

## **The complaint**

Mr and Mrs M complain that Hiscox Underwriting Limited (Hiscox) unfairly increased premiums over successive years. As well as recording an open claim with inaccurate costings under their home building insurance policy.

I will refer to Mrs M in my decision as the lead complainant for ease of reading.

## **What happened**

Mrs M phoned Hiscox after receiving her renewal notice prior to the anniversary date of her policy in September 2021. She noticed an error in the statement of fact document. It said the property wasn't a listed building, when in fact it was. She queried this point and why a claim settled in 2018, following an escape of water, still showed as being open. Mrs M also queried the value of the claim.

In addition, Mrs M raised concerns that there had been successive large premium increases each year since 2018.

Hiscox subsequently withdrew the cover detailed in its renewal documents. It said as the building was listed its underwriters weren't able to offer this type of cover. Instead it offered a higher level of cover at a higher cost. Mrs M says this insurance provides for high net worth individuals. She says it includes kidnap and ransom insurance, which exceeds her requirements.

Mrs M says that despite paying for a higher level of insurance because of the listed status, the buildings and contents sum insured remain the same. She also says she has never told Hiscox that the property wasn't listed. Mrs M says a surveyor visited the property when the policy was first taken out in 2006, because of its proximity to a river. She says the surveyor should've been aware of the listed status.

Mrs M says the claim value for the 2018 escape of water is shown at around £160,000. She says this is far higher than the repairs cost. She says the work had to be re-done due to poor workmanship. She doesn't think it's fair that the remedial costs are included in the claim value. Mrs M says Hiscox is taking action to recover costs from its contractors due to the poor workmanship. But she doesn't think it's fair to keep the claim showing as open.

Mrs M referred her complaint to our service. During the investigation Hiscox revised the claim cost down to £72,481.98 and said the claim was now showing as closed. But it says it wasn't able to offer cover based on the original insurance quote because the building is listed.

Our investigator thought this was fair but felt Hiscox should pay Mrs M £100 compensation as she was unable to seek alternative insurance whilst the claim was open. Mrs M disagreed with our investigator's findings and asked for an ombudsman to review her complaint. It has been passed to me to decide.

I issued a provisional decision in October 2022 explaining that I was intending to partially uphold Mrs M's complaint. Here's what I said:

*provisional findings*

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 my intention is to uphold Mrs M's complaint in part. Let me explain.

*Listed building status*

*Mrs M's policy was taken out in September 2006. She says that when applying for insurance she didn't say the building wasn't listed. But when she read the renewal documents from July 2021, which included a statement of fact, she noticed her property was confirmed not to be a listed building. Mrs M contacted Hiscox to let it know the building was listed. It then withdrew its renewal offer and offered a new quote for high net worth customers.*

*Hiscox has supplied its underwriting information that shows for Mrs M's property this was the only cover it could offer. I can't share this information as it's considered commercially sensitive. But I'm satisfied that Hiscox acted according to its underwriting criteria when withdrawing its original offer of insurance. As it became aware the property was listed it replaced its offer with its high net worth customer option.*

*Mrs M asks for an assurance that all of Hiscox's customers known to be living in listed buildings are covered by its high net worth policy.*

*The underwriting information provided by Hiscox is clear that none of its other policies will be offered to customers living in listed buildings. Again, I can't share any more detail from this information. But I'm satisfied that Hiscox hasn't treated Mrs M unfairly or that other customers benefit from cheaper cover.*

*I have thought about Mrs M's comments that Hiscox knew she lived in a listed building when the policy was set up. Specifically, that the surveyor who visited in 2006 knew this was the case. She says the surveyor was aware that the building was listed, and that she didn't tell Hiscox it wasn't.*

*Hiscox has supplied the statement of fact it sent to Mrs M with its 2021 renewal documents. I can see there is a question that says, "Is your property listed?" with the answer, "No". I asked Hiscox if it could provide the original statement of fact completed in 2006. It responded to say it couldn't. It says this information was on a legacy system that was replaced some years ago. However, it says the information on this system was used to populate subsequent renewal packs. Hiscox says it has reviewed the statement of fact documents from 2018 onwards – and that all of these show the property as unlisted.*

