

The complaint

A limited company that I will refer to as K complains about delays in setting up a group life insurance policy with AIG Life Limited.

What happened

The following is intended only as a brief summary of events. Additionally, whilst other parties have been involved, I have largely just referred to K and AIG for the sake of simplicity.

On 21 December 2022, K submitted an application for a group life insurance policy to benefit its employees. The application form stated that the desired start date for the policy was 1 January 2023.

The application form had been generated by K's broker, and was actually intended to be used when applying for a "registered group life" policy. However, the covering emails said that the application was for an "excepted life policy". Part of the process of taking out an excepted life policy required a trust to be set up, which would deal with any benefits paid under the policy. The submissions on 21 December included a trust deed.

However, AIG responded to the application on the same day, asking that details of the intended policyholder be added to a table listing the "participating employers" in the trust deed. And for relevant validation of the applicant's signatures. A signed form was provided later that day, but AIG confirmed the following day that it was still waiting for the details to be added to the table in the deed.

Offices on both sides then closed the next day, 23 December 2022, for the Christmas period. AIG sent a chaser for the correctly completed trust deed on 28 December. It was not until 4 January 2023 that this was provided.

On 5 January 2023, AIG asked that the trust deeds be signed by two signatures. This was provided on 6 January. And I understand cover commenced shortly afterwards.

Sadly, one of K's employees had passed away on 4 January 2023. K requested that AIG backdate the start of the policy, so that this event could be covered. AIG did not agree to this. So, K complained about the delay in the policy being set up. It said that the information missing from the table in the trust deed could either have been added by AIG or inferred from the rest of the deed. And that the signatures had not been requested as early as they could have been (as well as referring to K only having one director).

AIG said that it required the deed to be properly executed and it was at its discretion whether to accept an application. Completion of an application did not constitute a binding offer, and that it did not backdate cover.

K remained unsatisfied and brought its complaint to the Ombudsman Service. But our Investigator did not recommend it be upheld. Ultimately, he did not think AIG had caused any unreasonable delays prior to 4 January 2023, and that it was entitled to require the documents to have been completed correctly.

K said that the documents were completed satisfactorily, based on the guidance provided by AIG. It said that it was automatically a participating employer by virtue of setting up the trust, and so it should not have needed to add this to the table. K also said that it was referred to guidance at the time only in relation to the duty of fair presentation. K also referred to the issue of the two signatures.

As our Investigator was unable to resolve the complaint, it has been passed to me for a decision.

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 am not upholding this complaint. I'll explain why.

I should firstly say that whilst I have not referred to all of the submissions from K, I have considered these. However, I have focussed this decision on what I consider to be the key issues.

It is for this reason that I have not addressed in detail the issue over the two signatures. It is true that these could have been requested earlier. But if the issue with the completion of the trust deed and the table therein means that the policy was reasonably not in place by 4 January 2023, any subsequent delay relating to the signatures would not change this.

I will also add here that had the policy start date been 4 January 2023, the relevant claim may well have been covered. However, after receiving all of the necessary information, it will still take some time for an application to be processed. This is evident from the correspondence at the time and the fact that the policy did not commence immediately on receipt of the correctly signed deed on 6 January 2023. Such processing delays are not unexpected nor are they something I can say is inappropriate from AIG.

The question, put quite simply, is whether AIG caused unreasonable delays between 21 December 2022 and 4 January 2023.

It is clear that information was missing from the table in the trust deed. I note K's comments about it automatically being a participating employer. However, this does not mean this table did not also need completing. AIG's guide to completing this document says that each participating employer needs to be listed, and that:

"The policyholder should be included on this list"

K has said that it was not referred to this guidance in relation to completing this document. And that the only reference in the application form to guidance is in relation to the duty of fair presentation. However, it should be pointed out that the policy was sold via a third party broker. The broker had access to the relevant material and guidance, which was available on AIG's website. I also consider this guidance is clear about what is required.

And regardless of any guidance, AIG is entitled to require any official documents to be completed fully and correctly before agreeing to provide cover.

K has also made comments about whether the application form being partially pre-populated means the trust deed could have been partially populated by AIG. However, I understand that information on the application form was as a result of K's broker produced this via AIG's online portal. So, I am unable to agree that AIG should have added any details to the trust deed. Indeed, it would not have been appropriate for AIG to amend a signed and executed

deed.

Ultimately, I do not consider the information AIG requested to have been unreasonable. Completion of the table is a requirement that is set out in the relevant guidance. And I consider it reasonable that this should be followed even where there is only one participating employer. I also consider this request was made on 21 December 2022, prior to any period of leave over the Christmas period. And so, I do not consider AIG caused any avoidable delays. It follows that I cannot fairly and reasonably ask AIG to do anything more.

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 K to accept or reject my decision before 15 March 2024.

Sam Thomas
Ombudsman