

The complaint

Ms S complains about a reviewable whole of life policy she holds with Zurich Assurance Ltd. She's unhappy with the outcome of a policy review in 2024 which meant she either had to significantly increase her monthly premiums or face a reduction of around 17% in the sum assured.

What happened

Ms S has held the policy since the late 1990s. It initially provided a sum assured of £52,000 for monthly premiums of £19.32. It was reviewable, and by the time of the 2024 review she was paying premiums of £62.05 for a sum assured of £114,000. The outcome of the 2024 review was that if she wanted to maintain the level of cover, her premiums would have to increase to £98.97. If she didn't increase her premiums then the sum assured would fall to £94,304.

Ms S complained to Zurich about the short timeframe she'd been given to provide a response, whether or not the policy was actually reviewable, the outcome of the review and asked to see how the proposed changes had been calculated.

Zurich looked into the concerns she'd raised, but didn't uphold her complaint. They wrote to her explaining that the reviewable nature of the policy was made clear in the documentation they'd sent her when she took the policy out. They also explained how the policy worked, but said that they couldn't confirm the rates they used in their calculations as that was industry sensitive information.

Ms S didn't accept their findings and asked them to explain why the proposed changes were so significant and expressed concern that they wouldn't share the calculations behind the proposed changes. Zurich sent her a further letter with more detail around the factors behind the changes proposed in the review. They also apologised for the late arrival of their review letter and offered to give Ms S the option to increase her premiums if she wanted to reinstate cover of £114,000 as the sum assured had reduced to £94,304.

Ms S still didn't accept their findings and asked for our help with the matter. She reiterated her concerns that the proposed increase in premiums was unjustified, given that the policy's underlying fund had been growing and also because she'd previously increased the premiums by around 50% at an earlier review.

The complaint was considered by one of our investigators who didn't think it should be upheld. He thought that Zurich were within their rights to review the policy and make changes to either the sum assured or premiums. He acknowledged that Ms S was disappointed with the outcome of the 2024 review, but thought that the changes proposed had been brought about by Zurich's revision to the assumptions they used when making their calculations. Because these assumptions were made with a view towards providing cover for life, he didn't think Zurich had treated Ms S unfairly.

Ms S didn't agree with the outcome the investigator had reached. In summary, she thought the investigator had misunderstood the primary issue behind her complaint. It wasn't that

Zurich's communications had been poor, it was about the 50% increase in payments and the lack of transparency with how it had been calculated.

She noted that Zurich had reduced their assumed rate of future growth from 6.25% to 4.75% and changed their mortality rates, but thought that these changes would result in incremental changes rather than the significant increases they'd proposed. She thought that more justification was needed for the increases Zurich had requested and that their approach was unfair. She also thought that the investigator had ignored her point about previously having to increase her premiums by 50%. She thought that as the 2024 review had also asked for a 50% increase, the figures may be arbitrary and not based on transparent or tangible calculations.

The investigator wasn't persuaded to change his opinion, so the complaint 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.

Having done so, I don't think this complaint should be upheld and I will now explain why. I fully accept Ms S's disappointment with the changes that were proposed at the 2024 review, so I've firstly considered if Zurich were allowed to make changes to the policy.

Having reviewed the terms of Ms S's policy, they say that it is reviewable and Zurich can make changes to either the premiums or the sum assured. So, they haven't acted unfairly in carrying out a review and proposing changes.

But as Miss S has pointed out, the crux of her complaint is to do with size of the increase that was required at the 2024 review in order to maintain her policy's sum assured and the lack of transparency around their calculations.

It's important to note that this service exists to informally resolve disputes between complainants and respondent firms, we aren't the regulator, so we are unable to tell firms what to charge their customers. I haven't seen anything to suggest that Ms S has been treated differently to Zurich's other customers, so I don't think she's been treated unfairly in that respect.

