

## **The complaint**

Mr B complains that AIG Life Limited cancelled his insurance policies when a misrepresentation by his broker came to light. He wants AIG to reinstate his cover and allow him to cancel it himself, as he says having the business cancel his cover is affecting his ability to obtain other insurance.

## **What happened**

To summarise, in October 2023, Mr B took out cover with AIG through a broker I'll call L. The plan provided life and family income benefit insurance. Mr B received his documents from AIG and noticed not all of the disclosures he'd made to L had been recorded on his application. He contacted AIG to provide some additional information about health issues and investigations he was having at the time.

AIG reassessed his application in light of the additional information. Unfortunately, this led to Mr B's cover being cancelled, as AIG said it would have postponed cover, pending the outcome of Mr B's investigations.

Mr B complained, but AIG maintained its decision to cancel cover was correct. So Mr B came to the Financial Ombudsman Service. An investigator looked into things but didn't uphold the complaint. He was satisfied AIG had acted fairly.

Mr B remained unhappy so asked for an ombudsman to review everything and issue a final decision.

The circumstances of this complaint are such that I'll be referring further to L in my decision. But this complaint is against AIG. So to clarify, whilst my decision refers to established facts, it makes no findings in respect of L.

## **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'm not upholding this complaint. I know this will be unwelcome news for Mr B and I'm sorry about that. A summary of my reasons is given below, focusing on the key points and evidence I consider material to my decision. So, if I've not referred to something in particular, it's not because I haven't thought about it. Rather, I don't consider it changes the outcome of the complaint.

Firstly, I'm aware Mr B has raised issues about the relationship between AIG and L. I've considered this in light of the relevant rules for determining the status of agents, as well as reviewing both companies' websites and entries on the Financial Conduct Authority's database of regulated firms. Having done so, it's clear both L and AIG partner with a number of firms to sell and provide insurance. L's terms, available on its website, clearly state it is an

insurance intermediary that acts for its customers in conjunction with insurers. So I'm satisfied that L was acting for Mr B - and not on behalf of AIG - during the sale.

It's accepted by both AIG and L that Mr B disclosed his recent health investigations at the point of sale, but L didn't pass that information on to AIG. So AIG's underwriting and decision to offer Mr B cover was based on incomplete information. When given further information, AIG reassessed its decision to offer cover, as I'd expect it to.

And having reassessed Mr B's circumstances, AIG cancelled Mr B's cover, as, with full information, it wouldn't have offered terms at the time - rather, postponing until the investigations Mr B was undergoing were completed.

In this situation, the relevant law is the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). CIDRA sets out the actions an insurer can take when full and accurate answers to application questions haven't been provided.

Mr B immediately contacted AIG when he realised not all his information was recorded on his application form. There's no suggestion this was Mr B's oversight or fault. But this doesn't change the fact that AIG wasn't given full information on which to assess Mr B's application.

I've seen information from AIG's confidential underwriting guidance - recently provided - confirming its position. This shows that it would have postponed cover, pending the completion of Mr B's health investigations. In other words, cover wouldn't have been offered at the time.

CIDRA classes this as a qualifying misrepresentation - one that would've made a difference to the insurer's underwriting decision. CIDRA says that a qualifying misrepresentation is careless if it is not deliberate or reckless. And in those circumstances, the insurer must apply a proportionate remedy.

As AIG would not have offered cover at the time, it was entitled to avoid Mr B's policies. In more usual circumstances, AIG would also have been required to refund Mr B the premiums he'd paid. But as he hadn't made any payment prior to cancellation, this wasn't relevant.

I appreciate Mr B would like AIG to reinstate his policy so he can cancel it himself. In avoiding a policy, the insurer treats it like it had never existed. There's no provision or requirement in CIDRA to reinstate a policy. AIG has however, confirmed that it would welcome a new application now that Mr B's health investigations have been completed.

I've noted AIG's confirmed the cancellation hasn't been reported externally and wouldn't make a difference to any future application Mr B made to AIG. And it's provided Mr B with a letter detailing the circumstances of the cancellation, confirming this was due to L's error and not through any fault of Mr B's. Whilst I can't comment on how an insurer would treat this evidence, I'm pleased to see that AIG has provided this confirmation to Mr B for him to share with potential insurers if necessary. I've also seen a final response letter from L to Mr B, in which it accepts responsibility for the omission.

Mr B wants confirmation that he can answer no in any future insurance application, if asked whether he has ever had insurance cancelled. I understand why Mr B wants certainty in this respect, but I'm afraid AIG cannot give him this reassurance and neither can I. Each insurer is entitled to ask questions it considers pertinent to its underwriting decision and free to decide whether or not the cancellation of a policy is relevant to its assessment of an application.

Finally, I can see that AIG's final response letter upholds Mr B's complaint, acknowledging the inconvenience the situation has caused. I appreciate AIG's cancelling of his cover has caused Mr B concern. He's been inconvenienced through no fault of his own. But neither is that inconvenience as a result of something AIG did wrong. I appreciate the circumstances are unfortunate, but I'm satisfied that when cancelling the policy, AIG acted fairly in line with CIDRA. So I'm not going to ask it to do anything more in respect of this complaint.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 June 2024.

Jo Chilvers  
**Ombudsman**