

## **The complaint**

A company, which I'll refer to as F, complains that Unum Ltd (Unum) unfairly declined a claim under its Group Life Policy.

## **What happened**

The detailed background to this complaint is well known to both parties. So, I'll provide a brief overview of some of the key events here.

F took out a Group Life Policy with Unum in June 2019. The cover renewed annually. During the period of the June 2022 policy cover, F made a claim with Unum following the unfortunate death of its employee.

Unum declined the claim. Although the member had been on the policy since 2019, at the time of his death he had already reached the cover cease age (70) and therefore Unum said there was no cover under the policy.

F didn't agree with Unum's reasoning. In summary, it said the policy wasn't clear and it was misleading. F said in line with how the policy was worded, Unum should provide cover until the age of 71 and therefore they should meet the claim in question.

Our investigator considered F's complaint and concluded that it should be upheld. He thought that based on the information in the insurance schedule, it was reasonable for F to think that the policy provided cover for a member at the age of 70 as the entry age went up to 70. He said that given Unum drafted the policy in the way they did, the reading of the age most favourable to the complainant should be used and therefore he said Unum should reconsider F's claim in line with the remaining policy terms.

Unum didn't agree with our investigator and therefore the complaint was referred to me to consider.

## **In my provisional decision I said**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm very sorry to hear about the passing of F's employee. I know this will be very disappointing for F, but I'm not intending to uphold this complaint, I'll explain why.

Both parties have provided detailed submissions to support their position. I want to assure them I've read and carefully considered everything they've said, but I won't comment on everything.

The issue for me to decide in this instance is whether or not it is fair and reasonable for Unum to decline F's claim on the basis they have set out in their final response to F's complaint.

The insurance schedule included the following eligibility for cover:

**“Entry ages**

Category 1     18 to 70

**Cover cease age**

Category 1     70 years

**Policy opens to newly eligible employees**

Category 1     Daily”

The schedule also stated that the cover is based upon terms set out in Unum’s user guide.

The relevant user guide stated the following:

**“2. When will cover for a member end?**

Cover for a member will end in the circumstances shown in the general terms.

**General terms**

**Cover for a member ending**

Cover for a member will end when they:

Reach the cease age...”

Unum said that at the time of the member’s death, he had reached the age of 70 (the cover cease age) and therefore the cover had ceased midterm on his 70<sup>th</sup> birthday. As the event being claimed for was after the member had reached the cover cease age, there was no cover in place.

F disputes Unum’s interpretation of how it defines eligibility in terms of age.

F says the policy terms are unclear and misleading. It maintains that because the entry age is stated as 18-70, a fair reading of the policy terms would be that anyone under the age of 71 is eligible. It argues that the terms do not state under the age of 70 and therefore if a member is 70 years old at the time of passing, the claim should be considered.

Unum explained that the entry age didn’t impact the outcome of this claim because the member had been on cover since age 66. The claim decline was based on the cover cease age. In any event, Unum explained that if the entry age was set at 18-69 it wouldn’t be able to cover anyone a day over 69 and therefore its set at 70 but cover ceases as soon as the person turns 70. I think Unum’s explanation on this is fair and reasonable. It also reflects what is said in the policy wording.

F suggested that because the member turned 70 during a policy term, the cover should have ceased at the renewal following their 70<sup>th</sup> birthday and not midterm. I’m not persuaded that Unum has acted incorrectly by ceasing cover midterm. I say this because the cover allows new members to join daily and therefore its reasonable that cover can also cease in the same way. In any event, the policy states the cover ceases when a member reaches the cease age.

I have considered the policy terms very carefully and I'm satisfied that the policy is clear in stating that there is no cover when a member reaches the cover cease age. The cover cease age chosen by F when taking out the policy was 70 and therefore when a member reaches this age, there is no cover.

Furthermore, as F was involved in choosing the cover cease age, I think it ought to have known that the cover would end when reaching that age. I'm not persuaded that F has been misled by Unum on this or that Unum have acted incorrectly.

Having considered everything very carefully, I think that Unum have acted fairly and reasonably in declining F's claim in line with the policy terms. I know this will come as a disappointment to F, but I simply can't ask Unum to take any further action in this matter.

### **Responses to my provisional decision**

Unum responded to say that they accepted the provisional decision.

F responded to say that it was disappointed with the provisional decision.

