

The complaint

Mr P and Mr C have complained on behalf of C, a limited company, that AXA Insurance UK Plc increased the premium and removed cover for C's property protection insurance policy.

What happened

The circumstances aren't in dispute, so I'll summarise the background:

- C owns a block of flats. Many years ago, it took out buildings insurance for the block through an intermediary, T, and underwritten by AXA. The policy renewed annually.
- In 2020, C made a claim for subsidence damage. AXA accepted the claim and took steps to deal with it.
- The policy renewed later in 2020 at a premium of around £3,800, which C accepted. The premium increased at each subsequent renewal, until it was just over £11,000 in 2023. AXA removed subsidence cover from the policy at this renewal.
- C complained about the premium increases since 2020 – and the removal of subsidence cover in 2023. It accepted *some* increase was to be expected, but it didn't think the *extent* of the increase was fair. It noted the subsidence claim was yet to be settled by this time and thought that meant it was effectively prevented from moving to another insurer to seek more competitive terms.
- AXA said the agreement with T had come to an end, so in 2023 it had offered C a new policy directly. It couldn't offer subsidence cover as the claim was yet to be resolved. And the premium reflected the risk of providing insurance.
- Our investigator said AXA had provided limited information to support the premium increases and subsidence cover removal. In these circumstances, he wasn't persuaded AXA had shown it had treated C fairly. He proposed a remedy for AXA to recalculate the 2021, 2022, and 2023 premiums, and refund C the remainder, plus interest, and £200 compensation.
- AXA provided further evidence to explain the premium increases in 2021 and 2022. But it accepted the 2023 premium increase treated C unfairly – as did removing subsidence cover at that time. It offered to reinstate subsidence cover and recalculate the 2023 premium. By this time, the 2024 renewal had taken place, so AXA offered to take the same steps for that renewal too.
- Our investigator thought AXA's offer was fair in the circumstances. C was broadly in agreement, but sought clarity about the offer – in particular, what the impact on the 2023 premium would be. So our investigator asked AXA about that.
- AXA said it had increased the premiums fairly. This response was inconsistent with its offer and made its position unclear. I asked AXA to clarify its position, and

calculate the impact on the 2023 premium, but it didn't respond. So I'm going to make a decision to bring the complaint process to a resolution.

My provisional decision

I recently issued a provisional decision in which I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

- When considering what's fair and reasonable in the circumstances I've taken into account relevant law and regulations, regulators' rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the time. Whilst I've read and taken into account everything said by both parties, I'll only comment on the points I think are relevant when reaching a fair outcome to this dispute. That's a reflection of the informal nature of this Service.
- As our investigator has explained, this complaint is solely about the premium increases and cover offered. It isn't about the way the subsidence claim has been handled. C is entitled to make a separate complaint about the claim.
- There are two main complaint points for me to consider. Firstly, did AXA act fairly when it increased the premiums? And, secondly, did it act fairly when it removed subsidence cover from the policy? I'll also consider other matters.

Did AXA act fairly when it increased the premiums?

- Each insurer is entitled to take its own view of risk and, based on that, what premium to charge for providing insurance to a particular policyholder. When looking into a complaint about the premium charged, my role isn't to judge an insurer's view of risk. It's to consider whether the insurer acted fairly and reasonably, bearing in mind its view of risk. So that's what I'll focus on.
- For ease of reading, I'll use rounded figures throughout this section. Some of the evidence AXA has provided contains commercially sensitive underwriting information. It wouldn't be appropriate for me to share such information in a way that could become publicly available. So, I'll have to summarise it and that might make some of what I say appear vague. But I can assure C that's a deliberate choice. And where I mention such information, I've seen and considered it in detail.
- The policy has been in place, underwritten by AXA, for a number of years. I understand C accepted the premium up to, and including, the 2020 renewal, when the premium was £3,800. So I won't consider whether that premium was fair.
- The premium increased each year, up to and including 2023, when C complained. I'll consider whether each of those premiums was fair. I'll start by setting out what the premiums were and the annual percentage increase:

