

The complaint

Mr and Mrs I are unhappy with the premiums and excess set by AXA Insurance UK plc following a subsidence claim.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Mr and Mrs I got in touch with AXA in November 2020 to make a claim for subsidence damage to their home.
- AXA accepted the claim. Mr and Mrs I had the work carried out and a cash settlement was agreed. The payment was made in November 2022.
- Mr and Mrs I told AXA about further damage and a second subsidence claim was recorded in March 2022. AXA began investigating it.
- At the April 2021 and 2022 policy renewals, AXA increased the premiums and subsidence excess. Mr and Mrs I didn't think this was fair and complained.
- AXA didn't respond to that complaint. But it later provided this Service with an explanation. In short, it said it had based the excess increases on its underwriting criteria and the claim 'reserve' – the amounts spent and expected to be spent on the claim – at the time of each renewal. And it provided detailed premium calculations.
- Our investigator was satisfied the premium increases were correct. But she didn't think the excess increase was and asked AXA to reduce it.
- AXA provided further underwriting comments to challenge what our investigator had said. But our investigator wasn't persuaded to change her mind.

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.

- A separate complaint has considered the way AXA handled the subsidence claim, including the cash settlement. So I won't be considering that again. Nor will I be considering the way AXA handled the second claim.
- I'll focus on the increases to the premiums and excess after the first claim. At the time the complaint was submitted to this Service, that included the April 2021 and 2022 renewals only.
- I understand AXA hasn't offered to renew the policy this year. As our investigator has explained, this issue is outside the scope of this complaint. Mr and Mrs I are entitled

to raise it with AXA and, if it's not resolved to their satisfaction, they may be able to refer it to this Service for review.

- Once a property has suffered subsidence, it's usually significantly more difficult to insure on normal terms. Generally, consumers are likely to find insurers don't offer cover at all. Or, if they do, only at a considerably increased premium and/or excess. As a result, it can be very difficult for consumers in these circumstances to find home insurance which provides subsidence cover at an affordable price.
- That's why the Association of British Insurers (ABI) provides guidance to insurers within the home insurance industry about this. In summary, if an insurer deals with a subsidence claim for a policyholder, the guidance says it's usually good practice for the insurer to offer continuous home insurance, including subsidence cover, on reasonable terms. But it notes that all decisions on pricing and terms and conditions remain at the discretion of individual insurers. And there may be situations in which an insurer wouldn't be expected to offer continued cover – although this is rare.
- The crux of this dispute is whether the premium and excess increases imposed by AXA amount to 'reasonable terms', bearing in mind AXA's own approach to premium and excess setting in these circumstances.

Excess

- Prior to the claim, the subsidence excess was £1,000. At the 2021 renewal, AXA increased it to £10,000 based on the reserve for the first claim. It maintained it at this amount at the 2022 renewal based on the reserve for the first and second claims.
- Taking into account the claim values and AXA's own underwriting criteria, I'm satisfied the subsidence excess ought to have been £5,000 at each renewal. That would fairly reflect the risk to AXA, bearing in mind accurate claim values.
- Mr and Mrs I have accepted that, and AXA hasn't challenged it.
- This doesn't impact the value of the separate, voluntary excess.

Premiums

- The overall policy premium was around £550 in 2020, prior to the claim. In 2021 that increased to around £1,050 and in 2022 to around £1,900.
- AXA has sent detailed premium information to this Service. It's clear these premium values were automatically calculated according to AXA's own underwriting criteria. Because of that, I'm satisfied they're correct.
- The ABI guidance means the premiums should be reasonable, not merely correct.
- The premium information shows the more significant increase in 2022 was only partially as a result of the buildings insurance premium. Given a second subsidence claim had been recorded at that point, a premium increase doesn't seem unreasonable. Other factors, unrelated to subsidence, also contributed to the increase to a similar degree.
- Overall, I'm satisfied the premium increases were fair in the circumstances.

My final decision

I uphold this complaint.

I require AXA Insurance UK plc to:

- Reduce the subsidence excess at the 2021 and 2022 renewals to £5,000.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I and Mr I to accept or reject my decision before 24 July 2023.

James Neville
Ombudsman