

The complaint

The complaint concerns a whole of life policy administered by ReAssure Limited and held in trust. The trustees are unhappy that medical underwriting prevented its reinstatement following it being made paid-up.

What happened

The background to the complaint will be well known to all parties so I won't go back over it in detail here. What follows is a brief summary of how matters have proceeded to this point. For ease of reading, I'll refer solely to Mr D in the main body of the decision.

The reviewable whole of life insurance policy was taken out by Mr D in joint names with his late wife in 1999, with an initial sum assured of £150,000 and monthly premiums of £146. Since then, the policy's been regularly reviewed, and by 2020 its sum assured had risen to nearly £900,000, with monthly premiums of around £1,400.

In late 2019 Mr D approached ReAssure requesting that payment of the forthcoming premiums for January and February 2020 be paid together in March 2020. This request marked the start of ongoing correspondence regarding the payment of the premiums and the potential for delays or even a moratorium. Despite continued correspondence between the parties no agreement could be reached. As a result, the policy was made automatically paid-up as of June 2020.

ReAssure then explained that the policy could potentially be reinstated within 13 months of the date it was made paid-up (so before 31 July 2021). But this would be subject to completion of a declaration of health by Mr D and then medical underwriting.

Mr D instigated the process of reinstatement with the completion of the necessary form in March 2021. The application went through the underwriting process but in July 2021 a decision was made that the level of ratings that would apply due to Mr D's medical history meant ReAssure was unable to agree reinstatement.

Mr D complained to ReAssure but it considered that it had generally acted correctly in respect of the policy being made paid-up because of non-payment of premiums and in respect of the medical underwriting. However, as a secondary issue, it noted that there'd been a delay in sending some medical records to Mr D's doctor, for which it offered compensation of £500.

Although it didn't uphold the main part of the complaint, ReAssure did provide some options to prevent the policy from lapsing. While Mr D didn't accept ReAssure's conclusions, as an interim measure it was agreed that the policy's sum assured would be reduced to £400,000 giving an estimated sustainable term to March 2025.

The complaint was referred to this service and an initial conclusion reached that the complaint shouldn't be upheld, as ReAssure had acted correctly.

However, upon further consideration it was noted that the assessment of Mr D's medical

history had looked at the entire period from commencement of the policy in 1999. It was explained to ReAssure that this wasn't correct, and it should've instead considered Mr D's medical history only from the date on which the policy was made paid-up in June 2020.

The limited health issues relating to this much shorter period meant the medical ratings would be reduced. However, ReAssure noted that there'd nevertheless been one outstanding issue awaiting further test results in July 2021 that meant reinstatement was still not possible.

Further investigation revealed that this outstanding issue had in fact been resolved by July 2021 suggesting reinstatement ought to have been offered to Mr D. In light of this, it was put to ReAssure that it should reinstate the policy with the sum assured as it had been at the point of being made paid-up. And in respect of outstanding premiums, in line with a proposal from Mr D, the first two years should be waived with the remainder paid alongside the ongoing premiums over a period of 12 months.

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.

It appears to be the case that Mr D should've been able to have the policy reinstated. I appreciate reinstatement isn't an entitlement under the terms of the contract, but it was made clear as part of the communications with ReAssure about the payment of premiums and the policy being made paid-up that reinstatement would nevertheless be considered, subject to the underwriting.

I also appreciate that at the time of underwriting in 2021 ReAssure believed it was acting correctly in treating the process as if it related to new business, so considering Mr D's entire medical history. But it has subsequently accepted that only the 13-month period following the policy being made paid-up should be considered. And further, evidence has been provided that the only relevant issue during that period was resolved and information regarding that resolution would've been available prior to the end of the 13-month period.

So, I find that it is now a reasonable course of action that the policy be reinstated.

ReAssure has agreed to do so, with the original level of cover on the original terms going forward to the next review. It has also agreed to waive the first two years of premiums that have been missed since July 2020 and further, in place of the repayment plan suggested by Mr D, it will instead deduct the value of the remaining missed premiums from a future claim.

As this provides the outcome confirmed as being sought by Mr D and does so in a pragmatic manner, I'm satisfied it represents a fair and reasonable resolution to the matter in all the circumstances.

Putting things right

I require ReAssure to:

- Reinstatement the policy for the sum assured of £887,607.00 on the original terms, providing premiums are maintained going forward and being subject to reviews.
- In respect of the premiums that would then be outstanding, waive the total of the first two years (from July 2020)
- Deduct the remainder of the missed premiums (from July 2022) from the value of a future claim.

My understanding is that the £500 offered in respect of the delay in sending medical information was paid previously. However, should that not be the case, Reassure must also arrange for that to now be paid.

My final decision

For the reasons given, my final decision is that I uphold the complaint and direct ReAssure Limited to resolve the matter as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D, Mr D and Ms V to accept or reject my decision before 14 March 2025.

James Harris
Ombudsman