

The complaint

Mr K complains that Zurich Insurance PLC (“Zurich”) increased his car insurance premium after he’d already agreed on a renewal price.

What happened

Mr K received a quote to renew his policy. Following this, and before the renewal date, Mr K was involved in a minor accident which he reported to Zurich. Mr K then accepted the renewal. After the renewal date, Mr K was notified by Zurich that he would be charged an additional premium of £159 for the accident. Mr K complained about this and said his policy includes 22 years No-Claims Discount (“NCD”) which is protected, so this should’ve prevented his premium increasing following an accident. Mr K said he reported the accident to Zurich prior to his renewal date so they had the opportunity to amend the price.

Zurich responded and explained Mr K was involved in an accident on 22 August, his renewal date was 28 August and he informed them of the accident on 29 August. They explained the initial renewal price Mr K received was on the basis of the information Zurich had at the time but, after they informed the broker of the accident on 7 September, this led to a reassessment which in turn led to an increase in price.

Our investigator looked into things for Mr K. He thought Zurich hadn’t acted unfairly in increasing Mr K’s premium, but he felt they should’ve better managed his expectations around this. Our investigator recommended Zurich pay £100 compensation for this. Mr K 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 to partly uphold the complaint. And, I think the investigator’s recommendation is a fair way to resolve matters. I understand Mr K will be disappointed by this but I’ll explain why I have made this decision.

I can see Mr K was quoted £522.41 to renew his policy, having paid £454.27 the previous year. Following the renewal invite, but before the renewal date started, Mr K was involved in an accident which he reported to Zurich. This then led to an increase of £159 to Mr K’s premium – which Zurich requested after the renewal date.

I understand why Mr K is concerned. He has agreed a price and then an incident has occurred which an insurer will need to know about. Mr K has then informed Zurich about this incident before the renewal date, and the renewal has then started based on the terms and price which Mr K agreed. Mr K has then been approached for an additional premium.

I think it’s important here to look at the timeline of events. At the point the renewal invite was sent to Mr K, the price was based on the relevant risk ratings and loadings applied by Zurich. The accident happened six days before the renewal was due to start and Mr K reported it to

Zurich two days before the renewal date. In view of the short period of time between the reporting and renewal date, I don't think it was unreasonable for Zurich not to have reassessed the policy premium and provide Mr K with a revised price taking into account the claim, before the renewal started. This was done just under two weeks later – and shortly after Zurich informed the broker about the claim, which I don't think is unreasonable in the circumstances.

The next point I've considered is the increase itself. I understand Mr K feels Zurich haven't acted fairly as he has 61 years driving experience without ever having any points on his licence. He says he has earned 22 years NCD and also paid to protect this, so he feels it's unfair for Zurich to then increase his premium following a minor accident. I can see Zurich say the protected NCD is designed to protect a policyholder's accrued years and associated discount for not having an accident. They say, this in turn means that, in the event of a claim, a policyholder's NCD is not stepped back - which would result in an increase in premium. They say this is different to the reason for the premium increase here as this is driven by the various statistical models their pricing team use in relation to the likelihood of another accident happening.

Zurich have provided me with confidential business sensitive information to explain how Mr K's renewal price was impacted by the claim. I'm afraid I can't share this with Mr K because it's commercially sensitive, but I've checked it carefully. And I'm satisfied the price increase here has been calculated correctly and fairly and I've seen no evidence that Mr K has been treated differently to other Zurich customers in Mr K's position. I acknowledge Mr K feels it's unfair that he has built up 22 years NCD, yet a claim has affected his premium. Zurich have explained how the protected NCD works and, even though a claim won't lead to the NCD being stepped back, it doesn't mean that an insurer won't then apply a risk rating for a claim being made on a policy. It's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks. While we don't have the power to direct a business on what their risk model should look like, we can look to see whether they've acted fairly. And, in this case, I don't think Zurich have acted unfairly in carrying out a reassessment to take into account the claim and increasing Mr K's premium.

I do appreciate Mr K 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 copy of the premium calculations used by Zurich. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think Zurich have acted unreasonably in not providing Mr K with the information he requested.

In their complaint response, Zurich claimed Mr K reported the accident after the renewal date. I can see Mr K wants Zurich to acknowledge this is incorrect. This does appear to be an error on the part of Zurich as they've confirmed to our service that Mr K did report the accident to them before the renewal date.

While I don't think it's unreasonable for Zurich to charge an additional premium once they carried out a reassessment, I do think they missed an opportunity to better manage Mr K's expectations around this.

When Mr K reported the accident to Zurich, I believe it would've been clear to the call handler that Mr K's policy was set to renew in a couple of days. And I think it's reasonable to expect the call handler should've explained to Mr K that the claim, after being recorded on their system, would likely lead to a reassessment of the premium. It appears there was a further phone call between Mr K and Zurich on the renewal date, and I've seen no evidence that Mr K was told during this call about the likelihood of a reassessment in light of the claim he'd made on his policy. So, Mr K was caused confusion and upset when receiving notice of a premium increase, particularly as Zurich missed opportunities to manage Mr K's

expectations. So, I think it's fair and reasonable in the circumstances for Zurich to pay Mr K compensation of £100.

I understand Mr K will be disappointed, and I fully understand why the increased premium led him to complain. But I hope my reasoning provides him with reassurance that he hasn't been treated unfairly or differently to other customers in the same circumstances. I wish to reassure Mr K 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.

Putting things right

I've taken the view that Zurich didn't manage Mr K's expectations about the premium increase so they should pay Mr K £100 compensation for the confusion and upset caused.

My final decision

My final decision is that I uphold the complaint. Zurich Insurance PLC must pay Mr K compensation of £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 6 July 2023.

Paviter Dhaddy
Ombudsman