

## **The complaint**

Miss W complains about the settlement she's been offered by Great Lakes Insurance SE for a claim she made on a travel insurance policy.

## **What happened**

Miss W took out a single trip travel insurance policy through a broker. The policy was designed to provide cover for a skiing holiday. Miss W travelled abroad, but her baggage didn't arrive at her destination as planned.

So Miss W called Great Lakes to check what cover she held. She specifically wanted to know whether she'd be covered for ski equipment hire and clothing. The claims handler set out the applicable policy cover, including ski hire and ski equipment cover, along with baggage cover. However, they didn't tell Miss W that clothing wasn't included in ski equipment cover and neither did they explain that if Miss W's baggage was found, she'd only be entitled to baggage delay benefit.

Based on the call, Miss W understood that her clothing purchases would be covered in line with the policy limits. So she purchased clothing which would enable her to ski, along with hiring ski equipment. A few days into Miss W's trip, her baggage was found and sent on to her. Miss W made a claim for the costs she'd incurred.

Great Lakes made a partial offer of settlement. It agreed to pay Miss W baggage delay benefit and ski hire benefit in line with the policy terms. However, it didn't agree to settle the costs of Miss W's ski clothes or other purchases.

Miss W was unhappy with Great Lakes' offer and she asked us to look into her complaint. She said she'd relied on the information she'd been given by the claims handler and that she wouldn't have bought the clothing if she'd known it wasn't covered.

Our investigator thought Miss W's complaint should be upheld. She felt Great Lakes' policy terms had been clear as to the cover provided by the contract. But she thought that Miss W had asked the claims handler specific questions about what cover she held. And she didn't think the claims handler had explained how baggage delay cover or ski equipment cover worked as clearly as they should have done, leaving Miss W in a position where she believed she'd be covered for her clothing purchases up to a limit of £2000. So she recommended that in addition to the baggage delay and ski hire settlement, Great Lakes should pay Miss W £500 compensation. This represented the difference between baggage delay and ski equipment cover, along with an amount for Miss W's trouble and upset.

Great Lakes disagreed and so the complaint was referred for an ombudsman's decision. Subsequently, Great Lakes offered to pay Miss W £350 compensation, together with the settlement it had already offered for Miss W's baggage delay and ski hire benefits.

The investigator explained Great Lakes' offer to Miss W and also let Miss W know that she thought it'd be likely to conclude that this offer was fair and reasonable. However, Miss W disagreed. In brief, she felt the investigator's award of £500 was a more suitable

recommendation. So I now need to make a decision.

### **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 Miss W, I think Great Lakes' offer of settlement is fair and reasonable in all the circumstances and I'll explain why.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they must provide reasonable guidance to help a policyholder make a claim. So I've considered, amongst other things, the terms of Miss W's policy and the call she had with Great Lakes, to decide whether I think Great Lakes treated her fairly.

I've first considered the policy terms and conditions, as these form the basis of the contract between Miss W and Great Lakes. Section 10 sets out 'Personal Belongings' cover. This says that Great Lakes will cover personal baggage items that are lost, stolen or damaged during a trip. In Miss W's case, the personal baggage limit was £2000.

Section 10 also includes baggage delay cover. This says that Great Lakes will pay up to the sum insured (in Miss W's case, £50 benefit per day up to a limit of £200) to contribute towards the purchase or hire of essential items if a policyholder's baggage is delayed for more than 24 hours.

Miss W opted to add a winter sports upgrade to her policy, so I've gone on to look at the relevant available cover under that section of the policy too. The policy provides cover of up to £500 for ski equipment which is lost, stolen, destroyed or damaged during a trip. Ski equipment is defined as: *'skis, including bindings, ski boots, ski poles and snowboards'*.

And the policy also provides cover for the hire of ski equipment if, amongst other things, a policyholder's ski equipment is delayed in reaching them for more than 12 hours. The policy provides cover of £25 per day, up to a total limit of £250.

