

The complaint

Mr D is unhappy with the amount Great Lakes Insurance SE offered him when he says he couldn't use his travel insurance policy.

All reference to Great Lakes includes its agents.

What happened

Mr D bought an annual multi-trip travel insurance policy, underwritten by Great Lakes ('the policy'). He also purchased 'add-ons' to the policy - gadget cover, terrorism cancellation cover and connecting flight cover. The policy started on 5 January 2020. It was due to end on 4 January 2021.

The base price for the policy including medical premium was £255.82. The premium for the add-ons totalled £59.11. Mr D paid insurance premium tax (charged at 20%) totalling £62.98 and received a discount of £19.54. So, in total, he paid £358.37 for the policy.

Mr D called Great Lakes in December 2020 to enquire whether the policy auto-renewed. When he was told that it doesn't, he asked whether – due to not being able to travel because of the impact of the Covid-19 pandemic – the policy could be extended by three to six months. He was told this wasn't possible.

Mr D subsequently complained to Great Lakes. In reply, Great Lakes offered Mr D:

- the opportunity to receive a pro rata voucher towards buying a new 15-month annual policy for the price 12, at current market rates, for a limited time; or
- the opportunity to receive a pro rata voucher towards buying a deferred annual policy, at the current market rates. You can then choose to start the cover at any time within 12 months of purchasing the policy, for a limited time.

Great Lakes calculated the credit voucher to total around £4 - backdated to 8 December 2020. Although, Mr D didn't cancel the policy during the policy year, Great Lakes took the date of the call in December 2020 to be a notional cancellation date.

Mr D didn't think any of the options presented by Great Lakes were fair. Unhappy, he complained to our service. Ultimately, our investigator partially upheld Mr D's complaint. She recommended Great Lakes pay – in the form of a voucher - a pro-rata refund of the premium paid for the policy from 8 December 2020. She also explained that the seller of the policy had offered to make a cash refund in the sum of £26.91 in respect of the premium paid for the add-ons.

Mr D didn't agree with our investigator. So, his complaint was passed to me to look at everything afresh to decide.

I asked Great Lakes to provide further calculations as I didn't think its calculations were correct. Great Lakes has now calculated the voucher to be around £55 (which includes a full

refund of the connecting flight cover, which is also underwritten by Great Lakes).

The seller of the policy also offered the monetary sum of £26.91 in respect of terrorism cancellation cover and gadget cover, both underwritten by different insurance providers. Great Lakes isn't responsible for any refund on premiums paid for these two add-ons. So, I said, if Mr D wished to accept this offer, it was open for him to do so and our service would tell the seller of the policy to send the payment directly to him. Mr D has since said he would accept that offer from the seller of the policy and our service has let them know that.

I issued my provisional decision in September 2022 focussing on the elements of the policy underwritten by Great Lakes explaining why I was intending to partially uphold Mr D's complaint. An extract of which is set out below:

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In her view dated October 2021, 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.

Is Mr D entitled to a refund of the premium paid for the policy?

The terms and conditions of the policy set out Mr D's cancellation rights under the contract. These say:

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.

The policy was cancelled outside the cooling off period and so there's no requirement under the relevant industry rules and guidelines for Great Lakes to offer a full refund.

As I've outlined above, the contract of insurance says that where cancellation is more than 14 days after payment of the premium, no premium will be refunded except in exceptional circumstances. But I don't think it would be fair to ask Great Lakes to exercise the discretion it has, under the terms of the policy, in the circumstances of this case, to refund the premium Mr D paid for the policy. I'm not persuaded that the Covid-19 global pandemic amounts to 'exceptional circumstances' akin to two examples in the policy term referred to above. And I don't think the impact of the global pandemic, which affected many of Great Lakes' policyholders, is one which this term is intended to cover.

But I'm conscious that Mr D's need for the policy changed due to circumstances outside of his control. So, I've considered whether it would still be fair and reasonable to ask Great Lakes to depart from industry rules and the policy terms in the circumstances of this case – particularly given the exceptional, extraordinary and unexpected circumstances surrounding the pandemic.

Covid-19 – and its global impact - couldn't have been anticipated and foreseen. And whilst it was outside of the control of Mr D, it was also outside of the control of Great Lakes. Further, Covid-19 didn't make it impossible for Mr D's contract with Great Lakes to be performed – or

for him to have benefitted from the policy.

