

## **complaint**

Mr and Mrs M are unhappy with the renewal terms for their home insurance policy offered to them by Hiscox Underwriting Limited.

## **background**

In February 2019 Mr M contacted Hiscox about his policy which was due for renewal. He has issues about the new premiums and the sum insured for buildings and particularly complained that:

- He was given incorrect information when making enquiries about switching his policy to an unlimited basis.
- He'd reduced his sum insured for the building to £500,000 and believes Hiscox should offer a premium refund for previous years when the sum insured was unnecessarily high.
- He felt he was misadvised when requesting a quote to increase cover for jewellery and watches.
- He was dissatisfied with the increase in premium, particularly that Hiscox had increased it to take account of discounts in previous years. He was also unhappy with Hiscox's failure to set out its calculations for the increase and about its refusal to separate out the contents and buildings premiums.
- He had issues over the way his complaint was handled, in relation to a call back and a call with the Customer Experience Leader.

Hiscox agreed that its service wasn't as good as expected in relation to the advice and explanations given and the customer service. It arranged for a hamper to be sent as an apology. Mr M didn't want that as he has allergies. So Hiscox sent him a payment of £50. The hamper couldn't be recalled and Mr M opted to keep it.

On referral to this service our investigator said that Hiscox had acted reasonably.

The matter has been passed to me for further consideration.

## **my findings**

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

I should set out here that we act as an informal alternative dispute resolution service to resolve complaints by consumers against businesses informally. My function is to consider Mr M's complaint rather than go into general principles of how insurance companies are run.

Mr M has raised a matter of law – that I should consider the fact that insurance contracts are subject to the principle of utmost good faith. That principle is modified by the Insurance Act 2015. The setting up of such contracts are governed by the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). That's not to say that an insurer is entitled to act with bad faith.

Another point I should make is that it's for Mr M to raise with us the issues he wants to make complaints about, we won't listen to his phone calls with Hiscox to find such issues for him.

The policy here is a "continuous" policy which means that technically a new policy isn't issued each year. But a "renewal" notice is sent each year setting out the renewal premium and either party can choose not to continue. For convenience I shall refer to "renewal".

*incorrect information given about switching the policy to an unlimited basis*

Mr M enquired about cover for contents on an unlimited basis. Hiscox's adviser failed to tell him that that would be possible, but that it couldn't offer unlimited cover for any jewellery, watches, valuables, artwork or collections. He was also incorrectly told that he had no cover for art or collections on the policy. In fact he had an old policy where those items were covered as general contents

I would agree that Mr M wasn't given accurate information here.

Mr M raised a further issue – that when he rang on another occasion, he was told he couldn't get a mixed quote for unlimited buildings and a limit for contents. He says he had previously received a quotation to that effect. Hiscox confirmed cover couldn't be offered on that basis and couldn't trace where Mr M had been told any different. Mr M believes he was told this in one of the phone calls, but as no evidence can be found of this it's up to him to show us where he was told that.

*reduction of sum insured*

Mr M enquired about the sum insured for the building. Hiscox has its own internal database for estimating this. When Mr M queried this it told him he could if he wished check through the ABI website. As a result he calculated a figure of some £234,000 less than Hiscox (with yearly indexing) was quoting for the upcoming renewal. Hiscox accepted the updated figure but wouldn't refund policy premiums for previous years when he believed he was overinsured. Mr M believes that Hiscox acted in bad faith and deliberately withheld information from him which could have reduced his premiums.

Hiscox has explained that it sells its policies on a non-advised basis and that it was up to Mr M to set the rebuild cost. It was concerned that Mr M didn't underinsure. There was a big difference but as Hiscox has its own internal data base which applies to all customers, I can't say that it acted unfairly. I haven't seen any evidence that Hiscox's database across all properties it insures produces deliberate overinsurance. It was up to Mr M each year to decide what he wanted on renewal.

Hiscox's buildings cover is index linked based on average figures provided by the Royal Institution of Chartered Surveyors over the year and contents cover is index linked based on the average figures provided by the Retail Price Index over the year. I've noted that on a number of previous occasions Mr M rang up at renewal time to query various issues, on one occasion in 2013 discussing the sum insured in connection with a greenhouse he was building. So I think he was aware of the sum insured and what that meant. I won't ask Hiscox to refund any premiums.

*quote to increase cover for jewellery and watches*

Mr M advised that he wanted to consider increasing cover for jewellery and watches. His request was misunderstood by Hiscox's adviser, who told him it didn't offer standalone jewellery and watches cover. I agree with Hiscox that this was poor customer service.

*premium increase*

I should note here that how insurers set their premiums is a matter for them. With a large insurance market and several price comparison websites there will be a large range of premiums/cover on offer. We are concerned to see that any increases in premium are applied fairly to all customers in a similar position, and that there is no discrimination. But we don't ask insurers to disclose to policyholders how they calculate their premiums if doing so would be a breach of its commercial confidentiality.

Here Hiscox has explained why the premium increased by some margin in 2019. This was essentially because Mr M had had the benefit of discounts in previous years and his policy was below its technical rate (the value the system said it would charge customers that bear the same risk as Mr M). Whilst Mr M felt it was unfair to "recoup" the discount, Hiscox wasn't doing that, it was merely bringing the policy back to its desired level in common with other customers in a similar position to Mr M. He still had the benefit of discounts in previous years. Mr M would have been well aware of his right to ask if Hiscox would offer a discount and he didn't have to continue with it.

Mr M was concerned as he had told Hiscox of an increase in the hypothetical value of his jewellery and contents and believed Hiscox had taken this into account. Hiscox has assured him that this didn't happen though advised him to check he wasn't underinsured. I think this was reasonable.

Hiscox doesn't separate out contents and buildings premiums in its policies – they come as a package. That's a matter for it.

Overall, I don't think Hiscox treated Mr M unfairly over the increase in premium.

*customer service issues*

I've noted these relate to Hiscox not returning a phone call and the way the Customer Experience Leader spoke to Mr M. The way that businesses deal with their complaints are a matter for them. As complaint handling is not a regulated activity I have no power to consider these issues.

*compensation*

Mr M hasn't suffered any financial loss and chose to proceed with the policy. Some of the points he discussed with Hiscox were just hypothetical issues, I don't think he was misled into buying any cover he didn't want. That said I do think the advice given to him should have been clearer. For that Hiscox sent him a hamper which he said he didn't want. It then paid him £50 compensation. As it couldn't recall the order for the hamper Mr M ended up keeping it and the compensation. I think this was fair and reasonable.

**my final decision**

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 August 2020.

Ray Lawley  
**ombudsman**