DRN-4574658

The complaint

Mr A complains about the increase in premium for his motor insurance policy with U K Insurance Limited trading as Churchill Car Insurance (Churchill).

References to Churchill in this decision include their agents.

What happened

In September 2023 Mr A's motor insurance policy with Churchill came up for renewal. The premium increased from £485.38 the previous year to £987.83 (103%). Mr A queried the increase, as he'd made no claims during the year. He was told the increase was due to a number of factors affecting risk. Churchill provided more information on these factors, but Mr A didn't think they all applied to his circumstances or his vehicle, which was electric. He was then told the increase was due to Churchill reassessing the cost of claims they'd incurred.

Mr A said his vehicle's residual value had fallen, so he thought this should mean a fall in premium. Mr A was also unpersuaded that other factors, such as the likelihood of accidents and claims for the vehicle model, and the cost of parts were behind the increase. Churchill said they couldn't provide any further information as it was commercially sensitive.

Unhappy at the increase in premium and not being given information he thought justified the increase, Mr A complained to Churchill.

Churchill didn't uphold the complaint. In their final response they said their motor policy prices were reviewed year on year to reflect changes in claims cost and current market conditions. They applied rating factors to their policies and took historical data into consideration. Profiling was used to ensure they met Financial Conduct Authority (FCA) requirements. They were confident in the premiums charged based on the risk they were covering but couldn't guarantee they would be the cheapest insurer. They didn't give out information regarding how they rated policies, as this was company sensitive information.

Mr A then complained to this Service. He wasn't persuaded by the factors and information Churchill had provided to explain why his premium had increased so significantly, as he'd made no claims during the year. Nor that all the factors Churchill mentioned applied to his specific vehicle and circumstances. He was also concerned electric vehicles were being unduly penalised – he referred to the drop in electric vehicle residuals and articles he'd seen indicating repair costs for electric vehicles had increased by 25%. Neither supported the significant increase in premium he'd experienced. Mr A wanted his premium reduced.
Our investigator didn't uphold the complaint. Having been provided with the underwriting information used to calculate Mr A's premium, the investigator was satisfied Mr A's premium had been calculated in line with Churchill's overall risk approach. There wasn't any evidence Mr A had been treated differently than any other customer would have been in his situation. While Mr A felt Churchill were unfairly targeting drivers of electric vehicles, this wasn't something this Service could investigate (it would be a matter for the FCA).

Mr A disagreed with the investigator's view and asked an ombudsman to consider the complaint. He thought he should be provided with a breakdown of which factors had increased between 2022 and 2023, that is, the drivers of the increase.

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.

My role here is to decide whether Churchill have acted fairly towards Mr A.

The key issue in Mr A's complaint is whether Churchill acted fairly and reasonably in increasing his premium when it came up for renewal. Mr A says the increase is unjustified given his No Claims Discount (NCD) history and not making a claim. And some of the factors cited by Churchill for the increase wouldn't apply in his circumstances and to his vehicle.

Churchill say their policy prices are reviewed year on year to reflect changes in claims cost and current market conditions. They use rating factors to rate their policies accurately and fairly, as well as historical data. They maintain the premiums they charge are based on the risk they are covering. In providing evidence and information in response to Mr A's complaint to this Service, Churchill also say their assessment of risk reflects rating factors including: the age of the vehicle; the driver's age and address; and claims affecting the make and model of the vehicle.

On the first issue, Churchill have provided information about their risk assessment and pricing for Mr A's policy for 2022 and 2023, breaking down the risk factors driving the basic premium – that is, the premium excluding optional elements of cover (which in Mr A's case are guaranteed NCD and enhanced hire car cover) and Insurance Premium Tax.

Looking at this information, while the detail is commercially sensitive, the risk factor with the largest increase is accident damage (which I think would include the cost of repairs – or total loss - to a vehicle from an accident). Other factors showing an increase – though much less than accident damage – are property damage; fire and theft; and windscreen. There are very small increase for the cost of bodily injury claims (such as whiplash).

Having reviewed the information, I'm satisfied Churchill have calculated the 2023 renewal premium in line with their risk assessment and pricing approach, so I can't conclude they've acted unfairly or unreasonably.

While I've reached this conclusion based the specific circumstances and information in Mr A's case, I've also noted significant media and public coverage of the general increase in the cost of motor insurance over the past year or so[1].

For example, the Association of British Insurers (ABI) published an article in August 2023 that stated from their tracker the average increase in premium in the third quarter of 2023 was 29% compared to the same period the previous year. The article cited increases in such things as the cost of vehicle repairs (33% between Quarter One 2022 to Quarter One 2023) and labour cost increases of up to 40%. The average price of motor insurance in Quarter Three 2023 was put at £561 - a record high.

Additionally, with specific reference to electric vehicles, coverage from one source[2] refers to data from an insurance firm showing a 50% increase in electric vehicle repair costs between

[1] For example, an article in *The Times* on 10 February 2024, referring to an average across the board increase of 33% in car insurance between 2022 and 2023.

2021 and 2023 and a 10% rise in days off the road, with the make of Mr A's vehicle seeing a 93% increase in repair costs and 25% increase in downtime. Other national media coverage has focused on significant increases in premiums for the make of Mr A's vehicle. An article in January 2024[3] said the average premium for electric vehicles was £1,344 at the end of 2023, an increase of 50% compared to the previous year.

While these figures are averages across the sector and electric vehicles as a whole, they are consistent with the factors cited by Churchill, particularly the increased cost of repairs (the accident damage risk factor).

Taking all these circumstances and factors into account, I've concluded Churchill have acted fairly and reasonably in the circumstances of Mr A's case.

My final decision

For the reasons set out above, it's my final decision not to uphold Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 12 April 2024.

Paul King
Ombudsman

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[2] Electriccarscheme.com *Why is electric car insurance so expensive?* (January 2024)

[3] *The Independent* 24 January 2024 *Electric cars cost twice as much to insure as petrol vehicle – as average cost soars by 50%*