

## **The complaint**

Ms A has complained about the way Union Reiseversicherung AG ('URV') has handled a claim she made on her travel insurance policy.

Any references to URV include its representatives and cost containment agents.

## **What happened**

Ms A bought a single trip travel insurance policy underwritten by URV to cover a trip to the United States in 2019. Whilst there, she needed to have medical treatment at a hospital.

She returned to the UK and submitted a claim for medical costs amounting to \$2,742.16 which URV accepted and passed to its cost containment team. URV made part payment of the full amount. It paid \$585.71.

Later in 2019, Ms A received debt collection letters for the outstanding amount of \$2,156.45. She complained and ultimately referred her complaint to our service. In March 2021, a final decision was issued in which an Ombudsman explained URV remained responsible for taking active steps to resolve the matter.

Ms A remained unhappy and raised a further complaint about URV's actions following the previous Ombudsman's final decision.

URV replied to say it had been in contact with the debt collection agency but required the exact costs of the treatment Ms A had as well as the contract between Ms A and the hospital.

Our investigator looked into the complaint and said:

- URV hadn't demonstrated that the cost of treatment was unjustified or grossly inflated.
- It hadn't taken reasonable steps to obtain the contract it requested from the debt collection agency from Ms A or the hospital directly.
- Its actions had contributed to the impasse in negotiations. It became clear in June 2021 that a settlement wasn't going to be reached so URV should have explored an alternative avenue. And by not doing so, URV hasn't had regard to Ms A's interests.
- And so he recommended URV pay the outstanding balance.

Ms A accepted the investigator's findings.

URV responded and in summary, it said it didn't think it had acted unreasonably and needed a breakdown of costs and the contract to decide whether the costs were reasonable.

As an agreement couldn't be reached, the case has been passed to me to make 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.

Having done so, I think this complaint should be upheld. And largely for the same reasons as already explained by our investigator.

#### The relevant rules, regulations and industry guidance

The Principles for Businesses ("Principles") are set out in the Financial Conduct Authority (FCA) Handbook and URV is obliged to follow these.

Principle 6 says a firm must pay due regard to the interests of its customers and treat them fairly.

Principle 8 says a firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.

ICOBS 8.1.1R says an insurer must:

- Handle claims promptly and fairly
- Provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress
- Settle claims promptly once settlement terms are agreed

The Regulatory Guide, published by the FCA, entitled: 'The Responsibilities of Providers and Distributors for the Fair Treatment of Customers' (RPPD) includes the FCA's guidance on what the combination of Principles and the detailed rules mean for providers and distributors of financial services. The RPPD explains that firms should consider the impact of their actions, or inactions, on the customer throughout the life cycle of the service being provided.

I've also thought about what I consider to have been good industry practice at the time of the claim; for insurers – and their agents – to engage diligently with medical facilities (and their respective agents) to try to resolve disputes over medical bills by actively seeking a compromise or adjudication of their bills. And this includes actively engaging in negotiation.

I'll now consider what this means for Ms A's complaint, focusing on what has happened since March 2021, after the previous Ombudsman's final decision.

URV has said it has taken into consideration the annual published Medicare rates for the treatment Ms A had. And it considers 50% above the Medicare rates are a reasonable settlement.

The following exchanges took place between URV and the debt collectors:

- March 2021 - URV contacted the debt collection agency to say it would pay an additional 10% on top of what had already been paid. And increased this to 20% but this wasn't acceptable to the debt collection agency. It said it could sign off on 80% of the bill as settlement.

- April 2021 – URV wrote to the debt collection agency and said they disagreed with the amount of costs due to the hospital and said they stood by their position that 50% above Medicare rates was reasonable. URV asked for evidence of total costs incurred in treating the customer as well as the sums accepted in settlement for similar treatment on behalf of others.
- May 2021 – the debt collection agency said the low offers made by URV could not be considered meaningful negotiation and Medicare does not apply to international patients. It also said contracted insurer rates also weren't relevant and the amount due was \$2,156.45.
- June 2021 – URV asked for a copy of the contract between Ms A and the hospital as well as evidence of what the treatment actually cost the hospital. The debt collection agency replied to confirm it didn't have consent from either the hospital or Ms A to share a copy of the contract with URV.

Having considered all of the above, it was clear that an agreement wasn't going to be reached and an impasse was reached by June 2021. An alternative route should have been explored by URV such as through the courts, an expert or an alternative dispute service. In not doing so, URV has failed to have regard to Ms A's interests.

The basis of URV's negotiations is its general policy to pay a certain percentage above the Congressional rates for the medical care and treatment Ms A received in the USA. But the debt collector didn't accept these rates as a valid benchmark.

I haven't seen anything to convince me that the rates URV relied on are a valid benchmark for the fair market value of services provided outside the US Medicare/Medicaid systems to which they relate. And so I am not persuaded that on this basis, the invoices were excessive.

URV has a duty to deal with claims promptly and fairly and is required by the Principles to act with due skill, care and diligence, paying due regard to Ms A's interests and treating her fairly. And it must also manage fairly any conflicts of interest between itself and its customers. I don't think URV has done this here – I think it has unreasonably put its own commercial interests (to pay the least amount of money for the treatment Ms A received) above her interests.

When negotiations reached an impasse, URV ought reasonably to have been aware that the outstanding amount wouldn't be settled by negotiation alone - it ought to have explored with the debt collectors or medical facility the option of more formal adjudication to move forward without further delay.

Given the amount of time the outstanding amount has been unpaid for, and now that negotiations have reached an impasse, I don't think it would be fair and reasonable to delay matters further by giving URV another opportunity to negotiate the outstanding amount or exploring the option of more formal adjudication. So I uphold Ms A's complaint.

I think URV should now settle the outstanding balance given the amount of time that has passed.

### **Putting things right**

As the invoice hasn't been agreed or adjudicated on, I'm satisfied that there isn't an ascertained legal liability on Ms A to pay the outstanding amount to the medical facility. So URV's duty to indemnify them by paying the outstanding amount hasn't yet crystallised. But

in this case, and for the reasons already mentioned, I'm satisfied that it's fair and reasonable for URV to now make a further payment to the medical facility to the value of the outstanding amount to settle the invoice without further delay.

### **My final decision**

For the reasons set out above, my final decision is to uphold this complaint.

Within 28 days from the date on which we tell it that Ms A accepts our final decision, I direct Union Reiseversicherung AG to pay the outstanding amount to the healthcare provider – together with any interest due on the outstanding amount and any collection fees Ms A is liable for.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 1 December 2022.

Shamaila Hussain  
**Ombudsman**