

The complaint

Miss S has complained that Euroins AD has only partially settled a claim she made on a travel insurance policy.

What happened

Miss S was on a trip abroad in September 2022 when her baggage went missing on the return flight. She therefore made a claim on the policy for lost personal possessions.

Miss S made an earlier complaint to this service because Euroins said she needed to seek reimbursement from the airline first before it would look at any claim. Another ombudsman wrote a decision about that complaint in May 2023, concluding that Euroins was not at fault and that Miss S needed to make a claim to the airline in the first instance.

She did subsequently put in a claim to the airline and received an amount of £1441.27, after which she approached Euroins again.

Euroins settled the claim in February 2024 for the amount of £1,099.48.

Miss S values her loss at £5,806, which is the sum of the original purchase prices for all the items lost. She thinks this is the amount that Euroins should pay.

Our investigator thought that Euroins had acted reasonably in the way that it calculated the claim amount, in line with the policy terms and conditions. As Miss S disagrees with the investigator's opinion, the complaint has been passed to me for 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.

I've carefully considered the obligations placed on Euroins by the Financial Conduct Authority (FCA). Its 'Insurance: Conduct of Business Sourcebook' (ICOBS) includes the requirement for Euroins to handle claims promptly and fairly, and to not unreasonably decline a claim.

Within the policy document, there is a table that sets out the maximum amount of cover per head of claim. It shows that there is a maximum limit of £3,500 for personal possessions and baggage. Furthermore, there is a single item limit of £250 and a valuables limit of £250.

Looking further at the policy terms, under 'Personal Possessions and Baggage', it states:

'What you are covered for

1. We will pay up to the amount shown in the summary of cover for the value or cost of repair of any of your own personal possessions (not hired, loaned or entrusted to you) which

are lost, stolen, damaged or destroyed (after making allowance for wear and tear and depreciation).

What you are NOT covered for

6. loss, destruction, damage or theft:

b) of valuables not carried in your hand luggage (i.e. carried on or about your person) while in transit;

14. any depreciation in value;'

The definition of 'valuables' is:

'Jewellery, articles made of gold silver or other precious metals, precious or semi-precious stones, watches, binoculars, telescopes, photographic equipment, electronic audio or video equipment and any computer equipment (including software), tablets, furs, or leather clothing (apart from footwear).'

Miss S would like the full amount of what the items cost her when new. There are a number of reasons why that amount is not covered under the policy.

The policy provides maximum cover of £3,500, so that is already less than the £5,806 being claimed for.

The list of lost items includes clothing and footwear originally costing more than £250 each, which is the single item limit. Based on the available evidence, I'm satisfied that the single item limit has been applied correctly.

The policy allows deductions to be made for depreciation. Miss S feels that the deductions made in this case are excessive. I do take Miss S's point and have some sympathy with it. She has lost a number of high value designer items and the payout from Euroins is insufficient to allow her to replace those individual items.

However, whilst Miss S thinks the valuations should relate to current retail prices, the items were not brand new at the time they were lost. The intention of the policy is to cover the value of the used items, taking into account wear and tear. As such, it provides a proportionate contribution to the cost of replacing those items.

The policy wording, as set out above, makes it clear that depreciation is not covered. It follows that deductions will be made for items that are no longer new. Euroins has applied a formula of deducting 10% per year. It is the case that Euroins doesn't provide details of its depreciation formula within the policy document. But 10% per year is an industry standard and is in line with what this service considers to be fair and reasonable.

I've thought about what Miss S has said in relation to the value of individual items. However, overall, I'm satisfied that Euroins has acted reasonably in making deductions for wear and tear.

Miss S also claimed for two pairs of earrings and a ring. Jewellery comes under the definition of 'valuables'. And the policy clearly sets out that valuables are not covered during transit unless they are being carried in hand luggage. Therefore, I consider it reasonable that Euroins has declined to pay out for the lost jewellery.

With the deduction for depreciation, and excluding the cost of the valuables, Euroins initial settlement amount came out at £2,540.75. However, it then deducted the £1,441.27 that had

been received from the airline, to reach the final settlement amount of £1,099.48. Miss S thinks the amount paid by the airline is separate to the amount covered by the policy.

As set out above, the value of the covered items, after applying the formula for depreciation, has been calculated as £2,504.75, which I'm concluded is fair and reasonable.

Therefore, this is the total amount that Euroins would have paid out had the airline not contributed anything to Miss S's losses. As the policy only covers losses not recoverable from elsewhere, I'm not persuaded that it should disregard the amount she received from the airline.

I have a great deal of sympathy with Miss S's situation. She clearly had no control over the loss of her baggage by the airline and is out of pocket as a result. The matter at hand is whether the full purchase price of all her lost items is covered under the policy terms – and unfortunately they are not.

Overall, I'm satisfied that Euroins has settled the claim fairly and reasonably, in line with the policy terms and conditions.

My final decision

For the reasons set out above, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 13 February 2025.

Carole Clark
Ombudsman