

The complaint

Mr K complains about the way that CIGNA Life Insurance Company of Europe SA-NV has administered his personal private international medical insurance policy.

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 key events.

Mr K held a personal private international medical insurance policy, which it appears he took out through a broker, who I'll call A. During 2021 and 2022, Mr K made claims on the policy.

In December 2021, CIGNA was unable to collect Mr K's quarterly premium. Due to non-payment of the outstanding amount, the policy was cancelled. At A's request, the policy was reinstated in May 2022. But as CIGNA was unable to collect the outstanding premiums due, it cancelled the policy again in July 2022.

Mr K was unhappy with the way CIGNA had administered the policy. He said he hadn't been made aware of the outstanding premium and he said that CIGNA hadn't notified A about the outstanding amounts either. He was unhappy with the delays in CIGNA's handling of the claims he'd made. And he said CIGNA hadn't made him aware that the price of his policy would increase when the contract had renewed in 2020.

CIGNA said it had made A aware of the outstanding debt amounts. And it said it had made the policy premium clear on the renewal paperwork each year. But it acknowledged that there had been delays in its settlement of Mr K's claims and said this was largely down to staffing issues. It said it would chase up any outstanding amounts for payment.

Mr K remained unhappy with CIGNA's position and so he asked us to look into his complaint.

Our investigator didn't think Mr K's complaint should be upheld. She thought CIGNA had provided evidence to show it had made A aware of Mr K's outstanding premiums and the consequences on cover if the premiums weren't paid. She was also satisfied that CIGNA had made Mr K's 2020 renewal premium clear. So she didn't think CIGNA had acted unfairly.

I issued a provisional decision on 11 March 2024 which explained the reasons why I thought CIGNA should pay Mr K £250 compensation. I said:

'First, I'd like to reassure Mr K that while I've summarised the background to his complaint and his detailed submissions to us, I've carefully considered all he's said and sent us. In this decision though, I haven't commented on each point that's been raised and nor do our rules require me to. Instead, I've focused on what I think are the key issues.'

The relevant regulator's principles say that financial businesses must pay due regard to the interests of their customers and treat them fairly. I've taken those principles into account,

amongst other things, when deciding whether I think CIGNA has treated Mr K fairly. I've considered his main complaint points in turn.

Did CIGNA take reasonable steps to notify Mr K and A of the outstanding premiums?

I've first considered the policy terms and conditions, as these form the basis of the insurance contract between Mr K and CIGNA. Pages five and six of the contract terms include a section called 'Premiums and other charges' This sets out the following:

'If you do not pay premium and/or any other charges when they are due, we will notify you by email immediately and suspend your policy i.e. cover for all beneficiaries will be suspended. If payment is made, the policy will be reinstated. We will not approve treatment while the policy is suspended. We will not settle any claim while any payment to us is outstanding until the outstanding amount is paid.

If after thirty (30) days the amount is still outstanding, we will write to you informing you that the policy is cancelled. The cancellation date shall take effect on the date when the first outstanding payment was due.

If you settle the outstanding amount within thirty (30) days of when the first outstanding payment was due, we will reinstate your cover back to that date.'

I think the policy terms and conditions make it clear that if a policyholder fails to pay their premiums, CIGNA is entitled to cancel a policy. In this case, CIGNA has provided evidence which shows that Mr K's 'quarter one' premium wasn't collected. Nor does it appear it was paid ahead of the first policy cancellation in February 2022.

CIGNA has provided email evidence which shows it sent an 'aged debt report' to A on 6 December 2021. This included details of Mr K's missed premium and the amount. The email stated:

'All policies with payments outstanding for more than 30 days are at risk of cancellation. If you know of any reason why the client hasn't made the payment, or if you are in contact with them and would like us to make an exception not to cancel the plan for now please let me know.'

Subsequently, CIGNA sent A another 'aged debt report' on 18 January 2022. This showed that Mr K's premium was overdue by 47 days and showed that the policy was due to be cancelled. The email also included the wording I've set out above. CIGNA says it also sent A reminder emails every six days while the premium remained outstanding – although it says it can't provide evidence of these because the emails were automated. And it's said that it sent a cancellation email on 20 January 2022, although I haven't seen evidence of this email.

It appears that in May 2022, a request was made to reinstate Mr K's policy and to collect his premium. However, this payment couldn't be collected either. I've seen an email which CIGNA sent to Mr K on 17 May 2022 to let him know about the failed transaction. It asked Mr K for a new payment method. CIGNA tried to collect the payment again a few days later, but again, it was unable to do so. It emailed Mr K on 24 May 2022 to notify him about the failed collection attempts; to ask for new payment details and to confirm that although the policy had been reinstated, as the premiums remained outstanding, benefits were suspended.

