DRN-4888933

## The complaint

Mr and Mrs L complain about their private medical insurance with BUPA Insurance Limited.

## What happened

In summary, Mr L was a member of a group private medical scheme underwritten by BUPA and Mrs L was a beneficiary of that scheme. In 2021, Mr L was planning to leave the group scheme and instructed his broker to set up a private medical insurance policy with BUPA. BUPA asked Mr L some medical triage questions and offered Mr and Mrs L a private medical insurance policy on a continuation of cover basis. Mr and Mrs L's private medical insurance policy started on 1 January 2022 and renewed annually. When Mr and Mrs L received renewal documentation in late 2023, they complained to BUPA about the premium.

Mr and Mrs L say when they first left the group scheme and took out a private medical insurance policy there was no change in their medical status, so there was no change in the risk. Therefore, BUPA can't justify an increase in the premium they paid previously in the group scheme.

Mr and Mrs L say BUPA didn't provide them with a breakdown of the different elements of the premium and the absence of that information affects decisions by other potential insurers. They say if better information is available from BUPA, other insurers could consider underwriting all existing risks. Mr and Mrs L say that as a new insurer would likely exclude cover for pre-existing conditions for a period, they are essentially obliged to take out cover with BUPA and the premium is excessive relative to the risk.

Mr and Mrs L want BUPA to provide a quantitative breakdown of their premium and a numerical explanation why the premium has risen despite no change in risk and no claims. They want an explanation of the percentage of the premium attributable to specific factors. Mr and Mrs L also want a reduction in the premium in line with the risks.

In response to the complaint, BUPA said it had calculated the premium correctly. It said following a move from a group scheme to a personal policy, it continues to offer cover for eligible pre-existing conditions covered by the group scheme and charges according to the risk of paying future claims. That's why it asks medical triage questions about ongoing or pending treatments.

One of our Investigators looked at what had happened. She said we can't tell an insurer how to price risk and set premiums, but we can look at whether BUPA has acted fairly and reasonably. The Investigator thought BUPA had treated Mr and Mrs L the same as other members in the same position. She said BUPA can charge a premium to reflect the risk it's covering.

Mr and Mrs L didn't agree with the Investigator. They said the complaint isn't about this service telling BUPA how to price risk. Rather, it's about BUPA's failure to disclose *how* it priced the risk, so another provider could determine whether they would price the same risks differently. Mr and Mrs L say while BUPA will tell them in general terms the factors

that led to an increase in premium, it doesn't disclose underwriting or loading information.

The Investigator considered what Mr and Mrs L said but didn't change her view. She said she couldn't share some information BUPA had provided because it's commercially sensitive. The Investigator said she'd checked the information carefully and was satisfied that BUPA hadn't treated Mr and Mrs L differently to any other customer in a similar position. She said BUPA doesn't have to show customers a breakdown of how it calculates premiums.

Mr and Mrs L accept insurers are entitled to price risk as they see fit. They say the key point is that they are trapped with BUPA if they want cover for pre-existing conditions. Mr and Mrs L asked that an ombudsman consider their complaint, so it was 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.

I've taken into account the law, regulations and what I consider to be good industry practice. Above all, I've considered what's fair and reasonable.

As Mr and Mrs L are aware, this service isn't the regulator, so we can't direct BUPA generally about how it conducts its business or sets its premiums. But I can look at whether BUPA has treated Mr and Mrs L fairly and reasonably.

BUPA offered Mr and Mrs L continuation of cover after they left the group scheme. BUPA wasn't obliged to offer Mr and Mrs L a private medical insurance policy on the same terms as the group membership scheme. Members of group schemes may pay lower subscriptions than the premium they would pay for a private medical insurance policy. That's because an employer may subsidise the costs and the risks the insurer takes on are spread more widely in the group scheme. Transferring out of a group scheme and into a personal policy entitled Mr and Mrs L to claim for pre-existing medical conditions from policy inception, which they wouldn't generally have been entitled to do under a 'normal' personal policy.

I note Mr L says that his medical status hadn't changed but BUPA was entitled to take into account Mr L's answers to its questions about planned or pending treatment when assessing the overall risk of a claim and deciding the level of premium. I don't think it was unreasonable for BUPA to assess the risk of Mr L needing to make a claim, based on his medical history. That's because a private medical insurance policy is a contract on new terms and Mr and Mrs L's health was the actual and specific risk BUPA was insuring under a new, personal policy. Different premium loading considerations apply to Mr L, which has resulted in a higher premium applying to him than to Mrs L.

Mr and Mrs L say the crux of their complaint is that BUPA will not share with them how it priced the risk. I don't think BUPA is required to share that information with Mr and Mrs L because the information is commercially sensitive. Insurers constantly update how they rate risk and their rates change continually. I don't think it would be fair or reasonable to require BUPA to share this information with either Mr and Mrs L or its competitors.

I don't accept the premise of Mr and Mrs L's argument that without detailed information about how BUPA priced the risk in their case, other insurers can't make decisions about whether they would price the same risks differently. Each insurer rates risks and sets

premiums in its own way and I don't think they need this sort of information from competitors to do so.

BUPA has provided me with confidential, business-sensitive information to explain how it calculated Mr and Mrs L's premiums. I'm afraid I can't share that with Mr and Mrs L. I appreciate that's frustrating, but we don't generally think it's unreasonable for insurers not to share with individuals sensitive, commercial data showing how it calculated the premium. I've checked the information carefully. I'm satisfied the prices Mr and Mrs L were quoted have been calculated correctly and all of BUPA's members in their position will have been charged a similar premium.

I understand Mr and Mrs L feel they are, in essence, 'trapped' with BUPA as they cannot obtain cover for pre-existing medical conditions with an alternative provider but this is the nature of how the private medical insurance market works. No insurer is obliged to offer Mr and Mrs L cover for a risk they are not willing to accept, nor are Mr and Mrs L obliged to take this cover out.

I'm sorry to disappoint Mr and Mrs L but for the reasons I've explained, I don't think BUPA treated them unfairly or unreasonably.

## 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 Mr L and Mrs L to accept or reject my decision before 1 November 2024.
Louise Povey
**Ombudsman**