*In the absence of the original statement of fact document it's not possible to confirm what this said about the listed status of Mrs M's home. Where the evidence isn't clear, I must consider what I think is most probable in the circumstances - given the testimony and evidence that is available to me.*

*I can't be sure if the policy was originally set up to cover a listed building. I don't doubt Mrs M's recollection that she never declared the building as unlisted. It's unfortunate the earlier statement of fact documents can't be provided. However, these were issued some time ago and have been superseded with the documents supplied in the subsequent year's renewals.*

*Mrs M says the surveyor from 2006 knew the property was listed. But I haven't seen evidence to support this. Hiscox says its records show the building wasn't recorded as being listed for the past three years, from the statement of fact documents it has available. It explains the policy details were taken from the information Mrs M provided when the policy was first agreed. This was then used as the basis for her insurance policy each year.*

*Having considered this I'm more persuaded by Hiscox's view that it's likely the building was never recorded as being listed. Mrs M will have received the statement of fact documents at each renewal. I note she didn't report an issue until 2021. It may be that this went unnoticed in earlier years as well. However, I don't think this issue had a negative impact on Mrs M.*

*The cost of insurance cover where a building isn't listed is less expensive. Mrs M has benefitted from a cheaper premium for a number of years. Hiscox also paid to cover a claim from 2018 where significant damage was caused by an escape of water, although the policy wasn't intended to cover a listed building. I don't think Mrs M has been disadvantaged by this, but it's appropriate that Hiscox provides the appropriate cover going forward that reflects the listed status of Mrs M's property. I think it's shown that the cover offered to Mrs M is appropriate based on its underwriting criteria.*

#### *Open claim*

*Mrs M is concerned that the claim for an escape of water that was settled in 2018 remains open. She says this has made it difficult to source alternative cover. I understand Mrs M has looked for alternative insurance as a result of Hiscox withdrawing its original renewal offer.*

*In its final complaint response in September 2021, Hiscox told Mrs M that the claim file remains open because the matter is still being investigated by its recovery team. It says this is standard practice when an insurer is trying to recover expenses from a third party.*

*I understand that the repairs following the escape of water claim weren't completed to a good standard. This resulted in remedial works and ultimately Hiscox paying Mrs M a settlement figure to arrange for the remaining repairs to be completed. The contractor appointed by Hiscox was considered at fault for these issues. I understand Hiscox was attempting to recover its costs from this contractor, which is the reason it gave for the claim status remaining open.*

*I don't think it was fair for the status of the claim to remain open after the settlement payment was agreed with Mrs M. I can understand why Hiscox wanted to recover costs resulting from sub-standard work its contractor completed. But this was an issue between Hiscox and the contractor it employed.*

*I understand the claim has since been updated to show as, "closed – pending recovery". But I think this should reasonably have been updated back in September 2020. This has created difficulties for Mrs M when seeking alternative cover, which was frustrating for her and caused inconvenience. Mrs M also says the open claim meant she had to stay with Hiscox to ensure insurance cover was in place.*

*In the circumstances I think it's reasonable that Mrs M should be able to cancel her current policy with Hiscox without incurring cancellation charges. The open claim should've been closed by Hiscox in 2020. Not doing so had an impact on Mrs M seeking an alternative insurer. If she is able to demonstrate that cheaper insurance could've been obtained on a similar basis, I think it's reasonable that Hiscox refunds the difference in premiums. I also think Hiscox should provide compensation for the frustration and upset this caused. I will confirm this below.*

### *Annual premium increases*

*In her complaint to Hiscox Mrs M raised concerns with successive increases in her annual premium that she thought were excessive. I can't see that it responded to this specific issue in its complaint response. I asked the business to provide its underwriting information to demonstrate how the premiums were calculated and to show that Mrs M was treated the same any other customer would be.*

