

The complaint

Mr and Mrs P think their home insurance premium was unfairly increased by Covea Insurance plc (“Covea”) at renewal.

What happened

As Mr and Mrs P’s renewal was approaching, they contacted their broker (B1) to notify it of some changes to their circumstances / needs for the forthcoming year. Mr and Mrs P asked for the cover on a valuable watch to be slightly increased, and also their buildings cover (the cover to re-build their house). Mr and Mrs P asked for no other changes, i.e. like for like cover.

Mr and Mrs P said their premium was £1,500 to have £500K buildings cover, based upon a £100 excess. However, Covea said the new policy would need to have buildings cover of £854K and a £500 excess. Through discussions with their broker (B1), Mr and Mrs P said they agreed to buildings cover of £650K and they paid half of the full year premium, which was £1,469 through their broker’s sister company (B2).

A few weeks later, Mr and Mrs P’s broker (B2) said following a desktop review of their property, Mr and Mrs P would need to increase their buildings cover to £880K, otherwise risk their house been “under-insured” which potentially could lead them to receiving a lower payout should they ever need to claim.

Mr and Mrs P have challenged the new re-build valuation and they’ve provided supporting evidence. However, as they didn’t want to be blacklisted or face any cancellation charges they paid the second half of the original premium plus an additional premium of £321 to reflect the higher build cost.

Mr and Mrs P think Covea have over-insured them which has resulted in Mr and Mrs P paying too much. They think the re-build estimate is inaccurate. Mr and Mrs P want their insurance to be at the correct level and be reimbursed the inflated premiums, as well as compensation for their inconvenience.

Covea explained to Mr and Mrs P the importance of having their property insured for the correct re-build amount, including some detail around how tax can impact re-build costs. It provided three options for Mr and Mrs P:

1. Provide cover at the £880K level, total premium £1,056 plus £735 already paid
2. Reduce the cover to £650K but apply a reduced payout endorsement to the policy (due to under-insurance), total premium £735 plus £735 already paid
3. Cancel the policy, incurring a cancellation fee and time on risk charge.

To resolve the complaint Covea made a pro-active offer to Mr and Mrs P after the complaint was escalated to our service. Based on an amended survey, Covea were willing to insure the property with a re-build cost at £834K (so no endorsement on pay-outs applied). Covea said the premium would be reduced from £1,790 to £1,721 (generating a £69 refund, plus 8% simple interest per annum from 1/5/25 to the date the refund is issued). Covea also offered £350 compensation for the delay in getting the survey reviewed by its partner, who is an expert at valuing property.

Our investigator decided to uphold the complaint. However, he thought Covea's revised offer was fair. It is shown as an uphold decision as the offer was after the complaint reached our service. He thought Covea had used a reasonable process. He thought the compensation was reasonable in putting right the errors Covea made (by not considering the new information provided in a timely manner). Mr and Mrs P disagreed, so the case has been referred to an ombudsman.

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.

Before I discuss my decision itself, I thought it was important to clarify why the complaint is set up against Covea (the insurer) as opposed to Mr and Mrs P's broker(s). Mr and Mrs P's communications were in the main with the brokers and the company Covea employed as experts for the build estimates. However, Covea ultimately make the commercial decisions on the policy and set the price that is charged. So, Covea are the responsible party for this complaint.

Having carefully reviewed the information provided by all the parties, I've decided to uphold the complaint. However, like our investigator concluded, I think Covea's pro-active offer is a fair one and is sufficient to close this complaint. This is shown as an uphold as Covea's offer was made after the complaint was escalated to our service. I know this will be disappointing for Mr and Mrs P, even frustrating, so I will outline my reasoning for arriving at this conclusion.

When I consider a pricing complaint, my focus is whether Covea has treated Mr and Mrs P in the same way it would have treated any other customer (new or old) who has similar circumstances.

Not all insurance companies are pro-active in testing a policyholder's re-build costs in this way. This is Covea's process and it's not my role to advise on its processes. However, I do think the concept is a positive one. Many insurers won't validate a customer's policy until after a claim is made, which can lead to claims only being paid out proportionately due to underinsurance (where a customer has not fully and accurately declared the value of their assets). This can lead to dissatisfaction, so I think it's positive Covea are trying to avoid this.

It's not our service's role to comment whether we think a policy is cheap or expensive. Pricing of a policy is a key commercial decision for Covea. It sets the risk it wishes to take which is outlined in its policy (what risks it will and won't cover, outlining exclusions and limits to liability). It then decides what premium to charge for this risk. These risk factors and prices are dynamic, which leads to a decent amount of volatility in premiums from one year to the next. Again, to reiterate, these are commercial decisions an insurer makes, and the market-place is where Covea's assumptions get tested as customers choose which policies they think are good value for money.

I think the process Covea used is a fair one as it uses an independent and reputable organisation to provide the expert valuation. Unfortunately, in this case, there is evidence the independent expert didn't do a good job as the valuations proved to be incorrect. Mr and Mrs P provided evidence to support their view that the re-build estimate for their house delivered by the expert was too high. The error has been acknowledged by Covea, and it has said it should've dealt with the new information provided by Mr and Mrs P quicker. I think the compensation offered by Covea is fair for these delays.

Mr and Mrs P remain unhappy with the revised re-build estimate given by the expert. I appreciate this and can see it has provided other information that could be seen as benchmarks. I'm not able to say which benchmark is closer to the mark, I guess this can only ever be known if the property is re-built. However, I don't think Covea's process is unreasonable. I think it's a sensible approach. I don't think Mr and Mrs P have provided evidence from an expert visiting their property and estimating the re-build cost. So, based on the evidence, I can't say Covea have used the wrong estimate.

Finally, I've also considered that Covea gave Mr and Mrs P three choices after they had renewed their policy. One of these options was to cancel the policy and seek cover elsewhere, incurring cancellation fees and a time on-risk charge as set out in the policy. I think this is fair as Mr and Mrs P could've moved to a different provider if they were able to find a better deal. There is no reason I can think of why the cancellation would put them in an inferior position when looking for a new policy. Therefore, I think Covea have acted reasonably pointing these options out and leaving it up to Mr and Mrs P the freedom to make their own choice.

My final decision

My final decision is that I uphold this complaint. I require Covea Insurance plc to pay Mr and Mrs P:

- The refund of £69 plus 8% simple interest per annum (as defined in my decision); if Covea have already paid this they don't need to do it again.
- £350 compensation – for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 25 March 2026.

Pete Averill
Ombudsman