

## The complaint

Mr and Mrs D complain about a reviewable whole of life policy they hold in trust with Zurich Assurance Ltd ("Zurich"). Their complaint concerns a review of the policy carried out in 2021, which resulted in them having to pay a higher premium. They say the size of the premium increase was unreasonable, and Zurich has only been able to explain the increase in general terms; it has not been able to explain the mathematics behind the increase. They also say they have asked a number of questions of Zurich, which remain unanswered.

## What happened

Mr and Mrs D took out a whole of life policy with Zurich in 2002. The original sum assured was £82,396, for a £100 a month premium. This was indexed, meaning the sum assured (and premiums) would rise each year in line with an inflation measure. The policy was also reviewable, with the first review after ten years and reviews every five years thereafter, until the oldest policyholder reached age 70, at which point the reviews became annual.

Mr and Mrs D's complaint was prompted by the review carried out by Zurich in 2021. Zurich's letter dated 30 June 2021 communicating the review outcome included the following:

*"Your plan provides life cover for as long as you need it. The amount can increase or decrease over time in response to changes in investment performance and trends in life expectancy. These factors affect the cost of providing the cover. Additionally, the plan aims to build a cash value that you can take should you no longer need the cover provided. We will review your plan every year to make sure the level of cover and what you pay are properly matched. The latest review has now been completed.*

*Cover also increases each year in line with Average Weekly Earnings, helping it keep pace with inflation. This is called indexation and this year's increase is included in the figures that follow.*

## The result of this review

*At this review, the cost of providing cover is higher than we expected. This means the current payments now support a lower level of cover than before. Adding indexation, the cover and payment from 1 August 2021 will be:*

*New monthly payment £242.81*

*New cover £124,593*

*Alternatively, you can maintain the current level of cover of £143,646 (including indexation) by increasing your payments now to £336.73 each month. The increased payment is based on current age, but is not affected by any change to your health or activities. If you want to do this, please complete and return the enclosed application form by 25 July 2021."*

At its conclusion, the letter said:

### *“More information*

*At a review we primarily take into account investment performance and general trends in life expectancy. These factors have the greatest impact on the overall cost of cover. More information is given in the enclosed booklet The review is an opportunity to think about your current and future needs, and to decide how best to use your plan to meet them. The booklet can help you and covers:*

- *what the review means*
- *how your plan works*
- *your choices*
- *what happens at a review*
- *how often we review your plan”*

### **Zurich’s response to the complaint**

Zurich did not uphold Mr and Mrs D’s complaint. It said, in summary:

- It carries out regular reviews, to make sure the benefits are sufficient to meet the policyholder’s needs. The outcome of the review reflects any difference between the assumptions made at the last review and what has actually happened.
- It bases its assumptions on a lot of information, but factors can still change in a way which was not anticipated.
- The review outcome can be better or worse than expected. If worse than expected, premiums need to increase to maintain the cover.
- At each review, its actuaries compare the original assumptions with what happened in practice and make realistic assumptions as to what will happen in the future.
- It also regularly reviews the rates it charges for life cover, and had carried out such a review before the 2021 review of Mr and Mrs D’s policy, which likely impacted the policy review.
- It is not possible to provide full technical details of the policy review; this is industry sensitive information, which it is not legally obliged to provide to anyone outside the business.

### **Our investigator’s view**

Our investigator concluded the complaint should not be upheld. He said Zurich had kept Mr and Mrs D informed of how the policy was performing throughout, and had kept to the original terms by performing regular reviews, and giving accurate information about that moment in time. He added that the policy had been sustainable through its life and had met its original objective of providing life cover and accruing an investment. And that the reviews were designed to determine if the policy could be maintained with the current premium; and it was always stated reviews could eventually fail, requiring a change.

