

The complaint

Mr B complains that American International Group UK Limited (AIG) has unfairly refused to meet a claim he's made on his insurance policy.

What happened

Mr B was in the armed forces, and holds an insurance policy his employer made available to employees. It covers him for certain accidents and injuries, and provides a cash benefit which varies dependent upon the severity of an injury.

In both 2016 and 2018 Mr B suffered a non-freezing cold injury (NFCI) whilst on duty. He recovered from the 2016 injury, but since the incident in 2018 has had problems with both his hands and feet. His injuries are such that he was discharged from the armed forces in March 2021.

Mr B's policy provides cover for both his inability to continue in his normal work and for permanent NFCI. When he submitted a claim to AIG, it made a payment for the former. It says, however, that Mr B must wait for five years (until late 2023) before it will acknowledge that his NFCI has left him permanently disabled.

Mr B complained about this, saying he'd submitted a medical report that described his disability as permanent, so the claim should be met now. AIG said that an earlier report from an expert in the field of NFCI had said that recovery might take five years – so it wouldn't consider meeting the claim until then. It did offer to share the latest medical report Mr B obtained with the same expert – but Mr B doesn't think that's fair.

When Mr B asked this service asked us to review his complaint, our investigator, in summary, thought AIG acted reasonably when it relied upon the medical report to insist on a five year period before re-considering Mr B's claim. So he didn't think AIG need do more than it had.

I issued my provisional findings in late October. In summary, I said I didn't think AIG had been fair to Mr B. I looked at all the reports that had been produced, and said that I thought the most persuasive one was the most recent one sent in by Mr B. That said his condition is most likely permanent and that although he might be able to mitigate the effects of the NFCI he wouldn't fully recover. Mr B had been examined by the writer of this recent report.

I thought the reports AIG had relied upon seemed to be inconsistent in parts – and that the latest one wasn't produced after a physical examination.

I also thought the extent of Mr B's injury/disease was oversimplified by AIG – in that it seemed to believe all Mr B had to do was stay warm to manage his condition. I thought the effect of his injury were much more far-reaching than that, and that Mr B was struggling with day to day living as a result of it.

I said my initial conclusions were that AIG shouldn't make Mr B wait until either five years had passed or he'd reached his optimal physical recovery. That was because the report I

was most persuaded by said his condition is permanent – and also because there has been no suggestion of what an “optimal recovery” might be. I thought AIG should meet Mr B’s claim now, and it shouldn’t be a partial payment.

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.

Mr B didn’t have anything more for me to consider.

AIG responded to say that it had relied upon an opinion from an NFI expert and thought that held more weight. I’ve already explained why I thought this particular report was less persuasive than the one Mr B sent in – and AIG hasn’t provided any more evidence to support its position. So that hasn’t changed my provisional findings.

AIG says that the report I found more persuasive doesn’t say Mr B’s condition is permanent. But it does say it’s likely to be permanent given that there’s been little improvement after three years. I think it’s fair to ask AIG to accept that conclusion.

Finally AIG says Mr B’s condition doesn’t meet its definition of loss – which is permanent and irrecoverable loss of use. That wasn’t mentioned in the final response letter AIG sent Mr B, which only (in summary) said AIG wanted to wait five years before assessing the claim. As I said above, I’m persuaded by the report from Dr H that Mr B’s condition is most likely permanent. The fact that he might be able to mitigate some of the effects of the NFI doesn’t mean he hasn’t suffered a permanent loss of use – it means there are ways he can adapt his lifestyle to take that into account. Mr B has explained how he’s affected day to day by the NFI. He’s told us how he can’t walk further than is required by an average supermarket trip, is in constant pain and suffers depression. He needs daily medication, which is outlined in the report he sent in. I don’t have any reason to doubt what Mr B said, given that all the medical reports agree he has a NFI, and I think he’s demonstrated a significant loss compared to the active lifestyle he previously enjoyed whilst serving in the armed forces.

Taking AIG’s points together, they don’t persuade me I should change my initial findings.

Putting things right

AIG should now put things right by meeting Mr B’s claim for loss of use caused by a NFI, subject to any other relevant terms and conditions..

My final decision

My decision is that I uphold this complaint. American International Group UK Limited should now meet Mr B’s claim as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 January 2023.

Susan Peters
Ombudsman