

The complaint

Mr H complains about the price charged by AXA PPP Healthcare Limited ("AXA") to renew his private medical insurance policy.

What happened

Mr H received a quote to renew his policy which he says was significantly higher than what he'd paid the previous year. Mr H says he started getting concerned about the price increase each year, and he complained following receipt of the most recent renewal quote. Mr H says he has been a longstanding and loyal customer of AXA for over 40 years and believes he's being penalised as a result of this by AXA applying price increases at every renewal.

AXA responded and explained they could see Mr H had called in to discuss the price increase and the call handler explained the reasons behind the price increase, which included the global level of cover, underwriting applied and the variety of outpatient, day patient and inpatient treatments covered within Mr H's comprehensive level of cover. They said the call handler also confirmed the price increase was only linked to certain medical advancements and age. AXA explained the call handler proposed some solutions to bring the price down, this included applying an excess of £2,000 to the policy or downgrading the policy from a comprehensive to standard package. AXA acknowledged Mr H declined these proposals during the call. AXA referred Mr H to the section of the policy booklet which explains why premiums increase each year.

Our investigator looked into things for Mr H. He thought AXA hadn't treated Mr H unfairly in relation to the pricing. Mr H disagreed so the matter has come to me for a decision.

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've decided not to uphold the complaint. I understand Mr H will be disappointed by this but I'll explain why I have made this decision.

The role of this service when looking at complaints about insurance pricing isn't to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they've been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I can see Mr H paid a premium of £6,915.39 for his policy in 2020 and this has increased each year to 2023 when he was charged £10,484.99. So, I understand why Mr H is concerned about the price increase. AXA have provided me with confidential business sensitive information to explain how Mr H's price increases were calculated. I'm afraid I can't share this with Mr H because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the price Mr H has been charged has been calculated correctly and fairly and

I've seen no evidence that other AXA customers in Mr H's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about AXA's risk model, but I can see two factors which have impacted the price each year is an inflationary increase and also Mr H's age. It's not unusual or uncommon for these factors to be taken into account when an insurer is pricing a policy and for it to affect the price. In this case, I've seen how these factors impacted the price, so I can't say AXA have treated Mr H unfairly in applying any ratings and loadings to account for this.

I've also looked at Mr H's policy booklet, which sets out the terms and conditions. And the two factors I've mentioned being taken into account and impacting the price, are consistent with what the terms and conditions say. There's a section in the policy booklet which talks about why premiums increase each year, and it says premiums will tend to rise as a customer gets older. It says this is because the older a customer gets, the more likely they'll suffer health issues. It also refers to the cost of medical treatment increasing. It's been widely publicised that premiums are increasing across the insurance industry due to claims inflation and the rising cost of services that an insurer pays for when settling a claim.

Mr H may feel this is unfair, particularly as he says the price increases each year. But it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks - different insurers will apply different factors. That's not to say an insurer offering a higher premium has made an error compared to an insurer offering a cheaper premium – but rather, it reflects the different approach they've decided to take to risk.

I can see Mr H refers to the price increase in the 2023 renewal as being the “*straw that broke the camel's back*”. I can see that was because the premium represented a 18.8% price increase from the previous year. As mentioned, I've seen the factors which have impacted the price – and I can't say AXA have treated Mr H unfairly. But it might help to explain this increase was higher than previous increases because AXA have shown they applied a discount to the 2022 premium, and this came off in the 2023 renewal which is why the difference, in percentage terms, was greater between the 2022 and 2023 policies.

I acknowledge Mr H's concerns about the price increases and also his frustration when AXA explained they weren't able to reduce the price for the level of cover Mr H was wanting. That said, I do think they took appropriate steps in trying to help Mr H by discussing proposals which would reduce the price. I can see the proposals offered are in line with the terms and conditions which refer to ways in which a customer can reduce their premium – and this refers to adding an excess or changing the level of cover. I acknowledge Mr H's reasons for declining this, but I think AXA did take reasonable steps in proposing these as a solution to try and bring the price down.

I do appreciate Mr H will want to know more detail around what specific factors have led to the price increase and he feels any details about his dealings with AXA and claims history should be disclosable. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. I do think it's important to make clear, it's not details of Mr H's claims history which is commercially sensitive – it's the ratings and loadings applied to this factor. So, I don't think AXA have acted unreasonably in not providing this level of detail to Mr H.

It's clear from Mr H's communication with AXA and our service, he believes the increase in price is down to the length of time he has been a loyal customer of AXA's. I can see AXA say the length of time a customer has been with them doesn't affect the price. Looking at the factors which have impacted the price increases, I agree with AXA's point here. There's nothing in the pricing factors which suggest continuous years of loyalty generate a rating or loading affecting the price.

I can see Mr H provides his circumstances as an example and compares this with a hypothetical scenario of a customer the same age, and who has been with the same insurer for three years, and who joined with no pre-existing conditions – like Mr H did over 40 years ago. Mr H says, following his research, he has found the customer who has been with the same insurer for three years would likely pay a premium between £1,500 to £2,000. As I've mentioned above, different insurers will apply different ratings and loadings – this depends on their risk appetite. In this case, I haven't seen any evidence which persuades me Mr H's policy has been priced differently to any other customer in the same circumstances, and on a like for like basis. So, I can't say AXA have treated Mr H unfairly. I do acknowledge Mr H's concern here, but I wish to reassure him I've checked the pricing information carefully, and I haven't seen any evidence the continuous years of loyalty has been rated and has featured in AXA's pricing model.

I understand why Mr H has complained, and I hope he feels reassured that I've checked the pricing information from AXA. But I can't say they've made a mistake or treated Mr H unfairly. I wish to reassure Mr H I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 January 2024.

Paviter Dhaddy
Ombudsman