

The complaint

Mr and Mrs M complain about the price AXA PPP Healthcare Limited has quoted for a continuation private medical insurance policy. They feel AXA has failed to honour promises it made not to carry out new medical underwriting when Mr M left his employer's group private medical insurance scheme.

What happened

The background to this complaint is well-known to both parties. So I've simply set out a summary of what I think are the main events.

Mr and Mrs M were insured under Mr M's employer's group private medical insurance policy, which was underwritten by AXA. As Mr M was due to retire at the end of June 2023, cover under the group scheme was due to end. Under the terms of the group policy, AXA provided an option for group leavers to take out a personal continuation policy with cover for a policyholder's existing medical conditions. So Mr M contacted AXA to obtain a quote for continuation cover.

AXA asked Mr M a series of questions about his and Mrs M's health over the 12 months prior and also whether they had any treatment planned or pending. Based on the answers Mr M gave, AXA quoted Mr and Mrs M a total annual premium of around £26,220. It also gave Mr M a range of cover options which would reduce the premium.

Mr and Mrs M were unhappy with the premium AXA had quoted. They felt that AXA had failed to honour its promise not to carry out new medical underwriting when it calculated the price for a continuation policy. Mr M said that while he'd undergone a series of tests, they'd all been 'clear'. Mrs M took out a continuation policy in July 2023.

As Mr and Mrs M didn't think AXA had treated them fairly, they asked us to look into their complaint.

Our investigator didn't think Mr and Mrs M's complaint should be upheld. Briefly, he was satisfied that AXA had offered Mr and Mrs M continued medical cover. And he thought the evidence showed that AXA had calculated Mr and Mrs M's premium fairly and in line with its underwriting criteria. He didn't think AXA had treated Mr and Mrs M unfairly.

Mr and Mrs M disagreed and I've summarised their response. They felt the investigator had given little weight to AXA's statement that it would not use medical underwriting to determine their premium once they were no longer covered by the group scheme. They considered it was a key principle of group medical insurance cover that the healthier scheme members subsidise the less healthy members. And that by offering to continue medical cover, AXA was, in effect, promising to continue this subsidy into retirement. However, they maintained that AXA had loaded their premium because of their medical history. And so they felt it had failed to honour its promise. They considered that the premium they'd initially been quoted wasn't equitable and it would have increased substantially the following year. They said AXA would not have loaded the premium if Mr M had remained covered by the group scheme and therefore, it wasn't entitled to do so during his retirement. They considered that they hadn't

had an option to move to a different insurer, as Mrs M had needed her cover to continue.

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 Mr and Mrs M, I don't think AXA has treated them unfairly and I'll explain why.

The relevant regulator's principles say that insurers must pay due regard to the interests of their customers and treat them fairly. So I've taken these principles into account, amongst other things, when deciding whether I think AXA has treated Mr and Mrs M fairly.

I've first considered the terms of the group scheme, as these form the basis of the contract between AXA and Mr M's employer. Page two of the scheme handbook includes a section called 'If you're leaving your company'. This section says:

'If you're leaving your company

Stay covered with the same personal medical underwriting

If you're leaving employment you will find transferring to an AXA Health personal plan is quick, easy and trouble free

Contact us as soon as you know you will be leaving your company scheme by phoning..., you won't need to fill in any forms or have any kind of medical examination – we'll arrange everything over the phone

For the vast majority of existing AXA Health members, we can cover you for existing medical conditions with no additional medical underwriting, when leaving employment and are transferring to a plan with comparable benefits and restrictions

To ensure you retain this special benefit it is important you call us on...as soon as you know you will be leaving. You may find it difficult to get continued cover for any existing or previous medical conditions at a later date. We will also try to get in touch with you as soon as we know you are leaving your employment to let you know more about your options.'

Page 48 of the policy also says:

'If you leave the employer that provides this plan, it's quick and easy to transfer to a personal plan.

When you transfer to a personal plan with similar cover we can usually continue to cover any existing medical conditions without the need for medical underwriting - so you won't have to fill in any form or have a medical examination

Call us as soon as you know you're leaving as you may find it difficult to get continued cover for any existing or previous medical conditions later. We'll also try to get in touch with you when we know that you're leaving your employer.'

In my view, the policy terms don't oblige AXA to offer personal, continuation cover on exactly the same terms or for the same price as the group scheme. Nor is there any indication or agreement that personal policies are subsidised in any way or that medical conditions won't

be factored into the price of a personal policy. Put simply, once a member leaves an employer, cover under the terms of the group scheme will end. AXA isn't obliged to offer cover on the terms it would have provided had a member continued to work for the employer.

