

The complaint

Mrs and Mr A complain about Euroins AD's settlement of their travel insurance cancellation claim. My references to Euroins include its agents.

What happened

Mrs and Mr A had an annual travel insurance policy. Euroins was the relevant insurer. They were due to go on holiday abroad with their two children who were seven years old. Unfortunately just before the family was due to depart one of Mrs and Mr A's children became seriously ill which meant they had to cancel the holiday. Mrs and Mr A claimed for the costs of the cancelled holiday.

Euroins accepted the claim but only paid half the costs, less the excess and other deductible expenses. It said although Mrs and Mr A had paid the cost of the trip only they were covered under the policy, not their two children, so the children's costs weren't covered by the policy terms.

Mrs and Mr A complained to us. They said the policy terms stated that their costs would be covered and they had paid for the whole cost of the holiday as their young children were financially dependent on them.

Our investigator said Euroins had unreasonably settled the claim and recommended it pay the full claim.

Euroins disagrees and wants an ombudsman's 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.

The relevant regulator's rules say that insurers must handle claims promptly and fairly and they mustn't turn down (or settle) claims unreasonably. I think Euroins unreasonably settled Mrs and Mr A's claim. I'll explain why.

The policy says under the cancellation section:

*'We will pay you up to the amount shown in the summary of cover for the unused portion of your travel and accommodation costs ... that you have paid or contracted to pay and you suffer a financial loss because you cannot get a full refund if you cancel before the start of your trip...because of the following:
1. ...illness of you, your travel companion, a close relative...'*

The holiday had to be cancelled due to the illness of Mrs and Mr A's child, who was a travel companion and a close relative, so an insured event occurred. The issue I need to decide is whether Euroins should pay all the costs Mrs and Mr A paid.

Euroins says as the policy defines 'You/Your' as 'Each insured person named in the certificate of insurance', and only Mrs and Mr A are named on the certificate of insurance, the children's costs aren't covered. But Mrs and Mr A say as the policy terms state Euroins will pay the costs 'you have paid or contracted to pay and you suffer a financial loss...' (my emphasis) then all the cost is covered as they paid for all the holiday and they have all the financial loss.

I don't think the policy terms and conditions are clear that only the insured's proportion or share of the costs are covered even if the insured paid for the entire holiday cost as a gift. Euroins hasn't referred to any policy wording which makes that situation clear.

Mr A has provided bank statements showing he paid the full cost of the holiday. Given the children's age I accept Mrs and Mr A's evidence that their children are financially dependent on them. And there's no evidence that the children have their own insurance from which they would be able to claim the costs attributable to them. I'm satisfied that Mrs and Mr A weren't expecting any repayment from their children and they paid for their children as a gift.

The policy terms say there's cover for the insured's costs and in these circumstances I'm satisfied the insured's costs were the total costs of the booking. So I think Euroins' settlement of the claim was unreasonable.

Putting things right

Euroins must pay the remainder of the claim plus interest as I've detailed below.

My final decision

I uphold this complaint and require Euroins AD to pay the remainder of the claim plus interest* on the remaining amount at 8% simple a year from the date of claim to the date of settlement.

*If Euroins AD considers that it's required by HM Revenue & Customs to take off income tax from that interest it should tell Mrs and Mr A how much it's taken off. It should also give Mrs and Mr A a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr A to accept or reject my decision before 19 December 2023.

Nicola Sisk
Ombudsman