

The complaint

Ms B, 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 Ms B, Mr H or Mr N as “Mr N” throughout the decision.

What happened

Mr N received a renewal invite in 2023 which he says showed a further increase in the price of his policy. He says 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 said the price had been calculated fairly and didn’t uphold the complaint.

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 Ms B, Mr H and Mr N £150. 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.

I can see the renewal price for 2023 was £5,273.53 with the net premium accounting for £4,708.51 of this amount. Mr N says there was a significant increase the year before, yet the price increased again. The information shows the price in 2023 increased by 16% but this followed a significant increase the year before. So, I understand why Mr N is concerned about another price increase, particularly as it has followed an increase of 55% the year before.

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 in 2023. This shows Arch took into account claims made on Mr N's policy – this included two claims for subsidence with one of these still open at the point the renewal price was calculated. It's not unusual or uncommon for insurers to take into account claims history. And Arch also say there were additional factors taken into account here such as claims inflation as well as higher costs to handle claims. 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 the year before, I do understand why Mr N is concerned about yet another price increase - in this case 16%. So, I'm not persuaded Arch's explanation alone demonstrates the price for the 2023 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 2023 renewal. As mentioned above, I accept claims history is a factor which will generally impact the price. But this increase follows a significant increase the year before. And while I can see Arch say they decided to go with the system rate increases, I haven't been provided with any information to show what ratings and loadings accounted for the price increase.

Arch say they aren't able to provide any further information and don't feel it's reasonable for our service to request details of their pricing matrix. 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 acknowledge Arch's point about our service requesting details of their pricing matrix. But, as mentioned above, the information our service considers reasonable and sufficient will depend on a case by case basis. And in the circumstances of this case, I believe it's reasonable for our service to see the rating factors and loadings which have impacted Mr N's 2023 renewal price.

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, the price has increased again in 2023, so 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 the price has increased yet again particularly following such a significant increase 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 Ms B, Mr H and Mr N's price increased as it did for their 2023 renewal. So Arch should pay Ms B, 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 Ms B, Mr H and Mr N to accept or reject my decision before 28 May 2024.

Paviter Dhaddy
Ombudsman