

The complaint

Mr and Mrs N are unhappy with how Great Lakes Insurance SE settled a claim they made on their travel insurance policy.

What happened

Mr and Mrs N held an annual policy with Great Lakes and had paid for an add on for cruise cover. They tested positive for Covid-19 whilst on a cruise holiday. In line with the relevant country's health regulations, they spent 7 days in isolation. So, they missed part of their cruise and incurred additional expenses.

Great Lakes agreed to cover the claim and offered a settlement figure. They then offered a reduced settlement. Mr and Mrs N complained about the settlement figure and delays in handling the claim. In particular they were unhappy that Great Lakes hadn't covered the part of their cruise that was cut short and train tickets.

Our investigator looked into what had happened and upheld the complaint. She thought that Great Lakes should pay £150 compensation for the extensive delays in handling the claim. And she also thought that Great Lakes should settle the curtailment claim and pay 8% simple interest because she didn't think the limitations on cover for contracting Covid-19 were clear from the policy terms. She didn't think Great Lakes needed to cover the train tickets.

Mr and Mrs N accepted the investigator's findings. Great Lakes didn't agree and asked an ombudsman to review the complaint. In summary, they said there was no cover because there wasn't an insured event and there was a relevant general exclusion which applied to all the policy terms.

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 rules and industry guidelines say that Great Lakes has a responsibility to handle claims promptly and fairly. And they shouldn't reject a claim unreasonably.

The policy terms and conditions

The core cover for curtailment and loss of holiday is set out on page 28 of the policy. It says:

Loss of Holiday

The number of complete days that You are confined to a hospital, hotel room or cabin on the orders of Your treating Medical Practitioner during the period of Your Insured Journey, due to Your Bodily Injury or Illness

This section of the Policy sets out the cover We provide to each Insured Person in total per Insured Journey, up to the sum insured shown in the "Table of Benefits",

following necessary and unavoidable Curtailment of, or Loss of Holiday on, an Insured Journey as a result of:

1. The death, Bodily Injury or Illness, as certified by a Medical Practitioner, of You, Your Relative, Colleague or travelling companion or of a friend with whom you had arranged to stay.

What is covered

1. Your reasonable additional travel and accommodation expenses which You incur in the Curtailment of Your Insured Journey; and
2. A pro-rata amount corresponding to the cost of the unused proportion of:
 - a. Your non-refundable pre-booked travel and accommodation expenses which You have paid or are contracted to pay; and
 - b. Your non-refundable pre-booked airport parking, car hire, airport lounge pass and excursions which You have paid or are contracted to pay; and
 - c. Your non-refundable visa, ESTA (Electronic System for Travel Authorisation for travellers to the USA) or other relevant travel permission which You have paid.

Section 20 sets out the Covid-19 cover on pages 72 and 73 of the policy. It says:

'PLEASE NOTE: this section of cover extends the cover provided under the "Emergency medical and repatriation expenses", "Cancellation" and "Curtilment and loss of holiday" sections of this Policy as follows:

Curtilment

We provide to each Insured Person in total per Insured Journey, up to the sum insured shown in the "Table of Benefits", following necessary and unavoidable Curtilment of an Insured Journey as a result of:

1. Death of Your Relative or a member of Your household living in the United Kingdom contracting COVID-19, as certified by a Medical Practitioner following a medically approved test showing a positive result for COVID-19 or having a confirmed temperature above 38 degrees Celsius.
2. The hospitalisation as a result of COVID-19 for treatment with mechanical ventilation, of Your Relative or a member of Your household living in the United Kingdom.

In addition, where You are unable to continue with a pre-booked excursion following Your self-isolation as ordered by a relevant Government authority due to contracting COVID-19, as certified by a Medical Practitioner following a medically approved test showing a positive result for COVID-19.

What is covered

1. Your reasonable additional travel and accommodation expenses which You incur in the Curtilment of Your Insured Journey; and
2. A pro-rata amount corresponding to the cost of the unused proportion of:

- a. Your non-refundable pre-booked travel and accommodation expenses which You have paid or are contracted to pay; and
- b. Your non-refundable pre-booked airport parking, car hire, airport lounge pass and excursions which You have paid or are contracted to pay; and
- c. Your non-refundable visa, ESTA (Electronic System for Travel Authorisation for travellers to the USA) or other relevant travel permission which You have paid.

