

The complaint

Mrs B is unhappy with Great Lakes Insurance SE because it made a proportionate settlement on her claim.

What happened

Mrs B had a travel medical insurance policy with Great Lakes. She went on a cruise in February 2020 and became unwell with COVID-19. Mrs B needed medical treatment and so was taken to a mainland hospital in America. Mrs B claimed on her travel policy for her treatment costs, only to be told that it wouldn't cover the whole cost she incurred. Mrs B only received a proportionate settlement of 45% of the overall claim. She would like her costs covered in full.

Great Lakes said the reason it did this was because it'd discovered that Mrs B hadn't disclosed her full medical history, in particular, that she suffered with a medical condition called aspergillosis, nor that she'd visited her GP for a chest infection on two occasions prior to taking the trip. Great Lakes said that had it known this information at the time she took the policy, it would've increased the premium because she posed a greater risk to insure. It said the difference was around 55% increase which is why it only offered to cover 45% of her overall costs.

Our investigator disagreed with Great Lakes and said that it'd unfairly treated Mrs B by reducing the amount of settlement paid on her claim. He said that Mrs B had told Great Lakes about the aspergillosis during the initial sales call and that this was simply missed by the adviser. He explained that it therefore didn't feel fair to retrospectively apply the criteria and reduce the settlement for that reason. However, he agreed that Mrs B hadn't told it about the two visits to the doctor for her chest infections. He said Great Lakes should consider that element of the non-disclosure only and not the aspergillosis condition.

Our investigator recommended that if the chest infections make no difference to Mrs B's risk profile, or the price of her insurance, then it should settle her claim in full.

Great Lakes didn't agree. It accepted its adviser missed the disclosure of Mrs B's aspergillosis but said the way she explained it was unclear. It said that Mrs B discussed her asthma and that the aspergillosis was mentioned during that discussion, but she didn't make it clear this was a separate medical condition that would need to be underwritten. It also highlighted the adviser wasn't medically trained and therefore wouldn't have known this.

And so, it's for 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've decided to uphold it because I think Great Lakes treated her unfairly by offering a proportionate settlement based on the non-disclosure of her aspergillosis. I say

that because I'm not persuaded that Mrs B has unfairly misrepresented her medical history.

I accept that Great Lakes wasn't told about Mrs B's two visits to the GP during the previous policy year and that this should have been shared with it. But I'm not persuaded by its arguments about Mrs B failing to disclose her medical condition aspergillosis. Therefore, on that basis, I think Great Lakes should reassess the cost of her policy based on the two GP visits only. Should this affect the overall cost, then Great Lakes would be entitled to settle her claim on that proportionate basis alone. I say that because Mrs B told it about her condition in the original call and had it listened and correctly identified Mrs B's aspergillosis, then it could have underwritten this condition. I'm not persuaded that it's Mrs B that's made an error here and that's why I'm upholding this complaint. I'll explain why.

Mrs B took the policy out in 2017 and so I've listened to that initial call, as well as subsequent calls that have taken place over the recent years. I'm satisfied that Mrs B disclosed her aspergillosis at the time she took the policy. And, therefore, I disagree with Great Lakes' assertion that she misrepresented her medical history on that basis. Great Lakes consequently said that although Mrs B shared this information on the call, she didn't make it clear enough for its adviser to recognise that this should've been treated as a separate condition to her asthma and therefore be subject to further medical underwriting.

I'm not persuaded that's fair enough reason in the circumstances because having carefully considered Mrs B's medical history, and contemporaneous medical notes, the aspergillosis was mentioned in connection with her asthma and so I'm satisfied she shared this information in the same way it'd always been discussed with her by the medical professionals involved with her care. I think it was a missed opportunity for Great Lakes to underwrite the condition, but I don't think it fair to lower the settlement amount of her claim.

I also noted Great Lakes comments about its adviser not being medically trained and so was unable to recognise this was a separate condition that needed underwriting. I'm unclear about the link it's trying to make but I don't think that's reason enough to justify the mistake it made, or attempt to portion any blame on Mrs B. I think Great Lakes ought reasonably to have realised when Mrs B said she took tablets for aspergillosis and that she was allergic to aspergillus, it should've realised this warranted further questioning. But that didn't happen, and I don't think it fair to retrospectively say that Mrs B misrepresented her medical history, simply because Great Lakes missed the opportunity to probe further and ultimately underwrite against that medical condition. It's because of this I say Great Lakes shouldn't offer a proportionate settlement of Mrs B's claim for those reasons as I don't think it fair to do so.

I am persuaded, however, that Mrs B failed to disclose her two visits to the doctor for chest infections when her policy was renewed. Mrs B's testimony is that she'd previously told Great Lakes about this type of visit and that the question she was asked was about whether there had been any changes to her health. But I still think she should have told it about those visits. And so, I agreed with our investigator's recommendation on this point and Great Lakes should retrospectively screen her for that. Our investigator said that should change things, then Great Lakes would be entitled to calculate the new premium and settle her claim on that proportionate basis – which I think is fair in the circumstances.

Great Lakes has had ample opportunity to reassess Mrs B's claim and still hasn't provided a retrospective screening. It's said that it doesn't think this is a fair outcome because its adviser didn't realise this aspergillosis should have been noted, investigated and underwritten. But for the reasons I've explained, I'm not persuaded by its arguments here. Mrs B explained that she'd checked the relevant information Great Lakes sent her and noted it'd recorded her disclosure of asthma and that given her aspergillosis was discussed as part of that condition, and given no further follow up questions were asked about it, she relied on

that documentation being accurate. I think her testimony here is persuasive because her condition is closely linked to her asthma as her medical records suggest. It's for these reasons Great Lakes must reassess her claim, inline with our investigator's recommendation. It must reassess it considering the two visits to the GP only. If an additional premium was due, then it may offer a proportionate settlement based on the premium paid against the premium that was due.

My final decision

I'm upholding this complaint for the reasons I've explained. Great Lakes Insurance SE must now reassess Mrs B's claim, based on the missed disclosure of two chest infections only. Should there be a difference between the premium Mrs B paid and the premium she should have paid, then Great Lakes Insurance SE may settle her claim on a proportionate basis according to that difference. Should there be no difference in premium costs, then Great Lakes Insurance SE must settle the claim in full. It should also pay 8% simple interest on any amount owed to Mrs B from the date the claim was made until the date its settled.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 26 June 2022.

Scott Slade
Ombudsman