

The complaint

Mr P complains AXA Insurance UK Plc's charged him unfair property insurance premiums.

What happened

In May 2020 Mr P took out an AXA property insurance policy for a rental property he owns. He was charged a premium of £596. In August 2020 he claimed under the policy for subsidence. The cover's subsidence claim excess of £2,500 was paid by Mr P. At the 2021 renewal Mr P was charged a premium of £1,096. A subsidence excess of £50,000 was applied. In 2022 Mr P was offered and accepted cover for a premium of £1,664 with a £10,000 subsidence excess. The premium for his May 2023 renewal was £2,165 with a £10,000 excess.

In June 2023 Mr P complained to AXA. He said because of the ongoing subsidence claim he was unable to find cover elsewhere so had to remain with AXA. He felt unreasonable increases had been applied to the premium and excess. He asked that it reduce the May 2023 premium and set future premiums at a fair rate. He requested the £10,000 excess be reduced. He also complained about a failure to provide him with renewal terms in a timely manner – requesting renewal documents be issued at least 21 days in advance.

In response AXA explained Mr P's policy had, in 2020 and 2021, been provided through a Delegated Authority Scheme (DAS). It said because of that it was unable to review the premiums for those years. It did review those for 2022 and 2023. It considered, taking into account claim history and other factors, they were fair. AXA said the excess had been assessed by its underwriting team at renewal and for the complaint. It considered £10,000 excess to be fair and in line with its strategy. So it didn't agree to refund any premiums or reduce the excess. It did commit to providing renewal terms.

Mr P wasn't satisfied with that response. So he came to the Financial Ombudsman Service. He said since the claim he faced a large increase in premiums each year – and has paid almost £5,200 in premiums plus a £2,500 excess for the claim. He says this has caused him to worry he may find himself uninsured – and has resulted in significant distress and inconvenience. He adds AXA had failed to respond to his attempt at contact.

As a resolution Mr P would like AXA to reconsider his May 2023 premium of £2,425 – and then set a fair and reasonable premium for future years – including his recently received May 2024 renewal. He would also like it to reduce the subsidence excess. Finally he would like to be paid compensation.

Our Investigator felt AXA hadn't provided enough to show the premium and excess increases had been applied fairly and in line with its underwriting criteria. So she recommended additional loading should be removed and refunded for all the post claim policies. Mr P accepted that outcome, but AXA didn't. So the complaint was passed to me to decide.

I issued a provisional decision. As its reasoning forms part of this final decision I've copied it in below. In it I explained why it wasn't my intention to require AXA to refund or amend any

premiums. It also sets out why I did intend to require AXA to review the subsidence excess applied to Mr P's May 2024 renewal. I also invited both to provide any further comments or evidence they would like me to consider before issuing a final decision.

what I've provisionally 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 don't intend to require AXA to refund or amend any premiums. But I do intend to ask it to review the subsidence excess applied to Mr P's May 2024 renewal.

As this is an informal service I'm not going to respond here to every point or piece of evidence Mr P and AXA have provided. Instead I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.

I've first considered if AXA has acted in line with the Association of British Insurers' Guidance on Continuation of Cover (the Guidance). The Guidance is intended to ensure customers with previous or current subsidence claims can continue to access subsidence cover on reasonable terms.

The claim was made in 2020. AXA offered a renewal through the DAS in 2021. The DAS was no longer in place in 2022. So AXA, in response to Mr P being unable to find cover elsewhere, offered cover through a different arrangement in 2022 and 2023. It's described that as its 'open market'. AXA says ordinarily, because of the subsidence claim, Mr P wouldn't have been offered a policy through its open market. It says it offered renewals to ensure continuation of cover. That decision seems fair and reasonable to me.

However, Mr P feels he been treated unfairly because of the premiums and excesses applied. This Service doesn't usually make a judgement about the way an insurer chooses to assess risk, its risk assessment or the premium it charges to cover a certain risk.

However, there are some aspects we will consider when policyholders are unhappy with premiums. Aspects relevant to this complaint are discrimination, mistakes and restricted choice. I've also considered if Mr P's premiums can be considered to comply with the Guidance.

The increase from 2020 was significant – from around £600 to about £1,100. The policy was provided through a DAS. AXA says the premium would have been set by the broker in accordance with a set of underwriting rules, rates and Guidance. It's said it doesn't have access to relevant records.

Its unhelpful that AXA's unable to provide records from its own agent. However, I'm not persuaded the premium was charged unfairly. I've no reason to feel there was a mistake or Mr P was treated differently to other customers. The Guidance doesn't prevent insurers taking into account the subsidence claim when setting future premiums. And it seems likely to me that the increase will have been largely driven by the open subsidence claim.

The Guidance doesn't prevent an insurer from applying a different level of excess. However, if the excess is so high it effectively prevents the policyholder from making a claim I might find, whilst the insurer's technically complying with the Guidance, it isn't complying with its spirit. 2021's excess was £50,000. But Mr P didn't make a

claim in that policy year. That means even if I did consider that excess to be unreasonable, he hasn't suffered a loss anyway.

As set out previously - for 2022 and 2023 cover was provided through AXA's open market. It's provided a section of its underwriting guidance. This provides some steps to be followed when an existing customer has a subsidence claim. I can't share its detail as its commercially sensitive. However, having considered it along with AXA's explanations I'm satisfied the insurer acted in line with it.

It's important to note the 2022 and 2023 policies are a different product to the 2020 and 2021 one. AXA described it as more comprehensive and explained it has a different pricing approach. It explained Mr P was treated as an existing customer and offered favourable terms for both 2022 and 2023.

