

The complaint

Mr R complains Aviva Insurance Limited (Aviva) unfairly increased his home insurance policy premiums.

What happened

Mr R received his home insurance policy renewal quotation in June 2024 and saw there had been an increase in the cost of his premiums. He said his premiums had increased since 2019.

He contacted Aviva to express his concerns about the increase and asked for an explanation on how the price of premiums had been calculated.

Aviva said it was unable to provide a breakdown of how the price had been calculated due to this being business sensitive information. It explained it had considered a high number of rating factors to work out the price of his insurance, some being specific to him and others to do with what is happening in the insurance market.

Because Mr R was not happy with Aviva, he brought the complaint to our service.

Our investigator did not uphold the complaint. They looked into the case and said based on the evidence and information they had checked, and what Aviva said about these increases in his policy, it was fair and reasonable at this point in time.

As Mr R is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

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.

It is important to understand that we're not the industry regulator. That means I don't have the power to tell an insurer or broker how much it can charge for its policies. Neither is it my role to tell an insurer what factors it should take into account when assessing risk.

When calculating what premiums to charge, Aviva will take numerous different factors into account – these are likely to include, but are not limited to, the policyholder's postcode, property value, the number of fault claims and non-fault claims etc. And different insurers assess risk differently. What is high risk to one may not be to another. Individual insurers may also use different data when assessing the risk posed. But that's not unusual or unfair.

We cannot tell Aviva (or any insurer) that it should use, or discount, specific data. That's because the risk is Aviva's to take on so it will decide how to assess it and will price the policies it offers accordingly. Prices can go up or down, depending on what it thinks the risks are that year for all of its customers.

Providing they treat people fairly, insurers and brokers are entitled to charge what they feel they need to in order to cover a risk. So although I cannot tell Aviva how much to charge Mr R, I can look at whether it treated him fairly when renewing his home insurance policy.

I recognise that insurance price increases have been high in the last few years, and I understand that Mr R is keen for Aviva to fully explain how the cost of his premiums have been calculated. However, the way that the insurance industry operates is that it sells a product for the price it calculates based on numerous commercial factors and the risk it's willing to accept. Insurance companies regularly update how they rate risks and rates continually change, and they may measure and predict risk as they see fit.

It may sound unfair that an insurer can choose to set the price however it likes, however, the insurance market is competitive, and consumers' choices are often driven significantly by price. Ordinarily consumers have freedom to choose between many insurers and can avoid those they feel are too expensive or poor value for money.

I saw that Mr R has held a policy with Aviva for a number of years. His policy does not have an automatic annual renewal, which means after a new annual quote is sent it requires him to make a manual card payment. I saw Aviva sends renewal invites to Mr R in a time, which allows him the opportunity to then decide if he wishes to purchase the policy or to seek an alternative product with another insurance provider.

In summary, insurers aren't expected to divulge underwriting information either to its customers, or competitors. Aviva have however provided our service with confidential, commercially sensitive information to explain how your price increase was calculated. Having seen this information, I'm satisfied the price has been calculated correctly based on the legitimate factors considered by Aviva. I therefore can't say that Aviva applied its pricing strategy in an unfair or unreasonable manner.

I saw the increase in Mr R's policy premiums for the renewal in 2024 shows only the buildings cover having increased. Costs of building materials have increased dramatically in recent years, and this has led to a market wide increase in building insurance premiums.

I recognise Mr R believes very strongly that this progressive rise in his premiums is excessive and unjustified. And that the increases made have no correlation to inflation. However we are not the industry regulator and cannot tell Aviva how much to charge.

I have not seen any evidence that Aviva have been unfair in its pricing when calculating Mr R's premiums or has treated him any differently to its other customers. Therefore, I don't uphold Mr R's complaint and don't require Aviva to do anything further in this case.

My final decision

For the reasons I have given I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 24 February 2025.

Sally-Ann Harding
Ombudsman