

The complaint

Mr and Mrs B complain that Great Lakes Insurance SE cancelled their travel insurance policy.

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, in September 2021, Mr and Mrs B took out a travel insurance policy underwritten by Great Lakes. The policy had start and end dates in September 2021 and December 2022 respectively. At the time of taking out the policy, Mr B disclosed one medical condition, which Great Lakes accepted.

In August 2022, Mr B received a new diagnosis relating to a significant change in health. In October 2022, he contacted Great Lakes and told it about his new health condition.

Great Lakes asked Mr B some medical screening questions then told him that it couldn't cover his new condition, or anything medically related to that condition, or the treatment Mr B was undergoing. Great Lakes subsequently said that it couldn't provide any cover and cancelled the policy. Great Lakes paid Mr and Mrs B a pro rata refund of £34.99. Mr and Mrs B booked and travelled on a trip without insurance cover.

Mr and Mrs B complain that Great Lakes acted unfairly in cancelling the policy. They say that they didn't expect Great Lakes to cover Mr B's new condition but did not expect it to cancel the policy. Mr and Mrs B say that Great Lake's actions left them with a difficult decision about whether to take a trip. Mr B says that he was dealing with the shock of his diagnosis at the time and Great Lakes didn't behave sympathetically. Mr and Mrs B want Great Lakes to reinstate their cover for the number of days remaining on the policy when it was cancelled.

One of our investigators looked at what had happened. She didn't think that Great Lakes had shown that it acted fairly in declining all cover for Mr and Mrs B. The investigator said that Great Lake's actions caused upset at an already difficult time and that it could have handled better the initial notification of Mr B's change in medical status. She recommended that Great Lakes pay Mr and Mrs B compensation of £100.

Mr and Mrs B accepted what the investigator said but Great Lakes didn't respond. As there was no agreement between the parties, the complaint was passed to me to decide.

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.

the relevant terms and conditions

The starting point is the terms and conditions of the policy, the relevant part of which says that a policyholder must inform Great Lakes about certain changes to health after purchasing the policy. The terms also say that Great Lakes may charge an additional premium, add additional terms, exclude cover for the newly diagnosed condition or withdraw cover. If the latter, the policyholder may claim irrecoverable cancellation costs for trips already booked or a pro rata refund of premium.

did Great Lakes act unfairly or unreasonably?

The relevant rules and industry guidance say that Great Lakes has a responsibility to handle claims promptly and fairly and it shouldn't reject a claim unreasonably. I don't think that Great Lakes treated Mr and Mrs B fairly and reasonably. I say that because:

- Mr and Mrs B's policy requires them to tell Great Lakes about certain changes in health during the term of the policy. That was what Mr B did in October 2022.
- In general terms, insurers can decide what risks they are willing to cover. Great Lakes told Mr B that its underwriting decision was that it could no longer offer cover under the policy. This service has asked Great Lakes for evidence from underwriting about how it came to that conclusion. That was so that we could determine whether it had treated Mr and Mrs B fairly and reasonably. Great Lakes said it couldn't provide what this service had asked for.
- Based on what I've seen, I don't think that Great Lakes has shown that it treated Mr and Mrs B fairly and reasonably in cancelling the policy. It hasn't shown how it came to its decision about Mr B's medical conditions and there's nothing to indicate why it withdrew cover in relation to Mrs B. So, I can't safely conclude that Mr and Mrs B were treated the same as any other customer in the same set of circumstances.
- I think that there may have been confusion in this case on Great Lake's part. Great Lakes told Mr B that it could no longer offer cover under the policy. But in a subsequent referral to the underwriters during Mr and Mrs B's complaint, Great Lakes says that the underwriters said that they could not offer cover for *anything related to Mr B's pre-existing conditions*. Mr and Mrs B would have accepted that but that's not what they were offered by Great Lakes. Instead, Great Lakes cancelled the policy and issued a pro rata refund of premium.
- In cases like this, where an insurer withdraws cover entirely, we think it's fair and reasonable for it to offer to cover the cancellation costs of any pre-booked trip or the cost of cover with a new provider, up to the value of any cancellation claim that could have been made. That's not applicable here as Mr and Mrs B booked their trip after Great Lakes withdrew cover and travelled uninsured.
- I've considered the recording of the phone call between Mr B and Great Lakes when he told it about his new medical condition. I agree with Mr B that the call wasn't handled sympathetically and I understand why it upset him.
- In the complaint form, Mr and Mrs B asked that Great Lakes reinstate the cover under their policy. Events have moved on since then and I don't think that it's appropriate to reinstate cover now.

- Considering everything, I think that Great Lakes decision to cancel Mr and Mrs B's policy and its handling of Mr B's phone call caused distress and inconvenience. Mr and Mrs B were confused by Great Lake's decision and left with a difficult decision about whether they took a much needed trip, which added to their stress at an already worrying time. I think that fair and reasonable compensation for that is £200. In reaching that view, I've taken into account the nature, extent and duration of the distress and inconvenience caused by Great Lakes actions.

Putting things right

In order to put things right, I now require Great Lakes to pay Mr and Mrs B compensation of £200 in relation to their distress and inconvenience.

My final decision

My final decision is that I uphold this complaint. Great Lakes Insurance SE should now take the step I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 23 May 2023.

Louise Povey
Ombudsman