DRN-5285687

The complaint

Mr S has complained that Covea Insurance plc declined a sickness claim he made on his mortgage payment protection insurance (PPI) policy.

What happened

Mr S became unwell in December 2023. However, upon making a claim on the policy, it was declined on the basis that he was not in employment at the point when he became unfit to work.

Our investigator thought that Covea had acted fairly in declining the claim, in line with the policy terms. Mr S disagrees and so 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 Covea by the Financial Conduct Authority (FCA). Its 'Insurance: Conduct of Business Sourcebook' (ICOBS) includes the requirement for Covea to handle claims promptly and fairly, and to not unreasonably decline a claim.

It is not in dispute that Mr S's last employment came to an end in August 2022 and that he wasn't working in December 2023 when he was signed off by his GP as unfit to work. However, Mr S's argument is that there is no requirement under the policy for someone to be working at the point where they become unwell.

Insurance policies aren't designed to cover every eventuality or situation. An insurer will decide what risks it's willing to cover and set these out in the terms and conditions of the policy document. The test then is whether the claim falls under one of the agreed areas of cover within the policy.

So, I've considered the terms of the policy Mr S holds, as this forms the basis of contract between the parties. There are several terms within the policy that I consider relevant to the complaint.

Under 'Eligibility' the policy states:

'You are eligible for this insurance if at the start date you:

- *are aged 18 years or over but under 64,*
- *work at least 16 hours per week,*
- *live in the UK,*
- *are paying or about to pay a mortgage agreement,*

• are named on the mortgage agreement and

• are up to date with your monthly repayments, if you have an existing mortgage agreement.

For the purposes of this insurance work means any paid work of at least 16 hours per week. This includes self-employed work and statutory maternity and parental leave but it does not include temporary work.

Important Notes

2. If you are off work due to accident or sickness at the start date:

** You may still be eligible for the insurance. However, you should be aware that you will not be able to claim for accident or sickness cover unless you have been symptom free, have not received treatment or consulted a doctor about the condition in the 12 months before the start of your accident or sickness claim.*

** If you do not return to work within the first 30 days following the start date, your accident or sickness cover will not start until you have returned to work for 30 consecutive days…..'*

Mr S's position is that the eligibility criteria, based on the circumstances at the start date of the cover, is the only part of the policy where employment status comes into play and that it isn't a relevant factor under other sections.

In addition to employment being a requirement to take out the policy in the first place, the terms also state that cover ends at the age of 65 or if you retire before 65 and do not intend to actively seek further work.

And, as set out above, the eligibility criteria goes on to say that someone might still be able to make a claim if they are off work sick at the start date, as long as they've been well during the 12 months immediately prior to a claim and that cover for accident and sickness would only start after a return to work of 30 consecutive days.

So, it seems to me that being in work during the lifetime of the policy is a fundamental requirement of the cover.

Looking further at the policy, under the heading: '*Changes To Your Circumstances During The Lifetime of Your Policy That May Affect Your Insurance Cover*', it states:

'It is your responsibility to ensure that this policy continues to meet your requirements should the circumstances of your work change during the lifetime of your policy, as this could affect your entitlement to make a claim or any monthly benefit paid during a period of claim.

Your eligibility for cover or the monthly benefit paid during a period of claim under this policy may change if your personal circumstances change. If this happens or is likely to happen you should call the Paymentshield Customer Helpline to discuss the changes. This would include for example:

• Changing your employment e.g. your work becomes temporary.'

Furthermore, looking at the Insurance Product Information Document (IPID), it states:

'Covers you whether you are employed or self-employed'

There's no mention of cover if you are not working. As the IPID is designed to provide a summary of the main features of the policy, I'm not persuaded that this wording is a reference only to the eligibility criteria at the start date, or a reference only to cover under the unemployment section of the policy.

Moving on to the most relevant part of the policy about accident or sickness cover, it states:

'What is Covered

If an accident or sickness prevents you from working for a continuous period beyond the qualification period shown in your certificate of cover, your monthly benefit under this policy will become payable as follows:'

• *Option 1: 30 Day Qualification Period + Back to day 1 cover*

On the 31st day we will pay 1 monthly benefit. We will then pay 1/30th of the monthly benefit for every further day you remain off work, up to the maximum number of payments as shown on your certificate of cover. We will make these payments in arrears at monthly intervals.

Example of how a claim is calculated

Day 1

Date you become unable to work due to accident or sickness.

Day 31

If you are still off work on day 31 we will pay your monthly benefit to cover your qualification period (back to day 1).

Day 61

We will continue to make monthly benefit payments for every further day you are off work, in arrears at monthly intervals.

Your final payment may be less than a full monthly benefit as it will be based on the number of days between the last monthly benefit payment date and your return to work up to the maximum number of monthly benefit payments as shown on your certificate of cover.'

Mr S says that what matters is that illness makes work impossible, with no requirement to have been working before it became impossible to do so. I understand the argument Mr S is making. However, I am not persuaded by it.

Where the policy talks about 'still off work' and 'returning to work', in the circumstances of a sickness claim, that could only happen if someone had a job at the point where they became unwell and therefore could return to it.

The policy talks about the evidence required for a claim for an employed person or a self-employed person. So, the policy wording is setting out the evidence required for the circumstances that are covered. I'm satisfied that it is therefore clear that a policyholder must be working in some capacity at the point of claim. I'm not persuaded by Mr S's point that, where the policy only talks about employment or self-employment, the absence of any reference to the specific information required when not working leaves the way open for making a sickness claim in that scenario.

Lastly, the definition of ‘Accident or Sickness’ is:

‘Any accident, sickness or disease which occurs after the start date which results in you being totally unable to carry out the duties of your normal work and not doing any other work, as confirmed by a doctor or specialist. Normal work means your work immediately before your accident or sickness, or any other work which we think you are, or may reasonably become qualified for, in view of your training, education and ability.’

So, here, there is a direct reference to work being the job someone was doing at the point when they became too unwell to work.

I’ve thought very carefully about what Mr S has said and I sympathise with his situation. However, overall, I consider that Covea has acted reasonably in declining the claim because he was not employed at the time when he was signed off as unfit to work.

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 Mr S to accept or reject my decision before 21 February 2025.

Carole Clark
Ombudsman