

The complaint

Ms L complained that Society of Lloyd's declined her travel insurance curtailment claim. My references to Lloyd's include its agents.

What happened

In 2018 Ms L booked a trip with an adventure sailing travel provider and was due to travel abroad from early January 2020 to 30 April 2020. In 2019 Ms L bought an annual travel insurance policy, Yachtsman's Gold Topsail Insurance, to cover from 24 August 2019 to 23 August 2020. Lloyd's was the insurer.

Ms L departed on her trip and completed the first part of the trip as planned. However, on 11 March 2020 the World Health Organisation (WHO) declared Covid-19 to be a pandemic. On 17 March 2020 the Foreign, Commonwealth & Development Office ('FCDO' – formerly the Foreign & Commonwealth Office ('FCO')) advised against all but essential travel abroad.

During the second part of Ms L's trip, on 19 March 2020, the trip organiser suspended the trip as countries the boats were due to visit were closing their borders and ports in response to Covid-19. The boat Ms L was on went into port at a south pacific island. Ms L says she and the rest of the crew had to stay on the boat, apart from one hour of exercise a day, until repatriation flights were arranged. On 23 March 2020 the FCDO advised all British travellers to return from abroad immediately. To return to the UK Ms L took a flight on 7 April to a European country and on 10 April 2020 returned to the UK. The travel provider offered a refund for 31% of the original trip cost.

Ms L submitted an insurance claim for the additional travel and accommodation costs she paid to return to the UK and 50% of the costs for the second part of the trip as she said she'd only done 39 of the 80 days of the trip.

Lloyd's declined the claim saying the reason the trip was curtailed (cut short) wasn't covered by the policy terms. It also noted that the trip organiser had mentioned the possibility of the trip recommencing later in 2020 and Ms L hadn't shown the costs claimed couldn't be recovered elsewhere.

Ms L complained to us. She said the policy covered curtailment due to being quarantined and she'd been quarantined when she had stay on the boat at the island while waiting for her new return flight.

In the meantime Ms L received a refund for some of the costs she claimed through her travel provider's trade association as the travel provider had become insolvent. Ms L said the payment by the association didn't cover all the costs she'd claimed on the policy.

Our investigator said Lloyd's unfairly declined the claim. As the policy specifically excluded claims if a policyholder travelled against FCDO advice our investigator said Ms L wouldn't have been covered if she'd continued with their trip but under the policy terms she wasn't covered for curtailing it either. She didn't think the exclusion had been highlighted to Ms L

and left Ms L in an unfair position. She recommended Lloyd's reassess the claim under the remaining terms and conditions of the policy.

Lloyd's disagreed and wanted an ombudsman's decision. It said the FCDO exclusion wouldn't have applied to Ms L's circumstances as she was already abroad when the FCDO advice changed. Also an exclusion for claims if a policyholder travelled against FCDO advice was very common in travel insurance policies and shouldn't be considered to be a significant exclusion.

What I provisionally decided – and why

I made a provisional decision that I was intending to uphold this complaint but for a different reason than our investigator recommended an uphold. I said:

'The relevant regulator's rules say that insurers must handle claims promptly and fairly. And they mustn't turn down claims unreasonably. So I've considered, amongst other things, the terms of Ms L's policy and the circumstances of her claim, in deciding whether Lloyd's has treated her fairly.

I've noted Lloyd's submissions in relation to the FCDO exclusion in this case. However, I don't think I need to make a finding on the points Lloyd's raises about that exclusion as I currently find that Miss L's claim should be reassessed for another reason, which I'll explain.

The 'Cancellation and disruption' section of the policy provides cover for specified costs for a range of events, including curtailment, if one of the listed 'specified occurrences' happens. Those occurrences include a policyholder's 'quarantine'.

The trip organisers say they stopped the trip 'due to the international response to the Covid-19 virus pandemic'. Lloyd's hasn't disputed that the relevant borders and ports were closed to Ms L's boat, and generally, due to relevant government/s restrictions in response to Covid-19. The port where Ms L boat was sent was just for her to disembark only to get her repatriation flight. She had to wait for the flight to be arranged. Lloyd's also hasn't disputed what Ms L says about local regulations allowing her one hour's exercise off the boat each day within the confines of the marina, where she had to carry a permit stating the restrictions she was under and needed to have the date and time for each exercise day signed for.

