

The complaint

Mr B, Ms B, Mrs B and Mr C complain about the way Great Lakes Insurance SE has settled a claim they made on a travel insurance policy.

Mrs B brought the complaint to our service. So, for ease of reading, I've referred mainly to her.

What happened

The background to this complaint is well-known to both parties, so I haven't set it out in detail here. Instead, I've focused on what I think are the key events.

All of Mrs B's travelling party of six people were insured under this annual, multi-trip travel insurance policy. Mrs B and her party had booked a trip abroad. They were due to travel to a country I'll call M on 17 January 2022, before travelling on to a country I'll call D on 25 January 2022. They were then due to fly back to the UK on 28 January 2022. The party flew to M as planned on 17 January 2022.

However, unfortunately, on 22 January 2022, one of Mrs B's children tested positive for Covid-19. Under a directive by M's government, the whole party was required to self-isolate for seven days. This meant they had to extend their stay in M. And on 28 January 2022, Mrs B and Ms B both also tested positive for Covid-19. The party accordingly had to quarantine for a further seven days. They ultimately were able to return to the UK on 5 February 2022.

Mrs B made a claim on the policy for the additional costs she and her party incurred as a result of needing to quarantine in M and for the costs of cutting short the trip.

Great Lakes ultimately partly settled the claim. It settled Mrs B's child's unused travel, accommodation and excursion costs under the curtailment section of the policy, along with the curtailment costs for one adult accompanying him. It also covered Mrs B's child's additional costs, along with one adult's costs, under the Emergency Medical and Additional Expenses section of the policy.

Mrs B was unhappy with Great Lakes' settlement. That's because Great Lakes had declined to cover either the curtailment costs or additional expenses of the remaining four members of her travelling party. So she asked us to look into her complaint.

Our investigator recommended that Great Lakes should increase the settlement, although she didn't think it needed to pay Mrs B's full claim. She considered that the terms of the curtailment section of the policy were ambiguous and therefore ought to be interpreted in Mrs B's favour. As such, she felt Great Lakes should cover the curtailment costs of all six insured members of the travelling party, as they'd all been required to self-isolate. She also noted that both Mrs B and Ms B had developed Covid-19 during the insured period and so she felt that their additional expenses should be covered under the Emergency Medical and Other Expenses section of the policy. She recommended that Great Lakes should pay interest on the settlement.

Mrs B told our investigator she was happy with the complaint outcome. But Great Lakes didn't accept the investigator's findings. It felt the policy terms made it clear that curtailment cover was only provided for a policyholder who'd become ill, not the other members of their party. And it considered that both Mrs B and Ms B had become ill after their intended return date. Therefore, it maintained that there was no cover for their extended stay abroad.

So the complaint's been passed to me to decide.

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 don't think Great Lakes has settled Mrs B's claim fairly and I'll explain why.

First, I must make it clear that this decision will only consider how Great Lakes has settled this claim and whether I think it did so reasonably. Another ombudsman has already decided a separate complaint about the service Mrs B received while Great Lakes assessed the claim. So I won't be making any findings on that point.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. So I've considered, amongst other things, the terms of Mrs B's policy and the available evidence, to decide whether I think Great Lakes settled this claim fairly.

I've carefully considered the policy terms and conditions, as these form the basis of the contract between Mrs B and Great Lakes. There are two elements to this claim – whether the curtailment claim has been settled fairly and whether the additional expenses claim has been settled in line with the policy terms. I'll consider each element in turn.

The curtailment claim

It's common ground that Mrs B and her family were quarantined in M following a positive Covid-19 test result of one of the children on 22 January 2022. This meant that Mrs B and her party were unable to travel on to D for three days, as they'd planned. Great Lakes has already partially settled the claim under Section A – Cancellation or Curtailment. This provides the following cover:

'We will reimburse up to the amount shown in the Schedule of Benefits...in total under this policy for financial loss you suffer, being non-refundable deposits and amounts you have paid for travel and accommodation you do not use because of your inability to travel or complete your trip...'

Great Lakes has set out the 'insured events' it covers under Section A. This list includes:

'If after you have left home to start your trip, you are placed in compulsory quarantine for a minimum of 24 hours upon the instruction of a medical practitioner. There is no cover if this instruction if it [sic] has been imposed on a community, geographic location or vessel by any government or local authority.'

