

The complaint

Mr and Ms G complain that Great Lakes Insurance SE didn't upgrade their travel insurance policy to cover worldwide destinations and about its offer to refund premiums of the new policy they bought. My references to Great Lakes include its agents.

What happened

Mr and Ms G had a Europewide travel insurance policy, insured by Great Lakes, that was valid from 14 May 2019 to 13 May 2020. In October 2019 Mr G had a sudden medical condition which they declared to Great Lakes who charged an additional premium to cover the condition.

In February 2020 Ms G asked Great Lakes if they could upgrade their current policy to cover worldwide destinations for a planned cruise in March 2020. Great Lakes said it couldn't upgrade the existing policy due to Mr G's ill health but it could cover his declared medical condition if he and Ms G took out a new worldwide policy.

Mr and Ms G ended the Europewide travel policy and on 21 February 2020 bought a new worldwide policy to cover any trips of up to 50 days duration. The policy started on 21 February 2020 and ended on 20 February 2021. They paid £806.48 for the standard level of annual multi-trip travel insurance cover, which also covered Mr G's declared medical conditions. Mr and Ms G also paid an additional premium of £86.22 for cruise plus cover. The premium they paid for their travel insurance policy, including the additional cover option, included a discount of £198.24. Mr and Ms G paid a total of £873 for the policy including Insurance Premium Tax (IPT).

The March 2020 cruise was cancelled by the cruise providers due to Covid-19 and Mr and Ms G received a full refund from the provider. On 8 June 2020 Ms G contacted Great Lakes to cancel their travel insurance policy. Great Lakes didn't offer Mr and Ms G a cash refund as its policy terms and conditions said no refund would be issued outside the 14 day 'cooling off' period. It offered the following options:

- A pro-rata credit towards buying a new 15 month annual policy for the price of 12 months;
- A pro-rata credit towards buying a deferred annual policy; or
- A pro-rata credit towards a UK only annual multi-trip policy.

The total value of the credit voucher Mr and Ms G were offered was £483.97, which didn't include a pro rata refund of the optional cruise plus cover premium.

Mr and Ms G accepted the voucher and used it to purchase a 15 month policy to cover European travel only. Ms G says she spoke to Great Lakes who told her that if worldwide cover was required during this latest policy period it would upgrade the cover for an additional premium to be decided.

Mr and Ms G are unhappy that Great Lakes would upgrade the latest Europewide travel policy to worldwide cover but wouldn't upgrade their original Europewide travel policy in

February 2020 for its remaining three months. If it had done so they could have avoided having to buy the new policy. They wanted Great Lakes to refund the premiums paid for the new policy in full as they consider the original policy could have been upgraded at a far lower cost.

Our investigator said a fair outcome would be that in addition to the original voucher Great Lakes should also give Mr and Ms G a voucher valued at the pro rata refund for the additional cruise plus cover purchased with the worldwide policy. He also recommended Great Lakes pay £150 compensation for Mr and Ms G's distress and inconvenience caused by the conflicting information it gave them about being able to upgrade a policy from European to worldwide cover.

Great Lakes agreed to issue a voucher for the pro rata refund of the cruise plus cover, which it calculated to be £72.93. As to the upgrade issue, Great Lakes said its risk scoring and pricing changed with different policies which changed over time. But it accepted the stress and inconvenience caused to Mr and Ms G in having to change the policies and agreed to pay the £150 compensation.

Mr and Ms G didn't agree with our investigator's recommendation as they wanted the £72.93 refund in cash not a voucher. They said they may not want to travel abroad again so wouldn't need travel insurance. Also, they were so disappointed with Great Lakes' refusal to extend their original policy they may not want to use its policy in future.

Before I made a decision I asked Great Lakes to recalculate the value of the original voucher as I didn't think its calculation of that voucher was fair. And I asked it for some more information about the new voucher it had offered. I referred to Great Lakes' response in my provisional findings below.

What I provisionally decided – and why

I made a provisional decision that I was intending to partly uphold this complaint. I said:

'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 policy terms and conditions say:

'Cancellation provisions

Your right to cancel the policy

...

You have the right to cancel your policy within 14 days of the date of issue or receipt of your documents, whichever is later. We will only refund to you any premium you have paid, less any fees and charges if you have not travelled, or have made, or intend to make a claim.

If the notice of cancellation is received outside the 14 day cooling off period no premium will be refunded, however discretion may be exercised in exceptional circumstances such as bereavement or a change to the policy resulting in us declining to cover your medical conditions'.

Great Lakes has agreed to recalculate the refund for the worldwide policy by dividing the actual price paid for the policy, including the cruise cover plus, by the total cover length (in days) multiplied by days not on risk. That calculation gives a refund of £615.39. Mr and Ms G have already received and used a voucher for £483.97 so the balance is £131.42, which includes the £72.93 which was just for the cruise cover plus.