In summary F said that the provisional decision didn't address that Unum's wording was unclear and therefore unfair and potentially misleading. F said that it didn't say the cover should be in place until the age of 71, but that Unum was unclear the cover would cease on the member's 70<sup>th</sup> birthday and therefore it was entitled to think the cover would be in place until the next renewal date. F said that it would have sought alternative cover at the renewal after cover ceasing.

F maintained that the entry age was misleading and it also said that it would have been reasonable for F to expect that after entering a member for annual cover, Unum would notify F if the member was no longer eligible. F referred to Consumer Duty and said that in line with this Unum should inform its client of the difference in cover to every previous year.

F also said that it didn't receive a schedule or any details regarding the calculation of the payment. It didn't agree that because it chose the cover cease to be 70 that it ought to have known the cover would cease when the member turned 70 rather than at the next renewal.

### **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.

#### Suitability and policy information

F raised concerns about the suitability of the product and also that it did not receive the policy schedule or an explanation of how the premiums were calculated. I note the policy was taken out through an Independent Financial Advisor (IFA). The IFA would be responsible for the advice on suitability as well as providing information and advice on how the product operates. Any concerns in relation to this would need to be raised separately with the IFA.

Unum has explained that the policy schedule is issued through the IFA when the schedule requires updating. As no alternations were made in 2022 and 2023, the schedule did not require updating and therefore the schedule from 2021 would apply until any updates to the policy are made. In any event, Unum did continue issuing yearly accounts to the IFA.

Unum also explained that the cost of the policy is based on membership data at renewal. As

membership fluctuates during a policy year for example with members going on or coming off the policy, adjustments are made at renewal, taking into consideration any changes in the previous year and calculating the difference in premium. I've seen evidence which demonstrates that F was not charged a premium for the member from the date cover ceased.

### Consumer duty

F made reference to Unum's obligations under the Consumer Duty. This was introduced on 31 July 2023 and isn't retrospective so it doesn't apply to this complaint as the event complained about happened before the Consumer Duty was introduced. However, I will consider the rules and standards that were in place at the time instead. The relevant rules say an insurer shouldn't reject a claim unreasonably and should handle claims promptly and fairly.

### When does cover cease

In my provisional decision, I referred to the age 71. F said that it didn't ever say 71 but felt that Unum was unclear that the cover would cease on the member's 70<sup>th</sup> birthday as opposed to the next renewal date and that Unum didn't do enough to make it aware the cover was ceasing.

I apologise for my error in stating that F expected the cover to be in place until the member reached 71, however this doesn't change my decision. In my provisional decision I referred to the general terms of F's policy which state that the cover will end when the member reaches the cover cease age. I'm satisfied that based on this wording the cover ends on the member's birthday because that's when they reach the cover cease age. I don't agree that this could be interpreted to mean at the next renewal.

There isn't anything in the terms about continuation of cover until renewal. While I understand that F may have thought the cover would continue until renewal, I can't see that Unum have led F to believe that this was the case.

F says that it wasn't aware that the cover could cease mid-term. I'm satisfied that the wording of the policy allows for daily changes. So, in the same way a new member can join mid-term, members can also come off the policy in the same way. I haven't seen anything to suggest that changes can only be made on renewal.

In my opinion, the terms are very clear in that the cover ceases when a member reaches age 70. I'm therefore satisfied that Unum has acted fairly and reasonably in declining the claim on this basis.

### Entry age

F says that the entry age was misleading because it went up to age 70. While I appreciate why F thinks this, ultimately it doesn't change when the cover ceases. Also, the member had been on the policy for a number of years and had the benefit of the cover until age 70.

### Unum's responsibility to inform F cover was ceasing

F said Unum should have made it aware that the cover was ceasing mid-term. I'm satisfied the policy wording was clear on when cover ceased and I can't agree that Unum was required to do anything more. I say this because it would be unreasonable to expect an insurer to monitor each customer's policy in this way. In my opinion, it was F's responsibility to be aware when cover ceased and ensure it had the right level of cover in place. It was

also open to F to ask for further information such as a policy schedule if that information was important to it.

Overall, whilst I recognise that F will be disappointed with my decision, I'm satisfied that Unum has acted fairly and reasonably when declining F's claim.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 12 January 2024.

Ankita Patel  
**Ombudsman**