<u>Year</u>	<u>Premium</u>	<u>Percentage increase</u>
2020	£3,800	
2021	£4,400	15%
2022	£5,400	25%
2023	£11,200	110%

- Despite our investigator giving AXA several opportunities to provide information to explain what caused these increases – and why they treated C fairly – AXA didn't do so initially. That's why he wasn't persuaded AXA had shown it had treated C fairly, and he said the complaint should be upheld in full.
- After that, AXA provided information to explain what happened in 2021 and 2022. It's disappointing AXA didn't provide this information earlier. But, now that it's done so, I'm obliged to consider it.
- In summary, the information shows the 2021 and 2022 increases reflected inflation, index linking, and changes in AXA's general view of risk. They weren't based on the subsidence claim. That means at these renewals, I'm satisfied C was treated in line with AXA's general pricing strategy – as any other policyholder would have been – and wasn't disadvantaged by the ongoing subsidence claim.
- I'm also satisfied C was treated fairly and reasonably at these renewals. Subsidence cover was maintained, and the premium increases weren't significantly out of step with those commonly seen across the buildings insurance market.
- As a result, I consider the 2021 and 2022 premium increases were fair. So I won't require AXA to take any action in relation to these increases.
- The 2023 renewal was different to the earlier ones. In summary, AXA's arrangement with T had ended by 2023. As a result, rather than carrying out a renewal, as it had done in earlier years, AXA was actually offering C a new policy directly in 2023. Because of this, it seems to have applied a different set of underwriting criteria when deciding what terms to offer. As a result, the premium more than doubled – despite the removal of subsidence cover.
- After our investigator upheld the complaint, AXA initially accepted it hadn't acted fairly at this renewal and made an offer to put things right. It said it had acted in line with its underwriting criteria – but it recognised that applying a different set of underwriting criteria to earlier years didn't take into account all of C's circumstances.
- I agree. Whilst AXA was entitled to change underwriting criteria – and potentially it had to do so following the end of the agreement with T – I think it should have considered the impact of the change on C. Where C had normal access to the open market, I think the impact of a change of underwriting criteria was likely to be low. If C found AXA's offer was uncompetitive, it could likely have found cover elsewhere – and potentially on more favourable terms. But as C had an ongoing subsidence claim with AXA, C would likely have found it very difficult, if not impossible, to obtain full buildings cover with any other insurer on reasonable terms. So I think the impact of the change was significant – and AXA should have considered that.
- AXA later indicated it may have changed its position. But it didn't mention any of the policy renewals and didn't withdraw the offer it made. So it seems to have been a misunderstanding. Given AXA's later lack of engagement, and the clarity of its earlier offer, I don't think it changed its position. But even if it did, for the reasons above, I'm not persuaded it acted fairly – and should take steps to put things right.
- AXA offered to recalculate the 2023 premium by increasing it in the same way it had done in 2021 and 2022. In principle, that seems fair to me. AXA is entitled to take into account inflation, index linking, and changes in its general view of risk – as it did in

the earlier years. However, AXA hasn't said what that would mean for the premium, so C doesn't know exactly what impact the recalculation will have.

- I invited AXA to recalculate the premium, but it hasn't done so. As a result, I don't know what AXA would have charged in 2023, if the increase had been based on the factors noted in the paragraph above. In the interest of reaching a fair and pragmatic resolution to both parties, I suggest the following. AXA took those factors into account in 2021 and 2022, which led to increases of 15% and 25% respectively. The average is 20% - which is in line with premium increases across the market – so I suggest 20% is a fair and reasonable increase in 2023. That means the premium would have increased to around £6,500.
- To put things right, AXA should act as if the 2023 premium was £6,500 – and refund the difference between that amount and what C paid, plus interest from the date(s) the premium was originally paid.
- When the complaint was originally made, the 2024 renewal hadn't taken place. As a result, the complaint didn't include the 2024 premium increase and that hasn't been investigated. But AXA said it would reconsider that premium increase and apply a similar approach as it suggested for 2023. I think that's fair in principle, so I'll simply require AXA to reconsider the 2024 premium increase. When it does so, it will have to take into account my findings about the 2023 premium increase. If C is unhappy after AXA has recalculated the 2024 premium increase, it will be entitled to make a new complaint about that if it wishes.

