

The complaint

Mrs R complains about the price charged by BUPA Insurance Limited (“BUPA”) to renew her private medical insurance policy.

What happened

Mrs R received a quote to renew her policy which she says was significantly higher than what she’d paid the previous year. Mrs R complained and said BUPA had confirmed the price increase reflected rising healthcare costs and a greater risk with age. Mrs R said she doesn’t accept this as healthcare costs haven’t risen by this amount and she also doesn’t accept that becoming a year older should carry an increase in risk reflective of the price increase. Mrs R also asked for a more detailed explanation for the price increase.

BUPA responded and explained they calculate premiums so they can cover the cost of claims their customers make. They said, claims costs increase for different reasons, for example how many claims their customers make, or the cost of new innovative drugs and advances in medical technology. BUPA said, when calculating Mrs R’s premium, they took into account healthcare costs, Mrs R’s age and where Mrs R lives.

Our investigator looked into things for Mrs R. She thought BUPA hadn’t treated Mrs R unfairly in relation to the pricing. Mrs R disagreed so the matter has come to me for a decision.

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, I’ve decided not to uphold the complaint. I understand Mrs R will be disappointed by this but I’ll explain why I have made this decision.

The role of this service when looking at complaints about insurance pricing isn’t to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they’ve been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I can see Mrs R paid a premium of £3,862.20 in 2023 but then received a quote for £4,814.88 in 2024. This is around 25% more than what Mrs R paid the year before. So, I understand why Mrs R is concerned about the price increase. BUPA have provided me with confidential business sensitive information to explain how Mrs R’s price increase was calculated. I’m afraid I can’t share this with Mrs R because it’s commercially sensitive, but I’ve checked it carefully. And, I’m satisfied the price Mrs R was charged has been calculated correctly and fairly and I’ve seen no evidence that other BUPA customers in Mrs R’s position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about BUPA's risk model, but I can see one factor which has contributed to the price increase relates to a general insurance price increase. It's been widely publicised over the last year that the price of insurance has increased due to claims inflation and insurers facing rising costs in settling claims – and in the case of private medical insurance, increasing healthcare costs have contributed to this.

Another factor which has contributed to the price increase relate to Mrs R's age. It's not unusual or uncommon for insurers to take into account this factor when rating a policy – and in this case I've seen how this impacted the price. I note Mrs R says BUPA have acted in a discriminatory manner here, but I've seen no evidence that BUPA have treated Mrs R unfairly or differently to any other customer in the same circumstances.

I've seen how Mrs R's policy was rated and the loadings which have led to the price increase. This forms part of BUPA's pricing model so it applies to all policies. I think that's important here as it demonstrates the pricing model used to calculate Mrs R's premium was no different to what was used for any other customer in the same circumstances.

BUPA have also provided evidence which shows how their view of risk changed and the specific ratings which were impacted by this. BUPA have described how they refreshed their rating system to more accurately reflect the expected costs they underwrite and how this led to Mrs R's premium increasing at renewal. So in short, they have treated all customers the same with the pricing structure and Mrs R hasn't been treated differently or unfairly when they chose to change their approach.

I acknowledge Mrs R says becoming a year older doesn't justify a price increase at the level she received, and she also raises points about her claims history and about it being unfair if her premium has increased due to claims being made by other customers. I do acknowledge Mrs R's points, but it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks - different insurers will apply different factors. That's not to say an insurer offering a higher premium has made an error compared to an insurer offering a cheaper premium – but rather, it reflects the different approach they've decided to take to risk.

This similarly applies to rating factors and loadings. It's for an insurer to decide what rating factors and loadings to apply to a policy. In this case, I've seen how the risk factors impacted the price as well as BUPA's reasons for this – and I can't say they've acted unreasonably or treated Mrs R unfairly.

In addition to this, I've seen the renewal invite sent to Mrs R and I can see BUPA did remind Mrs R that she could shop around to see if she could get a better price. As Mrs R has been with BUPA for at least four renewals, then section 6.5 of the Insurance Conduct of Business Sourcebook ("ICOBS") requires a business to provide specific wording about the benefits of shopping around. So, as well as treating Mrs R fairly, I think BUPA also acted in line with requirements set out under ICOBS.

I do appreciate Mrs R will want to know more detail around what specific factors have led to the price increase and she was left frustrated at not receiving a more detailed explanation for this. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think BUPA have acted unreasonably in not providing Mrs R with details of the specific ratings and loadings used to calculate the price.

I understand why Mrs R has complained, and I hope she feels reassured that I've checked the pricing information from BUPA. But I can't say they've made a mistake or treated Mrs R unfairly. I wish to reassure Mrs R I've read and considered everything she has sent in, but if I

haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 6 March 2025.

Paviter Dhaddy
Ombudsman