

The complaint

Mr C complains about the premium for his motor insurance policy with AXA Insurance UK Plc (AXA) when the policy came up for renewal. Mr C also complains about difficulties getting through to AXA and how he was treated by a call handler.

References to AXA in this decision include their agents.

What happened

Mr C had a motor insurance policy with AXA which came up for renewal in October 2024. He received a renewal notice shortly before in which his annual premium increased from £1,047.50 the previous year to £1,070.74 (an increase of 2.2%). The latter premium was subsequently reduced to £996.45 after AXA applied a retainer discount, meaning the overall premium had reduced by 4.9%.

Mr C was concerned at the initial increase indicated in the renewal notice, so he tried to contact AXA to discuss the increase. However, he experienced difficulties in contacting AXA, including calls that were disconnected. He was also unhappy at having to listen to an automated message each time in order to be connected to an agent (AXA's Interactive Voice Response [IVR] system). Together with his concern at the premium increase, Mr C complained to AXA about the difficulties he'd experienced in contacting them.

AXA upheld the complaint in part. In their final response, on the premium issue, they said they used their own data on claim costs to assess risk posed by an individual consumer or vehicle. In Mr C's case, there may have been an increase in claims either for his type of vehicle or the area where he lived. Due to commercial sensitivity, AXA couldn't provide further detail on their risk assessment and pricing structure. Mr C had the opportunity to explore other options in the renewal period to find the right policy and premium to meet their needs.

On the difficulties Mr C experienced with contacting them, AXA identified one call which was disconnected and a call later the same day to their Complaints Team in which the IVR told Mr C they were closed at that time. AXA agreed with Mr C's concerns about disconnections, although not about the length of IVR messages and the Complaints Team being closed when he called. AXA awarded £35 compensation for the call disconnections.

However, Mr C wasn't happy AXA had issued their final response by email, rather than calling him, when he'd told them he had a medical condition meaning it was difficult to use his phone to read emails. So, he phoned AXA. However, he thought the call handler had been rude to him and placed him back in a queue when he asked to speak to a manager. So, he raised a further complaint to AXA.

AXA called Mr C to discuss his complaint, then issued a further final response upholding his complaint and awarding a further £100 compensation.

Mr C then complained to this Service. He was unhappy at the increases in his initial renewal premium, as well as the difficulties he'd encountered when contacting AXA. He was also unhappy at how he had been treated by the call handler in his subsequent call to AXA.

Our investigator concluded AXA didn't need to take any action. On the complaint points raised by Mr C, he noted AXA accepted at least one of the calls made by Mr C was disconnected. The investigator appreciated Mr C's frustration at long wait times to speak to a call handler and having to go through the IVR system before speaking to someone. It wasn't for this Service to tell AXA how it should operate their call system and concluded their offer of £35 compensation for distress and inconvenience was fair. On the subsequent call, the investigator listened to the call in question, noting AXA accepted their service fell short of the standard Mr C should have expected. The investigator thought the call could have been handled better, but AXA's offer of £100 compensation was fair.

On the issue of Mr C's renewal premium, the investigator noted the renewal invitation referred to the increase in the cost of claims. Looking at the detailed underwriting information behind the renewal premium, the investigator noted what AXA said about refreshing their underlying risk pricing models, leading to increases in aspects of the premium, including accidental damage and third-party damage. The investigator concluded AXA had calculated the renewal premium in line with their own criteria and there was nothing to suggest Mr C had been treated differently to any other customer in similar circumstances. And the renewal premium (after discount) was lower than the previous year.

Mr C disagreed with the investigator's view and asked that an Ombudsman review the complaint. He didn't think the compensation awarded by AXA was sufficient in the circumstances of his case, thinking £200 would be fair.

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.

My role here is to decide whether AXA have acted fairly towards Mr C.

Having reviewed the evidence I don't think AXA need to do anything in settlement of this complaint. I know this is likely to come as a disappointment to Mr C, but I hope my findings explain why I've reached this decision. I've focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it's affected what I think is the right outcome.

The three main issues in Mr C's complaint are, firstly, the renewal premium for his policy, with which Mr C is unhappy. AXA say...

The second issue is the difficulties he experienced in trying to contact AXA to discuss his renewal. This includes long wait times and having to go through the IVR system multiple times. AXA have acknowledged issues and awarded £35 in compensation to Mr C.

The third issue is that Mr C thinks he was treated rudely when making a subsequent call to AXA. This was the subject of separate complaint, where AXA acknowledged issues and awarded £100 compensation.

