

The complaint

Mrs S has complained about the increase in premium to her car insurance policy with AA Underwriting Insurance Company Limited (AAUICL).

What happened

Mrs S bought a car insurance policy with AAUICL. In January 2023 she was involved in a minor incident with a third party vehicle (TPV) and reported it to AAUICL in March 2023. Mrs S said there was no damage to her car. AAUICL set up a claim. The third party withdrew their claim.

Mrs S renewed her policy with AAUICL in August 2023. She noticed the monthly premium had increased significantly. When she contacted AAUICL to discuss this, she discovered it had a record of the incident and this was still open.

Mrs S was unhappy about this as she said no claim had been made. She wanted AAUICL to remove the record of a claim.

AAUICL didn't uphold Mrs S's complaint. It said it had correctly recorded the incident. It updated its records to show the incident as a 'notification only' which meant Mrs S's No Claims Bonus was reinstated (from being disallowed while the claim had been open).

This resulted in a small difference in the premium. Mrs S remained unhappy. She asked us to look at her complaint. She said she was able to find alternative insurance for a price similar to what she paid the year before with AAUICL. Mrs S wanted the opportunity to be able to look for alternative insurance as AAUICL hadn't given her this option.

Our Investigator explained to Mrs S that AAUICL had correctly recorded the incident even though no claim had been made in line with the policy and insurance industry practice.

The Investigator asked AAUICL to provide its underwriting criteria and details of any discounts, or ratings which may have impacted on the price, as he noticed it had increased by more than 50% for a 'notification only' incident where no costs were claimed for.

He asked for this so that he could consider if AAUICL had treated Mrs S fairly when recalculating her premium after updating the incident details.

AAUICL provided a screenshot to show the difference in premium before it closed the open claim, and after it had changed it to a 'notification only' incident. But it refused to provide any further details to this service. And the amounts didn't match the amount Mrs S's premium had increased to.

So because the Investigator couldn't determine if AAUICL had acted fairly, he recommended AAUICL provide a refund of the difference in premium Mrs S had paid for her policy since August 2023, and reduce it to the price she'd paid for insurance in the previous policy year.

AAUICL didn't agree and wanted an ombudsman to decide. It didn't provide any further details to show its calculations on the increase in price.

I issued a provisional decision on 5 April 2024 and recommended the complaint should be upheld, but with a different outcome.

Mrs S accepted my provisional decision. AAUICL didn't respond. As the time has passed to comment on my provisional decision, the case has been passed back to me to decide.

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.

As I haven't received any new comments or information, my final decision is on the same lines as my provisional decision.

I am satisfied that AAUICL has correctly made a note of the incident. AAUICL, like most insurers, has a term in its policy which says it will record any incident, even if it doesn't result in a claim.

We understand that insurers constantly update how they rate the risk of consumers. And their rates continually change. However, where there is a significant difference in premium for a change considered as minor, we ask insurers to provide this service with confidential business sensitive information to explain how a price increase was calculated. This isn't something we share with customers, but it enables this service to check carefully that an insurer has treated a customer fairly.

We are aware from publications by leading industry trade bodies that between 2022 and 2023 the cost of insurance has increased by an average of 25%.

In this case, AAUICL hasn't agreed to share details with us to enable us to say whether it has treated Mrs S fairly. And the information provided doesn't match the premium difference it charged Mrs S.

Mrs S's premium increased from £367.89 to £874.08 with an open claim. According to a screenshot provided by AAUICL, after updating the claim to show as a 'notification only' AAUICL recalculated the premium to £789.36. So the difference in price between an open claim and a notification only was £84.72.

Having such a small impact on the premium seems unusual, and so our Investigator asked AAUICL – as we ask and receive from other insurers – to provide details of the calculations in order for us to determine if the correct loadings or discounts had been applied in Mrs S's case. But AAUICL hasn't agreed to provide further details.

The Investigator recommended Mrs S pay the same premium she paid for the previous policy year. But we know this isn't a correct starting point in light of what we know about the general base costs of insurance rising – and the fact that there is a 'notification only' incident from January 2023.

So, as a reasonable starting point – and in the absence of the information we have asked for from AAUICL, I think the revised base premium should be £92 more than the previous year, representing an increase of 25% in line with the average rise in the cost of car insurance.

As AAUICL hasn't provided evidence to show there has been no pricing error, I think this is a fair and reasonable outcome. And to compensate Mrs S for the frustration caused by AAUICL's refusal to address her concerns over the price of her premium, I think it should pay £150 to Mrs S.

I think AAUICL should pay interest on the difference to Mrs S at our agreed rate, which I've set out below.

My final decision

My final decision is that I uphold this complaint. I require AA Underwriting Insurance Company Limited to do the following:

- Reduce the premium Mrs S is paying for insurance under the policy she renewed in August 2023 to £459.99.
- Pay interest on the refund amount at a rate of 8% simple interest a year from the date Mrs S paid to the date of the refund.
- Pay Mrs S £150 compensation for the distress and inconvenience caused.

AA Underwriting Insurance Company Limited must pay the compensation within 28 days of the date on which we tell it Mrs S accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 4 June 2024.

Geraldine Newbold
Ombudsman