

## **The complaint**

Mrs C complains that Covea Insurance plc have significantly increased the premium for her home insurance on renewal and delayed in sending her renewal documents.

## **What happened**

Mrs C has held buildings and contents insurance with Covea for several years. On renewal in March 2024, the premium was increased from £3521 to £5220. Covea said that this was due to an increase in the flood risk of the property.

Mrs C was unhappy with this as she says that her house has never flooded, that on the Government website it says it is low risk, and it is built 1m higher than other properties.

Covea have said that they have priced the premium in line with their normal process.

There was also a delay in communicating the renewal information and the increased premium to Mrs C until after the renewal date. Covea have upheld this part of the complaint, and offered £100 by way of an apology for this.

One of our investigators looked into Mrs C's complaint and he thought that Covea should reprice the policy based on how they would price other properties that were listed as low risk on the Government website.

Covea disagreed with our investigators view, and so the case came to me to review.

I issued a provisional decision on the complaint. My provisional findings were as follows:

*I'm partially upholding this complaint and suggesting a different outcome and I will explain why.*

*I have to decide whether Covea have acted fairly and reasonably and in line with their own processes when they have priced the premiums for Mrs C.*

## **The premium pricing**

*It's important to understand that we don't have the power to tell insurers what they should or shouldn't charge customers for their policies, and neither are we able to tell them what risks to take into account, or how to assess them.*

*There is no correct or standard way of assessing risk, and different insurers will use different information and data that feeds into the calculation, and ultimately they will base their willingness to offer cover and any premium prices on that assessment. That is why there is often variation in price between insurers. What is an acceptable risk to one insurer, may not be acceptable to another.*

*However, we can look at aspects of a price in certain circumstances, for example if we think there is discrimination, or if a mistake has been made in the information used.*

*Mrs C says that she has lived in the property since it was built 41 years ago and it has never flooded in that time. She says it was constructed to be 1m higher than other houses in the area to further reduce this risk, and so she doesn't understand why the price has increased. Covea have explained that using the tools that they use to determine flood risk, the flood risk of the property has increased for the new policy year.*

*When assessing flood risk, they consider not just the property itself but the risk in the area 25 meters from the property boundaries, and within that area, the flood risk from the local river has increased.*

*They have consulted the GOV.UK Flood Map for Planning which allows you to see what flood zone the property is in. It shows that at the time of renewal the property was in Flood Zone 2 with a medium probability of flooding. This combined with the other factors that they use in their algorithm increased the overall flood score for the property to above their underwriting threshold, meaning that they either had to decline flood cover, or refer it to Flood Re, which they have done. In referring it to Flood Re, they can no longer offer any discount on the policy. Flood Re is a joint venture between the government and insurers to ensure that consumers in potential flood areas can get insurance cover for flood. The insurer passes the flood risk part of the policy onto them for a fee, and they will cover any losses arising from a flood. However, the insurer is still responsible for setting the premium. Mrs C has checked the Gov.uk website for her Long Term Flood Risk data and it shows that the flood risk for her property is "Very Low". She has also provided an Environment Agency report which confirms that the risk of flooding from rivers, the sea and surface water has been assessed at less than 0.1%, and so very low. The Environment Agency have confirmed that following flooding in Mrs C's area in 2000/2003 the constructed various flood defence measures including constructing a flood storage area, a flood relief channel and regular maintenance work. In 2007 they completed additional work including lowering weirs and culvert inverts.*

*Our investigator has asked Covea to comment on the discrepancy between their information, and that provided by Mrs C.*

*Covea's underwriters responded that they use a combination of external enrichment data to assess flood risk and the assessment takes into account their perception of the flood risk within the boundary and within the agreed radius (which they previously confirmed was 25m from the boundary). They said they would take into account any additional information provided by a policyholder, but that ultimately it is their own perception of flood risk that determines whether the risk is acceptable.*

*Our investigator didn't think Covea had priced the policy fairly and it wasn't fair for them to price the policy with a high risk of flood when the evidence provided by Mrs C suggested otherwise, and he recommended that they reprice the policy in line with applicants whose properties were similarly scored as "very low".*

*I don't agree with this. Covea have shown us that they use a standard data set for assessing flood risk for all applications for insurance. That evidence comes from a number of places, and produces an overall score which is then mapped against their underwriting criteria. The government data is only one part of this. Covea have priced the policy within their own pricing structure, and consistently to how they treat all customers with the same risk profile. I don't think that Mrs C has been treated any differently to any other customer, and in fact to re assess her risk based on different evidence to the usual data set would in fact lead to an unfairness, so I don't agree that this is the right approach.*

*I've then thought about whether Covea have made a mistake in the data they have used. Mrs C has argued that on the Flood Map for Planning website, the boundaries you can draw are not necessarily accurate and can produce different variations. However, Covea have confirmed that they assess the property and also the area 25m from the boundary as part of their assessment. The river is undoubtedly close to the 25m radius, if not within it and so I can't say that a small discrepancy in the boundary of the property would make any significant difference to this. Covea have shown us maps with the distance measured from the property, which show that within 25m of the house there is significant flood risk, and this is what feeds into their assessment of risk. They have also shown that they have taken account of the increased elevation of the property, and it hasn't made a difference.*

*I appreciate that this will be disappointing for Mrs C but I'm satisfied that Covea have acted fairly in the pricing of her policy premiums.*

### ***The delay in sending the renewal invite***

*Mrs C's policy was set to renew on 7 March but she wasn't sent the renewal documents in advance and in fact didn't receive them until 15 March which was after the policy had renewed. When she rang up about this, she was given 21 days to consider whether she would like to continue with cover. On 4 April she accepted the renewal.*

*I don't think that Mrs C was given sufficient notice of the renewal, and in view of the significant uplift in premium price, she lost the opportunity to shop around prior to renewal to see if she could get a cheaper premium. Although she was then given 21 days to consider her position, cover had already started and she had been charged an increased premium for a week before she knew even about it. In view of that error, I think it's right for Covea to offer Mrs C some compensation, but I don't think £100 is sufficient given the impact on her of finding out that cover which she hadn't agreed to had started at a higher price, and it took away her ability to shop around before cover started. I therefore propose to increase this compensation to £200.*

### ***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.*

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*Covea have accepted my decision, but Mrs C hasn't. She's argued, through her representative, that Covea are unfairly assessing her property by assessing the building based on flood zones within 25m of the boundary of the property. She has included the opinion of an engineer at the local authority which supports her view, saying that "this is arbitrary and unfounded in any logic applied to flood risk".*

Unfortunately, this doesn't assist Mrs C. Covea are entitled to use whatever data set and assessment methods they feel is the most appropriate to assess risk, and provided they use the same criteria consistently for all their customers, we can't direct them to divert from that. I appreciate that Mrs C doesn't agree with the data Covea have used, but they have shown us that it is correct, and applied consistently, so I can't say they have acted unfairly.

I appreciate that Covea have previously insured the property and not assessed it as a flood risk, but insurers can change their appetite for risk every year and having done so this year, they now consider that the property is a higher risk than previously.

Other insurers may use different data or have a higher risk tolerance for properties within close proximity to rivers and flood zones, and so it is probably worth shopping around at renewal for alternatives.

So I'm making my final decision in line with my provisional findings above.

### **Putting things right**

In order to put things right Covea should pay Mrs C £200 for the distress and inconvenience caused.

### **My final decision**

My decision is to uphold Mrs C's complaint and direct Covea Insurance plc to put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 15 April 2025.

Joanne Ward  
**Ombudsman**