

## **The complaint**

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

## **What happened**

Mr H purchased an annual-multi trip travel insurance policy, provided by Great Lakes. The policy was purchased on 21 August 2019, to cover trips within Europe of up to 31 days in duration. The policy started on 21 September 2019 and ended on 20 September 2020. Mr H paid a total of £123.75 including Insurance Premium Tax (IPT) for the standard level of annual multi-trip travel insurance cover.

Mr H said he was able to make use of his policy in early 2020 when he travelled abroad. However, following this he was prevented from travelling as he'd intended afterwards due to the impact of the Covid-19 pandemic.

On 3 June 2020, Mr H contacted Great Lakes to request a partial refund of his travel insurance premium because he'd only been able to take one holiday. He didn't think he'd be able to travel again by the time his policy was due to expire. He did not cancel his policy.

Great Lakes informed Mr H that it was looking at how to deal with refund requests as an insurer and would contact policyholders once a decision had been made by its underwriter. Mr H didn't cancel his policy during this call.

By 21 August 2020, Mr H hadn't heard from Great Lakes. So, he contacted it to query whether a decision had been made by the underwriter on multi trip travel policy refund requests. He was informed during this telephone call that someone from the pro-rata team would contact him to discuss whether any refund was due under the policy.

On 25 August 2020, Mr H contacted Great Lakes to chase his refund request. But he was informed a decision still hadn't been made and that someone would contact him to discuss whether a pro-rata refund was available. Mr H queried whether his policy could be extended in view of the pandemic preventing his travel. However, he was advised that an extension wasn't possible for annual multi-trip policy.

On 25 September 2020, Mr H contacted Great Lakes again to chase the outcome of his refund request. On this occasion, he was informed that there was a backlog due to the amount of premium refund requests Great Lakes had received. So, Mr H would need to wait until his request was reached.

Mr H called Great Lakes again on 10 October but was informed there was still no outcome on his request for a refund. On 23 October 2020, he was informed by Great Lakes that no refund was due because of the date he'd taken out his policy.

Mr H was unhappy with how his refund request had been dealt with. So, he asked Great Lakes to raise a complaint on his behalf. On 15 December 2020, Great Lakes issues its final

response to Mr H's complaint. It said it wasn't prepared to offer a refund and invited Mr H to refer his complaint to our service if he was unhappy with the outcome of his complaint.

After Mr H referred his complaint to us, Great Lakes stated that it was prepared to offer a partial premium refund of £12.38 as a gesture of goodwill due to a change in its approach relating to annual policy travel insurance refunds. Mr H rejected this offer.

Mr H's complaint was considered by our investigator, 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 21 September 2019 and the policy covered various risks during that time. And they didn't think Great Lakes had made an error in how it had dealt with Mr H's refund query or issued a response that was unfair or unreasonable.

Great Lakes agreed with our investigator's view of this complaint and confirmed that its partial refund offer remained available. But Mr 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 Mr H's travel insurance policy with Great Lakes state:

*"You have a right to cancel up to 14 days from the date you receive:*

- *The policy document at the start of your insurance;*
- *The renewal policy documentation for subsequent periods of insurance.*

*Should you decide to exercise this cancellation right. You will be entitled to a refund of premium provided that you have not started a trip to which the insurance applies and you have not made or intend to make a claim.*

*Following the expiry of your 14 day cancellation period you continue to have the right to cancel your policy at any time during its term by contacting us, but no refund of premium will be available.*

*For annual multi-trip policies, the 14 day cancellation period is extended up to the start date of your policy."*

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

- Cover under Mr H's policy commenced immediately once it had been purchased, which is confirmed by the insurance documentation he received. I'm satisfied Mr H

was reasonably made aware of the terms that applied to his policy, which are typical of the cancellation terms found in most travel insurance policies.

