

## **The complaint**

Mr L is unhappy that American International Group UK Limited ('AIG') has been charging him too much for a critical illness policy which provides cover for cancer ('the policy').

## **What happened**

Mr L took out the policy in 2013 and pays a monthly premium for it. In 2022, because Mr L was going to reach a certain age resulting him moving into a different age bracket, AIG notified him that his monthly premium would be increasing. He was quoted around £151 per month for the policy.

Mr L discovered that AIG had launched another cancer insurance policy to the market which was considerably cheaper than the policy he'd had the benefit of for many years. He complained to AIG.

In its final response letter dated November 2022, AIG pointed to differences between the two policies. However, it said that it had recently completed a portfolio assessment and its view of the future performance of the portfolio had improved. It said it would be passing the benefit on to policyholders through lower premiums.

As a result, it said Mr L's monthly premiums would be reducing from around £151 per month to around £100 per month. As the higher premium amount of around £151 was going to be collected shortly, AIG said it would credit £100 to Mr L's bank account to cover the overpayment of around £51 and the remainder of the payment to compensate him for the inconvenience and time that he'd spent in respect of this matter.

After Mr L responded to the final response letter, and because of possible delays amending the premiums to be collected between December 2022 and February 2023, AIG offered to extend the refund of the difference in premiums to three months – totalling around £155. It also offered to increase compensation to £150 to take into account the additional length of time it had taken to provide a response to Mr L.

However, AIG said it was unable to reduce the monthly premium to below around £100 for the policy. Unhappy with the reply, Mr L complained to the Financial Ombudsman Service.

Our investigator looked into what happened and didn't think AIG needed to do anything more. Mr L disagreed so his complaint has been passed to me to consider everything afresh and 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.

AIG has an obligation to treat customers fairly.

I know Mr L will be very disappointed, but the reasons set out below, I'm satisfied that the offer made by AIG to settle his complaint is fair and reasonable.

- It's not the role of the Financial Ombudsman Service to interfere with an insurer's commercial decision as to how it chooses to assess risk or the premiums it sets to cover a certain risk. But our Service can consider whether an insurer has acted fairly and reasonably when calculating the insurance premium for individual customers.
- Mr L has had the benefit of the policy since 2013. Having considered the pricing guide provided by AIG, I'm satisfied that for the age bracket he was in for the policy year before 2022 and the age bracket he was moving to in 2022, the premium was correct and in line with the pricing guide. Without any evidence to the contrary, I think it's likely that other policyholders in the same age brackets as Mr L would've been charged the same premiums.
- Mr L would like to see the pricing information AIG seeks to rely on. And can I understand why he would want to. But the Financial Conduct Authority's Dispute Resolution: Complaints Sourcebook ('DISP') – which sets out how complaints should be handled by the Financial Ombudsman Service – says at DISP 3.5.9 (2) and 3.5.10 that our Service can accept certain information in confidence. I'm satisfied that the information AIG has provided is genuinely commercially sensitive and can be accepted and considered by our Service in confidence.
- AIG accepts that it did introduce a new type of critical illness insurance policy to the market in or around 2021/2022 – providing cancer care. Given Mr L's age, the monthly premium would range from just over £5 for silver cover to around £10 per month for platinum cover under the new policy. That's considerably less than Mr L was paying for the policy he had.
- However, I'm satisfied the policies don't offer like for like cover and there are some important differences. For example, the policy launched in 2021/2022 pays out £20,000 on diagnosis of a primary cancer for 'silver cover' and £40,000 for 'platinum cover'. Whereas Mr L's policy provides a benefit of £100,000. So, it's understandable that there would be a price differential between the two policies. And because Mr L's policy offers five times benefit of the silver policy launched in 2021/2022, it doesn't follow that the cost should only be five times the cost of the 'silver' policy launched in 2021/2022. The cost to AIG of a claim being made under Mr L's policy is significantly more than the silver policy even though the risk of a claim being made isn't reduced.
- Mr L was aware of the price he was paying for his policy. It was for him to decide whether the policy continued to meet his needs. And he was free to cancel it if it didn't. AIG has also provided templates of letters it says would've been sent to Mr L in 2020 and 2022. They reflect that the policyholder was told that they might be able to find alternative cancer insurance elsewhere, at a better price. I don't know whether Mr L received these letters. But, even if he didn't, unless asked by him (which I've seen no evidence of), I don't think AIG was under any requirement to proactively make Mr L aware about other policies it had available or would be launching for cancer care which were cheaper, but had different benefits.
- AIG has offered Mr L £305 in total to reimburse him for the difference in premiums paid for three months as well as to compensate him for some distress and inconvenience caused by this. I think that's reasonable as it fairly reflects his financial losses as well as the trouble and upset caused.

### **Putting things right**

I understand AIG's offer of £305 to settle the complaint wasn't accepted by Mr L so hasn't been paid. That being the case, I direct AIG to pay Mr L £305 compensation it's already offered to pay.

### **My final decision**

American International Group UK Limited has already made an offer to pay £305 to Mr L to settle the complaint. I think that's fair in all the circumstances.

My decision is that American International Group UK Limited should pay £305 to Mr L.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 14 August 2023.

David Curtis-Johnson  
**Ombudsman**