DRN-3942452

The complaint

Mr K complains that Zurich Assurance Ltd unfairly applied revised terms to a life assurance plan he took out in 2013.

Mr K says that in 2022, he was able to obtain the same level of cover with another provider at a much lower monthly premium. To put matters right Mr K wants Zurich to refund part of the premiums he has paid.

What happened

I understand that in 2013 Mr K took out a life assurance plan with Zurich. The premium was around £115 per month. The policy information provided to Mr K at the time he took out the plan set out that it had been accepted on revised terms. It explained:

Your payments have been increased because an extra risk factor applies.

Mr K says that in 2022 he was able to obtain the same level of cover with another provider for £44 per month. He complained to Zurich as he felt he had been overcharged.

Zurich did not uphold Mr K's complaint. It explained that when Mr K's application was accepted in 2013, the premium was based on medical information provided to it at that time. It said its underwriters had confirmed they were satisfied the application Mr K submitted in 2013 had been correctly assessed.

Mr K was not satisfied with Zurich's response and referred the matter to this service.

Our investigator said that having looked into Mr K's complaint he was satisfied that Zurich had rated Mr K's application and set his premiums in the same way it would have done for any customer with similar circumstances to Mr K. As this was the case, he said he couldn't reasonably require it to refund any of the premiums Mr K had paid.

Mr K was not satisfied with our investigator's response and asked for his complaint to be determined by an ombudsman.

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 Zurich has acted incorrectly in this matter or treated Mr K unfairly. I'll explain why.

When Mr K applied for life cover in 2013, he completed a medical questionnaire. In response to one of the questions he indicated that he suffered from a particular medical condition. This led Zurich to request medical records for Mr K. Based on the medical records it was supplied with, Zurich offered to provide Mr K with cover, but on revised terms, reflecting the extra risk factor.

Zurich has provided information to this service to show that its underwriters would have applied a rating to any applicant with this medical condition. I therefore can't reasonably find that it treated Mr K unfairly when it offered him cover on revised terms.

I appreciate that Mr K says he has been able to source the same level of cover at a much lower premium and I understand his policy with Zurich has lapsed. However, just because another insurer was willing to offer a lower premium does not necessarily mean Zurich has acted incorrectly.

Insurers are entitled to set their premiums based on what they consider to be the likelihood of receiving a claim. The premiums reflect what the insurer considers to be the risks involved in providing the insurance. There is no requirement on insurers to use the same factors when assessing risk.

Mr K was free to shop around for a lower cost policy if he felt the cost of the insurance offered by Zurich was too high.

Having carefully considered this matter, although I am sympathetic to Mr K's position, I can't reasonably find that Zurich acted incorrectly when it followed its own procedures and underwriting guidelines and applied revised terms to the cover it offered Mr K.

My final decision

My decision is that, for the reasons I have set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 4 August 2023.

Suzannah Stuart
Ombudsman