

The complaint

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

All reference to URV includes its agents.

What happened

In February 2020, Mr and Mrs M bought an annual travel insurance policy, underwritten by URV ('the policy'). They paid around £610 for the policy.

Mr and Mrs M say they contacted URV in mid-March 2020 to ask if they would pause the policy due to Covid-19 until it was safe to travel abroad. They say URV declined to do so but offered around £300 to cancel the policy at that stage. Mr and Mrs M say they declined the offer and didn't cancel the policy, thinking that the impact of Covid-19 wasn't likely to last long.

In mid-October 2020, Mr and Mrs M contacted URV to enquire about pausing the policy again. Due to the global impact of Covid-19, they didn't think they'd have any reason to use it as they hadn't travelled abroad and didn't intend to at that stage.

URV says this type of policy can't be paused. So, instead it cancelled the policy and offered Mr and Mrs M a partial refund of the premium in accordance with the policy terms. That amounted to around £91.

Unhappy with the amount refunded, Mr and Mrs M complained to our service. And after the complaint was brought to our service, URV offered to increase the amount of the refund to around £203 in a letter dated December 2020.

Our investigator 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. The 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 early February 2020 and the policy covered various risks during that time – up until it was cancelled.

The investigator acknowledged the unique and unprecedented circumstances of Covid-19 and thought that the increased offer made by URV in its letter dated December 2020 was fair and reasonable.

Mr and Mrs M 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.

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 the policy set out their cancellation rights. When the policy is cancelled outside of the 14 days cooling off period, it says:

Annual Multi trip policies – Provided you have not made a claim on the policy (irrespective of whether your claim was successful or not) and you confirm in writing that there is no claim pending, should you choose to cancel and understand that all benefits of the policy will be cancelled, we will refund 5% of the total premium paid, for each full calendar month remaining on the policy from the date of cancellation. If you are intending to, or have claimed (irrespective of whether your claim was successful or not) we will not consider refunding any proportion of your premium.

I don't uphold this complaint. In the circumstances of this case, I think URV's offer to refund to refund Mr and Mrs M around £203 of the total premium they'd paid for the policy is fair and reasonable. 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 the insurer to offer a full refund or pause the policy as Mr and Mrs M first wanted.
- As I've outlined above, the contract of insurance says that where cancellation is more than 14 days after payment of the premium, and subject to certain conditions, it will refund 5% of the total premium paid, for each full calendar month remaining on the policy from the date of cancellation. URV has now offered more than this. As a gesture of goodwill, it's offered to refund Mr and Mrs M one twelfth of the premium paid for each month left on the policy after the date of cancellation in October 2020. By doing so, URV has gone beyond what it's required to give under the contract of insurance.
- I've taken into account what's fair and reasonable in the circumstances of the complaint, including the unique and unprecedented circumstances surrounding Covid-19. Mr and Mrs M were covered under the policy from early February 2020 to October 2020, when the policy was cancelled, for a number of listed events insured under the policy for any number of trips. Because of the way annual multi-trip insurance policies work, an insurer has no way of knowing how many trips Mr and Mrs M took or had booked (unless they'd made a claim under the policy). There may have been many trips or, as Mr and Mrs M say is the case here, there may have been none. However, URV was covering the risk of a claim during the time the policy was in force – and the price they paid for the policy reflected this. But once the policy was cancelled (due to the global impact of the Covid-19 pandemic), URV didn't bear any risk under the policy and no claims had been made or accepted by URV.

If Mr and Mrs M wish to take up URV's offer of an increased refund in the approximate sum of £203 they should contact URV directly.

My final decision

Union Reiseversicherung AG doesn't need to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 12 August 2022.

David Curtis-Johnson
Ombudsman