### **Mr and Mrs D’s response to the investigator’s view**

Mr and Mrs D did not accept the investigator’s view. They said, in summary:

- The increase in the following year (i.e. 2022) was even higher at about 58%. This means that in the space of 13 months the policy premium increased by in excess of 100%, taking it towards unaffordable.
- This policy was originally sold on the understanding that the premium would normally increase each year by indexation, defined as the percentage rise in average weekly earnings; but the premium in each of the two years increased by more than eight times the average weekly earnings factor.
- The mathematical calculation behind the very large increases remains secret and is not disclosed to the policy holder. This means Zurich can charge what it likes, without explanation.
- Other investigators have found that the use of the word “significantly” in the review correspondence was not enough to communicate the potential for premium rises. This contrasts with this investigator’s view.
- The investigator also states that the premium increase was related to them getting older – but Zurich have clearly stated that this is not the case.
- Zurich have recently advised that there is no maximum for premium increases - possibly paving the way for future increases and certainly changing the logic for premium increases as declared when the policy was taken out (indexation based on increases in average weekly earnings).

### **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 have reached the same overall conclusion as the investigator, for similar reasons. I appreciate this will disappoint Mr and Mrs D. My findings, in summary, are:

- I am satisfied that the terms of the policy mean it is subject to review. It was therefore possible that the premiums would be subject to an increase beyond that required by the indexation.
- I do not think the use of a subjective term (“significant”) to describe possible future premium rises in Zurich’s annual statements is a basis on which it would be fair and reasonable to uphold Mr and Mrs D’s complaint.
- The evidence does not suggest Zurich has raised premiums without explanation. Rather, that the cost of life cover (mortality cost) has risen significantly, given the ages of the life assured, and it is largely this (plus the continuing indexation) which had led to the increase in premiums.
- I am satisfied Zurich has made reasonable efforts, in general terms, to explain to Mr and Mrs D why the policy premiums are increasing.
- The premiums Zurich sets are a matter for its commercial judgement. I have not seen any evidence to show it has not legitimately exercised that commercial judgement here.

I have set out my findings in further detail below.

I note Mr and Mrs D say the policy was originally sold on the understanding that the premium would normally increase each year by indexation. However, this was not the only basis on which the premiums or cover could change. Under the terms on which the policy was issued, in addition to being subject to indexation increases, it was reviewable.

The review process is a separate process from the indexation. Any increases due to indexation and following reviews are the subject of independent processes, with different objectives. One seeks to protect the level of cover from the impact of inflation, using a fixed measure, defined at the outset, the other seeks to ensure that the premiums being paid are sufficient for the policy to meet its objectives, through an actuarial review which takes account of a number of variable factors including investment performance and past claims experience.

The cost of providing cover is not fixed and instead increases over time as the lives assured get older. From the inception of the policy, the difference between the premiums being paid and the charges results in an investment pot being built up. The difference between the sum assured and the value of the pot is referred to as the sum at risk, and it is this figure that is used to calculate the charge for providing cover.

Over time, businesses will undertake reviews to ensure that a policy can continue to provide the chosen level of cover, for the premiums being paid. If they decide the policy is not sustainable at its current premium, the consumer will usually be offered the option of reducing the sum assured or increasing the premium, as was the case for Mr and Mrs D following the 2021 and 2022 review of their policy.

In this case, the policy was set up on a “standard” cover basis and was hence reviewed with the objective of ensuring premiums were sufficient to sustain it for life; and it does not seem it was ever in an unsustainable position; that is to say the premiums being paid were, at all times, sufficient to cover the costs and build the investment pot.

I appreciate Mr and Mrs D feel there is a conflict between what an ombudsman colleague said when deciding if their complaint had been made in time, and what our investigator said in his view. The ombudsman took the view that a reference to the possibility of “significant” premium rises was subjective and therefore, in the context of reasonable awareness of cause for complaint, it was not sufficient evidence to show that Mr and Mrs D should reasonably have been aware, from that wording, included in Zurich’s annual statements, of reason to make the complaint they made following the 2021 review. When considering what was fair and reasonable, our investigator did not think Zurich had misled Mr and Mrs D about the nature of the policy.

It is important to emphasise that my ombudsman colleague was not considering Mr and Mrs D’s complaint; only whether the complaint had been made in time. And, even if I were to take the same view as my ombudsman colleague about the nature of the wording in Zurich’s statements, it does not follow that it would be fair and reasonable to uphold the complaint. As my colleague noted, the complaint is about the 2021 review outcome, not any general awareness of the reviewable nature of the policy. And, in any event, even if I were to take the view Zurich’s communications could have given more information about the performance of the policy, as I set out below, that would not have revealed any basis for Mr and Mrs D to take any action. It is therefore unlikely, in my view, that it would have changed the position Mr and Mrs D are now in.

