher refund as a fair resolution to this complaint. I say this because the validity period of the voucher provides a reasonable period

within which a consumer can use it towards future travel insurance policies they may wish to take out. It's also transferrable. So, the voucher isn't unreasonably restrictive.

- Based on the available evidence, I'm not persuaded that there are any exceptional circumstances that persuade me that Great Lakes should pay a cash refund here. And, in offering a credit voucher when it wasn't obliged to, Great Lakes has departed from industry rules and the terms of its policy to the benefit of Mrs H because of the unanticipated and unforeseen events surrounding the global Covid-19 pandemic.
- Mrs H has provided quotes showing the cost of annual multi trip travel insurance policies provided by Great Lakes. I can see that these are priced at less than the amount of the voucher she's been offered by Great Lakes. I've clarified with Great Lakes that, in the event that the policy Mrs H purchases costs less than the credit voucher, any surplus will be rolled over and available to spent on another policy. I can't fairly find that this is unreasonable.

Putting things right

To resolve this complaint Great Lakes should send Mrs H a credit voucher in the sum of £106.65 for the reasons outlined.

My final decision

My decision is that I uphold this complaint. To resolve Mrs H's complaint, Great Lakes Insurance SE should send her a voucher for £106.65.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 6 April 2022.

Julie Mitchell
Ombudsman