

The complaint

Mr and Mrs P complain about the administration of their travel insurance policy by Great Lakes Insurance SE. Mr and Mrs P's son, Mr S, is assisting them in bringing their complaint. Reference to Great Lakes includes its agents.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here in full. In summary, Mr and Mrs P had annual travel insurance underwritten by Great Lakes. The policy relevant to this complaint started on 19 December 2020 and was extended by three months to 18 March 2022. Mr P declared one pre-existing medical condition and Mrs P declared nine pre-existing medical conditions.

In August 2021, Mr and Mrs P contacted Great Lakes about changes to Mrs P's health. In October 2021, Mr and Mrs P contacted Great Lakes again. Great Lakes called Mr and Mrs P on 5 November 2021 to discuss Mrs P's medical conditions. I'll refer to that phone call in more detail below. There were two other relevant phone calls on 6 November 2021 and 8 November 2021.

Following their conversations with Great Lakes, Mr and Mrs P proceeded on the basis that it had cancelled their policy. They paid £801.78 for a new single trip travel insurance policy with another insurer and went on their trip. On their return, they complained to Great Lakes as they were unhappy that it withdrew cover. They said that it was difficult to get through to Great Lakes when they wished to update it about changes to Mrs P's health. Mr and Mrs P say that Great Lakes sent a renewal notification even though cover had been withdrawn. They want Great Lakes to refund all of the premium for their annual policy.

Great Lakes said that it was entitled to withdraw cover. It offered Mr and Mrs P a pro rata refund of £397.34, backdated to when they last travelled with the benefit of the annual policy in August 2021. It also offered compensation of £50 in relation to service issues. That wasn't acceptable to Mr and Mrs P.

One of our investigators looked at what had happened. He thought that Great Lakes should reimburse Mr and Mrs P for the cost of their single trip travel insurance policy up to the value of the cancellation claim they could have made.

Mr and Mrs P agreed with the investigator. Great Lakes said that Mr and Mrs P hadn't made a cancellation claim and asked how it could pay a claim that it hadn't declined. The investigator explained that he hadn't recommended that Great Lakes settle a cancellation claim. He'd recommended that it cover the cost of the single trip policy Mr and Mrs P took out to cover their trip, up to the value of the cancellation claim Mr and Mrs P could have made.

Great Lakes didn't respond further. Mr S asked that Great Lakes also pay interest. As there was no agreement between the parties, the complaint was passed to me to decide.

My provisional decision

On 9 March 2023, I sent both parties my provisional decision in this case. I indicated that I intended to uphold the complaint but with a different outcome than had been mentioned before. I said:

'the relevant terms and conditions

The starting point is the terms and conditions of the policy, the relevant parts of which say as follows:

"Health Declaration

[...]

We are unable to provide cover for any pre-existing medical condition(s) where [...] you are awaiting the results of any tests.[...]"

"Changes to your health after purchasing your policy

If after you purchase your policy, or before booking any new trips, any of the following happens:

- [...]
- **you are now awaiting a diagnosis, investigation, test results or medical treatment then you must contact [Great Lakes]. A member of the team will ask you specific questions about your medical condition(s).**

This may result in an additional **premium** to allow cover to continue, to add additional Terms and Conditions to **your policy** or to exclude cover for the newly diagnosed condition or for the condition that has undergone significant change.

If **we** are unable to continue to provide cover [...] **you** will be entitled to make a claim under Section 1 (Cancellation) for costs which cannot be recovered elsewhere for **trips** booked prior to the change in health.

Alternatively, **you** will be entitled to cancel **your policy**, in which case, we will refund a proportionate amount of **your premium**."

has Great Lakes acted unfairly?

I intend to uphold Mr and Mrs P's complaint but with a different outcome than has been suggested before. I'll explain why:

- In general terms, insurers can decide what risks they are willing to cover. Mr and Mrs P's policy provides that Great Lakes may exclude cover in the circumstances that arose here. Mrs P was waiting for an MRI in November 2021. Great Lakes says that its underwriting decision was that there was no cover for any of Mrs P's pre-existing conditions related to the outstanding tests or investigations and that Mrs P should report back when she received the test results. Great Lakes was entitled to come to that decision, and I don't think it acted unfairly or unreasonably in doing so. But that's not what it told Mr and Mrs P in November 2021.
- I've listened to the recordings of the phone calls between Mr and Mrs P and Great Lakes in November 2021. On 5 November 2021, after taking further information from Mrs P, Great Lakes said that it could no longer offer cover. It said that the options were to cancel their upcoming trip and make a claim for cancellation or cancel the policy and receive a pro-rata refund of the premium and be reimbursed for the cost of an alternative, single trip policy up to the value of the cancellation costs and within the policy limits.

