DRN-4873858

The complaint

Mr and Mrs T complain about the way AIG Life Limited has handled an application Mr T made for a life and critical illness insurance policy.

As the complaint was brought by Mr T, for ease, I've referred mainly to him.

What happened

The background to this complaint is well-known to both parties. So I've simply set out a summary of what I think are the key events.

Mr T held existing cover which was due to end in January 2023. So he applied for a new life and critical illness insurance policy through a broker. AIG offered Mr T cover at a monthly premium of around £249. But it said this was conditional on Mr T undergoing a medical exam.

On 6 February 2023, Mr T underwent a medical examination with a third-party provider I'll call S. During the exam, the medic carried out three blood pressure checks and recorded that Mr T had high blood pressure. And they also noted that Mr T had sugar and protein in his urine. So they advised Mr T to see his GP.

Based on S' report, AIG concluded that it couldn't offer Mr T life and critical illness cover at that point. It said it could revisit the application after six months.

Mr T visited his GP on 7 February 2023 where a normal blood pressure reading was taken. So he appealed against AIG's decision. AIG took the new reading into account along with the three readings taken by S to get an average. But the average reading was still too high for AIG to offer cover.

In August 2023, the GP provided AIG with further evidence. This showed that Mr T had taken a series of blood pressure readings over five days, which had produced an average reading of 139/77. And the letter also said that a dip test had been carried out which showed no traces of sugar or protein in Mr T's urine.

AIG considered the new medical evidence. But it said that more than six months had passed since Mr T's application, so he needed to go through a new application process. Ultimately, it offered Mr T a life and critical illness policy, quoting a monthly premium of around £270 per month.

While Mr T took up the policy, he was very unhappy with the way AIG had handled his application. He felt S' medic had made errors during the medical exam. And he considered that his GP had provided AIG with information very shortly after the exam which showed he didn't have high blood pressure or issues with his urine. Therefore, he felt he'd been disadvantaged by its actions because the price of the policy had increased during the six month postponement period. He felt AIG should honour the original premium he'd been quoted.

AIG didn't agree to reduce the policy premium. It said the price had gone up because Mr T had turned a year older. But it did offer to waive one month's premium to recognise the worry he'd been caused by the appointment with S.

Mr T remained unhappy with AIG's position and he asked us to look into his complaint. He felt AIG had caused him unnecessary stress and worry. He was also concerned about the impact on future insurance applications if he had to declare that AIG had refused to offer him cover.

Our investigator felt AIG had treated Mr T fairly. He thought it had acted in line with its underwriting criteria and that it had been entitled to rely on S' medical report when it assessed Mr T's application. He didn't think AIG needed to reduce the monthly premium and he considered its offer to waive one month's premium was fair.

Mr T disagreed and 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, whilst I'm very sorry to disappoint Mr and Mrs T, I don't think AIG has treated Mr T unfairly and I'll explain why.

The relevant regulator's principles say that a financial business must pay due regard to the interests of its customers and treat them fairly. I've taken those rules into account, amongst other regulatory rules, principles and relevant considerations, when deciding whether I think AIG has treated Mr T fairly.

Mr T applied for this policy through a broker. I appreciate Mr T has raised some concerns about the way the broker handled his policy application. AIG isn't responsible for any of the broker's actions though, so if Mr T remains unhappy with the way the broker handled things, he'll need to complain directly to the broker about those issues.

It's important I make it clear that we're not the industry regulator. That means we can't tell an insurer what risks it should or shouldn't cover and we won't generally tell an insurer what price it can charge to cover insurance risks. Nor can we tell a financial business to change its processes or procedures.

I appreciate Mr T feels S' medic must have made a mistake when they carried out the medical exam. I understand he's made a separate complaint to S about that issue. S appears to be independent of AIG and carries out health checks for a number of insurers. In my experience, it's not unusual for an insurer to require a consumer to undergo an independently arranged medical exam when it's assessing whether or not to offer a consumer life and critical illness cover.

In this case, S' report showed that Mr T had had three high blood pressure readings, along with sugar and protein in his urine. I don't think it was unreasonable for AIG to rely on the findings set out in the report produced by a medical professional. AIG has provided us with commercially sensitive, confidential underwriting information which shows that as a result of the findings detailed in S' report, it was unable to offer cover and that the application would need to be postponed. It seems to me then that AIG has shown not only that it acted in line with its underwriting guidance when it assessed Mr T's initial application, but that it would have treated any other customer in the same situation in the same way.

The day after the medical exam, Mr T saw his GP. I've seen a copy of the GP's letter, dated 21 February 2023. This said:

'I can confirm that the above patients' records show that his blood pressure was taken on the 7th of February 2023 by (a doctor) and a reading of 144/88 was obtained. The result was normal and therefore no treatment was necessary.'

Attached to the letter were blood test results. However, there's no reference to a urine dip test within this particular letter or any finding which negated S' conclusions on that point.

In line with its process, AIG also took the new blood pressure reading into account and averaged out Mr T's readings across the three checks from S' medic and the GP's reading. In my view, this was a fair and appropriate response from AIG. However, this still resulted in an average reading which exceeded AIG's risk threshold and so Mr T's application remained postponed. Again, in my view, AIG has shown it's treated Mr T in line with any other customer in his situation and in line with its underwriting criteria. And therefore, I don't think it was unfair for AIG to maintain its decision to postpone cover at that time.

Subsequently, in August 2023, the GP provided a further letter, which said:

'I note this gentleman had raised BP in his assessment with yourselves. However we have done a series of home readings over 5 days and the average reading was 139/77 which is reassuring…

Additionally following the appointment a repeat urine dip was performed with no traces of blood or protein and normal renal function.'

It seems that at this point, the GP had carried out a repeat urine dip, which was normal. As I've set out above, there's no evidence to indicate a repeat dip had taken place in February 2023.

As it seems this evidence was sent to AIG more than six months after Mr T's original application, in line with AIG's rules, a new application had to be completed. I don't think this was unreasonable. At this point, Mr T satisfied AIG's underwriting criteria and it was in a position to offer him life and critical illness cover. However, it's clear that the premium ultimately increased by around £21 per month. I can understand why this was frustrating for Mr T.

But, AIG has shown that Mr T's policy price didn't increase as a result of the readings he'd had. Instead, by the time cover could be offered, Mr T was one 'year' older, as he'd had a birthday. This meant the premium was increased due to Mr T's change in age. AIG has provided confidential underwriting evidence which demonstrates that the price increase was down to the change in Mr T's age. Again then, I'm satisfied such an increase would be applied to any customer in the same circumstances as Mr T and I don't think he's been singled out unfairly. And I don't think I could fairly or reasonably direct AIG to honour the initial premium Mr T had been quoted when I don't think it made a mistake during the application process.

I'd add that I can't reasonably make any comment on what questions Mr T may be asked during any future insurance application process or what information he might be asked to provide – whether he's applying for new cover with AIG or other providers.

Overall, whilst I sympathise with Mr T's position, I don't think AIG made any error when it assessed his policy application. I think it was reasonably entitled to rely on S' report when weighing up whether or not to insure Mr T and I think it took the new medical evidence into

account fairly. I'm mindful too that AIG waived one month's premium for Mr T to recognise the worry he'd been caused by the information he was given during the appointment with S. In my view, this was a very fair response from AIG and it follows that I'm not telling AIG to do anything more

My final decision

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T and Mrs T to accept or reject my decision before 1 October 2024.

Lisa Barham
Ombudsman