Section A also includes a list of things Great Lakes specifically excludes from cover. This list includes the following:

'What is not covered

This exclusion does not Claims arising from you following general advice from a government to self-isolate. This includes, but is not limited to, you receiving a letter advising self-isolation for you or a family member, or you are contacted by a track-and-trace service and are advised to self-isolate.'

The policy includes too a list of 'General Exclusions' which apply to the whole policy. Page 51 includes the following exclusion:

"Any claim arising directly or indirectly from any Coronavirus disease..."

This exclusion does not apply to the following:

Section A Cancellation or Curtailment, specific covered events...

If, after you have left Home to start your trip, you are placed in Compulsory Quarantine for a minimum of 24 hours upon the instruction of a medical practitioner. There is no cover if this instruction is the result of any government law or regulation to an area or region of a country.'

Within the definitions section of the policy, Great Lakes has defined what it means by 'you, your and insured person' as follows:

'Each person named on the policy certificate and for whom the appropriate premium has been paid...'

From the evidence I've seen, Mrs B and her party were required to self-isolate in M (following her child's diagnosis with Covid-19) due to a regulation issued by M's government and M's Health Protection Agency. Great Lakes appears to accept that Mrs B's child's claim was covered under Section A of the policy, along with an accompanying adult, without reference to any policy exclusion. In response to our investigator's assessment though, Great Lakes indicated that it felt the claim for the compulsory quarantine of the remaining members of the party wasn't covered because they were effectively a community. As I've set out above, community compulsory quarantine is excluded from policy cover.

I agree with our investigator that the policy terms aren't drafted in a particularly clear or understandable way on this point. Cover *appears* to apply where a policyholder has been placed in compulsory quarantine for more than 24 hours, following medical instruction as Mrs B's party were. I think it's fair to treat M's Director General of Public Health and its Public Health Agency as medical practitioners in line with the policy terms. Neither do I think a reasonable policyholder would interpret 'community' as referring to a family party of six – I think it would more reasonably be interpreted as a group of people living in a specific area, or larger group with a shared interest.

And I think a policyholder reading section A would understand claims due to their own compulsory quarantine because of Public Health Agency medical advice *would* be covered. So in my view, the cover for compulsory quarantine is unclear and ambiguous and I don't think it's readily understandable for most reasonable policyholders. It's a legal principle that where a policy term has been drafted in an ambiguous way, it must be interpreted in favour of the party who didn't draft the contract. In this case, that's Mrs B. So I think the curtailment cover should be interpreted in her favour and I find that a curtailment claim ought to be treated as covered.

Great Lakes has argued that the policy only covers Mrs B's child and one adult's costs under this section. I disagree. The policy defines 'you or insured person' as each person named on the policy certificate. All six members of Mrs B's party were named on the policy certificate

and all six were placed in compulsory quarantine. On that basis, I'm satisfied that Great Lakes must settle the curtailment costs of all six insured persons, together with interest.

The additional expenses claim

Section B of the policy says that Great Lakes will pay emergency medical costs for each insured person who suffers unforeseen illness during a trip. In this case, both Mrs B and Ms B were diagnosed with Covid-19 on 28 January 2022 – the day they were due to return home. On that basis, I find that they did become ill during their trip and that policy cover remained operative at this point. So I'm satisfied that their claims for additional expenses should be therefore covered, considered and settled under this section of the policy.

I agree with our investigator though that Great Lakes is only responsible for covering the emergency medical expenses and other expenses of members of Mrs B's party who did become ill abroad. Great Lakes has already settled Mrs B's child's and one adult's costs under this heading. While it indicated that these costs were for Mrs B, it isn't clear why this was the case, rather than Mr B, who was also an accompanying adult. So I find it must now consider and settle the remaining ill adults' additional expenses in line with Section B.

Overall, I'm satisfied that Great Lakes hasn't settled this claim fairly.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint.

I direct Great Lakes Insurance SE to accept and settle the curtailment claim for the remaining four members of the insured, travelling party in line with the remaining terms and conditions of the policy.

I also direct Great Lakes Insurance SE to accept and settle the ill adults' additional expenses claim in line with the remaining terms and conditions of the policy.

Great Lakes must add interest to both settlement amounts at an annual rate of 8% simple, from the date of claim until the date of settlement. If Great Lakes considers that it's required by HM Revenue & Customs to take off income tax from that interest it should tell Mr B, Ms B, Mrs B and Mr C how much it has taken off. It should also give Mr B, Ms B, Mrs B and Mr C a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B, Ms B, Mrs B and Mr C to accept or reject my decision before 10 August 2023.

Lisa Barham
Ombudsman