

The complaint

Mr C complains about the price quoted by Liverpool Victoria Insurance Company Limited ("LV") to renew his home insurance policy.

What happened

Mr C received a quote to renew his policy for 2023 which was significantly higher than what he'd paid the previous year. Mr C says he looked on LV's website to see why his price had increased as much as it did, and he says it referred to various storms which had led to insurers having to pay out more in claims. Mr C says these storms occurred around five months before he renewed his policy in 2022 – and the price for this policy actually reduced compared to his 2021 renewal – so he questions why it impacted his 2023 renewal. Mr C says he called LV to discuss the price and they offered him a discount – but Mr C declined the renewal. Mr C says he then took out a policy with another insurer for a cheaper price. Mr C feels LV are increasing their prices based on questionable and misleading information. Mr C says he asked LV for more detailed information to explain the price increase, but they wouldn't provide this, so he complained.

LV responded and explained they can't share the specifics on how they calculate premiums as this is business sensitive information. They explained they take many different factors into consideration when calculating a renewal, such as, personal details, claims, conviction history, property and the area a customer lives in. They said there are also external factors they consider such as the rising cost of claims. They said they also use their claims information to understand how often and how much their customers are claiming for, which is always changing, depending on things like the weather and parts costs and availability. They explained insurers are seeing a lot more claims due to an increase in the frequency and severity of weather events, and because of inflation, claims are now costing more. LV said, over the last couple of years, the amount they paid on claims has increased significantly.

Our investigator looked into things for Mr C. He thought LV hadn't treated Mr C unfairly in relation to the pricing. Mr C 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 C 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 C paid a premium of £260.73 in 2022 but then received a quote for £368.06 in 2023 – this is around 41% more than what he paid the year before. So, I understand why Mr C is concerned about the price increase. LV have provided me with confidential business sensitive information to explain how Mr C'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 LV customers in Mr C's position will have been charged a lower premium.

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

LV have described how they refreshed their rating system to more accurately reflect the expected costs they underwrite and how this led to Mr C's premium increasing at renewal. In addition to this, I can see LV did, in their renewal quote, remind Mr C that he could shop around to see if he could get a better price. It's not clear when Mr C first took out his policy, but if there have been at least four renewals, then 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 C fairly, I think LV have also acted in line with requirements set out under ICOBS.

I can see, when Mr C raised a query about the price, LV did apply a discount. I can see this was a discretionary discount and often insurers will do this as an attempt to retain a customer's business. So, I'm satisfied the discount they applied here wasn't to correct a mistake they'd made with the original quote but was as a result of a discretionary discount. So, I think LV increased Mr C's premium at renewal correctly in keeping with the changes made to their risk ratings and underwriting guidelines. And, in addition to this, I think they treated Mr C fairly and reasonably in applying a discretionary discount.

I do appreciate Mr C will want to know more detail around what specific factors have led to the premium increase and he was left frustrated at not receiving a response to his questions to LV. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think LV have acted unreasonably in not providing a response to the specific questions raised by Mr C. I also note Mr C declined LV's offer of renewal and he took out a policy with another insurer for a cheaper price. I do acknowledge why this will concern Mr C but 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 LV, in their complaint response, refer to information on their website which helps to explain how their prices are calculated. Mr C explains he visited the website, and this referred to the claim costs paid out as a result of storms. I acknowledge Mr C questions why the storms didn't appear to have an impact on his 2022 renewal – which was five months after the storms – but did impact his 2023 renewal which was 17 months later. I do acknowledge Mr C's points, but the first point I would make is that the information on LV's website relating to the storms appears to be generic information to help customers

understand the reasons for the rising cost of home insurance. The specific section says, “*insurers paid out £473 million...[for storm claims]*”. It’s been well publicised that home insurance has increased over the last year due to the rising cost of settling claims, so I can’t say the information provided by LV is misleading.

In addition to this, and as mentioned above, it’s for an insurer to decide what risks they’re prepared to cover and what ratings and loadings to apply. And if LV did decide not to place any additional loading, or increase their base rate, five months after the storms, it doesn’t mean it’s unfair for them to make those changes to their policies a year later. As I’ve mentioned above, all insurers will review their approach to risks at different points. So, I can’t say LV have acted unfairly if they decided to apply any changes in 2023 rather than 2022.

Mr C also refers to the factors LV have referred to in their complaint response to justify a price increase and explains these don’t impact him. He says his personal details haven’t changed, he hasn’t made any claims, he doesn’t have any convictions, his property hasn’t changed, and he isn’t aware of any changes in the area he lives in which would affect the price. While I acknowledge Mr C says his personal and property details haven’t changed – this doesn’t mean the price will remain the same. As I’ve explained, 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 LV, I can see how LV’s view of Mr C’s property changed and how this impacted the price. I understand Mr C questions the information provided by LV and whether the reasons they’ve given are accurate. But, based on the information I’ve seen, I can’t say LV have provided misleading or inaccurate information about the reasons for the increase.

I understand why Mr C has complained, and I hope he feels reassured that I’ve checked the pricing information from LV. But I can’t say they’ve made a mistake or treated Mr C unfairly. I wish to reassure Mr C 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 Mr C to accept or reject my decision before 23 November 2023.

Paviter Dhaddy
Ombudsman