

## **The complaint**

Mr H and Mr N complain about the price charged by Arch Insurance (UK) Limited (“Arch”) to renew their commercial property insurance policy.

Mr N 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 H or Mr N as “Mr N” throughout the decision.

## **What happened**

Mr N says in 2022, he received a renewal invite which was significantly higher than the previous year. He complained the price had continued increasing over the last few years and, while he acknowledged there had been claims made on his policy, no claim was made during the previous year. Mr N felt it was unfair the price had continued to increase in circumstances where he had no option but to renew given there was an ongoing subsidence claim which prevented him from shopping around.

Arch responded and explained the price increases were due to inflation and previous claims. They explained in 2022 the premium increased and included an index linking increase in the building sums insured reflecting higher levels of inflation. Arch said the balance of the increase reflected the underwriter’s view that exposure to further subsidence damage was significant and, even allowing for previous rate increases, a higher premium was needed if subsidence cover was to continue to be offered.

Our investigator looked into things for Mr N. He upheld the complaint as he felt Arch hadn’t provided our service with sufficient information to show no error had been made when calculating Mr N’s renewal – so he recommended they pay Mr H and Mr N £150. Mr N and Arch 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 uphold the complaint. And, I think the investigator’s recommendation is a fair way to resolve matters.

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.

Mr N is concerned about the rising cost of his policy since it was underwritten by Arch in 2019. I can see Mr N’s net premium in 2019 was £2,461.16. This was followed by £2,687.18

in 2020 (an increase of 9%), £2,613.73 in 2021 (a decrease of 3%) and £4,058.13 in 2022 (an increase of 55%). So, I understand why Mr N is concerned about the price increase and why this led him to raise a complaint following his 2022 renewal price.

When our service looks at complaints about pricing, we'll ask for information from a business to demonstrate why and how a price has increased. What information is considered reasonable will depend on a case by case basis, but insurers generally will provide confidential business sensitive information to explain how a customer's price has been calculated. This might involve evidence of rating factors and loading tables to show, more specifically, which loadings have increased to justify the price increase. Generally, and particularly in cases where the price has increased significantly, it's this level of detail that allows our service to check the information and provide a customer with reassurance that there hasn't been a mistake in the calculation and that they've been treated fairly and no different to any other customer in the same circumstances.

I think it's important to make the point that it's been widely publicised that the price of insurance has increased over the last couple of years as insurers have faced rising costs in settling claims. And more specifically, in relation to buildings insurance, factors such as the rising cost of buildings materials and labour have had an impact on the price of insurance.

Arch have provided information which shows the factors they took into account when calculating a renewal price for Mr N's policy between 2019 and 2021. This shows, for all three renewals between 2019 to 2021, Arch took into account claims made on Mr N's policy – this included two claims for subsidence. It's not unusual or uncommon for insurers to take into account claims history, so I can't say Arch have acted unfairly here if the claims have had an impact on the price. So, I've taken this into account as well as what I've said above in relation to the rising price of insurance and also the level of the price increase here in relation to the renewals between 2019 and 2021. And, I don't think Arch have acted unfairly here in relation to the price increase.

Turning now to the 2022 renewal – the information shows the net premium had increased by 55%. The information provided by Arch shows the claims were again taken into account. I can see Arch say there were additional factors taken into account here such as claims inflation as well as higher costs to handle claims. They also say the underlying underwriting result is also taken into account. I can see Arch have provided reasoning for the increase as well as details of the index linking increase and another factor which has contributed to the increase. But given the significant increase in price in comparison to the previous year's price, I'm not persuaded this alone demonstrates the price for the 2022 policy was calculated fairly.

I say this because this doesn't provide sufficient information or an explanation for how the policy has been rated and which specific rating factors and loadings have affected the price for the 2022 renewal. As mentioned above, I accept claims history is a factor which will generally impact the price. But the same three claims were also rated during the previous three renewals, and the highest increase over these renewals was in 2019 and was a 16% increase from the year before. In this case though, in relation to the 2022 renewal, it's 55%. And I haven't been provided with any information to show what ratings and loadings led to this, and why.

Arch say they aren't able to provide any further information. So, I've based my decision on the information I do have. I wish to reassure Arch I have carefully considered the information they've provided and taken into account their points. I do acknowledge they say they've acted fairly by continuing to provide cover for subsidence in circumstances where other insurers might've excluded it. But, in the circumstances of this case, I'm not persuaded

there's sufficient evidence to satisfy me the increase is fair and Mr N has been treated no differently to any other customer in the same circumstances.

I do wish to make it clear I'm not saying there has been an error in the pricing calculation. Instead, the reason I'm upholding Mr N's complaint is, given the significant increase in the price of the 2022 renewal, I would need to see evidence and a clear explanation showing why and how the price increased as it did for Mr N's renewal – and in this case, this information hasn't been provided in a way which would allow me to reassure Mr N that there's been no error here.

It's clear Mr N is very frustrated by this as he says his options to shop around are limited given there's still an open subsidence claim on his policy. And he also says it's unclear why such a significant increase has occurred given that there weren't any additional claims over the previous year, and his circumstances remained the same as the year before. So, taking this into account, I understand why Mr N was left frustrated and confused by the price increase – and I think compensation of £150 is fair and reasonable in the circumstances.

### **Putting things right**

I've taken the view that Arch haven't provided sufficient information or a clear explanation to demonstrate why and how Mr H and Mr N's price increased as it did for their 2022 renewal. So Arch should pay Mr H and Mr N £150 compensation for the frustration and confusion caused.

### **My final decision**

My final decision is that I uphold the complaint. Arch Insurance (UK) Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mr N to accept or reject my decision before 27 May 2024.

Paviter Dhaddy  
**Ombudsman**