As the premiums remained unpaid, CIGNA sent A 'aged debt report' emails on 14, 21 and 27 June 2022 and again on 11 July 2022. The 11 July 2022 email made it clear that Mr K's policy would be cancelled. And on 18 July 2022, CIGNA emailed Mr K directly again. It said:

'As per our recent email, your premium payment has been outstanding for 30 days or more.

We have previously emailed advising you of this situation, but we have not received a response so your policy has been cancelled as per our policy terms and conditions.'

I've thought about all of the evidence very carefully. I accept Mr K says that A reports that it didn't receive any communication from CIGNA about his outstanding premiums. However, on balance, I think the emails CIGNA has provided, which were addressed to A and to which aged debt reports were attached, are persuasive evidence that CIGNA did make A aware of Mr K's outstanding premiums. I also think the emails made it clear that CIGNA would be cancelling the policy and why.

It isn't clear to me that CIGNA contacted Mr K directly in December 2021 and January 2022. While it isn't unusual for an insurer to communicate with a broker if the administration of a policy is usually conducted through that broker, it appears that in May 2022, CIGNA did choose to correspond directly with Mr K. I can understand why Mr K thinks it would have been helpful if CIGNA had contacted him directly in December 2021 and January 2022 about the outstanding debt. Nonetheless, it is clear that when the policy was initially cancelled, the premium had been outstanding for more than 30 days and accordingly, I don't think it was unreasonable for CIGNA to have decided to cancel it. I do think though that CIGNA ought to have written to Mr K to advise him of the cancellation, as the policy terms say it will.

CIGNA reinstated the policy in May 2022. Again, it isn't clear why it did so. And Mr K's premium remained unpaid. What is clear is that at this point, not only did CIGNA contact A about the outstanding premiums and the potential cancellation of the policy, it also sent Mr K email notification about the debt and asked for alternative payment details. It appears too that CIGNA tried to call Mr K on a few occasions to discuss the matter. As the premiums weren't paid within a 45-day period, the policy was cancelled again. Given the non-payment of premium over more than a 30-day period, I don't think CIGNA acted unreasonably when it cancelled the policy. And this time, upon policy cancellation in July 2022, CIGNA did write to Mr K to notify him about the cancellation in line with the contract. So I'm satisfied between May and July 2022, CIGNA gave Mr K clear information about the outstanding premium amounts and that it met the contractual terms to notify Mr K about the cancellation.

I've thought carefully about whether I think Mr K would have acted differently if CIGNA had contacted him directly about the outstanding debt in December 2021 and January 2022 and again when the policy was first cancelled. On balance, I don't think I could fairly find that he would. That's because even when Mr K did receive notification about the outstanding debt in May 2022, it appears that it remained unpaid. And nor did he take action to further reinstate the policy once he received notification of cancellation in July 2022. So I don't think there's enough persuasive evidence for me to find that but for CIGNA's failure to correspond with him directly in December 2021 and January 2022, he would have acted differently or ensured that the premium was swiftly paid. And so I don't think I can fairly conclude that it's most likely that but for any error on the part of CIGNA by failing to communicate with Mr K directly, his premiums would have been paid in full both for quarters one and two and that cover would still be in place now.

Did CIGNA make Mr K's 2020 renewal premium clear?

CIGNA has provided us with a copy of Mr K's policy certificate for the policy year 1 December 2019 until 30 November 2020. However, this document also includes a breakdown of the quarterly premiums CIGNA intended to charge in December 2020, 1 March 2021, 1 June 2021 and 1 September 2021. The premium for December 2020 was £1269.62, with £1269.61 being charged for the remaining quarters.

The certificate seems to have been issued to the same address we have listed for Mr K. So I think it was most likely sent to him. And, in my view, the 2020-21 premiums were made clear on this document. If Mr K can provide evidence though that he was charged more for the 2020-21 policy premiums, he should provide this to me in response to this provisional decision.

CIGNA's claims handling

CIGNA accepts that there were delays in its handling of Mr K's claims. It put these down to staffing issues. It seems that Mr K had to involve A to get things resolved and even at the time CIGNA responded to Mr K's complaint, some claims remained outstanding. The regulator requires insurers to handle claims promptly and to provide reasonable updates on the progress of a claim. Based on what I've seen, it doesn't appear that CIGNA met these obligations. I say that because it seems Mr K made claims in 2021, which still hadn't been assessed in January 2023, when the final response was issued. And it appears that Mr K was put to some avoidable, material time, trouble and inconvenience in chasing the claims up over a prolonged period and remaining without access to the money. So in my view, it would be fair, reasonable and proportionate for CIGNA to pay Mr K compensation of £250 to reflect the impact its claims handling had on him. And I plan to direct CIGNA to pay this amount to Mr K. I must make it clear though that I make no finding on whether CIGNA has settled the claims fairly, as it doesn't appear it has yet considered any complaint about that issue.'

I asked both parties to send me any further evidence or comments they wanted me to consider.

