

## **The complaint**

Mr and Mrs H complain that Union Reiseversicherung AG (URV) hasn't refunded the premiums they paid for a travel insurance policy.

## **What happened**

On 29 January 2020, Mr and Mrs H took out an annual multi-trip travel insurance policy through a broker. They paid £306.33 for the policy, which provided cover between 29 January 2020 and 27 January 2021. Mr and Mrs H were due to travel abroad in October 2020.

However, in October 2020, as a result of the Covid-19 pandemic, Mr and Mrs H's trip was postponed until the following year. So they asked URV if it could extend their policy or defer their cover dates.

URV told Mr and Mrs H that it couldn't offer them either of those options. Instead, it cancelled the policy and paid Mr and Mrs H a premium refund of 5% for each full calendar month remaining on their policy, in line with the cancellation provisions set out in the policy terms. This was a total amount of £45.95.

Mr and Mrs H weren't happy with URV's decision and they asked us to look into their complaint.

Our adjudicator set out the details of the relevant cancellation rights and how they applied in the circumstances of this case. She also explained that it is 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. And she explained that Covid-19 didn't make it impossible for the contract of insurance to be performed because cover under the policy started on 29 January 2020 and the policy covered various risks during that time.

The adjudicator acknowledged the unique and unprecedented circumstances of Covid-19. She thought that the fair and reasonable outcome in all the circumstances of this complaint was for URV to pay Mr and Mrs H a premium refund equal to 1/12<sup>th</sup> of their policy premium for each full calendar month remaining.

URV agreed to calculate Mr and Mrs H's refund based on 1/12<sup>th</sup> of the premium for each full calendar month remaining. It calculated that this was a total amount of £76.58 (less the amount it'd already paid).

Mr and Mrs H didn't accept URV's offer. In summary, they said that the restrictions which were imposed as a result of Covid-19 meant they hadn't been able to travel during the policy year. They didn't think URV was treating its annual trip customers fairly, as they said it was allowing single trip policyholders to move their cover dates. They referred to other insurers which were allowing date changes for annual policies. And they stated that the policy didn't make clear that the insurance was underwritten by URV.

The complaint's been passed to me to decide. It's important I explain that the policy terms and conditions state, on page 56, that the policy is *'insured by URV, Branch Office of Union Reiseversicherung AG'*.

### **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, whilst I'm sorry to disappoint Mr and Mrs H, I think URV's offer of settlement is fair and reasonable and I'll explain why.

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:

*'You have a 'cooling off' period where, should you decide that you find that the terms and conditions do not meet your requirements, and provided you have not travelled or claimed on the policy, you can advise (the broker) within 14 days of purchase for a full refund to be considered. Should you wish to cancel your policy outside of the 14 day cooling off period, and can confirm that there have been no claims on the policy and that you have not travelled, the following cancellation terms will be applied dependant on what type of policy you have purchased.*

*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.'*

In this case, it's clear that the original policy was cancelled outside the cooling off period and so there is no requirement under the relevant industry rules and guidelines for URV to offer a refund of premium.

As I've outlined above though, the contract of insurance says that if an annual policy is cancelled after the cooling off period has ended, URV will refund 5% of the total premium paid for each full calendar month remaining on the policy. In this case, Mr and Mrs H's cooling-off period ended on 12 February 2020. But the policy wasn't cancelled until 19 October 2020. On this basis, URV initially calculated the refund due in line with the policy terms.

But I've taken into account what is fair and reasonable in the circumstances of this complaint (as I'm required to do) including the unique and unprecedented circumstances surrounding Covid-19. URV has now offered to refund 1/12<sup>th</sup> of the total policy premium for each full calendar month remaining on the contract. This is more than it's required to do by the terms of its contract with Mr and Mrs H. And so, in the circumstances of this case, I think this offer is fair and reasonable.

URV would've been 'on-risk' between 29 January 2020 and 27 January 2021 had the policy not been cancelled. The refund was calculated from the date the policy was cancelled, as URV was no longer carrying any risk of Mr and Mrs H making a claim after that point. I appreciate that due to lockdown, Mr and Mrs H weren't able to travel as they'd planned. But

they *did* have a trip booked and up until that trip was deferred and the policy was cancelled, URV was covering the risk of Mr and Mrs H making a claim. So URV is entitled to retain the premium it charged to cover the risk of them making a claim while the policy was in force.

There's no term in the policy which requires URV to change the date of an annual policy if a policyholder is unable to travel as planned. Mr and Mrs H have provided evidence to show that other insurers were prepared to do so. But I think it was down to each individual insurer to make a commercial decision as to how to respond to the Covid-19 pandemic and what, if any, action to take.

I sympathise with Mr and Mrs H's position, as I appreciate they weren't able to travel for reasons beyond their control. But I'm satisfied that URV's offer to refund them a total of 1/12<sup>th</sup> of their policy premium for each full calendar month remaining on the policy, less the refund they've already been paid, is fair and reasonable.

### **My final decision**

For the reasons I've given above, my final decision is that URV's current offer of settlement is fair and reasonable.

I direct Union Reiseversicherung AG to refund Mr and Mrs H 1/12<sup>th</sup> of their total policy premium for each full calendar month remaining on the policy, less the premium refund they've already received.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 15 June 2022.

Lisa Barham  
**Ombudsman**