Did AXA act fairly when it removed subsidence cover?

- The policy benefitted from subsidence cover and a subsidence claim was accepted in 2020. The policy continued to benefit from subsidence cover at the 2020, 2021 and 2022 renewals – whilst the claim was ongoing.
- At the 2023 renewal, AXA removed subsidence cover. This was another consequence of the end of the agreement with T I mentioned in the previous section.
- As the claim was ongoing at that time, AXA said it couldn't be sure the subsidence movement had been stabilised. So it couldn't offer subsidence cover in such circumstances. Were it not AXA handling the claim, I could understand that position. With a subsidence claim ongoing, it's common for other insurers to consider the risk is too significant to offer subsidence cover.
- However, in this case, AXA was the insurer handling the claim. So AXA was effectively saying to C that because AXA hadn't resolved the claim, AXA considered the risk was too significant to offer subsidence cover. I don't think this treated C fairly. And AXA seems to have accepted that, as it initially agreed to reinstate subsidence cover for 2023 and 2024.
- For the same reasons as I gave in the previous section, whilst AXA later indicated it may have changed its position, that seems to have been a misunderstanding. And I don't think it acted fairly in any case. So AXA should reinstate subsidence cover for 2023 and 2024.
- AXA suggested it may charge an additional premium for subsidence cover. But it hasn't set out how much that would be – even after I invited it to do so. And it's not clear why there would be an additional premium for this cover. It was included in 2021 and

2022, so I don't understand why including it in 2023 and 2024 would attract an additional premium. In these circumstances, AXA hasn't persuaded me it would be fair to increase the premium for reinstating subsidence cover. So I'm not satisfied it would be fair and reasonable for it to do so.

Other matters

- C has mentioned the subsidence excess. I understand it would like to ensure that isn't increased during any premium recalculations. It was £1,500 at the 2020, 2021, 2022, and 2023 renewals and C seems to have accepted that at the relevant times. AXA hasn't indicated it would increase the excess when recalculating the 2023 or 2024 premiums. So I don't think there's a dispute about this point.
- It's taken a long time for this matter to be resolved due to the way AXA has handled it. C has been without money unfairly during that time, but the interest award will compensate it for that. However, C has also had to spend additional time dealing with the matter for a prolonged amount of time. That was the case prior to the complaint reaching this Service – and since it's been referred to us. As a result, I consider AXA should pay compensation for the inconvenience avoidably caused to C.
- I'm satisfied the £200 suggested by investigator is fair and reasonable in the circumstances.

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.

- AXA accepted my provisional decision in full. It also provided a figure for the recalculated 2024 premium and commented on the excess.
- C said it was disappointed with my provisional decision and provided comments to explain why. I've read and considered them in full, but I won't respond to each point specifically. I'll only comment on the points I think are relevant when reaching a fair outcome to this dispute. In summary, there are three main points for me to consider: the premiums, subsidence cover, and the subsidence excess. I'll take each in turn.

Premiums

- AXA has agreed to reduce the 2023 premium to £6,500 and refund the difference between that and what C paid. It's also offered to reduce the 2024 premium to £6,825 and refund the difference between that and what C paid. Plus interest, as I suggested. I'm satisfied this is a fair outcome and will explain why.
- In part, I think C found my provisional decision disappointing because it included consideration of evidence AXA provided later in the investigation – and after AXA had been given, but not taken, a number of opportunities to provide it. I recognise a longer investigation can be frustrating and disappointing – particularly when prompt provision of information by the other party could have shortened it. But that doesn't necessarily mean it would be fair for me to exclude evidence as a result.
- C would like me to exclude the later information provided by AXA. With respect, it's for me to decide what evidence to include when making a decision. In this case, the later evidence AXA provided was key to understanding whether its premium

increases – the main subject matter of the complaint – were fair. So I'm satisfied it was fair and reasonable – to both parties – to include that information, in the particular circumstances of this complaint.