- *I'm conscious that there was a phone call between Great Lakes and Mr and Mrs P on 6 November 2021, but the recording provided is incomplete, so I haven't heard the substance of that call. I understand that Mrs P clarified the position in relation to her outstanding medical investigations.*
- *In the phone call on 8 November 2021, Great Lakes told Mr and Mrs P that there was no cover for any pre-existing conditions. That was not in fact the case as there was no change in relation to Mr P. The options it offered to Mr and Mrs P were slightly different than it had mentioned before in that it said they could cancel their trip and make a claim on the policy, cancel the policy and receive a pro-rata refund of the premium or travel in the knowledge that their pre-existing medical conditions weren't covered. Great Lakes didn't mention reimbursing Mr and Mrs P for the cost of a new, single trip policy to cover their upcoming trip.*
- *Based on their phone conversations with Great Lakes in November 2021, I think Mr and Mrs P understood that it had withdrawn cover and cancelled the policy, but it hadn't in fact done so as it was waiting to hear from Mr and Mrs P about how they wished to proceed.*
- *Whilst Great Lakes was entitled to withdraw cover for any of Mrs P's pre-existing conditions related to the outstanding tests or investigations, I think that it's fair and reasonable for Great Lakes to reimburse Mr and Mrs P for the cost of their new, single trip policy up to the value of any cancellation claim Mr and Mrs P could have made if they had cancelled their trip in November 2021. That's because Mr and Mrs P reduced Great Lakes' exposure to loss when they decided not to cancel their trip and make a cancellation claim. I don't think it's fair that they are penalised for that. Great Lakes should also pay interest on this sum.*
- *Great Lakes has already offered to pay Mr and Mrs P a pro rata refund of £397.34, backdated to when they last travelled with the benefit of the annual policy in August 2021. I think that's fair. I don't think that a fair resolution requires that Great Lakes pay interest on the pro rata refund of premium. That's because it was offered to Mr and Mrs P in November 2021. They could have accepted it then, but Mr and Mrs P didn't tell Great Lakes how they wished to proceed. I can quite understand that they wanted to arrange alternative cover and go on their trip but in all the circumstances, I don't think it would be fair and reasonable to direct Great Lakes to pay interest on the pro rata refund, as I don't think it's responsible for the delay in its payment.*
- *Mr and Mrs P asked that Great Lakes reimburse the total cost of their annual policy. There are no grounds on which I could fairly direct Great Lakes to do that as Mr and Mrs P had the benefit of cover under the policy until Great Lakes decided that there was no cover for any of Mrs P's pre-existing conditions related to the outstanding tests or investigations.*
- *Mr and Mrs P mention that since their complaint, they've taken out new annual travel insurance underwritten by Great Lakes and have declared the same medical conditions as before. Insurers may choose to offer different cover under different brands. And if Mrs P was no longer waiting for an MRI when the new annual policy was taken out, the basis of the risk was different.*

- *Mr and Mrs P also complain about service issues. They clearly had difficulty contacting Great Lakes in August 2021. Mr and Mrs P tried to contact Great Lakes about Mrs P's medical conditions before a trip in August 2021. They had difficulty getting a response. By the time Great Lakes contacted Mr and Mrs P, nine days after their e-mail asking for help, Mr and Mrs P were on a trip. I don't think that delay was acceptable, particularly as Mr and Mrs P were attempting to ensure that their medical conditions were covered before a trip.*
- *There was also confusion in November 2021. Great Lakes first said that it could no longer offer cover then said that there was no cover for any pre-existing conditions. Neither of those statements accurately reflected Great Lakes' underwriting position which was that there was no cover for pre-existing conditions that are related to the test Mrs P was waiting for and that all other unrelated medical conditions will be covered as long as they've been screened and accepted.*
- *I think that the confusion caused Mr and Mrs P distress and inconvenience, as they were trying to make sure that they had appropriate cover in place before their trip. Great Lakes has offered compensation of £50 in relation to service issues. I don't think that's sufficient in this case. I think that compensation of £200 is fair and reasonable in relation to Mrs and Mrs P's distress and inconvenience caused by Great Lakes' poor service in this case.'*

Responses to my provisional decision

Great Lakes didn't respond to my provisional decision. Mr S responded on Mr and Mrs P's behalf. He said that Mr and Mrs P accepted the provisional decision and he queried the calculation of the redress.

The investigator explained that the proposed redress meant that Great Lakes would reimburse Mr and Mrs P the cost of the single trip travel insurance policy they took out with another insurer *up to* the value of the cancellation claim they could have made on their annual travel insurance policy with Great Lakes.

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.

I see no reason to depart from the conclusions I reached previously. For the reasons I've explained, a fair and reasonable outcome in this case requires Great Lakes to reimburse Mr and Mrs P for the cost of their new, single trip policy *up to* the value of any cancellation claim Mr and Mrs P could have made if they had cancelled their trip in November 2021. It's not for this service to calculate the value of the cancellation claim Mr and Mrs P could have made; Great Lakes will do that. Great Lakes should also pay interest on this sum.

I think that Great Lakes' offer to pay Mr and Mrs P a pro rata refund of £397.34 is fair and that it should also pay them compensation of £200 in relation to their distress and inconvenience.

Putting things right

In order to put things right Great Lakes should pay Mr and Mrs P:

- the cost of Mr and Mrs P's single trip travel insurance policy with another insurer, up to the value of the cancellation claim Mr and Mrs P could have made on their

annual travel insurance policy with Great Lakes if they had cancelled their trip in November 2021,

- 8% simple interest per annum on the amount calculated as directed above, from the date Mr and Mrs P bought the single trip travel insurance policy, to the date of settlement,
- £397.34 pro-rata refund of premium it has already offered, if it has not already paid this amount, and
- compensation of £200 in relation to their distress and inconvenience arising from service issues.

My final decision

My final decision is that I uphold Mr and Mrs P's complaint. Great Lakes Insurance SE should now take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 26 April 2023.

Louise Povey
Ombudsman