

The complaint

Mr M and Mrs M complain about the price charged by Liverpool Victoria Insurance Company Limited ("LV") to renew their home insurance policy.

Mr M 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 Mr M or Mrs M as "Mr M" throughout the decision.

What happened

Mr M says he'd previously been paying around £700 for his policy, but when his policy switched to LV in 2022, his premium increased. Mr M says the following year it increased again. Mr M decided to renew but he complained to LV and said there were no changes in his circumstances or claims history, yet the price of his policy had increased over two years. Mr M also said his complaint relates to the value for money of the policy. Mr M says, being competitive in the insurance market means insurers are no worse priced than any other insurer – but it doesn't mean they offer value for money for customers.

LV responded and 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.

Our investigator looked into things for Mr M. He thought LV hadn't treated Mr M unfairly in relation to the pricing. Mr M 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 M 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 M paid a premium of £1,028.91 in 2022 but was then charged £1,701.90 in 2023 – this is around 65% more than what he paid the year before, and Mr M says 150% more than the price he paid two years before. So, I understand why Mr M is concerned

about the price increase. LV have provided me with confidential business sensitive information to explain how Mr M'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 M'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 M'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 M's premium was no different to what was used for any other customer in the same circumstances. Another factor which has contributed to the price increase is LV changing their pricing model for a specific peril – and I've seen how this impacted the risk profile for Mr M's policy. Mr M 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. LV have described how they refreshed their rating system to more accurately reflect the expected costs they underwrite and how this led to Mr M's premium increasing at renewal. So in short, they have treated all customers the same with the pricing structure and Mr M hasn't been treated differently or unfairly when they chose to change their approach.

In addition to this, I can see LV did, in their renewal quote, remind Mr M 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 M fairly, I think LV have also acted in line with requirements set out under ICOBS.

I can see Mr M is particularly concerned about the price increase on the basis his circumstances and claims history haven't changed. He also says he refuses to accept that external factors outside changes to his own risk profile should account for a near 150% increase in his premium over a two-year period. While I acknowledge Mr M says his personal and property details haven't changed – 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 LV, I can see how LV's view of Mr M's property and overall risk changed and how this impacted the price.

I acknowledge Mr M says he was given a generic response to his complaint about the price increase. I do appreciate Mr M 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 LV have acted unreasonably in not providing a response covering the specific ratings which have applied to Mr M's policy.

I understand Mr M says his policy, prior to being switched to LV, was cheaper. I do acknowledge why this will concern Mr M 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.

Looking through the information, which includes Mr M's communication with LV and our service, I can see Mr M has broader concerns about pricing in the insurance market. Mr M

says, following receipt of LV's renewal quote, he searched for a better price but wasn't able to find anything which would make it worthwhile to switch policy. I can see Mr M says there's nothing to suggest LV's pricing is as good as it can be – only that it's as good as it needs to be given the price of the competition. I can't comment on the prices in the broader insurance market, as my role is to look at whether Mr M has been treated fairly and reasonably by LV. One point I would make is that it's been well publicised that the price for home insurance has increased over recent years due to the rising cost of settling claims. That said, we would still expect insurers to price a policy based on their view of risk – and that's what LV have done here.

I can see Mr M raises concerns about the value offered by the policy and links this to the Consumer Duty principle. The Consumer Duty applies to open products and services from 31 July 2023. Given Mr M's renewal started after this date, I've looked into this further and I've considered the 'Price and value' outcome as I believe that is what is relevant to Mr M's concerns. I think it's important to add, this isn't a price-setting rule. The Financial Conduct Authority ("FCA") expects firms to assess their products and services to ensure there is a reasonable relationship between the price paid for a product or service and the overall value and benefit a consumer gets from it. When assessing whether the price of a product/service provides fair value, insurers must include consideration of at least the nature of the product/service including the benefits that will be provided and their quality, any limitations that are part of the product/service, and the expected total price customers will pay.

In deciding this complaint, I've kept in mind the FCA's expectation that there should be a relationship between price and value. While looking into the price charged by LV, I've also considered the benefits provided and whether the policy offered Mr M fair value. I've firstly taken into account the value measures data published on the FCA's website. The FCA has been focusing on value measures in insurance across a number of products which includes data on how often consumers are claiming on their insurance policy, how likely it is for a claim to be accepted, and the average claims payout.

In the case of combined buildings and contents home insurance – which is the cover taken out by Mr M – it shows a claims acceptance rate of over 76% and the percentage of premiums paid out in claims as 50%. I think this demonstrates this product carries both a value and benefit to consumers. If things happen unexpectedly, and where the terms and conditions of the policy allow, I think this data provides reassurance that a high volume of claims are accepted. I acknowledge Mr M says an insurer's pricing strategy shouldn't be unfairly biased to only benefit them, but I think the data for the percentage of premiums paid out in claims demonstrates it's a product which offers fair value.

Looking more specifically now to Mr M's circumstances, I can see the home insurance policy provides cover against a range of perils linked to both buildings and contents. I think it's fair to say, and certainly so in the case of home insurance, there is a lot of value consumers get from peace of mind from owning a product and knowing they're covered against a range of unexpected scenarios. Mr M says he searched for a better price but wasn't able to find anything which would make it worthwhile to switch policy – so I can't say LV have provided Mr M with a product which isn't comparative with similar products across the market. I think it's also important to point out that the cover and benefits provided by LV under this policy are broadly consistent with what I would expect to see from such a policy. So, from the information I've taken into consideration, I can't say LV haven't met their obligation to offer fair value to Mr M.

I can see Mr M asks, when determining whether or not a policy offers value for money, is our service able to advise on the price at which a policy would cease to offer fair value. I do acknowledge Mr M's point, but I'm afraid I can't provide a response in terms of an amount. Our service considers the merits of a complaint on a case by case basis, and as mentioned

above, it's not the role of our service to determine a price that insurers should offer. I do wish to reassure Mr M though that I have carefully considered his points and taken into consideration price, fair value and benefits of the policy when deciding this complaint.

I understand why Mr M 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 M unfairly. I wish to reassure Mr M 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 M and Mrs M to accept or reject my decision before 15 February 2024.

Paviter Dhaddy
Ombudsman