- Having done so, I found the increases in 2021 and 2022 were fair. And the 2023 increase unfair, as AXA has accepted. It also accepted the 2024 increase was unfair. For 2023, I suggested reducing the increase from 110% to 20%.
- C has suggested that increases from 2021 onward should be based on the average increase from 2015-2020, or around 6%. It questions how index linking, inflation and changes to AXA's general view of risk could amount to an average 6% increase for one period of time, then 20% for the period immediately afterward.
- This kind of change is reflected across the market during this time, due to a number of factors beyond AXA's control which changed significantly from around 2021. External factors may change over time, and I think AXA, like any insurer, is entitled to take them into account and adapt to them. I'm satisfied increases of 20% on average for 2021-2023 are in keeping with the market. That means I'm not persuaded this kind of increase treats C unfairly.
- It also means I don't think C has been unfairly disadvantaged because its options to move to another insurer are limited due to the subsidence claim. A building with a recent history of subsidence tends to be much more difficult to insure than one without such a history. That's not something I can hold against AXA. With the changes AXA has now agreed to, it will have maintained ongoing subsidence cover and at a premium consistent with the wider market. In my view, that puts C in a fair position in the circumstances.
- The increase AXA has suggested from £6,500 to £6,825 is 5%. That's a minimal increase and is in keeping with common increases across the market in 2024. So I'm satisfied it's a fair increase.

Subsidence cover

- C agreed with my comments about the removal of subsidence cover. So I don't think that matter needs further discussion or comment.

Subsidence excess

- In my provisional decision, I said I didn't think there was a dispute about the subsidence excess. In response, C said there is. The excess was increased from £1,000 to £1,500 in 2019 and has stayed that way up to and including the 2024 renewal. C would like it to return to £1,000. I'm not sure whether it means retrospectively back to an earlier renewal and/or from the next renewal.
- The excess increase didn't form part of the original complaint, so I didn't consider it in my provisional decision. Aside from the claim, the complaint was focused on two points – premium increases and the removal of subsidence cover. I commented on the excess point as it had been mentioned at times during the investigation, and I thought it would be helpful to clarify the position as I understood it.
- That's revealed C is unhappy with the increase. C is entitled to make a complaint to AXA about the excess increase from £1,000 to £1,500 if it wishes. I make no comment or findings on whether that increase was fair and reasonable.

- In response to my provisional decision, AXA said it would further increase the subsidence excess at the 2023 and 2024 renewals from £1,500 to £5,000. It's very disappointing for this comment to arrive so late in the complaint process – and especially as AXA has previously been given numerous opportunities, including lots of time extensions, to set out its position and clarify any offer it would like to make in relation to these renewals.
- As this excess increase may be linked to the premium reductions AXA has offered for 2023 and 2024 – and which forms part of my award – I don't think they can be considered separately. So I will consider them as part of this complaint.
- AXA hasn't explained why it would like to increase the excess further. Nor has it explained why it might be fair to do this, bearing in mind it would be a retrospective change. Or supported its position with any evidence – such as underwriting criteria or information, or comment from an underwriter.
- In these circumstances, I'm not satisfied it would be fair and reasonable for AXA to increase the subsidence excess from £1,500 to £5,000 at the 2023 and 2024 renewals.

My final decision

I uphold this complaint. I require AXA Insurance UK Plc to:

- Refund the difference between £6,500 and what C paid for the 2023 premium.
- Refund the difference between £6,825 and what C paid for the 2024 premium.
- To both payments, add interest at 8% simple per annum, from the date(s) the premium was paid to the date of settlement.
- Reinstate subsidence cover for 2023 and 2024 without charging an additional premium or increasing the excess beyond £1,500.
- Pay £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 30 July 2025.

James Neville
Ombudsman