CIGNA queried why I'd proposed an award of compensation when it appeared I'd concluded that it had been fair for it to cancel the policy.

Mr K disagreed with my provisional findings and I've summarised his response:

- CIGNA had sent an email on 11 February 2022 which confirmed the policy had been cancelled. So Mr K had asked another broker, which I'll call M, and which issued the card the premiums were collected from, to carry out an investigation;
- The report concluded that the quarter one premium had not been collected but the quarter two premium had been collected in a timely way;
- The report said that in the event of a missed premium payment; other insurers issued a notification and an opportunity to make-up the shortfall payment and that CIGNA's procedure was arbitrary;
- CIGNA had breached its policy conditions by not informing Mr K of the missed payment and by terminating the policy. It had failed to notify Mr K of the missed payment collection until 11 February 2022 at the point it initially cancelled the policy;
- Following 11 February 2022, M had informed Mr K that he had to assume he no longer had healthcare cover. However, once CIGNA offered to reinstate the policy, three months later, it required a backdated payment to cover the period Mr K had been uninsured. Mr K had been unhappy to pay this;
- Mr K requested that CIGNA provide insurance cover for all of his existing medical conditions for which he cannot obtain cover elsewhere;
- The compensation award I proposed does not reflect Mr K's time and inconvenience

in dealing with this matter, nor does it reflect his daily rate. He spent at least eight days trying to resolve this matter.

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 sorry to disappoint Mr K, I still think the fair and reasonable outcome to this complaint is for CIGNA to pay him £250 compensation and I'll explain why.

The cancellation of the policy

As I set out in my provisional decision, the contract terms clearly state that if a premium is unpaid for more than 30 days, CIGNA will cancel a policy. In this case, I'm satisfied that Mr K's premium for quarter one wasn't collected from his payment card. As it remained unpaid for more than 30 days, I remain persuaded that CIGNA was entitled to cancel his policy.

The evidence CIGNA provided shows that it sent A 'aged debt reports' which explained that Mr K's premium had gone unpaid and also informed A that Mr K's policy would be cancelled. I still don't think it was unusual for CIGNA to have corresponded with A as Mr K's preferred broker. And I don't think CIGNA can fairly be held responsible if A didn't get in touch with Mr K to let him know that the premium hadn't been collected. I acknowledge that it might have been helpful if CIGNA had contacted Mr K directly. But I also explained why I didn't think Mr K would have acted differently even if CIGNA had corresponded with him in December 2021 and January 2022 about the missed quarter one payment and I've seen no persuasive evidence to change my findings on this point.

By Mr K's account, it now appears that CIGNA *did* contact him to let him know that it had cancelled the policy in February 2022. So it seems it did comply with the policy terms. It was open to Mr K at that point to contact CIGNA if he wanted to reinstate the policy and pay the backdated premiums. But it doesn't appear he did so.

Instead, Mr K says that when CIGNA did offer to reinstate the policy, in May 2022, he'd been unhappy to pay for cover for the period between the original cancellation and reinstatement. However, I don't think it was unreasonable for CIGNA to require Mr K to pay for backdated cover. I say that because if the policy had been reinstated and cover backdated to February 2022, CIGNA would have been 'on risk' for assessing and dealing with any claims Mr K made between February and May 2022. As Mr K wasn't happy to pay the outstanding premium and CIGNA wasn't able to collect the payment due, it follows that I don't find it was unfair for CIGNA to ultimately cancel the policy again in July 2022.

As I don't think CIGNA acted unfairly or unreasonably when it cancelled Mr K's policy, I don't think it would be reasonable for me to direct CIGNA to continue to provide cover for his existing conditions. It was open to Mr K to opt for policy reinstatement in May 2022, which would have included cover for any conditions he already had. As the premium remained unpaid, CIGNA wasn't obliged to provide further cover.

Compensation for claims handling

CIGNA queried why I had proposed to award compensation when I had provisionally found it had cancelled Mr K's policy fairly. I'm not awarding compensation for the policy cancellation or the way CIGNA dealt with that point. As I explained in my provisional decision, the compensation of £250 is to reflect the substantial delay in CIGNA dealing with the *claims* Mr K made in 2021 and 2022 - which CIGNA put down to staffing issues. I don't think CIGNA

met its regulatory obligation to handle Mr K's claims promptly and I think this particular point caused him some avoidable trouble and upset.

Mr K has pointed to his daily rate and feels the compensation I proposed is insufficient. However, having carefully reconsidered everything, I still find that £250 is a fair, reasonable and proportionate award to reflect the modest amount of distress and inconvenience I think CIGNA's handling of his claims caused him. So I'm now directing CIGNA to pay Mr K £250 compensation.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint in part.

I direct CIGNA Life Insurance Company of Europe SA-NV to pay Mr K £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 23 April 2024.

Lisa Barham
Ombudsman