

## **The complaint**

Mr and Mrs F have complained about Highway Insurance Company Limited regarding the cost of renewal of their buildings and contents cover.

## **What happened**

Mr and Mrs F had cover with Highway starting in 2020. In 2021 they had cause to make a subsidence claim. The claim was on-going when the policy was due to renew in 2023. The cost of renewal was far in excess of what Mr and Mrs F had been charged in previous years. They felt Highway had priced their cover unfairly, likely due to the subsidence claim.

Highway, in a final response dated 20 July 2023 said there had been changes in the last year which had materially affected Mr and Mrs F's renewal price. It said it had priced the renewal fairly, in-line with how it charged all customers. Mr and Mrs F were unhappy – they found a quote elsewhere which couldn't be concluded due to the on-going subsidence claim. And they also secured a new policy from a business partner of Highway, which was then revoked. Regarding the on-going claim Highway said it would review that. Mr and Mrs F reverted to the Financial Ombudsman Service, asking us to consider their complaint about the renewal premium.

Our Investigator confirmed she would be looking at the renewal premium issue alone – that this complaint would not deal with the reportedly delayed claim or the revoked offer of cover. Regarding the renewal premium, having considered detail provided by Highway, she felt it had priced the renewal fairly. So she didn't uphold the complaint.

Mr and Mrs F said they understood that, at least in part, their renewal price had been impacted by Highway's new pricing structure, in that it had not benefitted from any discounts or capping. But they said that didn't account for the sheer extent of the increase. Nor for the delayed claim preventing them from looking elsewhere for cover, nor the revoked offer of cover, offered at a much lower price. They said a finding that this renewal was fairly priced would mean each renewal could be subject to similar increases, which would quickly make the cost of cover prohibitive. Their complaint was referred for an Ombudsman's 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.

I realise Mr and Mrs F have complaints about their subsidence claim being delayed and the impact that may have had on their ability to shop around, as well as regarding an offer of cover being revoked. But they weren't matters referred to us when Mr and Mrs F asked us to review the renewal premium they'd been charged. As such this decision considers only their complaint about the premium Highway charged Mr and Mrs F at renewal in 2023.

As our Investigator advised, detail provided by insurers about matters of pricing, is treated by this service as confidential. As such it is not evidence which we can share with complainants. Nor can we set out any specifics in a decision about the rating factors the

insurer has taken into account when pricing the cover. I appreciate that will be frustrating for Mr and Mrs F as it will mean I won't be able to tell them anything more about the pricing than Highway shared in its final response letter. However, having reviewed the detail provided, I'm satisfied Highway priced the renewal fairly – as in it priced it as it would for any customer.

Most insurers will take account of the fact of a previous claim, regardless of the event concerned, when rating cover. Sometimes the cost of the claim too. But insurers also review risk all of the time and that can sometimes mean they need to increase cost where additional risks are identified. So the way a policy is priced is often not just based on what claims an individual has made. Highway's final response explains it has recently updated its ratings to better reflect previous claims.

Highway's final response also explains that it is no longer able to apply discounts and price caps to premiums. I think this has had a profound effect on the end figure Mr and Mrs F were faced with in 2023 compared to previous years. Generally in the industry, capping is used to mask the actual cost of cover in order to attract new business, or to retain newer but existing customers. It would mean a price would only increase in smaller increments rather than showing the 'true' cost of cover straightaway. Which, broadly speaking, meant loyal policyholders often received less benefit than newer ones. Removing capping means everyone sees the true cost straightaway. Unfortunately for Mr and Mrs F, whose premium had been subject to capping previously, as well as broker discounts and price matching, with none being applied in 2023, the 'true' cost of cover equated to a significant increase. I can see a sudden increase like this, particularly at a time when other frustrations were on-going, would've felt unfair. But I'm satisfied Highway acted fairly in that it was treating Mr and Mrs F as it was all other customers.

I can assure Mr and Mrs F that, from what I have seen, I'm satisfied that the 2023 premium (discounted and capped in 2022 from £1,431 to £706, rising to £2,467 in 2023) did not increase unfairly to that level because they'd made a subsidence claim. I'm satisfied Highway did not act unfairly or unreasonably in setting the premium it did in 2023.

### **My final decision**

I don't uphold this complaint. I don't make any award against Highway Insurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Mrs F to accept or reject my decision before 8 February 2024.

Fiona Robinson

**Ombudsman**