

The complaint

Ms C complains about the price that Aviva Insurance Limited has charged to cover her and her daughter, Miss H, under a personal private medical insurance policy.

What happened

Ms C has held a personal private medical insurance policy for several years, which also includes cover for Miss H, as well as Ms C's husband. The policy renews in November each year. In 2019, Ms C and Miss H made claims on the policy but, unfortunately Ms C's treatment appears to have been interrupted due to the impact of Covid-19 on private medical provision. In 2022, Ms C was able to effectively resume her treatment and Miss H was able to make a low value claim on the policy. Aviva settled these claims.

In October 2022, Aviva sent Ms C renewal documentation. This showed that the annual policy premium was due to increase from around £4608 to around £5306. Both Ms C and Miss H's no claim discount (NCD) levels remained frozen at the same levels as in the 2021-22 policy year.

Ms C was very unhappy with the increase in premium and she asked us to look into her complaint. She felt that it had been unfair for both her and Miss H's NCD levels to remain the same as they'd been during the previous policy year. That's because she felt the claims they made during the 2021-22 policy year were a continuation of claims which had already reduced their NCD at previous renewals. Ms C considered the previous claims had only been interrupted as a result of the Covid-19 pandemic and the effect it had had on medical treatment. So she didn't think it was fair for Aviva to treat these claims as new claims. Ms C also considered that Aviva had failed to pay her the Covid-19 rebate it had previously pledged.

Our investigator didn't think Ms C's complaint should be upheld. Briefly, she explained that we're not able to tell Aviva how it should assess risk or what price it should charge to cover that risk. But she was satisfied that Aviva had shown how the increase in premium had been calculated. She felt too that Aviva had calculated Ms C and Miss H's NCD in line with the policy terms and conditions. She was satisfied that Aviva had paid Ms C its Covid pledge payment in July 2022. And so she didn't think the evidence indicated that Aviva had treated Ms C unfairly.

Ms C disagreed and so the complaint's 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.

Having done so, whilst I'm very sorry to disappoint Ms C, I don't think that Aviva has treated her unfairly and I'll explain why.

First, I'd like to reassure Ms C that while I've summarised the background to her complaint

and her submissions to us, I've carefully considered all that she's said and sent us. Within this decision though, I haven't commented on each point Ms C has raised and nor do our rules require me to. Instead, I've focused on what I think are the key issues.

It might be helpful if I explain how we look at complaints like Ms C's. We don't generally tell insurers how they should calculate risk or what price they can charge to cover that risk. Aviva's entitled to decide whether or not it wants to offer insurance cover for a particular risk (in this case, claims relating to Ms C's health). And if it does, what price it needs to charge for that.

So Aviva will have assessed the risk of Ms C, Miss H and Ms C's husband needing to make a claim when they first joined this scheme and then at each yearly renewal afterwards. If it thinks the risk has gone up (for example, because the risk-profile has increased or because health care costs have gone up), then it may need to put up the premium. So in complaints like these, what I look at are the factors the insurer has applied to calculate the premium and whether I think it's done so fairly. This is so that I can be satisfied Ms C and Miss H have been treated in the same way as any other Aviva customer in similar circumstances and that they haven't been singled out in any way.

It's clear that at the 2022 renewal, Ms C's premium increased significantly. So I can understand why she's worried that Aviva might not have treated her and her family reasonably.

Aviva has provided me with commercially sensitive, confidential information to show how the renewal price in 2022 was calculated. I'm afraid that I'm unable to share this information with Ms C, but I hope it reassures her to know that I have considered this evidence carefully.

What I can tell Ms C are the main reasons for the increase in the price. These were an age-related increase; an overall change in the scheme price and the impact of both Ms C and Miss H's NCD levels remaining the same as they'd been during the 2021-22 policy year.

I appreciate Ms C feels that in the interests of procedural fairness, we should share Aviva's pricing evidence with her. But under the rules by which we operate (the DISP rules), there is provision for us to accept evidence in confidence. DISP 3.5.9(2) states:

'The ombudsman may:

accept information in confidence (so that only an edited version, summary or description is disclosed to the other party) where he considers it appropriate.'

In my view, given the nature of this evidence and its commercial sensitivity, it's appropriate for me to accept it in confidence, as I'm entitled to do under our rules.

Based on what I've seen, I'm satisfied Aviva's treated Ms C and her family in the same way it would treat any other policyholder who held this particular policy in similar circumstances to their own. So I can't reasonably find that it's treated her unfairly in any way.

It's clear that Ms C feels strongly that Aviva has misapplied the NCD and has effectively penalised her and Miss H for their inability to continue treatment on earlier claims as a result of Covid-19. I've considered this point carefully. In particular, I've referred to the policy terms and conditions, which form the basis of Ms C's contract with Aviva. Page 29 of the policy terms says:

'No claim discount

Your policy includes a no claim discount (NCD) which is reviewed at each renewal date. For full details of how the NCD is applied, please see (hyperlink to terms)'

The relevant no claims discount terms and conditions explain how the NCD will be worked out. Page two says:

'If we've paid bills for a claim that caused the member to drop three levels down the NCD scale in a previous policy year, and we pay further bills for the same claim in another policy year, these further bills will not cause the NCD to reduce again at the end of that year. Instead, that member will remain at their current NCD level in the following policy year (unless other claims that do cause the member to drop down the scale have been paid).'

The NCD terms and conditions go on to state:

'If the claims we've paid for a member are:

- claims that have not yet caused the member to drop down the NCD scale, and*
- the total combined amount we've paid in a year, towards those claims is £250 or less,*

that member will remain at their current NCD level. New claims are those that are for a disease, illness or injury which is not related to an existing claim.'

I think the applicable terms make it clear that if Aviva pays costs for a claim which it's already covered during a previous policy year (and the previous claim has already caused a drop in the NCD) then a policyholder's NCD will remain the same during the next policy year.

In Ms C's case, it appears that while Aviva covered the costs of private medical care for her in 2022, it was for the same condition it had already covered in 2019 and which had already caused a drop in her NCD. So under the terms of the policy, I don't think it was unfair or unreasonable for Aviva to conclude that her NCD should remain the same at the 2022 renewal.

Ms C believes that Miss H's claim was also a continuation of a past claim. Aviva says it was a new claim, which cost less than £250. In either case, I think it was fair for Aviva to rely on the policy terms and conclude that Miss H's NCD should also remain at the same level as in 2021.

Finally, Ms C has referred to Aviva's Covid pledge payment and the potential impact of this on her premiums. Aviva has sent us a copy of a letter it sent to Ms C which set out the rebate amount it had calculated - £410.51. It says this amount was paid on 18 July 2022 into the account from which Ms C's premiums are collected. This payment appears to have been entirely separate to the premium Ms C paid for her cover and I've seen no evidence that it was taken into account when her renewal price was calculated.

I understand that Ms C feels let down by Aviva, but ultimately, it's open to her to decide whether or not she wishes to renew her contract with it. She is free to explore cover elsewhere with another insurer. I appreciate Ms C says she can't go elsewhere because of the impact on cover due to her medical history. But that's a matter of Ms C's choice – she isn't obliged to remain with Aviva.

Overall, despite my natural sympathy with Ms C and her family, I don't think Aviva has treated her unfairly. So it follows that I'm not telling it to take any action.

My final decision

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 28 March 2024.

Lisa Barham
Ombudsman