

The complaint

Mr and Mrs T are unhappy because Union Reiseversicherung AG (URV) hasn't refunded the premium they paid for a travel insurance policy.

What happened

In the Autumn of 2019, Mr and Mrs T bought a single trip, gold, travel insurance policy, underwritten by URV ('the policy'). The policy was taken out to cover a trip abroad which had been booked for a week in May 2020.

They had paid £549.36 for the policy and it covered them for the medical conditions they'd declared when taking out the policy. Mr and Mrs T's trip was cancelled in early May 2020 due to the Covid19 pandemic.

Mr and Mrs T made a claim under the policy for their pre-paid costs of the trip they'd booked. That claim was declined by URV on the basis that the policy didn't cover claims for cancellation due to change in Foreign and Commonwealth Office (FCO) advice.

Mr and Mrs T then requested a refund of the premium they'd paid for the policy from URV but URV said when a claim had been made under the policy (even an unsuccessful one), no refund would be issued.

Unhappy, Mr and Mrs T complained to our service. One of our investigators looked at what had happened. He set out the details of the relevant cancellation rights and how they applied in the circumstances of this case. The investigator also explained that 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. That means it's not unreasonable for an insurer to keep any premiums relating to the risk it covered during that time.

Our investigator also explained that Covid-19 didn't make it impossible for the contract of insurance to be performed because cover under the policy started in September 2019 and the policy covered various risks during that time. The investigator acknowledged the unique and unprecedented circumstances of Covid-19. However, after the date the holiday was cancelled due to Covid-19, he said URV didn't bear any risk under the policy. The holiday had already been cancelled due to Covid-19 and URV declined a claim under the policy due to this issue. So URV was no longer carrying the risk of the holiday being cancelled for any other insured reason. And, as the holiday was no longer going ahead, URV was also no longer carrying the risk of any claim being made while Mr and Mrs T were abroad.

Our investigator thought it fair and reasonable for URV to provide the refund approach that it usually does where a single trip travel insurance hasn't been used – and a trip has been cancelled – due to Covid-19. That amounts to a refund of 75% of the total premium paid by Mr and Mrs T.

URV disagreed. So, this complaint has been passed to me to decide.

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.

I'm satisfied that our investigator has set out in his view dated October 2021, the rules, regulations and law which are relevant to this complaint which I've also taken into account.

The terms and conditions of Mr and Mrs T's insurance policy with URV set out their cancellation rights under the contract. When the policy is cancelled outside of the 14 days cooling off period, it says:

'Single Trip policies - In the event you have not travelled and are not claiming on the policy, a refund of 70% of the policy premium and any additional premium applied (on a pro-rotas basis). If you have travelled or are Intending to claim or have made a claim (Irrespective of whether your claim was successful or not) we will not consider refunding any proportion of your premium.'

I'm partially upholding this complaint. In the circumstances of this case, I don't think URV has acted unfairly or unreasonably by not offering to refund to Mr and Mrs T part of the premium they paid for the policy. I'll explain why.

- The policy was cancelled outside the cooling off period and so there's no requirement under the relevant industry rules and guidelines for URV to offer a full refund.
- The policy terms say that where cancellation occurs more than 14 days after payment of the premium, and subject to certain conditions, URV will *refund 70% of the policy premium and any additional premium applied (on a pro-rotas basis) but that's only if a claim hasn't been made (irrespective of whether it's been successful or not)*.
- I've taken into account what's fair and reasonable in the circumstances of this complaint, including the unique and unprecedented circumstances surrounding Covid-19 – which were wholly outside of the control of both parties to the insurance contract. And I don't think not providing a refund on the grounds that Mr and Mrs T made an unsuccessful claim under the policy to cover their pre-paid holiday costs leads to a fair and reasonable outcome in this particular case - when their trip was cancelled for reasons relating to the Covid-19 global pandemic.
- URV says Mr and Mrs T can't have it both ways; if their claim had been successful, they wouldn't have requested a refund. So, it says it's not fair that they should now receive a refund because their claim had been declined. Otherwise, every claim declined under a policy could lead to a premium refund being issued. I understand the point URV makes and just because a claim is declined doesn't mean that the policyholder should have their premium refunded (or part of it). However, I've considered the circumstances of this particular case. And the claim wasn't covered as an insured event under the cancellation section of the policy because URV's position that cancelling a trip due to a change in FCO advice (or because of the global impact of the Covid-19 pandemic generally). So, here, I don't think it's fair and reasonable for URV to rely on the term that there would be no refund of the premium just because of an unsuccessful claim was made on the policy due to the trip being cancelled for the reasons it was in this case. Particularly as from the date the trip was cancelled URV was no longer at risk of a successful claim being made on the policy for the holiday being cancelled for another reason. Or for a claim being made on the

policy in respect of something happening, which was covered by the policy, whilst Mr and Mrs T were away.

- However, as Mr and Mrs T were covered from September 2020 until the beginning of May 2022 for a number of listed events insured under the policy, I don't think it would be fair and reasonable for them to receive a full refund of the premium. URV was on risk for a valid claim during that time. Under the policy, 70% of the premium paid for a single trip travel insurance policy can be paid *together with any additional premium applied (on a pro-rata basis)*. However, I'm aware that URV's general approach is to refund 75% of the total premium when a Covid-19-impacted single trip travel insurance policy has not been used. And I think it would be fair and reasonable for it to adopt that approach here.

Putting things right

I direct URV to refund 75% of the premium Mr and Mrs T paid for the policy which is in line with the refund approach it frequently adopts where a Covid-19-impacted single trip travel insurance policy has not been used.

My final decision

I partially uphold Mr and Mrs T's complaint. I direct Union Reiseversicherung AG to put things right by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs T to accept or reject my decision before 15 August 2022.

David Curtis-Johnson
Ombudsman