

## **complaint**

Mr E complains about a claim declined by The Prudential Assurance Company Limited. He believes it ought to pay out his critical illness benefit. Prudential says Mr E does not meet the policy definition, so it cannot pay the claim. Mr E is also unhappy that Prudential failed to tell him about changes to newer policies. In the years since his policy began, Prudential now offers different terms. Mr E has noted a claim would have been met under the new terms.

## **background**

In 2003, Mr E took out a joint life and critical illness policy with his wife. The sum assured decreases over a 20 year term.

Mr E sadly had one limb amputated in 2014. He contacted Prudential to make a claim. It declined the claim because the policy only pays benefit for the loss of two or more limbs.

Mr E raised a complaint. He felt Prudential ought to pay the claim because more recent policies cover the loss of one or more limbs. Prudential had never told him about newer insurance products, or contacted him until he made a claim.

Prudential maintained its decision, so Mr E brought his complaint to our service. He says Prudential is being unfair and it is using technicalities to avoid paying out.

An adjudicator did not uphold the complaint. She believed the claim was not payable under the terms and conditions of Mr E's policy. Also, she did not think it would be feasible for a business to notify all of its customers about every new product that becomes available.

Mr E disagreed. He said his policy was not available anymore; this shows the position must have changed. Prudential ought to honour his claim.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I have looked Mr E's policy wording for '*loss of limbs*'. It says:

*"The permanent physical severance of two or more limbs from above the wrist or ankle joint."*

I do not underestimate the serious nature of Mr E's health. But, as his claim is for the loss of one limb, the definition has not been met.

I note the ABI Code of Practice which applied in 2003 sets out model wording for 'loss of limbs' for insurers. This wording refers to the loss of two or more limbs.

Mr E says it is unfair to disregard newer policy terms. This is because Prudential now offers cover for the loss of one limb. I cannot agree with Mr E. Businesses may change the terms they are willing to offer cover for at a future date. This could equally mean Mr E's policy has certain listed illnesses that Prudential has removed for new policies.

Prudential has explained how it provides the agreed terms for cover at any particular time. It has accounted for the risk of those terms based on the premium it charges. So, a change to the policy could have been more expensive. I cannot be sure that even if Mr and Mrs E were offered a change in their cover that they would have taken out a new policy.

In any event, I agree with our adjudicator that it would not be reasonable to notify customers each time a change takes place. Insurers do make periodical changes to the products they offer. Life insurance and critical illness policies are long-term products. If insurers did send out details of new policies, policyholders would need to be re-underwritten based on their health. This could lead to some customers losing valuable cover as their health may have changed for the worse with time.

Also, I do not think it is reasonable for me to assess the legitimacy of insurers amending policy terms from time to time. This is because our service is not the regulator. That is the job of the Financial Conduct Authority.

Prudential has explained how it has considered Mr E against the 'total and permanent disability' listed illness, but he would not meet the listed activities of daily living.

I believe Mr E and his wife retain their policy. To clarify, this complaint would not prevent either of them from making a claim in future, providing the policy remains in force.

#### **my final decision**

I am sorry to write to Mr E in disappointing terms. But I do not think Prudential acted unfairly in assessing his claim against the terms and conditions applying to his policy from 2003.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr E to accept or reject my decision before 13 July 2015.

Jo Storey  
**ombudsman**