Zurich have provided the rate they use in their assumptions about investment growth, but they haven't provided their assumptions about mortality rates as they deem this to be commercially sensitive information. I don't think this is unreasonable and I don't think there is a requirement for them to share commercially sensitive details with their customers. I appreciate Ms S's frustrations, but I am unable to force them to share anything commercially sensitive with her.

I've considered how Zurich were undertaking the calculations at each policy review. They are set out in the policy's terms and can be summarised as follows. At each review, premiums are calculated by making a number of assumptions, in particular, assumptions about increases in the value of units and the future level of risk deductions. If the Actuary decides that the premiums aren't high enough, then Zurich can reduce the policy's benefits unless premiums are increased.

The two main factors at play are the rate of return on the policy's underlying fund and also the probability that the life assured will pass away within the next year. The terms of the policy set out the calculations that are being used so it is possible for Ms S to understand the

basis behind their calculations e.g. The mortality deduction will be based on the following formula: $(CxD)/12$ where $C=$ the sum at risk (which is the amount by which the death benefit exceeds the value of units in the policy's underlying fund) and $D=$ the probability that the Life Assured will die in the next year.

So, what is evident is that at the time of the 2024 review, two of the main factors that influenced how Zurich calculated their previous reviews needed to be changed – the investment growth rate which was downgraded from 6.25% to 4.75% and the mortality rates. Because of this, more money needed to be paid into the policy to grow the underlying fund to a level that would sustain the sum assured of £114,00. If it wasn't possible to pay more money into the policy, then it could only sustain a sum assured of £94,304.

I don't think this is unreasonable, if these changes weren't made then it's likely that the policy wouldn't be on track to meet its goal of providing a certain level of cover and might require even higher changes in the future. So, while the impact of Zurich revising their assumptions was significant, I don't think it was unfair. I think the revision was in line with the regulator's guidance which broadly says that firms need to take account of fund performance and policy values in order to ensure they treat their customers fairly and proportionately.

In my opinion, it doesn't seem unfair for a firm to revise their assumptions to correctly reflect what they were seeing in practice. If they didn't revise their assumptions, then it could have resulted in much worse outcome for Ms S in the future. If the underperformance wasn't accounted for, then the underlying fund would be below the level needed to sustain the policy for the rest of her life.

This could have resulted in even larger premium increases or reductions in the sum assured being required in the future which would have been an even worse outcome for Ms S. From what I've seen Zurich's reviews have been focused on ensuring the policy remains sustainable and I haven't seen that they've mismanaged the policy or that its charges have ever exceeded the premiums being paid.

I note Ms S's concerns that the increase in premiums was similar to what had been seen at the previous failed review which happened five years prior to the 2024 review. I haven't seen that the 2019 review failed, the available evidence shows that it was the 2009 review that failed. At the 2009 review, premiums needed to increase from £48.49 to £62.05 or by 28%. The 2024 review requested an increase in premiums from £62.05 to £98.97 or by 59%. Therefore, I'm not persuaded that size of the increases are arbitrary and not based on tangible calculations.

I also accept that the policy's underlying fund has continued to grow over time and increased from c.£11,000 in 2023 to c.£14,000 in 2024. But this is how the policy is meant to work; the fund needs to continue to grow over time to reduce the sum at risk (the difference between the sum assured and the fund). Because the cost of providing cover increases as Ms S gets older, the lower the sum at risk, the lower the cost of providing cover. It may even be the case that if the fund grows at a higher rate than Zurich's projected, she will be offered the opportunity to increase the sum assured for no corresponding increase in monthly premium. However, this is dependent on market conditions, hence the significance for Zurich's assumptions to be continuously reviewed over time.

So, having taken everything into account, I don't think Zurich have acted inappropriately or treated Ms S unfairly. I appreciate this will come as a disappointment to Ms S, but I hope she can understand why I've come to this conclusion.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 30 December 2025.

Marc Purnell
Ombudsman