

The complaint

Mr and Mrs S complain about the premium Aviva Health UK Limited charged at renewal of their private medical insurance policy in 2023.

What happened

In summary, Mr and Mrs S have had private medical insurance underwritten by Aviva since 2015. The policy renews in September each year. In August 2023, Aviva sent Mr S a renewal notice which said the annual premium had increased from £4,058.04 to £5,187.60 for the policy year 2023/2024. Mr S complained about the increase and wasn't satisfied with Aviva's response.

Mr and Mrs S say the increase in premium for the policy year 2023/2024 has caused them substantial stress and anxiety as they have a fixed budget. Mr and Mrs S say Aviva hasn't provided a satisfactory explanation for the reasons for the increase. They say in 2016 Aviva provided more and better information about how it had calculated their premium. Mr and Mrs S want a fair and reasonable revised quote for this year's premium and for future years, with an explanation of any cost increases. They also want an apology for the way Aviva handled their complaint and for the stress and anxiety they suffered at renewal.

One of our investigators looked at what had happened. She didn't recommend Mr and Mrs S' complaint be upheld. The investigator said she was satisfied Aviva had calculated correctly the 2023/2024 quote and treated Mr and Mrs S fairly. The investigator said Mr and Mrs S are entitled to choose an alternative insurer.

Mr and Mrs S didn't agree with the investigator. They say the investigator hadn't addressed the points they had made. Mr and Mrs S say the increase in premium isn't the entirety of their complaint. They are concerned about how Aviva's approach affects policyholders of a certain age and say it suggests the policies were mis-sold to them over the years.

Mr and Mrs S say the investigator didn't explain why Aviva had provided an explanation of pricing in 2016 but now says the equivalent information is commercially sensitive and can't be shared. They say none of the factors referred to by Aviva and the investigator – age, medical inflation, changes to no claims discount and my health discount – explain the increase in premium this year.

Mr and Mrs S asked that an ombudsman consider their complaint, so it was passed to me to decide.

In this decision, I'm considering the complaint Mr and Mrs S made to Aviva in September 2023, to which Aviva responded in its letter to Mr S of 12 September 2023. Mr and Mrs S' allegations about policies being mis-sold to them over the years wasn't part of their original complaint and Aviva hasn't had an opportunity to respond to that allegation, so I don't deal with that here.

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's clear Mr and Mrs S have very strong feelings about this matter. They have provided detailed submissions to support the complaint, which I have read and considered. However, I trust they will not take as a discourtesy the fact I focus on what I consider to be the central issue, that is, whether Aviva treated them fairly and reasonably in calculating the 2023/2024 premium.

I've taken into account the law, regulation and good practice. Above all, I've considered what's fair and reasonable. The relevant rules and industry guidance say Aviva has a responsibility to deliver good outcomes for retail customers.

I understand Mr and Mrs S' concern about the increase in premium. However, this service isn't the industry regulator and we have no power to direct an insurer to reduce its premium or to charge lower premiums in future. It's not my role to tell an insurer what price it should charge for the risks its policies cover, nor what factors it should take into account in assessing those risks. It's for an insurer to decide what risks it wants to cover and what premium to charge to cover those risks. Our general approach is that, providing they treat customers fairly, insurers are entitled to decide what premium covers a risk.

Insurers consider many factors when setting premiums. When deciding how much to charge for their policies they will assess the likelihood of a policyholder making a claim and how much they might have to pay out for those claims. And each insurer will go about that in its own way. It's for Aviva to decide what factors it wishes to take into account. In its letter to Mr S of 12 September 2023, Aviva mentioned age, product rate review including medical inflation, no claims discount and my health discount. Aviva's considerations are not restricted to those factors. In a phone call with Mr S, Aviva explained the cost of living discount Mr and Mrs S had benefited from in the policy year 2022/2023 wasn't applied at renewal in 2023.

Aviva has provided this service with some information to explain how it calculated Mr and Mrs S' renewal premium for the policy year 2023/2024. It has asked us to keep the information confidential. We don't have powers to compel parties to share evidence, so I'm afraid I can't share that information with Mr and Mrs S. I appreciate that's frustrating but this service doesn't think it's unreasonable for insurers not to share with policyholders sensitive commercial information showing how it calculates premiums. That's because the information could be used by competitors to gain a commercial advantage. I've noted what Mr and Mrs S have said about the information Aviva provided in 2016 but that doesn't alter my view.

I've looked carefully at the information Aviva has provided. I'm satisfied the premium Aviva quoted was calculated correctly. I've seen nothing to indicate Mr and Mrs S were treated less favourably than other policyholders in a similar position. A large part of the increase was as a result of the cost of living discount no longer applying.

It was open to Mr and Mrs S to decline the renewal quote and look for a policy with another provider. I understand the difficulty of doing that for Mr and Mrs S, but it remains the case that they were not obliged to take up the renewal quote from Aviva.

For the reasons I've explained, there are no grounds on which I can fairly ask Aviva to reduce the premium for the current policy year or in future or to provide further information about how it calculated the premium.

My final decision

My final decision is that I don't uphold this complaint.

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

Louise Povey

Ombudsman