

The complaint

Mr B and Mr H have complained that Zurich Insurance PLC has deducted a previously refunded insurance premium from their claims settlement.

What happened

The background to this complaint is well known to both parties, so I won't repeat it in detail here. In this decision I'm considering only the actions of Zurich. But what happened initially concerns the action of an agent I'll call "A".

In summary when Mr H declared a change in health, Zurich advised that they could no longer offer him cover and the annual multi-trip policy was cancelled. Ultimately A refunded all the premium paid. Following a complaint to this service Zurich agreed to consider claims for three pre-booked holidays. When settling the claims it deducted the refunded premium. It also offered £300 for the service provided.

Our investigator didn't recommend that the complaint be upheld, they didn't find Zurich had done anything wrong and they thought that the compensation offered was fair. Mr B and Mr H appealed. They felt that the premium refund and the claim settlement were two separate incidents.

As no agreement has been reached the matter has been passed to me to determine.

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 I agree with the conclusion reached by the investigator for these reasons:

- The relevant regulator's rules say that insurers must handle claims promptly and fairly. So, I've considered, amongst other things, the terms of this policy to decide whether Zurich handled Mr B and Mr H's claim fairly.
- Zurich agreed to consider the claims for the three pre-booked holidays that were cancelled when it no longer agreed to cover Mr H due to his change in health. I can see there was some confusion when the policy was cancelled, but Zurich was entitled to deduct the insurance premium from the claim settlement. I recognise that this heavily impacted on the settlement made, but I don't find that was unfair.
- The policy terms provide for cancellation: *Should you wish to cancel your policy outside of the 14 day cooling off period or where a change to your existing policy means we are unable to continue with your cover, then the following terms apply:*

Annual multi -trip policies - Provided you have not made a claim (irrespective of whether your claim was successful or not) on the policy and you confirm in writing that there is no claim pending, should you choose to cancel and understand that all

benefits of the policy will be cancelled, we will refund 5% of the total premium paid, for each full calendar month remaining on the policy from the date of cancellation

So had the cancellation claims been accepted when the change in health was notified, the claims would've been payable but the premium would also have been due. The fact that the premium was refunded doesn't mean that Zurich should pay the claim without deducting the premium. Premium is due for cover provided. Our investigator did explain this in her view on the previous complaint. I don't find that Zurich treated Mr B and Mr H unfairly or contrary to the terms of their policy by deducting the premium from the claims settlement.

- Zurich has recognised that the service provided has caused inconvenience. It has offered £300 and I find that offer is fair.

My final decision

Zurich Insurance PLC has already made an offer to pay £300 to settle the complaint. I think this offer is fair in all the circumstances.

So my decision is that Zurich should pay Mr B and Mr H £300 if it hasn't already done so.

I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mr H to accept or reject my decision before 21 March 2024.

Lindsey Woloski
Ombudsman