I'll deal with each of these issues in turn.

Mr C's renewal premium

In considering this issue, I think it's worth noting that a customer may expect a simple explanation for price changes like Mr C experienced. But for an insurer, there may be many variables to consider when setting a premium – including their commercial requirements. And we generally take the view that, providing they treat people fairly - that is they treat customers with similar circumstances in the same way - insurers are entitled to charge what they feel they need to in order to cover a risk. I think it important to mention 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.

Turning to the detail of Mr C's complaint, the principal issue is the initial increase in the premium (although the premium was reduced following the application of a retainer discount, meaning the actual price of the policy was lower than the premium for the previous year). AXA point to a range of factors behind the initial renewal notice increase and say they have been applied correctly in Mr C's circumstances.

AXA have provided the detailed, confidential business sensitive information to explain how Mr C's initial premium increase was calculated. I can't share that with Mr C, but I've reviewed it carefully. I can say that the main factors affecting the initial renewal premium included:

- Refreshing underlying risk pricing models, resulting in an increase in risk for some rating factors, such as third party claims and accidental damage claims.
- Decrease in base rates, meaning an overall reduction in premium.
- Increase in No Claims Discount (NCD) Protection.

I'm satisfied the renewal price quoted was calculated correctly and customers in Mr C's position will have been charged similar premiums

I've then looked at other evidence and information.

I've noted the renewal notice sent by AXA included the following statement:

“Why has my price increased?”

In the past year, UK insurers have seen a big increase in the cost of customer claims, including labour and materials, which are affected by inflation and world events. We are doing as much as we can to manage these increased, although we need to balance this with still offering a great service for our customers when they need us most.”

The reference to the increase in the cost of claims is consistent with public coverage of the increase in the cost of motor insurance over the past year or so. The Association of British Insurers (ABI) published an article in January 2024¹ stating costs were up 12% on the previous quarter (Q4 versus Q3 2023), driven by record increases to insurers to pay claims. I can see AXA said in their renewal invitation that it may be a good idea to shop around to compare prices on the cover he wanted, but to make sure to check that the alternative cover he was looking at was on like for like policies. 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, I think AXA have acted in line with ICOBS requirements.

Taking all these points into account, I've concluded AXA have provided sufficient explanation for the increase in Mr C's initial renewal premium and that they are consistent with their

¹ <https://www.abi.org.uk/news/news-articles/2024/1/motor-insurance-premiums-continue-to-rise-as-insurers-battle-costs/>

pricing model and applied to Mr C's circumstances. I've also noted that after taking account of retainer discounts, Mr C's premium was lower in 2024 compared to 2023. So, AXA acted fairly and reasonably.

Mr C's difficulties contacting AXA

I've then considered the second issue, Mr C's difficulties when he first tried to contact them about the renewal premium.

AXA acknowledge that at least one call Mr C made to them was disconnected, meaning he had to phone them again. At which point he would be presented with navigating the IVR message system, to enable him to be put through to the appropriate department within AXA. While I appreciate Mr C found this frustrating, it isn't the role of this Service to tell businesses how they should run their call centres and use of IVR-type systems, which is an operational matter for each business.

Mr C also tried to phone the AXA Complaints Team, at a time when they weren't open. Again, while frustrating for Mr C, I can't tell AXA what opening times they should operate for their business.

In the circumstances, I've concluded AXA's award of £35 compensation for disconnection of call(s) is fair and reasonable, so I won't be asking them to make a further award in respect of this element of Mr C's complaint.

Mr C's call with a call handler

On the final issue, I've listened to the call in question, in which Mr C feels the call handler was rude to him, before putting him back into the call queue. AXA have acknowledged shortcomings in the way the call was handled, awarding a further £100 compensation.

The call is quite short (just over two minutes). The agent initially asks Mr C for details to confirm his identity, which is what I'd expect. The agent asks Mr C how she can help to which Mr C simply refers to what he said at the beginning of the call. It's clear he is frustrated and repeats what he said in a direct manner, saying the agent isn't listening to him. In turn, it's clear the agent is frustrated at the tone of the conversation and responds in an equally direct manner. At which point Mr C asks to speak to a manager.

Clearly, the conversation doesn't go the way it should have done, and while I think both parties were abrupt, I do think the agent could have reacted differently to try and diffuse the situation. Given this, in the circumstances, I think AXA's offer of compensation is fair and reasonable, so I won't be asking them to increase the award.

My final decision

For the reasons set out above, it's my final decision not to uphold Mr C's complaint.

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

Paul King
Ombudsman