Great Lakes has now offered to pay the balance of £131.42 in a voucher, plus the £150 compensation for Mr and Ms G's distress and inconvenience. I think that's a fair offer because:

- The policy was cancelled outside the cooling off period and so there is no requirement under the relevant industry rules and guidelines for Great Lakes to offer a refund of premium.
- As I've outlined above, the contract of insurance says that Great Lakes doesn't have to pay any refund of a policyholder's premium after the cooling-off period has ended. In this case, Mr and Ms G's cancellation of the policy was significantly outside of the 14 day cooling-off period. I don't think it would be fair to ask Great Lakes to use its discretion and treat the Covid-19 pandemic to be exceptional circumstances. I think this policy term most likely relates to circumstances which are individual to the policyholder – such as bereavement or a change in their own health. This means I don't think the terms and conditions of Mr and Ms G's contract with Great Lakes entitle them to any refund of premiums.
- But I've taken into account what is fair and reasonable in the circumstances of the complaint (as I'm required to do) including the unique and unprecedented circumstances surrounding Covid-19. In the circumstances of this case, I think Great Lakes' latest offer of a credit voucher for the policy premiums, including for the optional cruise plus cover, is fair and reasonable. And given the policy wasn't cancelled until 8 June 2020, I think it's fair that the date of the cancellation of the policy is used to calculate the refund on the facts of this case. Great Lakes would have been 'on-risk' for the policy for 366 days if the policy hadn't been cancelled. The voucher represents the remaining unused 258 days of cover, after the policy was cancelled, as Great Lakes was no longer carrying any risk of Mr and Ms G making a claim after that point.
- Great Lakes has now agreed to recalculate the refund by dividing the actual price paid for the policy by the total cover length (in days) multiplied by days not on risk. I'm satisfied this now leads to a fair outcome.
- I understand why Mr and Ms G want a cash refund rather than a voucher. But in my view a voucher is fair alternative to a monetary refund in the circumstances of this case. I say that because although Mr and Ms G say they may not travel abroad again Great Lakes has now told us that the voucher can be transferred to a third party (but not sold) and also can be used for a single trip or annual multi trip policy which would include holidays in the UK. The voucher will be valid for 36 months. So I don't think that the terms of the voucher are overly restrictive.
- Mr and Ms G are also reluctant to insure with Great Lakes again as it wouldn't upgrade the original Europewide policy to worldwide cover. But I think Great Lakes has given a reasonable explanation of why it wouldn't upgrade that policy but could potentially upgrade Mr and Ms G's latest policy they purchased with the voucher. An insurer can decide the risk it wants to insure and for what price. Great Lakes told us that while Mr G's new medical condition meant he exceeded the risk it wanted to insure under the original policy it was able to insure that risk under a new policy but with a larger premium. And as Ms G says Great Lakes told her it may be able to upgrade the existing policy it appears that its decision about what risks it wants to cover under which policy has developed over time. That's a business decision for Great Lakes to make and I couldn't have fairly required it to offer Mr G upgraded cover under the original policy.
- Great Lakes accepts Mr and Ms G had stress and inconvenience in having to cancel their original policy and take out the new worldwide policy. It's offered £150 compensation in recognition of that, which I think is a reasonable offer.

Having considered everything, I'm not telling Great Lakes to pay Mr and Ms G a cash refund of their premiums. I'm satisfied its current offer of a pro-rata credit voucher for £131.42 and £150 compensation for their distress and inconvenience is fair'.

Responses to my provisional decision

Great Lakes accepted my provisional decision.

Mr and Ms G said they still thought Great Lakes was unfair not to allow them to upgrade their original policy to worldwide cover. They believed it was the same cover on both policies as Mr G's health conditions hadn't changed since the previous amendment, just much more expensive. But they said they appreciated Great Lakes could make a business decision it thought appropriate. Mr and Ms G were also still unhappy they had to accept a voucher rather than a cash refund but said they reluctantly accept the voucher together with £150 compensation. They asked for written confirmation from Great Lakes that the voucher will be valid for 36 months and they will be able to transfer it to someone else if they chose to do so.

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.

Great Lakes has accepted my provisional decision. I've noted Mr and Ms G's comments and that ultimately they accept my provisional decision. It might help if I explain that I don't think the cover Great Lakes offered under the European policy and worldwide policy was the same in that although it was insuring Mr G's same health conditions it was carrying different risks under each policy. For example, with the worldwide cover it was insuring the risk of having to cover medical treatment that in countries covered by a worldwide policy would potentially be much more expensive than treatment in Europe. As I've said, and as Mr and Ms G accept, it's for Great Lakes to decide the risks it wants to insure under a policy and for what price.

Great Lakes has confirmed to us that the voucher will be valid for 36 months and that Mr and Ms G will be able to transfer it to someone else but I see no reason why Great Lakes shouldn't put that in writing direct to Mr and Ms G, as they request. I've asked our investigator to contact Great Lakes about that.

For the reasons I've given in my provisional decision and this decision I partly uphold this complaint. I'm satisfied that Great Lakes' current offer of a pro-rata credit voucher for £131.42 and £150 compensation for Mr and Ms G's distress and inconvenience is fair.

Putting things right

Great Lakes must pay Mr and Ms G a credit voucher for £131.42 and £150 compensation for their distress and inconvenience.

My final decision

I partly uphold this complaint and require Great Lakes Insurance SE to pay Mr and Ms G a credit voucher for £131.42 and £150 compensation for their distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Ms G to accept or reject my decision before 21 March 2022.

Nicola Sisk
Ombudsman