

The complaint

Mr H, Mrs H and Mrs C as trustees of the H Trust complain about a reviewable whole of life (RWOL) policy the trust holds with Zurich. They're unhappy that the sum assured was reduced after a policy review in 2020.

What happened

Mr and Mrs H originally made the complaint, so I will only refer to them for ease of reading. They took out an Adaptable Life Plan – a whole of life policy – in 1994. It had a sum assured of £80,000 for monthly premiums of £42.30 per month. The policy was subject to regular reviews and failed a review in 2020. Mr and Mrs H were told the premiums they were paying were insufficient to support the sum assured. If they wanted to maintain the sum assured, then they would have to increase their premiums to £106.03, or the sum assured would reduce to £62,459.

Mr and Mrs H complained to Zurich and said, in summary, that they were unhappy with the outcome of the review as they thought the sum assured was fixed and wasn't subject to change. Zurich looked into the concerns that had been raised but didn't uphold the complaint.

They wrote to Mr and Mrs H and explained that the policy was subject to regular reviews. And at each review, they would consider how the policy had performed compared to the initial assumptions made about different factors such as investment performance and mortality rates. At the 2020 review, they'd found that the cost of providing cover was higher than expected so changes needed to be made to the policy.

Mr and Mrs H didn't accept Zurich's findings and asked for our help with the matter. After considering whether the complaint fell within our jurisdiction, one of our investigators considered the merits of the complaint, but didn't think it should be upheld.

He thought, in summary, that Zurich were keeping to the original terms of the policy by conducting regular reviews in order to ensure that it could meet its original objective of providing life cover. He didn't think that they'd done anything wrong at the 2020 review. This was because Zurich's assumptions about how the policy would perform in the future showed that the premiums being paid wouldn't be sufficient to sustain the policy on its existing terms, so changes needed to be made.

Mr and Mrs H didn't accept the investigator's findings. They didn't think the investigator had answered the main aspect of their complaint – that they'd signed an agreement in 1994 to pay a fixed monthly charge and subsequently receive a payout of £80,000 on the death of the last survivor. If they'd been told at the time that figure could reduce then they wouldn't have taken out the policy. They thought that Zurich had reneged on the original agreement which meant that the policy had been mis-sold to them.

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 go on to explain why. However, I'd firstly like to explain to Mr and Mrs H that we are unable to consider their allegations of mis-selling against Zurich. This is because the policy was sold to them by an independent financial advisor who had no connection to Zurich.

Therefore, Zurich can't be held to account for any issues relating to the sale of the policy, or any assurances Mr and Mrs H were given by the person who sold it to them. What I have considered is how Zurich have administered the policy and if their actions are in line with its terms and conditions.

Mr and Mrs H have provided a policy schedule which says that the policy has a sum assured of £80,000 and monthly premiums of £42.30. It also says "*The following provisions apply to this schedule: 1709-6 T07 01*"

This reference is in respect to the terms that apply to the policy. Zurich have provided a copy of this document and I've considered the relevant sections relating to reviews. They say, in summary:

- The policy will be reviewed at every review date and adjustments can be made which apply until the next review date.
- At each review, the Actuary will determine the policy's adjustment factor.
- If the adjustment factor is positive, then the policy's sum assured will be increased.
- If it is negative, then the sum assured will be reduced. But if this happens then the policy's premiums can be increased to a level that the Actuary determines will be sufficient to support the previous sum assured.

Taking this into account, I don't think that Zurich acted inappropriately when they reviewed the policy in 2020 and proposed the changes that they did. I fully accept that the outcome of the review would have been disappointing for Mr and Mrs H, but it's important to consider how their policy broadly operated in practice.

The cost of providing cover isn't fixed and instead increases over time as the lives assured get older. At the outset, when charges are relatively low, 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 the policy can continue to provide the chosen level of cover. They will look at a number of different factors such as the size of the investment pot, current mortality rates and investment performance. If they decide the policy isn't sustainable at its current premium, the consumer will usually be offered the option of reducing the sum assured or increasing the premium.

The 2020 review was impacted by a few factors. Zurich had carried out a review of mortality rates in 2019 which showed that they were higher than what had been previously assumed. Investment returns had also been impacted by low interest rates and stock market volatility due to the Covid-19 pandemic which meant that the growth rate of 6.25% which they'd

expected, hadn't been achieved.

The impact of this was that in order for the policy's underlying fund to be at the level required to meet the sum assured in the future, more money needed to be paid into it each month, so an increase in premiums was needed. Alternatively, the sum assured could be reduced to a level that would be supported by the size of the underlying fund at the time.

Taking this into account, I don't think it was unreasonable for Zurich to revise their assumptions in light of the poor performance. 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.

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 a much worse outcome for Mr and Mrs H 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 their lives. This could have resulted in even larger premium increases or reductions in the sum assured being required in the future.

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. So, having considered the available evidence, I don't think Zurich acted unfairly in reaching the outcome they did after the 2020 review. Therefore, I won't be asking them to do anything to resolve this complaint.

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 Mrs C, Mrs H and Mr H to accept or reject my decision before 14 October 2025.

Marc Purnell
Ombudsman