

The complaint

Mrs W and Mr W complain about the price charged by AXA Insurance UK Plc (“AXA”) to renew their home insurance policy.

Mr W has acted as the main representative during the complaint process. So, for ease of reference, I will refer to any actions taken, or comments made, by either Mrs W or Mr W as “Mr W” throughout the decision.

What happened

Mr W received a quote to renew his policy which he says was significantly higher than what he’d paid the previous year. Mr W complained and said the increase was more than four times the rate of inflation and the increase was unfair given that he hadn’t made any claims and there was no difference in his circumstances compared to the previous year.

AXA responded and explained they’d carried out a review of their internal risk assessment and the premium was correct. They explained each insurer has their own risk assessment and underwriting criteria as well as pricing structure. They said they also take into account different factors when generating a premium. They said the details of their internal risk assessment are business sensitive, so they were unable to provide a specific reason for the increase.

Our investigator looked into things for Mr W. He thought AXA hadn’t treated Mr W unfairly in relation to the pricing. Mr W disagreed so the matter has come to me for a decision.

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.

Having done so, I’ve decided not to uphold the complaint. I understand Mr W will be disappointed by this but I’ll explain why I have made this decision.

The role of this service when looking at complaints about insurance pricing isn’t to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they’ve been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I can see Mr W paid a premium of £482.47 in 2022 but was then charged £683.98 in 2023 – this is 41% more than what he paid the year before. So, I understand why Mr W is concerned about the price increase. AXA have provided me with confidential business sensitive information to explain how Mr W’s price increase was calculated. I’m afraid I can’t share this with him because it’s commercially sensitive, but I’ve checked it carefully. And, I’m satisfied the price he has been charged has been calculated correctly and fairly and I’ve

seen no evidence that other AXA customers in Mr W's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about AXA's risk model, but I can see the main factor which affected the price for Mr W's policy was changes to the base rate – and this is driven by claims inflation and the increase in claim costs paid by AXA. This is a change which has been applied to all policies. I think that's important here as it demonstrates the pricing model used to calculate Mr W's premium was no different to what was used for any other customer in the same circumstances. Mr W may feel this is unfair, but AXA, like all insurers, will review their approach to risks at different points and this will result in changes to the premium. AXA have described how they refreshed their rating system to more accurately reflect the expected costs they underwrite and how this led to Mr W's premium increasing at renewal. So in short, they have treated all customers the same with the pricing structure and Mr W hasn't been treated differently or unfairly when they chose to change their approach.

In addition to this, I can see AXA did, in their renewal quote, remind Mr W that he could shop around to see if he could get a better price. 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, as well as treating Mr W fairly, I think AXA have also acted in line with requirements set out under ICOBS.

I can see Mr W is particularly concerned about the price increase on the basis his circumstances and claims history haven't changed. While I acknowledge Mr W's points, this doesn't mean the price will remain the same. The price is affected by rating factors and loadings – and these will change depending on an insurer's view of risk. Looking at the pricing information provided by AXA, I can see how AXA's view of Mr W's property and overall risk changed and how this impacted the price. I think it's also important to make the point that, 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. That's not to say an insurer offering a higher premium has made an error compared to an insurer offering a cheaper premium – but rather, it reflects the different approach they've decided to take to risk.

I can see Mr W questions how AXA can refuse to disclose business sensitive information to him and he's also concerned he was given a generic response to his complaint about the price increase – and I can see Mr W has set out specific queries relating to the price increase. I do appreciate Mr W will want to know more detail around what specific factors have led to the premium increase and he was left frustrated at receiving a response which lacked specific detail. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think AXA have acted unreasonably in not providing a response to the specific queries raised by Mr W. I can see though that Mr W asks what proportion of the renewal premium relates to the rebate from the insurer for securing underwriting business. What Mr W appears to be referring to here is any broker fee. AXA say the premium quoted is from them and is based on their underwriting criteria – they say there's no additional fees or commission applied. AXA say this is a direct policy with them as the insurer and underwriter.

Mr W believes there's a lack of transparency in our service's investigations into pricing complaints and he questions why our service declines to provide pricing information to a customer who complains. I do acknowledge Mr W's frustration at not being able to see AXA's pricing model, but in reaching a fair and reasonable outcome, it's something I must take into account. We operate under a set of rules laid down by Parliament under the Financial Services and Markets Act 2000, published by the Financial Conduct Authority and known as the DISP rules. In this case, the relevant rule is DISP 3.5.9(2) which says, the

Ombudsman may, *“accept information in confidence (so that only an edited version, summary or description is disclosed to the other party) where he considers it appropriate”*

I think it's important to point out that this rule doesn't place an absolute requirement on our service to provide an edited copy of a business' response to a complainant. There is a discretionary element here which allows an ombudsman to consider whether it's appropriate. In this case, I've provided Mr W with as much of a description that I'm able to provide without compromising AXA's business sensitive information. I think it's also important to make the point that, in carrying out our role to resolve cases quickly and informally, our service relies on businesses sharing information. And in some cases, such as this, that information might be commercially sensitive. Disclosing such information to the other party and allowing it into the public domain will have wider implications not only for a particular business but also the general insurance industry. And this might compromise our ability to then request and receive similar commercially sensitive information from businesses in the future. That said, I do wish to reassure Mr W that I've carefully checked the pricing information to ensure AXA have treated Mr W fairly when rating his policy – and I'm satisfied they have.

I understand why Mr W has complained, and I hope he feels reassured that I've checked the pricing information from AXA. But I can't say they've made a mistake or treated Mr W unfairly. I can see Mr W has raised a number of points and I wish to reassure Mr W I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 26 February 2024.

Paviter Dhaddy
Ombudsman