- Mr H didn't contact Great Lakes to discuss a refund of his policy until 3 June 2020. And he didn't request the cancellation of his policy at any time. Even if he had done during his conversation on 3 June 2020, this would have been 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. I understand that the pandemic may have prevented Mr H travelling as he'd have liked or intended and that this was beyond his 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 Mr 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 Mr H's contract with Great Lakes to be performed – cover under the policy started on 21 September 2019.
- Mr H was insured from 21 September 2019 for travelling on any number of trips within Europe of up to 31 days duration which he may have taken until the policy expired. Mr H has said he only had the opportunity of travelling once due to the pandemic.
- I acknowledge Mr H's candour in relation to the travel he's said he was able to undertake while covered by this policy. 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. Even if there was only one holiday, Mr H made use of his annual policy and Great Lakes was covering the risk of a claim during the time the policy was in force.
- The price set by Great Lakes covered Mr H for the cancellation of any holidays which he had booked and was due to take from 21 September 2019 until 20 September 2020. So, he would have been covered if he had had to cancel any number of holidays because of any listed events insured under the policy.
- So, Great Lakes covered the risk of Mr H making a successful cancellation claim for any number of pre-booked holidays, or the risk of travelling on any number of holidays, from 21 September 2019 until 20 September 2020. It's a fundamental principle of insurance law that, if the insurer had commenced to bear the risk concerned – for however short a time – the premium paid is not returnable. So, regardless of what Mr H's cancellation rights were, it isn't unfair for Great Lakes to retain the premiums relating to the risk it covered.
- As I mentioned in the background to this complaint, Mr H contacted Great Lakes on 3 June 2020 to request a partial refund of his policy premium. By this time, his policy had 109 days left to run before it expired.

- Mr H didn't cancel his policy at any time. It therefore ran to full term until its expiry on 21 September 2020. So, it wouldn't be unreasonable for Great Lakes to decline to refund any of the premium Mr H paid.
- After Mr H referred her complaint to our service, Great Lakes offered to resolve this complaint by refunding £12.38 or 10% of the premium he paid. This offer was made on 3 September 2021 and presents a change in Great Lakes' initial proposed resolution to Mr H's complaint.
- I understand that Mr H feels he should receive a higher premium refund because he hasn't been able to use his policy as much as he'd intended. But I think Great Lakes has acted reasonably by offering to resolve Mr H's complaint by issuing a refund of £12.38. I say this because it's treated the date Mr H first contacted it in the same way it would have done had he requested the cancellation of his policy at that time.
- If Mr H had requested that Great Lakes cancel his policy on 3 June 2020, he'd have been on cover for around 256 days. Great Lakes has said that, in its claims experience, it receives varying percentages of claims across different months of an annual multi-trip travel insurance policy. This means that the risk of a claim is not spread evenly across the year.
- Based on the explanations that Great Lakes has provided about its reasons for calculating the percentage refund in the way it has, I'm satisfied it's demonstrated that there was a material unevenness in the spread of risk throughout the term of this annual insurance policy. And I'm satisfied that Great Lakes hasn't treated Mr H unfairly or any differently to other customers in similar circumstances. And I don't think it's fair and reasonable to direct Great Lakes to offer a larger refund in the particular circumstances of this case.
- Mr H didn't cancel his policy. He had also travelled whilst on cover and Great Lakes had been on risk for over 250 days before he contacted it to discuss his refund request. In all of these circumstances, I don't think it's unreasonable or unfair for Great Lakes to offer Mr H a 10% premium refund.
- I've clarified that Great Lakes' refund offer would involve it sending him a postal order in the sum it's offered. Once received, this can be cashed by Mr H at his local Post Office. So, I'm going to direct Great Lakes to make a payment of £12.38 in that way to Mr H to resolve this complaint. But I'm not going to direct it to do anything further.

### **Putting things right**

To resolve this complaint Great Lakes should make a payment of £12.38 to Mr H for the reasons outlined above.

### **My final decision**

My final decision is that I uphold this complaint in part. To resolve Mr H's complaint, Great Lakes Insurance SE should put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 16 March 2022.

Julie Mitchell  
**Ombudsman**