Cover under the policy started on 5 January 2020 and Mr D was insured from that date, for the duration of the policy, for trips worldwide lasting up to 50 days at a time. Mr D didn't cancel the policy but Great Lakes has used the date of a call he made to question the fairness of not being able to extend the end date of the policy (8 December 2020), as the calculation date to make a pro-rata premium refund.

I know Mr D says he contacted Great Lakes much earlier than this. But Mr D has been unable to provide any further evidence any earlier calls and I've seen evidence that Great Lakes has searched its telephone records systems for Mr D's number, and it hasn't been able to locate any other calls. Further, Mr D makes no reference to any earlier calls or contact during the call on 8 December 2020 – which I've listened to. So, on balance, I'm satisfied that the first time Mr D spoke to Great Lakes about the policy after it had started was then.

Because of the way annual multi-trip insurance policies work, an insurer has no way of knowing how many trips Mr D had taken or how many had been booked (unless Mr D had made a claim under the policy, which he didn't). There may have been many trips booked or, as it transpires in Mr D's case, only the one he'd booked and went on in January 2020 for over a week.

Great Lakes was covering the risk of a claim during the time the policy was in force including Mr D's trip in January 2020. Great Lakes was on risk for any claim that may have arisen should that trip have been cancelled between the policy start date and date he was meant go on holiday. And for any claim he might have needed to make because of an insured event occurring whilst away – for example if he required urgent medical care or needed to be repatriated back to the UK.

The price set by Great Lakes for the policy also covered Mr D for cancellation of any other holidays which he'd booked and was due to take during the period of cover. And Great Lakes covered the risk of Mr D making any successful claims during that same period.

It's a fundamental principle of insurance law that if the insurer had started to bear the risk concerned – for however short amount of time – the premium paid is not returnable. So, regardless of what Mr D's cancellation rights were, I don't think it's unfair for Great Lakes to retain any premiums relating to the risk it covered. Particularly when the policy wasn't cancelled.

However, had the policy been cancelled on 8 December 2020 – which was offered to Mr D during that call - Great Lakes would no longer have incurred any risk of any claim going forwards. I understand Mr D had no other trips booked at the time. And based on the unique and unprecedented circumstances surrounding the Covid-19 pandemic, I think, it was fair and reasonable for Great Lakes to offer Mr D a pro-rata refund of the premium he'd paid for the policy from 8 December 2020 up the policy end date; 4 January 2021.

When provisionally making this decision, I've taken into account that Great Lakes did amend policies issued on, or after, 16 March 2020 for covered trips commencing on or after 17 July 2020 – as reflected by the amended policy booklet provided to our service. However, as Mr D's policy was issued before 16 March 2020, I don't think these changes applied to him.

I've also thought about what Mr D says about receiving an amended schedule of insurance from Great Lakes which contained important information about Covid-19. This confirms that any claims arising from any Coronavirus including Covid-19 won't be covered. But it also says such exclusion didn't apply to claims under emergency medical and repatriation

expenses – or claims arising from any epidemic or pandemic as declared by the World Health Organisation. So, I think the policy was still *capable* of benefitting Mr D in the circumstances of this particular case. And if he wanted the policy cancelled, he could've contacted Great Lakes before December 2020 to do so. But for reasons set out above, I don't think he did.

So, just because he might have thought it more unlikely that he might travel after mid-March 2020, for all the reasons set out above, I don't think was incapable of benefiting him.

Was it fair and reasonable to offer a credit voucher instead of a refund?

When considering whether Great Lakes should've offered a pro-rata monetary refund of the premium or by way of credit, I've considered what would be fair and reasonable to both parties.

Mr D entered into a contract with Great Lakes, paying a premium, in return for Great Lakes' acceptance of the risk of a valid claim occurring under the policy during the period of cover. Offering a refund by way of a credit means the risk Great Lakes had agreed to accept is simply moved to a future date. Overall, I don't think Great Lakes acted unfairly by declining to offer a pro-rata monetary refund to Mr D by using a notional cancellation date of 8 December 2020 – rather than an earlier date as suggested by Mr D.

So, I think Great Lakes' offer to issue a voucher is fair in the circumstances of this case because the terms of the voucher aren't unreasonably restrictive. The voucher is valid for 36 months and can also be used to buy a single trip or annual, multi-trip, travel insurance policy. And if Mr D chose not to buy a policy with Great Lakes again, the voucher is also fully transferrable. So, if it isn't used by him, it can be used by someone else – if he chose to gift the voucher to a friend or family member, for example.