In my view, the policy is clear and unambiguous as to the cover Great Lakes provides if a policyholder's baggage is delayed or permanently lost. I'm also satisfied that Great Lakes has clearly defined what it means by 'ski equipment' and that this definition doesn't include ski clothing. As Miss W's baggage was ultimately delayed by more than 24 hours for a further three days, I think Great Lakes' original settlement offer was technically correct – it offered Miss W settlement in line with the baggage delay and ski hire sections of the policy.

I'm mindful that Miss W told the broker that she'd looked at the policy terms before calling Great Lakes. So I think she ought reasonably to have been put on notice that if her bag was found, any settlement would be limited to baggage delay and ski hire benefits. However, I've listened carefully to the call of 31 January 2023 between Miss W and Great Lakes. It seems clear to me that Miss W called Great Lakes because she wanted to check what she was covered for before buying specialist clothing to allow her to ski on her skiing holiday. So I think she took reasonable steps to ensure that her purchases were in line with the policy terms. The claims handler did go through the applicable policy limits with Miss W. But I don't think he was as clear as he could and should have been, as the 'insurance expert' in this situation. Miss W asked specifically about buying ski clothing - and the claims handler referred to a cover limit of £500 for lost or stolen ski equipment. He also referred Miss W to the policy limit of £25 per day for ski hire. So I think, based on that information, Miss W had a reasonable expectation that she was entitled to cover under for both ski equipment and ski hire. But, as I've explained above, the definition of ski equipment *doesn't* include clothing. So

Miss W wouldn't have been entitled to claim for replacement ski clothing under that particular heading. This means the purchases she explicitly stated she wanted to make wouldn't have been covered under her add-on ski cover regardless, even if her baggage had been permanently lost. On that basis, I think she was given unclear information about her cover.

The claims handler referred to baggage delay cover too. But Miss W asked specifically what the impact would be on her if her bag was found and returned to her. So I think the claims handler ought reasonably to have clarified with Miss W that if her bag was returned to her, she'd be entitled to baggage delay cover and ski hire cover only. Or, that if her bag was permanently lost, she'd been entitled to settlement under the personal baggage cover in line with the policy terms (less any settlement paid for baggage delay), together with a payment for ski hire. I think this would have made it very clear to Miss W that settlement she received for clothing purchases could be limited – potentially to delayed baggage and ski hire cover.

Miss W says had she been aware that she might not be covered for the clothing, she'd wouldn't have bought any and simply wouldn't have skied. It seems to me that given Miss W's baggage appears to have been lost, it's likely she would always have needed to buy some essential items. But on balance, given Miss W did take steps to call Great Lakes to check her cover before buying ski clothing, I find it most likely that she wouldn't have purchased specialist sportswear. So I think she likely spent money she wouldn't otherwise have done had the claims handler given her clear and accurate information about the cover she actually had and could be entitled to. Therefore, I find that Miss W did lose out as a result of Great Lakes' service failing on this point.

It seems to me that as Great Lakes has now offered to pay Miss W £350 compensation, in addition to the original settlement it offered, it accepts that it didn't handle Miss W's call as well as it could and should have done. I was pleased to note Great Lakes' offer of settlement. I consider that this amount represents fair compensation for Miss W's trouble and upset. In my view, it's a reasonable and proportionate award which takes into account Miss W's financial loss in terms of the difference between the ski equipment cover limit of £500 and the baggage delay limit of £200 and the time and inconvenience she's been put to. I don't think I could fairly or proportionately direct Great Lakes to pay a higher award of compensation in these circumstances. So I now direct Great Lakes to pay Miss W £350 compensation.

In July 2022, Great Lakes offered to pay Miss W £150 under the baggage delay section (three 24 hour periods of delay), together with £37.50, representing the costs of the ski equipment Miss W hired. I understand that at that point, Miss W didn't want to accept this settlement, given her unhappiness with Great Lakes' handling of her claim. Great Lakes must now also settle Miss W's baggage delay and ski hire claims in line with the policy terms and the settlement offer it made in July 2022, irrespective of whether Miss W decides to accept my findings regarding compensation.

### **My final decision**

For the reasons I've given above, my final decision is that Great Lakes has now made a fair and reasonable offer of compensation to reflect its service errors.

I direct Great Lakes Insurance SE to pay Miss W £350 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 23 August 2023.

Lisa Barham

**Ombudsman**