

The complaint

Mr and Mrs W complain about the way AXA PPP Healthcare Limited has calculated the no claims discount on their private medical insurance policy.

What happened

In April 2021, Mr and Mrs W took out a private medical insurance policy with AXA. Mr W made claims on the policy in late 2021 and a further claim in February 2022. When the policy renewal documentation was received later that month, it showed that Mr W's no claims discount (NCD) had been reduced as a result of him making claims under the policy. Mr W didn't make any claims in the following policy year but when he received his renewal for April 2023, it showed that his NCD had been reduced again. When querying this with AXA, Mr W was advised his claim in February 2022 hadn't been included when the 2022 renewal was created and so this was why it had impacted his NCD for the following year.

Mr and Mrs W complained to AXA who said that the process for calculating renewal premiums was explained in the handbook. It referred to the handbook where it states renewal premiums are calculated up to three months prior to renewal – as Mr W's claim was in the month prior to the renewal of the policy, AXA said it wasn't included in the renewal calculation and therefore it wasn't taken into consideration until the next year.

Unhappy with this response Mr and Mrs W brought their complaint to this service. Our investigator looked into the matter but didn't uphold the complaint. She found that the policy terms and conditions were clear about how the policy renewal would be calculated and that claims up to three months prior to the renewal date may not be included. Mr and Mrs W disagreed with the investigators' view. As no agreement could be reached the matter has been passed to me to decide.

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.

It is important to point out that we're an informal dispute resolution service, set up as a free alternative to the courts for consumers. In deciding this complaint I've focused on what I consider to be the heart of the matter rather than commenting on every issue or point made in turn. This isn't intended as a discourtesy to Mr and Mrs W. Rather it reflects the informal nature of our service, its remit, and my role in it.

Mr and Mrs W clearly feel quite strongly about what has happened. They disagree with the fact Mr W's NCD has been affected in two renewals even though the claims all occurred in the first policy year. And I can appreciate why they feel this way. But while I know this will be disappointing for them, I won't be upholding their complaint, I'll explain why.

Within the policy terms and conditions, there is information about how the NCD is calculated for the next policy renewal. The policy states the following:

“We work out your discount up to three months before your renewal date. This means that if you make a claim in the three months before your renewal, this may not affect your discount until the following year’s renewal.”

Mr W made a claim on the policy which was paid on 17 February 2022. The renewal date of the policy was 31 March 2022. AXA says it had already calculated the relevant NCD before the claim was paid - the renewal documents were issued approximately one week after the payment, on 25 February 2022. As per the policy term stated above, any claims made up to three months before the renewal date may not affect the discount until the following year. I don't think this term is unclear or ambiguous in its explanation of how this process works, although I appreciate Mr and Mrs W think differently. Therefore, I don't think AXA has acted unfairly when reducing the NCD in the 2023 renewal, taking into account this claim.

Mr and Mrs W have said that, as the claim was paid prior to the renewal documents being issued, it was reasonable for them to assume that this claim had also been taken into account in the renewal. They think AXA should have done more to let them know at the renewal in 2022 that Mr W's NCD percentage was going to be affected at the 2023 renewal. But as mentioned above, I'm persuaded that AXA has set out clearly in the terms and conditions that claims paid in the three months prior to renewal may not have been taken into consideration and that these claims may impact the following years' renewal. If confirmation as to whether this claim had been included was required, Mr and Mrs W could have contacted AXA prior to agreeing to the renewal.

Taking everything into account, I think AXA has acted in line with the terms and conditions of the policy when calculating the NCD reduction for Mr W and I'm not persuaded that there are any fair and reasonable grounds on which I should ask AXA to depart from them. So, I don't require AXA to do anything more.

My final decision

For the reasons mentioned above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 18 January 2024.

Jenny Giles
Ombudsman