

The complaint

Ms D complains about how American International Group UK Limited (“AIG”) handled a claim she made after an item she sent abroad was damaged during shipping.

What happened

Ms D arranged to send a valuable item overseas in September 2024. Ms D took out an insurance policy with AIG, through the courier, to cover any damage during shipping. She says she wasn’t given sufficient information to make an informed decision about whether the policy was suitable for her needs.

Unfortunately the item was damaged during shipping. So Ms D made a claim on the policy. Ms D says the item was worth £30,000 but was only insured for £12,000. Ms D says her claim was delayed and she spent a lot of time emailing and calling for updates.

Ms D says AIG offered to settle her claim for £6,000 and given the time that had passed she felt she had to accept it. But Ms D wasn’t happy with the way her claim was handled so she complained.

AIG said Ms D insured the item for £12,000. After the item was damaged, Ms D claimed its value was over £20,000. AIG explained that it appointed a surveyor to assess the damage, but the inspection could not take place. To move matters forward, AIG offered £6,000 — representing 50% of the insured sum — because Ms D would retain the item and AIG was unable to inspect it. Ms D signed an agreement accepting £6,000 in full and final settlement of the claim.

Our Investigator considered the evidence and concluded that AIG had failed to provide Ms D with relevant information regarding the policy. But he said he didn’t find AIG acted unreasonably in its handling since it had a right to validate the claim. And since it hadn’t had a chance to do so, it wasn’t able to consider the claim. Our Investigator said Ms D told AIG she would accept £6,000 in full and final settlement of the claim and so that’s what AIG did. He said there was no evidence to show AIG pressured Ms D into accepting the offer. So he didn’t think AIG needed to take any further steps.

Ms D didn’t agree. She said the policy was mis-sold since she wasn’t provided appropriate information about the policy and she wasn’t told the identity of the insurer. Ms D also raised the doctrine of ‘estoppel’ whereby AIG accepted a premium for £12,000 and so that’s what she is entitled to expect to indemnify her.

Ms D didn’t accept the Investigator’s findings so she asked for an ombudsman to consider the complaint. It has 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.

I've summarised the events briefly and in my own words, focusing on the key timeline and main issues. All evidence from both parties has been considered, even if not mentioned. This approach reflects our role as a quick, informal alternative to the courts, with no discourtesy intended.

Sale of the policy

Ms D purchased the policy through the courier. AIG didn't sell Ms D the policy; it was sold by another business who I'll refer to as H. H are responsible for selling the policy and taking payment. It acts as an intermediary agent for AIG. H doesn't provide advice on suitability – it simply facilitates access to the insurance.

The insurance is an optional service offered to customers who want extra protection against loss or damage during transit.

Unfortunately the calls from the time Ms D purchased the product are no longer available. But I have seen claim notes. In the initial call Ms D explained she was sending an item which would be packed in bubble wrap and a box. Ms D asked if there was any packaging support but was told it is up to the customer to ensure the item is suitably packaged.

In a subsequent call Ms D booked the shipment and the insurance. I note the advisor on the call failed to read the insurance script to Ms D at the time of purchase. I have seen a copy of the script and it confirms the cover is for direct loss and damage and that the consumer should ensure the shipment information is complete and accurate. Having considered this, on balance, I don't think it would have made any material difference to the outcome of this claim.

Ms D says she undervalued the item to reduce the cost of the insurance since she didn't think anything would happen during the shipment and that she would need to make a claim. I understand her position but I can't hold AIG or the courier responsible for that.

I say this because Ms D's claim wasn't declined by AIG, it was accepted. When it wanted to validate the claim Ms D wouldn't agree to the item to be inspected. So in the absence of that validation AIG made an offer in settlement of the claim on the basis the item wasn't inspected or returned on settlement of the claim.

Ms D says there has been a breach of contract. It is for the Courts, not this Service, to decide if there has been a breach of contract. But I take into account the relevant law as well as industry guidelines and good practice in deciding if an insurer has acted fairly and reasonably. And considering the circumstances here, although I accept the script wasn't read out, I don't think it impacted the outcome.

Settlement of the claim

Ms D purchased the policy on the basis it's value was £12,000. So the limit of AIG's liability is always going to be £12,000. Even if Ms D now says the actual value of the item is in excess of £30,000.

Ms D submitted a claim for damage to her item following international shipment. AIG began investigating the claim and intended to appoint an agent to inspect the damaged item. However, the inspection could not take place because Ms D refused to allow it.

I understand why Ms D was reluctant to agree to a surveyor's visit, and AIG did attempt to explore alternative options. Unfortunately, both parties were unable to agree on a way forward, which meant AIG couldn't validate the claim.

It's important to note that the policyholder has a responsibility to demonstrate that their claim falls within the terms of the policy.

I know Ms D found the process stressful and I can see she cooperated with AIG initially. I can understand Ms D's concerns but insurers are duty bound to investigate claims to ensure they are genuine. And given that AIG were unable to confirm the extent of the damage, I think it acted fairly in trying to resolve the matter.

There is always an expectancy for the insured to cooperate with their insurer. And given it was clear AIG were unable to validate the claim I would have expected Ms D to do all she could to clear up any issues with AIG. But she didn't. I understand the claim has impacted Ms D and I'm sorry to hear that, but I don't think that means she shouldn't have to engage in the claims process given she's chosen to make it. And I don't think it's fair to ask AIG to pay a claim it has been unable to validate.

I don't agree that AIG acted unfairly in settling the claim. AIG offered Ms D £6,000 – equivalent to 50% of the item's value – on the basis that the item could not be inspected, meaning AIG was unable to validate the claim. While I understand Ms D's reasons for declining an inspection, I cannot say that AIG acted unreasonably in requesting to validate the claim. AIG made reasonable attempts to inspect the item but was unsuccessful. To reach a fair resolution, it offered 50% of the item's value, which I consider reasonable. In fact, AIG was entitled to decline settlement altogether because it could not validate the claim, but it didn't do this.

Ms D claims she was pressured into accepting the offer. But on consideration of the information provided to me, I haven't seen anything that persuades me this was the case.

Estoppel

Ms D says when she was quoted for the cover, her understanding was that if anything happened to the shipment she would be indemnified for that amount. She says under the doctrine of estoppel the insurer cannot now deny the claim for the insured amount since it accepted her premium for an insured sum of £12,000.

I have considered this carefully but I don't think it applies here. The nature of an insurance claim is that things can change as it progresses, which is what has happened here. AIG is only responsible for the costs of repairing or replacing the item within the terms of the policy. And when it wasn't able to validate the claim to ensure it was only paying out what it was liable for it made an offer in settlement of the claim. So, I don't think it has acted unreasonably here.

Given all of the above I can't say AIG didn't act in good faith or unreasonably when it asked further questions regarding the claim. AIG is entitled to assess the claim, and it hasn't been able to do so.

I recognise this isn't the outcome Ms D was hoping for, and I empathise with how distressing the situation has been for her, and for the financial impact she may experience as a result.

However, my role is to decide whether AIG has acted fairly. Based on what I've seen, I think it has.

My final decision

For the reasons given I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 19 January 2026.

Kiran Clair
Ombudsman