*Hiscox responded with details of its underwriting process and how this was applied to Mrs M's premium from 2018 onwards. Again, Hiscox underwriting criteria is commercially sensitive, so I can't share this information. But I have read through this carefully and I'm satisfied the premiums were calculated in-line with the businesses established underwriting rules. I think this reasonably shows that Mrs M wasn't treated differently to any other Hiscox customer. And I haven't seen anything that demonstrates she was treated unfairly here.*

### *Claim cost*

*Mrs M says that because the repair works Hiscox arranged following the escape of water in 2018 were of a poor standard, this inflated the claim cost unfairly. She says much of the cost Hiscox has attributed to this claim relates to re-work that shouldn't have been necessary and shouldn't be included in the claim record.*

*I can see that the total value of the claim was recorded at around £160,000 originally. Hiscox re-evaluated the claim following Mrs M's concerns. It reduced the total cost to just over £110,000 as a result. Mrs M still didn't think this accurately reflected the costs involved. We asked Hiscox to provide information to support these costs. It sent information to support the first phase of works totalling £72,481.98. However, it couldn't supply invoices to support the second phase of works that cost £34,692.06. As a result, Hiscox removed the phase two costs including surveyor's fees, which left a total claim cost of £72,481.98.*

*Mrs M still doesn't think this figure accurately reflects the true cost of the claim. She says Hiscox claims £37,551.80 is attributed to additional "strip and trace" works as well as other work costs that aren't clearly specified. The settlement figure Mrs M was offered was for £41,541.67. She says the loss adjustor advised this was based on the estimated strip out and reinstatement of the areas involved. Mrs M believes the work Hiscox has included in the claim cost includes duplicated work and other work that isn't supported.*

*I've seen the invoices that make up the first phase of the works, which is now recorded as the final claim value. I asked Hiscox for further information in response to Mrs M's comments that duplicate trace and access and strip out costs are included in this figure. It says the original strip out costs legitimately form part of the claim, as it was an essential part of the work. It says these costs haven't been recorded twice. Hiscox says the settlement figure has already been removed from the claim cost, and the remaining amount is far less than the actual cost of works for the repairs it carried out.*

*Hiscox says it agreed on a goodwill basis to remove the cost of the second phase of works, in an attempt to expedite the resolution of Mrs M's complaint.*

*I've carefully considered all the available information supplied by Hiscox and Mrs M. I can understand her concerns as to the accuracy of the claim costs, given the settlement payment was originally included in the final amount. However, this has since been removed, along with the cost of the second phase of work which cost £34,692.06. More detailed invoice information hasn't been provided with respect to the first phase of the work. However, costing information and invoices have been provided to demonstrate that this formed the first phase of the repairs paid for by Hiscox. It was reasonable for the second*

*phase costs to be removed from the claim value, as Hiscox couldn't obtain invoices relating to this work. But I acknowledge its point that it still thinks these costs legitimately formed part of the overall claim.*

*On balance I think the claim value Hiscox has now recorded is fair in these circumstances. I acknowledge Mrs M holds strong views about this and will disagree with me. But large reductions have already been made to the overall claim value as a result of her concerns. I'm satisfied from the costings and invoices that the claim value recorded has reasonably been demonstrated to be accurate. I don't think Mrs M has clearly shown there is duplication in the final figure.*

*Having considered all of this I don't think Hiscox treated Mrs M fairly when not closing the claim earlier, and for inaccuracies in the overall claim value it recorded. This has caused frustration and impacted her ability to obtain alternative insurance. It has also caused inconvenience in the additional contact required when disputing the claim value. I think it's fair for Hiscox to acknowledge this with a total compensation payment for £250.*

I said I was intending to partially uphold Mrs M's complaint and Hiscox should:

- allow Mrs M to cancel her policy without cancellation charges if she chooses;
- refund any difference in premium paid, if Mrs M is able to evidence the open claim prevented her from taking comparable insurance at a lower cost; and
- pay Mrs M £250 compensation for the frustration and inconvenience it caused.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Hiscox responded to say it had no further information or comments for me to consider.

