

The complaint

Mr and Mrs L complain about the poor handling of their claim for damage from an escape of water by their home insurer, Hiscox Insurance Company Limited. And the rise in their insurance premium at renewal. Hiscox is responsible for the actions of its agents and contractors, and I have considered their actions as part of this complaint.

What happened

Mr and Mrs L's home suffered an escape of water in January 2021. Hiscox appointed contractors to deal with the leak, but this proved difficult. Mr L called on several occasions to find out who was responsible for managing the work and gain updates, but couldn't get a satisfactory response. They were also unhappy with a large increase in their premiums.

When Hiscox's contractors were unable to find the source of the leak, Mr and Mrs L engaged their own professionals who quickly found and dealt with the leak. Hiscox said preparatory work by its contractors contributed to this resolution.

In July 2021 Mr and Mrs L complained to Hiscox about the lack of progress with the repairs and that Hiscox had increased their insurance premiums by 39% at renewal. Mr and Mrs L were also unhappy that Hiscox's contractor had made a mistake in its plumbing of their radiator.

Hiscox apologised to Mr and Mrs L for a lack of communication during the claim and poor repairs by its contractors. Hiscox acknowledged that its contractor incorrectly plumbed the radiator and said it removed the contractor from the claim. Hiscox said it had tried to progress the claim by using advice from an independent contractor who offered solutions for resolving the radiator problem and called a meeting with Mr and Mrs L in July. Hiscox paid Mr and Mrs L £100 compensation.

Hiscox told Mr and Mrs L that the increased premium applied to new and existing policies and factors include claims' propensity, inflation, and increased business costs. Hiscox said the increase was in line with its underwriting criteria for a policy with this claims history.

Mr and Mrs L said Hiscox's offer of £100 didn't address the stress, ongoing inconvenience, disruption, time, direct costs, and upset caused. And they didn't accept Hiscox's explanation regarding the increase in their premium. Mr and Mrs L brought their complaint to our service. They said they have only made one claim during the four years of the policy. And said that Hiscox hasn't provided a breakdown of how the increase in their premium was calculated.

Our investigator recommended the complaint be upheld. He said there were multiple incidents during the claim and the contractor's actions were investigated at Hiscox's request. He said the claim took longer than it should have and Hiscox should pay Mr and Mrs L £750 compensation for the distress and inconvenience it had caused them.

The investigator said Hiscox had followed its pricing guidelines in calculating the premium charged to Mr and Mrs L at renewal, and had added further cover. He was satisfied that Hiscox had treated Mr and Mrs L fairly at renewal.

Hiscox accepted the investigator's view of the complaint, but Mr and Mrs L did not. Mr L said he thought the compensation should be £10,000. They reiterated their unhappiness with the handling of the claim and requested an ombudsman review the complaint.

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.

Complex escape of water claims generally involve considerable damage, multiple parties and take several months to resolve. It is inherent within this process that there will be distress and prolonged inconvenience to the policyholders and that policyholders will need to spend time in progressing the claim. My role is to determine if delays and difficulties were avoidable by the insurer and its agents and if so, what the impact has been on the policyholders.

Overall the claim took a year to complete, and this was longer than it ought to have taken. I don't accept Mr and Mrs L's assertion that the claim ought to have taken three months as this is well inside the time required by the many similar claims I have seen in this period. The frustration for Mr and Mrs L was that during the claim the leak was undiscovered and work on repairs couldn't be carried out until this was resolved. I agree with the investigator that Hiscox needed to be more proactive in reaching this point.

I'm pleased that Hiscox has apologised to Mr and Mrs L for the poor communications they received. I can see that Mr and Mrs L had to pursue the claim beyond what would normally be expected and some of their communications were not responded to. I can understand how this added to their frustration about the slow progress.

Hiscox's contractors had taken several weeks to look for, but not find the source of the leak. This was not good service, particularly as the contractors weren't listening to Mr L about the likely source of the leak and the significance of paint disturbance at that spot. Hiscox replaced its contractors during the claim and apologised to Mr and Mrs L for the poor work carried out. This is how we would expect an insurer to react when faced with such lack of progress, but it shows the difficulties Mr and Mrs L faced in reaching a conclusion to their claim and the delays that they experienced.

Hiscox responded to our enquiry about its contractor to say that they incorrectly plumbed the radiator and it removed them from the claim and hasn't included the costs within the overall claim costs. Hiscox said that following a meeting with Mr L in July 2022 it offered options to deal with the issue and sent its agents at Mr L's request to be certain there was no leak from the heating system.

Hiscox said it will consider an alternative resolution to the issue if Mr L puts one forward, but it is waiting to see how he wants to proceed. I think it was an unfortunate human error that the radiator was incorrectly plumbed, but Hiscox gave a reasonable response to the issue. Hiscox consider this to be the only remaining issue with the claim. I agree with the investigator that Mr and Mrs L had to expend a lot of extra effort, over and above that normally expected, to pursue their claim. They suffered loss of use of their downstairs toilet for several months and were unable to host visitors. I think the recommended award of £750 compensation is a fair and reasonable reflection of the distress and inconvenience this has caused them and is in accordance with awards we have made in similar circumstances.

However, I can see that this sum is a very long way short of Mr and Mrs L's expectations. The amount they think reasonable is well outside of the guidance we follow when considering awards and more akin to damages a court might award. This is in part due to our not generally awarding compensation for potential earnings during the claim unless there is proof of the loss being directly attributable to the claim. If Mr and Mrs L want to keep the legal route open, they can reject this decision and it won't have any legal effect.

I can understand Mr and Mrs L's upset at having to pay a large increase for their policy during the claim. I have reviewed the information Hiscox has provided to us concerning the calculation of its policy premiums. This information in common with similar information we see from other insurers, is commercially sensitive and cannot be shared.

Because it is a commercial decision that insurers may make in deciding what to charge policyholders, it is not one with which our service would interfere. Our role is only to see if the policyholder has been charged fairly, in other words in accordance with charges to other customers in similar circumstances. I'm satisfied from what I've seen that this is the case.

Insurers make an assessment of premium according to the factors that Hiscox has set out and essentially in accordance with the insurer's appetite for risk. I have noted that Hiscox added further accidental damage cover to the policy which would have increased the price.

My final decision

For the reasons I have given above it is my final decision that the complaint is upheld. I require Hiscox Insurance Company Limited to pay Mr and Mrs L further compensation of £750 for the delays and very poor claims' experience that they suffered and the distress and inconvenience that this has caused them.

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 31 March 2023.

Andrew Fraser
Ombudsman