AXA has provided some detail of how the premiums for 2022 and 2023 were calculated. Again due to commercial confidentiality I'm limited with what I can share here. However, it's explained in 2022 discounts were applied to the premium generated by its rating model. It seems these were to reflect Mr P being an existing customer. The 2023 increase is explained by the discount being partially removed, an inflationary linked increase and an uplift in the building sum insured.

For clarity AXA hasn't had an opportunity to explain the May 2024 premium. So it wouldn't be appropriate of me to consider its fairness here.

I've considered AXA's explanation for how it set the premiums and the risk and factors considered - including the history of, and ongoing risk for, Mr P's property. Having done so, I've no reason to feel Mr P was treated differently or worse than any other customer in similar circumstances - and was treated consistently with AXA's general approach to pricing. I haven't seen that any mistakes were made. I've no reasons to believe the premiums were based on incorrect information, for example.

Mr P had, and still has, a restricted choice. He's been unable to change insurers. I accept his premiums have increased significantly. But for the reason set out above, I'm satisfied AXA approached the provision of cover and setting of his premiums fairly. When the DAS ended it didn't treat him as a new customer with a subsidence claim. Instead it offered continued cover on favourable terms. Its reasonable for AXA to consider the claim history (including historic or resolved claims) and other relevant risks when setting those premiums. Overall I'm satisfied AXA acted in line with the spirit of the Guidance when setting the premiums.

I'm of the same position when it comes to the excess charged for the 2022 and 2023 premiums. AXA explained the factors considered by an individual underwriter when setting that figure. Its broadly outlined the level of risk it feels is presented by Mr P's property due to its individual circumstances. I'm satisfied AXA followed its own Guidance when offering the £10,000 excess.

I realise that's a significant amount. However, in the circumstances - including the risk presented by Mr P's property and the value of the existing subsidence claim - I don't think it would have prevented, or significantly limited the circumstances for, a successful claim. In addition AXA has explained the excess would only apply to new claims. Further it committed to reviewing the excess when certain conditions are met. So I can't say AXA's treated Mr P unfairly when setting the 2022 and 2023 subsidence excess.

AXA's review conditions are – conclusion of the 2020 claim with impacting vegetation removed and the property repaired and structurally sound. That seems a reasonable position to me. It appears those conditions may have been met in 2023 – with repairs completed. However, it seems a review hasn't taken place - with Mr P's May 2024 renewal terms offering a £10,000 excess.

So I intend to require AXA to review the excess applied to the 2024 policy – in line with its underwriting conditions. If it considers the conditions, it set for initiating a review, haven't been met it should explain its reasons in response to this provisional decision. If I'm persuaded the conditions weren't met by the expiry of the 2023 policy period, I won't include the review requirement in my final decision.

Overall I'm currently satisfied AXA acted in line with the ABI Guidance and treated Mr P fairly and reasonably. As I'm satisfied its treated Mr P fairly and reasonably, I'm not going to require it to pay him any compensation.

Finally I'm not going to get involved with Mr P's concern about AXA failing to provide renewal documents within a certain timescale. It agreed to do as he requested, so my involvement wouldn't add any value.

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.

Conclusion of the 2020 claim was one of AXA's conditions for review of the subsidence excess. In response to my provisional decision it said the claim is close to conclusion, but has some small final stages outstanding. It didn't explain what they are. Nevertheless it committed to reviewing the subsidence excess for the May 2024 policy anyway.

AXA also set out various review considerations and a couple of possible outcomes. I'm not going to repeat them here. I'll forward the details on to Mr P separately. Neither am I going to decide here on the fairness of the possible considerations or outcomes.

As this Service is intended to provide quick and informal resolutions to disputes, we must draw the line somewhere. Coming to a determination on AXA's latest proposal would inevitably require further back and forth between this Service and the two parties. That would result in further delay to the determination of the complaint.

My provisional decision said I intended to require AXA to review the May 2024 excess if its conditions had been met. I'm satisfied with its commitment to undertake that review. I consider the most practical way forward is for Mr P and AXA to engage with each other on the issue (through his broker if necessary). If Mr P's unhappy with the outcome he may be able to bring a further complaint to this Service.

Mr P said if a review of the excess, for the May 2024 policy, hadn't taken place then it's reasonable to conclude the premium wasn't reviewed either. He said I should ask AXA, in the event the review conditions had been met, to review and explain the May 2024 premium. As I've set out AXA doesn't consider the conditions met. In any event it didn't commit to a premium review in the same way as it did for the excess.

AXA has provided an explanation for the increase applied for the May 2024 premium. I'll share it separately with Mr P. But for the reasons of pace and informality set out above, I'm not going to consider as part of this complaint the fairness of that premium. Again, Mr P can

raise any concerns or questions he has about the setting of the premium with AXA. If unsatisfied with the response he could consider referring a complaint to this Service.

Finally Mr P referred to the distress and inconvenience resulting from AXA not providing renewal terms in a timely manner – and it failing to respond to his contacts about the issue. He asked me to consider awarding compensation.

I acknowledge he found the situation inconvenient and distressing. But I don't consider the likely impact to be significant enough to merit compensation. I indicated in my provisional decision that I was satisfied with AXA's response to this part of his complaint.

My final decision

For the reasons given above, AXA Insurance UK Plc must review, in line with its underwriting conditions, the subsidence excess applied to Mr P's May 2024 renewal.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 13 June 2024.

Daniel Martin
Ombudsman