Under the same section there is cover for emergency medical and repatriation expenses. It says:

Emergency medical and repatriation expenses

C.1. Trips outside the United Kingdom

We provide to each Insured Person in total, up to the sums insured shown in the 'Table of Benefits', in the event of an unforeseen medical emergency during an Insured Journey outside the United Kingdom as a result of You contracting COVID-19, as certified by a Medical Practitioner following a medically approved test showing a positive result for COVID-19.

What is covered

1. Emergency medical and repatriation expenses.-

- a. Reasonable and necessary medical and hospital expenses, including the cost of ambulance transport where medically necessary to take You to hospital; and
- b. Returning You to the United Kingdom provided this is medically safe and authorised by Us or Our Assistance Company; and
- c. The cost of a medical escort where this is deemed necessary by Us or Our Assistance Company, in the event of Your emergency repatriation to the United Kingdom; and

2. Reasonable additional travel and accommodation expenses (room only) for You to extend Your stay until You are medically fit to return to the United Kingdom; and

3. Reasonable additional travelling and accommodation expenses to repatriate You to the United Kingdom when You are denied boarding on Your pre-booked return travel due to You contracting COVID-19,

4. Confinement benefit-, a benefit payment of £30 for each complete 24 hour period up to £300 where You are ordered into self-isolation in Your holiday accommodation by a relevant Government authority, as a result of You contracting COVID-19.

There is a general exclusion on page 81 of the policy which says there is no cover for:

Any coronavirus including but not limited to COVID-19, or any related/mutated form of the virus. This exclusion does not apply to COVID-19 claims under the "COVID-19" cover section of this policy.

Has Great Lakes unfairly declined the claim for curtailment of the cruise?

The Covid-19 section of cover doesn't specifically cover the circumstances of Mr and Mrs N's claim for the unused proportion of their cruise. However, I don't think it is fair and reasonable for Great Lakes to decline Mr and Mrs N's claim for the curtailment of their cruise.

There is cover under the core section of cover for additional and unused travel and accommodation expenses. Mr and Mrs N were confined to a room due to testing positive for Covid-19, which is an illness. So, I think they reasonably expected to be able to claim on the curtailment section of the policy because they were unwell and confined to a room. That is covered under the policy terms.

The Covid-19 section of cover is presented as an extension of the core cover available under the curtailment section of the policy. So, I think it's fair and reasonable to conclude that this was an enhancement or addition to the cover under the core section as opposed to a limitation on cover. The terms don't clearly or transparently explain that the core cover is subject to different provisions relating to Covid-19 and the general exclusion. I think that this is a significant limitation on cover which ought to be more clearly highlighted.

I don't think the policy terms make it clear or transparent how the core cover, the Covid-19 section of cover and the general exclusion operate. Although there is a general exclusion for Covid-19 this has to be considered in the context of how the overall policy terms are presented, particularly given that Covid-19 cover is presented as an enhancement of the core cover. So, I don't think it's fair in the circumstances of this case for Great Lakes to rely on the general exclusion because of how the overall cover for Covid-19 is presented.

In any event, I also think the way the information about Covid-19 cover is presented is unclear and ambiguous – if there is any ambiguity it's interpreted in Mr and Mrs N's favour. So, that further persuades me it's fair and reasonable for their unused cruise expenses to be covered.

Was the claim handled promptly?

Great Lakes didn't provide any further information about the delays Mr and Mrs N experienced when the claim was assessed. It took a very long time for the claim to be settled and there's no compelling reasons why that was the case.

I think it's fair that Great Lakes pay £150 compensation for the delays in settling the claim. I think this reflects the distress and inconvenience caused by unnecessarily waiting a very long time to hear the outcome of their claim and being given an incorrect settlement figure which was later revised.

Putting things right

Great Lakes needs to put things right by:

- Settling the claim on the basis that Mr and Mrs N curtailment claim is covered under the core curtailment section of cover. The claim is subject to the any other relevant terms or policy limits.
- Paying 8% simple interest on this settlement, from the date the offer to cover this was initially made (24 March 2023), to the date it was settled. If Great Lakes considers that it's required by HM Revenue and Customs to deduct income tax from that interest, it should tell Mr and Mrs N how much it's taken off. It should also give them a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

- Paying Mr and Mrs N £150 for the distress and inconvenience caused.

My final decision

I'm upholding Mr and Mrs N's complaint about Great Lakes Insurance SE and direct them to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs N to accept or reject my decision before 8 January 2024.

Anna Wilshaw
Ombudsman