

complaint

Mrs Z has complained about Zurich Assurance Ltd's handling and settlement of her claim for permanent total disability benefit under her critical illness insurance policy.

background

Mrs Z held a life assurance policy with Zurich. The policy included critical illness cover under which the policy would pay a lump sum benefit if, before her 60th birthday, Mrs Z were to suffer a permanent total disability ("PTD") which the policy defined as a disability that left her unable to carry out any occupation. Mrs Z also had waiver of contribution ("WoC") benefit under the policy which meant that, up to the day before her 60th birthday, she wouldn't need to pay premiums if she was disabled from working.

In 2012, Mrs Z stopped working because of ill-health. She was later diagnosed with a disorder of her central nervous system. In May 2014, shortly after turning 60 years old and still having not returned to work, Mrs Z made a claim for PTD benefit. Zurich assessed her claim but declined it on the grounds that she hadn't shown that she'd been permanently unable to perform any occupation.

Mrs Z, through an adviser ("Mr J"), appealed against the decision. Zurich sent Mrs Z for an independent medical examination with a consultant neurologist ("Dr W"). Having received Dr W's report, Zurich concluded in November 2014 that the claim was payable after all. It paid Mrs Z the appropriate benefit of £113,115 and added interest to this at the rate of 0.4%. It also refunded the premiums she had paid towards the policy since the time of her claim.

Mr J, on behalf of Mrs Z, disputed that Zurich had treated her fairly. He said that she should be refunded premiums since May 2012 under her WoC benefit. He furthermore said that interest at the annual simple rate of 8% should be payable on all amounts. He also asked that Zurich pay £5,000 towards his costs of acting on behalf of Mrs Z.

After further correspondence with Mr J, Zurich eventually agreed to refund premiums from June 2012 and to pay interest on all refunded premiums at the rate of 0.4% calculated from ten working days after the date of Mrs Z's claim. It also agreed to pay £1,000 towards Mr J's costs and £250 compensation for the delays in handling Mrs Z's claim.

Mrs Z was unhappy at this response and referred her complaint to this service. She thought that Zurich should refund her May 2012 premium and that it should pay interest at 8% on all monies paid. She also thought it should pay more compensation for its poor handling of the claim and pay more towards the costs of Mr J.

I issued a provisional decision on this matter in November 2015.

I noted that Mrs Z declared on her claim form that she became unable to work in mid-May 2012. I therefore thought it was reasonable for Zurich to presume that she was able to work at the start of May 2012 and to apply the WoC benefit from June 2012.

I thought Zurich did some things wrong in its handling of the claim and that these errors would have caused distress and inconvenience to Mrs Z. However, I was satisfied that its offer of £250 compensation was appropriate.

I thought that Zurich's errors meant Mrs Z had to use Mr J to act on her behalf and that Zurich should therefore pay something towards his costs. However, I thought the £1,000 it had paid was reasonable considering the amount of extra work to which he was likely to have been put in dealing with this matter on behalf of Mrs Z.

I thought it was appropriate that Zurich paid interest on the various sums due to Mrs Z at the annual rate of 8% and I spelled out its exact obligations so there was no misunderstanding.

I invited both parties to comment on my provisional decision.

Mrs Z didn't accept my provisional decision. She made the following comments:

- her medical records showed she was unable to work from the start of May and she'd given incorrect information on her claim form because she wasn't thinking straight because of her condition;
- £250 wasn't enough compensation for the trouble and upset she'd been caused; and
- she'd had to pay Mr J over £5,000 and should be reimbursed the full amount as she'd only incurred this cost because of Zurich's wrongful actions.

Zurich was prepared to accept my provisional decision though it suggested that the redress should be slightly amended to reflect that the May 2014 premium wasn't refunded until December 2014 as part of the backdated WoC claim.

my findings

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'm satisfied that my provisional decision should stand. I shall explain why.

As I explained in my provisional decision, Mrs Z's medical records show that she was experiencing symptoms before May 2012 but I can't see anything that directly contradicts what she put on her claim form, namely that she stopped working in the middle of that month. I understand her premium was paid at the start of the month. In the circumstances, I consider it is reasonable for Zurich to presume that she was able to work at the start of May 2012 and to apply the WoC benefit from June 2012.

I recognise Mrs Z thinks she should receive more compensation for the distress and inconvenience she suffered. However, having considered the errors made by Zurich, I remain satisfied that £250 is an appropriate amount.

Mrs Z has provided evidence to show she paid Mr J over £5,000 for his services in dealing with her claim. However, I remain of the opinion that £1,000 was reasonable compensation for the amount of effort to which I believe he would have been put as a result of Zurich's errors. If Mrs Z had been dissatisfied with Zurich's actions at any point, she could have referred a complaint to this service rather than use Mr J. I note that Mrs Z said her condition meant she had to pay Mr J to act on her behalf in bringing her complaint here. However, I don't think that I can reasonably ask Zurich to cover the cost she incurred in referring her complaint to us.

I have slightly amended the redress just in case there was any confusion as to when Zurich refunded the May 2014 premium. Given that Zurich was otherwise prepared to accept the provisional decision, I'm satisfied that this should stand.

my final decision

For the reasons given above, I uphold this complaint in part. I require Zurich Assurance Ltd to do the following:

- Pay Mrs Z interest on her PTD benefit at the annual simple rate of 8%. The interest is to be calculated from 19 May 2014 (the date it received Mrs Z's claim) to 17 November 2014 (the date it originally settled the claim).
- Pay Mrs Z interest on refunded premiums since June 2014 at the annual simple rate of 8%, calculated from the date each premium was paid to 17 November 2014
- Pay Mrs Z interest on the above interest awards at the annual simple rate of 8% calculated from 17 November 2014 to the date of settlement.

I also require Zurich Assurance Ltd to do the following:

- Pay Mrs Z interest at the annual simple rate of 8% on refunded premiums from June 2012 to May 2014. The interest is to be calculated from 19 May 2014 to 9 December 2014 (the date it refunded these premiums).
- Pay Mrs Z interest on the above interest award at the annual simple rate of 8% calculated from 9 December 2014 to the date of settlement.

Zurich Assurance Ltd may take into account the interest it has already paid to Mrs Z in calculating the amount due.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs Z to accept or reject my decision before 8 February 2016.

David Poley
ombudsman