

The complaint

Mr M complains about the price quoted by AXA Insurance UK Plc (“AXA”) to renew his car insurance policy.

What happened

Mr M received a quote to renew his policy which he says was significantly higher than what he’d paid the previous year. Mr M also made AXA aware of a non-fault accident his wife - and named driver on the policy - was involved in, and this led to the price increasing. Mr M proposed a couple of further changes to see if this might bring the price down, but each change led to a price increase. So, Mr M complained.

AXA responded and explained they consider many factors when managing their acceptance criteria. They said they have access to detailed information which allows them an insight into the risks associated with any vehicle. They said, although they’re unable to provide a specific reason for the increase, they referred to the increasing cost of vehicle repairs, the price of used cars going up and cost of parts and materials increasing. AXA said while they acknowledge the accident Mr M’s wife was involved in was non-fault, it still has an impact on the premium as it may increase risk. AXA said they also acknowledge the non-fault accident didn’t occur against this policy, but they still require details of any accident and claims involving any motor vehicles as this enables them to correctly assess risk. AXA said they note Mr M decided to remove his wife from the policy, but this led to the price being higher despite covering Mr M alone. AXA explained this can happen on occasions where a named driver may be deemed low risk. In relation to the price increasing following the expected annual mileage being reduced, AXA explained mileage is just one of the many rating factors they use to calculate the price. AXA explained they can’t provide a specific breakdown showing the increase in price as this is business sensitive information.

Our investigator looked into things for Mr M. He thought AXA hadn’t treated Mr M unfairly in relation to the pricing. Mr M 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 Mr M 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 Mr M paid £384.99 for his policy in 2022, and he was then quoted £549.49 for his renewal in 2023 which is 42% more than what he'd paid the previous year. It appears Mr M was then quoted £503.17 after a discount was applied. Mr M then mentioned his wife had been involved in a non-fault accident in her own car and this led to a price increase to £597.44. Mr M then asked for his wife to be removed from the policy and he was given a quote of £519.39. Mr M then asked for his expected annual mileage to be reduced from 8,000 down to 6,000 and he was quoted £522.39.

Given that each of the changes proposed by Mr M led to a price increase, I understand why Mr M is concerned about the price increase. AXA have provided me with confidential business sensitive information to explain how Mr M's price increase was calculated. I'm afraid I can't share this with him because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the prices he was quoted and charged have been calculated correctly and fairly and I've seen no evidence that other AXA customers in Mr M's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about AXA's risk model, but I can see, in their complaint response, they refer to the rising costs of settling claims – and this being a factor which has led to the 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 this includes the cost of used cars going up as well as parts and materials. I've seen how Mr M's policy was rated and the loadings which have led to the price increase. This forms part of AXA's pricing model so it applies to all policies. I think that's important here as it demonstrates the pricing model used to calculate Mr M's premium was no different to what was used for any other customer in the same circumstances.

I've also looked at the ratings and loadings which have been impacted by the non-fault accident, Mr M's wife being taken off the policy and the expected annual mileage being reduced. I understand Mr M is concerned about how a non-fault accident impacted the price. AXA have provided evidence which shows this type of incident is subject to a rating factor – and how this impacted Mr M's policy. I acknowledge Mr M feels this is unfair particularly as the car involved isn't the car being insured under his policy. 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, and just because an insurer might decide to rate non-fault accidents, it doesn't mean they've acted unfairly.

I acknowledge Mr M has strong feelings about the price increase here and feels he's being punished for someone else's fault. He says it can't be fair for AXA to take the non-fault accident into account and to increase his price as this would suggest he or his wife were at fault. I think it's important here to clarify how insurers decide whether a claim is treated as fault or non-fault. When a claim is made on a policy, an insurer will generally look to assess, from a liability point of view, who was at fault. If it's found that a third party was at fault – and this isn't in dispute – an insurer will generally arrange any repairs to their policyholder's car and look to recover their outlay from the third party's insurer. If an insurer is able to make a full recovery, they'll treat the claim as non-fault. If however, the insurer isn't able to recover their full outlay, for example, if a third party is untraced/uninsured, then any costs incurred in repairing their policyholder's car won't be recoverable from a third party. And in these cases, because the insurer won't have recovered their outlay from a third party, they would treat this as a fault claim – and that's generally the case even if, from a liability perspective, the policyholder wasn't at fault. So, in

this case, the reference to non-fault isn't linked to who was at fault for the accident but demonstrates the insurer didn't have an unrecovered outlay.