Instead, I think the terms make it clear that AXA can offer group scheme leavers a new personal policy on the same medical underwriting terms it had provided under the group scheme. As such, it offers cover for a member's existing medical conditions (which were covered under the group scheme) without adding a moratorium clause or excluding those conditions from cover. This is exactly what it offered to do in Mr and Mrs M's case – no medical exclusions were added and it agreed to provide cover for their existing medical conditions under a new, personal policy.

On 4 July 2023, Mr M was sent a letter which said:

'As you were on a company healthcare scheme, you and any family member previously covered on the company scheme can join us on a personal healthcare plan with the option to continue without further medical underwriting. This means that if you have a pre-existing condition, we could still cover you for that condition as long as it's covered under the terms of the new plan you choose.'

This was followed by a further letter which said:

'Your private medical insurance cover ended on 30 June 2023.

As you were previously a member of (employer's) healthcare scheme, you can join us on a personal plan with no change to your medical underwriting.

If you're interested in taking out cover for previous and existing medical conditions, subject to the terms and conditions of the plan you take out with us, call us on...before 28 October 2023.'

Again, I don't find there's any promise in these letters that AXA will subsidise continuation schemes nor that it won't take existing medical conditions into account when it calculates the price of a personal policy. I don't find then that AXA has failed to act in line with the policy terms and conditions or that its marketing literature was misleading.

In line with its process, when Mr M enquired about continuation cover, AXA asked him about his and Mrs M's existing medical conditions and whether they had planned or pending treatment. I don't think this formed additional *medical* underwriting – because there was no suggestion that these conditions wouldn't be covered. Instead, AXA simply recorded the answers Mr M gave about his and Mrs M's health. It took these answers into account when it assessed the overall risk of them needing to make a claim and accordingly calculated their premium. I don't think it was unreasonable for it to do so and neither do I think the terms of the policy suggested that it wasn't entitled to do so.

For completeness, I've also considered whether I think AXA treated Mr and Mrs M fairly when it calculated the continuation premium in June 2023. We don't generally tell insurers how they should calculate risk or what price they can charge to cover that risk. AXA's entitled to decide whether or not it wants to offer insurance cover for a particular risk (in this case, claims relating to Mr and Mrs M's health). And if it does, what price it needs to charge for that.

So AXA assessed the risk of Mr and Mrs M needing to make a claim when Mr M called to discuss taking out the continuation policy. In this case, Mr M's employer subsidised the

premium and it was the policyholder. The group scheme terms and premium were calculated based on the specific risk AXA thought the group scheme presented. Once Mr and Mrs M took out a new policy, I don't think it was unreasonable for AXA to assess the risk of them needing to make a claim, based on their medical history. I say that because their health was the actual and specific risk AXA would be insuring under a new, personal policy.

So in complaints such as 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 that Mr and Mrs M have been treated in the same way as any other AXA customer in similar circumstances and haven't been singled out in any way.

It's clear that the quotation Mr and Mrs M was given was substantially higher than the price they paid for cover under the group scheme. So I can understand why they're worried that AXA hasn't treated them reasonably.

AXA has provided me with commercially sensitive, actuarial information to show how the quotation was calculated. I'm afraid that I'm unable to share this information with Mr and Mrs M, but I hope it reassures them to know that I have considered this evidence carefully.

What I can tell them is that I'm satisfied AXA has calculated the price in line with its underwriting guidance and taking into account the answers Mr M gave it. Based on what I've seen, I'm satisfied AXA's treated Mr and Mrs M in the same way it would any other policyholder who was transferring from the group scheme to a personal policy in similar circumstances to their own. So I can't reasonably say it's treated them unfairly.

I'd add too that I'm satisfied that AXA gave Mr and Mrs M clear information about different steps they could take to reduce the price – such as changing their level of cover or taking out a new, medically underwritten policy. It was also Mrs M's choice to remain with AXA. Even though I appreciate why Mrs M wanted to remain covered for her existing conditions, ultimately, it was open to both Mr and Mrs M to look elsewhere for a cheaper policy if they'd wished to do so.

Overall, whilst I sympathise with Mr and Mrs M's position, I don't think AXA has reneged on any agreement or treated them unfairly or unreasonably.

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 Mr M and Mrs M to accept or reject my decision before 18 April 2024.

Lisa Barham
Ombudsman