Ms L's point is that she was in effect in quarantine which meant she couldn't continue her trip as planned. Lloyd's disagrees with Ms L's interpretation, it says she hadn't been placed in formal quarantine where she was unable to go anywhere for a period of time.

I've considered whether Ms L could be said to have been 'quarantined'. There's no policy definition of quarantine and in those circumstances we generally look to apply the common meaning and understanding of a word, as well as taking into account the context in which the word is used within the policy. I've looked at various dictionary definitions of 'quarantine' which include:

'a period of isolation or restrictions on movements intended to prevent the spread of disease'.

'a general period of time in which people are not allowed to leave their homes or travel freely, so that they do not catch or spread a disease'.

'a state of enforced isolation'.

Following the imposition of the regulations Ms L was held on board the boat and wasn't allowed to follow her original schedule. It appears this was because of fears that the crew and passengers had or may have had Covid-19 and they were isolated on board the boat in order to prevent the spread of Covid-19. The trip organiser's website at the time said crew/passengers had to repatriate to 'avoid addition strain on local medical services'. Ultimately, Ms L was only permitted to finally disembark so she could get her repatriation flight. While waiting for the flight date she was only allowed closely managed and restricted one hours exercise a day in the confined area of the marina. So I think that in line with the ordinary and natural meaning of the word quarantine and a reasonable person's view, Ms L was in quarantine. And that was the reason her trip had to be curtailed.

I don't dispute that relevant government/s had imposed border restrictions which affected the boat's itinerary. But I've considered the wider impact these restrictions had on Ms L and what I think is fair and reasonable in these specific circumstances. In my view, the effect of the border restrictions was that Ms L was held on the boat, unable to leave apart from the restricted one hour exercise a day, to prevent the spread of Covid-19. She was only able to permanently leave the boat for her repatriation flight, which meant the potential risk of her spreading Covid-19 could be mitigated.

Taking all of the above into account it seems most likely to me that the reason for cutting the trip short was because there were concerns that Ms L and the other crew/passengers would be carrying and spreading the infection if they continued the trip as planned. So the requirement for Ms L to stay on board the boat and then travel home early were linked to controlling the spread of Covid-19, and I think it's reasonable to conclude that this was a form of quarantine.

On this basis I currently find that Ms L's claim is covered by the quarantine provision in the 'Cancellation and disruption' section of the policy. The fair and reasonable outcome is for Lloyd's to reassess her claim in line with the cover provided under the Cancellation and disruption section of the policy and the remaining policy terms and conditions.

As to the other points Lloyd's initially raised to decline the claim, I've seen no evidence that the trip organiser did recommence the trip as they had originally hoped and Ms L's provided evidence that she has been able to obtain some costs through the travel provider's trade association.

If the claim is payable then under the policy terms Lloyd's can reasonably take into account the money Ms L has recovered for the costs claimed'.

Responses to my provisional decision

Lloyd's and Ms L accepted my provisional decision. Ms L said she looked forward to receiving the balance of her claim.

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.

As both parties accepted my provisional decision I've no reason to change my mind. For the reasons I've given in my provisional findings and these findings I'm satisfied that Ms L's claim is covered by the quarantine provision in the 'Cancellation and disruption' section of the policy and the fair and reasonable outcome is for Lloyd's to reassess her claim in line with the cover provided under the Cancellation and disruption section of the policy and the remaining policy terms and conditions.

I note Ms L's comment that she looks forward to receiving the balance of her claim. My direction is for Lloyd's to reassess her claim in line with the remaining terms and conditions of the policy. I'm not making an award of financial compensation or telling Lloyd's what costs, if any, it must pay. If once Lloyd's has reassessed the claim it thinks there are costs not covered it will explain its decision to Ms L and if she disagrees then she can make a separate complaint.

Putting things right

Lloyd's must reassess Ms L's claim in line with the cover provided under the Cancellation and disruption section of the policy and the remaining policy terms and conditions.

If the claim is payable then under the policy terms Lloyd's can reasonably take into account the money Ms L has recovered for the costs claimed.

My final decision

I uphold the complaint.

I require Society of Lloyd's to reassess Ms L's claim in line with the cover provided under the 'Cancellation and disruption' section of the policy and the remaining terms and conditions of the policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 20 June 2022.

Nicola Sisk
Ombudsman