Mrs M sent a detailed response. In brief she says Hiscox's high net worth policy contained a vast number of provisions that exceeded her requirements. She says a scanned copy of a 2017 statement of fact from Hiscox doesn't include a declaration relating to a listed building. Also, that the loss adjuster that visited her home in 2018 was fully aware of the listed status of her property.

Mrs M highlights a point she made in her earlier submission to our service. She says the buildings sum insured in her original and current policy isn't indicative of the rebuild cost of a standard two bedroom flat. She says this indicates Hiscox was aware her flat was a non-standard property. She says she doesn't think she has been benefitting from cheaper premiums as a result of her property not being recorded as listed.

Mrs M says she's still not confident the claim costs are recorded accurately. She says she is at a significant disadvantage as she hasn't had sight of the alleged repair costs to submit evidence in support of her argument.

Mrs M says she when looked for alternative insurers she had to either leave the claim cost section blank or enter £160,000. In either scenario she says she wasn't able to obtain a quotation and so cannot provide the evidence needed to show what the cost would be. However, she has provided a quote she obtained online in November 2022 using a value of £72,000 for her previous claim.

Mrs M says she has spent a significant amount of time and energy and has suffered extreme stress and frustration over a prolonged period. She asks that the £250 compensation set out in my provisional decision be reconsidered.

## **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 thought about Mrs M's further comments regarding the cover included in Hiscox's high net worth policy. I accept what she says about the cover exceeding her requirements. And that there was no reference to listed building declaration in the statement of fact document from 2017.

I don't dispute her comments. But having seen Hiscox's underwriting criteria and the insurance products it provides, it's clear this is the only cover offered by the business for Mrs M as the owner of a listed property.

I understand Mrs M's point about the sum insured for her property – and her view that this isn't reflective of what a standard build would cost. But I don't think this necessarily indicates that she lived in a listed building. I'd expect the listed status to be established during the application process or potentially at renewal. I discussed this point in depth in my provisional decision. I thought that on the balance of probability it's likely that Mrs M's property was never recorded as listed with Hiscox. I acknowledge Mrs M's comments, but I'm not persuaded to change my decision.

I understand Mrs M has strong views that she hasn't benefitted from cheaper insurance with Hiscox as a result of her property not being recorded as listed within her policy. But based on the evidence I've seen, the high net worth policy costs more than her original policy. The reason Hiscox cancelled the original renewal in 2021 is when it became aware her property was listed. Its underwriting criteria meant the only product it could offer was the more expensive high net worth policy. Based on this I think Mrs M did benefit from a cheaper policy for a number of years. She also had a claim accepted to repair her property, although her policy wasn't intended to cover listed buildings.

I've thought about Mrs M's comments that she still disagrees with the claim value Hiscox has recorded. I'm sorry she feels the value recorded is higher than was actually the case. I acknowledge her comments that she has not had sight of the detail and nature of the alleged costs, and so she is unable to demonstrate this part of her complaint further. I've reviewed the information relating to the claim costs again, as part of my considerations here. But I'm not persuaded to change my decision. Based on the evidence I've seen I think the claim value now recorded is fair.

I've read the recent quotes Mrs M obtained for insurance dated in November 2022. And I note her comments that she doesn't have the evidence to show she was prevented from taking comparable insurance at a lower cost. I have considered her further comments and information, but I don't think this clearly shows that cheaper comparable cover was available.

I note Mrs M's view that £250 compensation is insufficient. I don't doubt the stress and frustration she has experienced as a result of the issues described here. I agree that compensation is appropriate, but I think £250 is fair. I'm also aware that Mrs M has previously been paid £250 compensation from Hiscox in relation to some of the issues she experienced during her claim.

Having considered all of this, for the reasons I've explained above, and in my provisional decision, I uphold in part Mrs M's complaint.

## **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. Hiscox Underwriting Limited should:

- allow Mrs M to cancel her policy without cancellation charges if she chooses;
- refund any difference in premium paid, if Mrs M is able to evidence the open claim prevented her from taking comparable insurance at a lower cost; and
- pay Mrs M £250 compensation for the frustration and inconvenience it caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 19 December 2022.

Mike Waldron  
**Ombudsman**