

The complaint

Mr and Mrs S are unhappy with what Admiral Insurance (Gibraltar) Limited did after they contacted it to report a change in health as required by their travel insurance policy.

What happened

Mr and Mrs S have an annual travel insurance policy with Admiral which started in November 2021. In February 2023 they contacted Admiral and said they were due to go on holiday the following week. They wanted to let Admiral know Mr S had been referred for investigation of a wisdom tooth. Admiral said it wasn't able to provide cover where a policyholder was on a waiting list for tests, investigation or further treatment. It said it would cancel Mr and Mrs S's policy and refund the premium paid.

Our investigator thought it was fair and in line with the policy terms for Admiral to vary cover in the event of a change in health. However, despite a number of requests it hadn't provided underwriting criteria to support the decision it had taken in this case. In addition, it wasn't clear Mr and Mrs S had been given the option to cancel their trip and make a claim on their policy when they spoke to Admiral.

She thought since they subsequently travelled without insurance when they couldn't find alternative cover it's likely that's what they'd have done even if a cancellation claim had been discussed with them. However, she thought Admiral should also have offered to pay the difference in premium between their policy and any new cover they took out up to the amount it would have paid out for a cancellation claim. If that had been done Mr and Mrs S might not have needed to travel uninsured. She said Admiral should pay them £100 in recognition of the distress they were caused.

Admiral didn't agree. It thought it would only need to cover the cost of a new policy if it had done something wrong which wasn't the case here. Mr and Mrs S didn't agree either. They said it had now cost them £250 to take out travel insurance which they wouldn't have needed to do if Admiral had continued to cover them. And it wasn't made clear when they took out the policy that Admiral could withdraw cover in the event of a change in health. So I need to reach a final 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.

I've looked first at the terms and conditions of Mr and Mrs S's policy. This says *"after you have paid for this policy, if you are diagnosed with a new medical condition or if your health changes, such as you are placed on waiting list for test, investigations or treatment, you must tell us immediately regardless of whether you have any trips booked or not"*

And once a change in health has been report the policy says *"we may vary the terms of your cover, which can include you having to pay an additional premium if we agree to cover it. If you do not want to pay the additional premium, the policy will be cancelled and a*

proportionate refund given (providing you have not made a claim or not about to)”.

If Admiral isn't able to continue with cover then *“the policy will be cancelled and a proportionate refund given (providing you have not made a claim or not about to) or alternatively you can make a cancellation claim for trips already booked (up to the amount paid so far)”.*

I think those terms are sufficiently clear and I don't think it's unfair of Admiral to act in line with those terms where a change of health has been disclosed to it. And while Mr and Mrs S say they didn't understand Admiral could act as it has those sort of terms are common to most travel insurance policies. I recognise they don't feel cancellation was a reasonable or proportionate response to the issue they disclosed but Admiral says its policy is to decline cover where people are placed on a waiting list for tests, investigation or further treatment. And I don't think that's unreasonable in principle because in that situation an insurer is unable to assess what additional potential risk the change in health may cause.

However, Admiral should nevertheless be able to provide evidence in support of its position. I'm disappointed to note that despite repeated requests since the complaint was first made to us Admiral has failed to provide us with underwriting evidence in support of its decision. As a result I'm unable to conclude it acted in line with those criteria when cancelling Mr and Mrs S's policy.

I also agree that Admiral should in any case have made clear when it spoke to Mr and Mrs S they had the option of making a cancellation claim for their upcoming trip. It's not clear whether it did that. And I don't think it's in dispute that it didn't offer to cover the cost of any new insurance cover, up to the value of any cancellation claim that could have been made (less any refund of premium that had been provided).

I appreciate Admiral doesn't feel that was something it should have offered but I don't agree. Our general approach is that it's fair and reasonable for an insurer to do so. That's because the cost of the alternative insurance is often far less than the cost the insurer would otherwise have paid had the consumer decided to cancel their holiday. By not making a cancellation claim and instead choosing to take out cover elsewhere and continue their trip, the consumer has effectively reduced the insurer's exposure to loss.

I've gone on to think about what Admiral needs to do to put things right. Mr and Mrs S didn't cancel their trip or take out alternative cover for it but travelled without insurance. So I don't think Admiral caused Mr and Mrs S any direct financial loss in the circumstances of this case. And fortunately nothing happened on that trip which could have given rise to an insurance claim. I also note Mr and Mrs S told us that they are no longer interested in reinstatement of their policy or in having future dealings with Admiral. I understand they've now taken out cover with an alternative provider. I accept there's a cost to that but I think that's a cost they'd most likely always have needed to pay if they wanted to have insurance cover in place (given their existing policy would have ended in November 2023 in any case).

Taking all of that into account I think the key thing Admiral needs to compensate them for is the stress and inconvenience they were caused by having to travel uninsured. I think it's likely that could have been avoided if it had acted as it should. Our investigator thought that £100 was the right amount to recognise the impact of that on them and Mr and Mrs S haven't made specific comments about this in their further comments to us. Having reviewed matters I think that's a fair way of putting things right in this case.

Finally, I appreciate Mr and Mrs S have raised broader concerns about the travel insurance market more generally and feel there should be a Government backed alternative. However,

that's not something I can reach a finding on. My role is to reach a decision on the complaint they've made to us about Admiral and I've explained my reasons for that. Mr and Mrs S are of course free to raise their concerns with the Government or their MP if they feel these are matters that require a political solution.

My final decision

I've decided to uphold this complaint. Admiral Insurance (Gibraltar) Limited will need to put things right by paying Mr and Mrs S £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 7 December 2023.

James Park
Ombudsman