That leaves the point that AXA are rating a non-fault accident. I have carefully considered the points made by Mr M, but as mentioned above, it's for an insurer to decide what risks they're prepared to accept and what factors they feel present a risk – and what ratings and loadings to apply to those risks. That said, we would still expect insurers to price a policy based on their view of risk – and that's what AXA have done here. I do acknowledge Mr M's point that, with the addition of his wife on the policy with a non-fault accident, AXA increased the price of the policy. Then, after Mr M removed his wife from the policy – and the perceived risk presented by her being included on the policy – AXA increased the price again. I do understand why Mr M is concerned by this. But I've seen the information which shows the reasons for this as well as the ratings which have applied. And I can't say the approach AXA have taken here is unreasonable or that they've sought to take unfair advantage of Mr M.

AXA have also explained how Mr M's wife being taken off the policy and the expected annual mileage being reduced has impacted the price – and the pricing information provided supports this. I acknowledge Mr M says each change he proposed led to a price increase and he feels this was an attempt by AXA at profiteering. But, as mentioned above, it's for an insurer to decide what rating factors to use. The information shows how the changes being made by Mr M were rated by AXA so I can't say they've made a mistake or are otherwise acting unfairly.

In addition to this, I can see AXA did, in their renewal quote, remind Mr M that he could shop around to see if he could get a better price. 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 Mr M fairly, I think AXA have also acted in line with requirements set out under ICOBS.

I can see Mr M raises concerns about AXA not following the Consumer Duty principle. The Consumer Duty applies to open products and services from 31 July 2023. Given Mr M's renewal started after this date, I've looked into this further and I've considered the 'Price and value' outcome as I believe that is what is relevant to Mr M's concerns. I think it's important to add, this isn't a price-setting rule. The Financial Conduct Authority ("FCA") expects firms to assess their products and services to ensure there is a reasonable relationship between the price paid for a product or service and the overall value and benefit a consumer gets from it. When assessing whether the price of a product/service provides fair value, insurers must include consideration of at least the nature of the product/service including the benefits that will be provided and their quality, any limitations that are part of the product/service, and the expected total price customers will pay.

In deciding this complaint, I've kept in mind the FCA's expectation that there should be a relationship between price and value. While looking into the price charged by AXA, I've also considered the benefits provided and whether the policy offered Mr M fair value. I've firstly taken into account the value measures data published on the FCA's website. The FCA has been focusing on value measures in insurance across a number of products which includes data on how often consumers are claiming on their insurance policy, how likely it is for a claim to be accepted, and the average claims payout.

In the case of motor insurance – which is the product taken out by Mr M – it shows a claims acceptance rate of over 99% and the percentage of premiums paid out in claims as 65%. I think this demonstrates this product carries both a value and benefit to consumers. If things happen unexpectedly, and where the terms and conditions of the policy allow, I think this data provides reassurance that a high volume of claims are accepted. And the data for the

percentage of premiums paid out in claims demonstrates it's a product which offers fair value.

Looking more specifically now to Mr M's circumstances, I can see his comprehensive cover motor insurance policy provides cover against a range of perils. I think it's fair to say, and certainly so in the case of comprehensive cover, there is a lot of value consumers get from peace of mind from owning a product and knowing they're covered against a range of unexpected scenarios. I acknowledge Mr M is concerned about the price increase, but I haven't seen any evidence the product Mr M was offered isn't comparative with similar products across the market. I think it's also important to point out that the cover and benefits provided by AXA under this policy are broadly consistent with what I would expect to see from such a policy. So, from the information I've taken into consideration, I can't say AXA haven't met their obligation to offer fair value to Mr M.

I can see Mr M believes that, by applying a rating to a non-fault accident, AXA aren't acting to deliver good outcomes for their customers. As I've mentioned, it's for an insurer to decide their underwriting criteria and pricing model – and this includes which rating factors they apply. AXA have demonstrated here how the non-fault accident has been rated and how it has impacted the price – and the same for Mr M's wife being taken off the policy and the expected mileage. I do acknowledge Mr M's reasons for why he believes this doesn't feel fair – but I can't say he has been treated unfairly or differently to other customers in the same circumstances.

I understand why Mr M has complained, and I hope he feels reassured that I've checked the pricing information from AXA. But I can't say they've made a mistake or treated Mr M unfairly. I can see Mr M has raised a number of points and I wish to reassure Mr M I've read and considered everything he 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 Mr M to accept or reject my decision before 4 March 2024.

Paviter Dhaddy
Ombudsman