

The complaint

Mr and Mrs P complain about a travel insurance policy with Great Lakes Insurance UK Limited. Reference to Great Lakes includes its agents.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here in full. In summary, in February 2023, Mr and Mrs P bought a single trip travel insurance policy underwritten by Great Lakes to cover a trip from 5 June 2023 to 12 June 2023. They paid a premium of £128.42. The policy covered Mrs P's pre-existing medical conditions. Great Lakes excluded cover for Mr P's pre-existing conditions as he was waiting for medical investigations at the time. Great Lake asked Mr P to contact it when those investigations were complete.

In March 2023, Mr P's medical investigations were complete. He contacted Great Lakes about his cover. It quoted an additional £188.57 to cover Mr P's three pre-existing medical conditions, bringing the total premium to £316.99. Mr and Mrs P paid the additional amount but weren't happy about that and pursued their complaint.

Mr and Mrs P think that they've been overcharged in relation to Mr P's pre-existing medical conditions. They say that the increase they were asked to pay was higher than the increase they paid for a policy for a trip to a different destination on an earlier date and that the total premium was more than they'd have to pay with another insurer. Mr P generated a new quote from Great Lakes for the same trip and was offered a lower premium.

Mr and Mrs P also complain about how Great Lakes handled their complaint. They want Great Lakes to answer their e-mail of 18 March 2023 and provide them with a breakdown of the premium in relation to Mr P's pre-existing medical conditions, refund any overcharged amount and pay compensation of £70 in relation to poor communication.

One of our investigators looked at what had happened. She said that insurers are free to decide how much to charge for policies, as long as they exercise their judgement fairly and consistently. The investigator looked at confidential, commercially sensitive information Great Lakes had provided about how it calculated the premium. She said that the main factor in the overall rise in premium was Mr P's pre-existing medical conditions. The investigator thought that Great Lakes had calculated Mr and Mrs P's premium fairly.

The investigator didn't think it was reasonable to compare premiums with the different policies to which Mr and Mrs P had referred, as there are several different factors producing a different risk score.

The investigator said that Great Lakes made it clear that it would charge an administration fee in certain circumstances. She said that it had explained to

Mr and Mrs P the factors it considers when pricing its travel insurance policies and that it responded to Mr and Mrs P's complaint in a timely and reasonable way.

Mr and Mrs P didn't agree with the investigator. Mr P responded to say that the investigator hadn't considered properly the part of their complaint about Great Lakes' handling of their complaint. Mr and Mrs P didn't think Great Lakes had treated them fairly and reasonably. They asked that an ombudsman consider their complaint, so it was passed to me to decide.

Mr and Mrs P are clearly concerned about how Great Lakes handled their complaint. Our service can only consider complaints about financial services. So, I can't consider the additional points that Mr and Mrs P have raised about the handling of their complaint because complaint handling isn't a regulated activity. I realise that Mr and Mrs P will be disappointed by this, but I can't act outside my legal powers.

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 central question for me to decide is whether Great Lakes acted fairly and reasonably in its pricing of Mr and Mrs P's premium for the single trip policy about which they complain.

Given the significant increased amount Mr and Mrs P were asked to pay, I can understand their concerns. However, this service isn't the industry regulator, and we have no power to direct an insurer to reduce a premium. It's not my role to tell an insurer what price it should charge for the risks its policies cover, nor what factors it should take into account in assessing those risks. In general terms, it's for an insurer to decide what risks it wants to cover and what premium to charge to cover those risks. Our general approach is that, providing they treat people fairly, insurers are entitled to decide what premium covers a risk.

Insurers consider many factors when setting premiums. When deciding how much to charge for their policies they will assess the likelihood of a policyholder making a claim and how much they might have to pay out for those claims. And each insurer will go about that in its own way. It's for Great Lakes to decide which factors it wishes to take into account.

As the investigator explained, Great Lakes has provided this service with some information to explain how it calculated Mr and Mrs P's premium. I'm afraid I can't share that information with Mr and Mrs P. This service doesn't think it's unreasonable for insurers not to share with policyholders sensitive commercial information showing how it calculates premiums. That's because the information could be used by competitors to gain a commercial advantage. I appreciate that Mr and Mrs P accept that.

I've looked carefully at the information Great Lakes has provided. I'm satisfied that the premium Great Lakes charged Mr and Mrs P was calculated correctly. I've seen nothing to indicate that Mr and Mrs P were treated less favourably than other policyholders in a similar position. I don't think that Great Lakes calculated Mr and Mrs P's premium unfairly. Premium setting is essentially a matter of commercial judgement and not something with which we would usually think it's fair to interfere.

I note that Mr and Mrs P say that soon after they paid the additional amount to Great Lakes, they got a cheaper quote for a comparable policy from another insurer. Each insurer will have its own approach to assessing risk and offer different terms. That may well lead to different premiums. And in this case, the cover from the other insurer would have been for a shorter period than Mr and Mrs P's policy, which started in February 2023.

Mr and Mrs P have also referred to a much smaller increase they were asked to pay on another single trip policy with Great Lakes. I understand that on that policy, some of Mr P's pre-existing conditions were already covered. And the destination of the trip and the remaining period of cover were different too. Those factors would have led to a much smaller increase in the premium.

Mr and Mrs P say that they obtained an on-line comparable quote from Great Lakes for a lower premium. The period of cover for that quote would have been shorter than the period of cover of the policy about which Mr and Mrs P complain.

It's not unusual or unfair for insurers to charge different amounts for different channels of business. I don't think it's necessarily unfair for an insurer to charge less when the cost of doing business is lower. I accept what Mr and Mrs P say about being directed to call Great Lakes, rather than continuing their purchase online. That was because their purchase wasn't straight forward, given Mr P's awaited medical investigations.

For the reasons I've explained, I don't think that Great Lakes treated Mr and Mrs P unfairly or unreasonably.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 6 December 2023.

Louise Povey
Ombudsman