The calculation of the credit

When calculating the policy premium Great Lakes doesn't distinguish between pre-travel cancellation and post-departure cover. Rather, the premium charged is split equally across the whole period of cover.

An insurer is entitled to decide the way in which it calculates policy premiums, considering factors such as its previous claims experience, its assessment of the likelihood of claims arising and its own commercial interests. That's if it treats each customer fairly when doing so. Given Great Lakes' explanation, I'm satisfied there isn't a material unevenness in the prevalence of risk across the life of its annual multi-trip travel insurance policies.

I'm also satisfied that Great Lakes hasn't treated Mr D unfairly, or any differently, to other customers in similar circumstances by calculating the premium in this way. The credit amount offered by Great Lakes – using 8 December 2020 as a notional cancellation date - was calculated based on Mr D's unused period of standard travel insurance cover from that date to the end of the policy.

The policy was intended to cover Mr D for around 366 days – and the premium he paid for the policy was representative of the period cover was in place for. The value of the credit which Great Lakes has now offered is equivalent to 28 unused days of cover from 8 December 2020 to the end of the policy. This sum also includes a full refund – in the form of a voucher – for the premium paid for connecting flight cover.

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I invited both parties to respond to my provisional decision. Great Lakes didn't make any substantive comments on my provisional findings but did provide further calculations.

As I've said, Mr D said he wished to accept the monetary offer made by the seller of the policy of £26.91 to refund the premiums paid for the terrorism and gadget insurance add-ons, underwritten by different insurers. And our investigator has already notified the seller of the policy of that.

Mr D also said:

- He didn't like my inference that he's lying about contacting Great Lakes earlier than 8 December 2020. He said it's not possible for him to provide any further evidence of these calls as the number isn't recorded on itemised bills.
- He was never presented with refund options when he contacted Great Lakes in 2020;
- He's unhappy with my provisional findings about the changes made to the policy in March 2020 and that I had not read correspondence he'd sent to our service;
- It's not enough that he might be capable of deriving some limited benefit from the policy; the premium was costly and cover for the most prevalent condition during the period of cover was removed;
- He should be given a monetary refund of the premium not a voucher;
- It's absurd for me to suggest he could gift the voucher to friends and family. It's outside the scope of our service to make assumptions about his social situation;
- Covid-19 was an exceptional and unexpected event but the whole point of insurance is to protect against the unexpected.
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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.

That includes Mr D's further points which I've summarised above. Having done so, I partially uphold his complaint for the same reasons set out in my provisional decision – an extract of which is set out above and forms part of my final decision.

I know Mr D feels that I've inferred that he's lied about calling Great Lakes before December 2020. That's not my intention. It's possible that he did make those calls. However, on the balance of probabilities there's not enough evidence to show that he did. He can't provide any further evidence of the calls and Great Lakes' has shown that no other calls were made from his number before then. Further, he made no reference to earlier calls during the call dated 8 December 2020.

I can also assure Mr D that I've read all of his correspondence about changes to the policy in March 2020. But for reasons set out in my provisional decision, I still don't think that means it would be fair and reasonable for Great Lakes to give him a bigger refund of the premium he paid for the policy.

I've set out in some detail in my provisional decision why I think it's fair and reasonable for Great Lakes to offer a proportionate refund of the premium from 8 December 2020 in the form of a voucher rather than a monetary refund. I know Mr D disagrees, but his further comments haven't changed my mind. I also appreciate that he's unhappy that I've said that he could gift the voucher to family or friends if he doesn't want to use it. I wasn't making assumptions about his social situation but because the voucher is transferrable to somebody else is one of the reasons why I don't think the terms of the voucher are unreasonably restrictive in this case.

Putting things right

Within 28 days from our service confirming to Great Lakes that Mr D accepts my final decision, I direct Great Lakes to calculate the value of Mr D's voucher on the following basis:

- A pro-rata refund of the premium paid for the policy from 8 December 2020. Great Lakes should calculate the refund by dividing the actual base price paid for the policy by the total cover length (in days) multiplied by days not on risk.
- A full refund of the premium paid for the connecting flight cover as it has offered to do.

Alternatively, if Great Lakes has already issued Mr D with a voucher it initially offered him after first complaining to Great Lakes, I direct it to issue him with a further voucher for the difference between the value of that voucher and the recalculated amount.

My final decision

I partially uphold Mr D's complaint. And I direct Great Lakes Insurance SE to put things right by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 24 November 2022.

David Curtis-Johnson
Ombudsman