The below table sets out the mortality cost, premiums and fund value from inception, as provided to us by Zurich. Any annual increases in mortality costs and premiums outside of

the review times are due to indexation or a better than expected reviews (following which either a higher sum assured was automatically given, or offered and accepted).

Period	Annual Mortality Cost	Premium Paid	Fund Value
01/08/2002 - 31/07/2003	£39.69	£1,200	£0
01/08/2003 - 31/07/2004	£67.56	£1,238.64	£0
01/08/2004 - 31/07/2005	£106.84	£1,296.24	£0
01/08/2005 - 31/07/2006	£129.96	£1,386.36	£331.02
01/08/2006 - 31/07/2007	£157.30	£1,476.60	£1,371.05
01/08/2007 - 31/07/2008	£190.86	£1,580.04	£2,555.17
01/08/2008 - 31/07/2009	£213.27	£1,663.08	£3,455.25
01/08/2009 - 31/07/2010	£241.29	£1,666.68	£4,477.45
01/08/2010 - 31/07/2011	£288.00	£1,803.60	£6,432.08
01/08/2011 - 31/07/2012	£325.47	£1,809.00	£8,394.85
01/08/2012 - 31/07/2013	£381.66	£1,877.04	£9,729.66
01/08/2013 - 31/07/2014	£439.98	£1,904.76	£12,612.63
01/08/2014 - 31/07/2015	£512.60	£1,971.96	£14,532.64
01/08/2015 - 31/07/2016	£545.67	£2,014.92	£17,120.71
01/08/2016 - 31/07/2017	£609.24	£2,068.68	£19,963.69
01/08/2017 - 31/07/2018	£733.98	£2,189.88	£23,620.91
01/08/2018 - 31/07/2019	£862.29	£2,312.64	£26,513.93
01/08/2019 - 31/07/2020	£1,018.24	£2,484.24	£28,840.24
01/08/2020 - 31/07/2021	£1,549.55	£2,360.88	£28,499.43
01/08/2021 - 31/07/2022	£1,641.23	£2,913.72	£33,958.20
01/08/2022 - 31/07/2023	£1,721.58	£3,335.88	£34,762.09

The above does not include the detail of the sum assured, but the review correspondence confirms this was £124,953 by 31 July 2022. And I think it is important to keep in mind that, throughout this period (including since when the policy has been reviewable annually), Zurich was on risk for the sum assured - and would have considered a claim at any point.

In my view, this illustrates that there is a basis for the premium increases Mr and Mrs D have been asked to pay, and that Zurich has taken reasonable steps to manage the policy to

meets its objectives; ensuring it remained sustainable and an investment pot continued to build. It does not suggest the premium increases are arbitrary or, as Mr and Mrs D have suggested, being required in order to put pressure on them to surrender the policy.

I appreciate Mr and Mrs D feel that Zurich has given insufficient explanation for the premium increases. I know this will disappoint Mr and Mrs D, but I do not think this is supported by the available evidence.

I understand Mr and Mrs D are dissatisfied with the responses they received from Zurich. But it has set out, in clear terms, how it carries out reviews and why, in this case, those reviews have resulted in Mr and Mrs D being asked to pay higher premiums or accept a lower sum assured. I am therefore satisfied that Zurich has done enough to explain to Mr and Mrs D how it has arrived at the review outcomes. And I do not think it would be reasonable, in the circumstances, to require Zurich to set out the full detail of its actuaries' assumptions and calculations.

Ultimately, the increase in premium (and/or decrease in cover) are a matter for Zurich's commercial judgement. I have seen no evidence to show the calculation of the premiums was not a legitimate exercise of Zurich's commercial judgment in this instance. Zurich is entitled to take a reasonable view of the risk the policy posed to it and, on a commercial basis, put a price on that risk. It did so following a typical process, run by industry professionals, which were subject to oversight and regulation. And there is an obvious basis for the increases in mortality cost (the increasing risk, associated with Mr and Mrs D's ages).

For these reasons, I will not be asking Zurich to do anything to resolve this complaint.

### **My final decision**

For the reasons given, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 22 October 2025.

John Pattinson  
**Ombudsman**