

## **The complaint**

G, a company, complains about the premium increase Hiscox Underwriting Limited trading as Hiscox ('Hiscox') have applied to its professional indemnity insurance policy.

G is also unhappy with how claims were handled under that policy as well as the impact this has had on its policy premiums.

G's complaint is brought by Mr B, but I shall refer to all submissions as being G's own for ease of reference.

## **What happened**

The facts underlying this complaint are well known to both parties, so I won't repeat them here. Instead, I'll focus on giving my reasons for my 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 don't uphold G's complaint against Hiscox. I've explained why under the headings below.

### *Unjustified premium increase*

In this case G's premium increased from £1,091.99 in 2022 to £5,471.08 the following year. G says this increase is disproportionate and does not correctly reflect the risk Hiscox were taking or its claims history. G also feels the increase was unfair and unjustified.

The Financial Conduct Authority doesn't regulate on the prices insurers charge or the methods an insurer might use to calculate the price of an insurance policy. So, the Financial Ombudsman Service won't usually make any determinations about the way an insurer chooses to assess risk, the risk assessments it makes or the premium it charges to cover a certain risk. The only aspects that this Service can consider in relation to pricing are:

- Whether a policyholder has been treated differently to the way other consumers would be in the same circumstances.
- Whether the price being charged is based on the correct information.
- Whether a consumer is being given clear information to make decision with, such as whether to seek cover elsewhere.
- Whether a consumer who doesn't have the freedom to change insurers and choose what premium to pay has been treated fairly, taking into account the insurer's approach.

Given the limited nature of the issues we're able to consider in relation to pricing of insurance policies, I've restricted the findings in my decision to these areas. Whilst I appreciate that this will be disappointing for G, I won't be able to give it an answer on anything that falls outside of the points I've listed above in relation to the pricing of the policy.

G's policy offered commercial protection for professional indemnity claims against it as well as crisis containment cover and business human resource solutions access and human resource health and safety help.

Insurers constantly update how they rate the risk of offering insurance and their rates continually change. In this case Hiscox has provided the Financial Ombudsman Service with confidential business sensitive information to explain how G's price increase was calculated. As the investigator explained we can't share that with G, but I have checked it carefully. Having done so I'm satisfied that the price G was quoted has been calculated correctly and G hasn't been treated any differently to any other customers in the same circumstances. In G's specific case I can see that the most significant impact on the price of the policy was because of the change in G's business activity and the number of claims that had been notified to Hiscox in the past. In particular G's business activity changed from being primarily an estate agent with a small letting agency and property maintenance function to being mainly (75%) letting management. G also made 10 claims notifications since it started insuring with Hiscox in 2012. From the information I've seen, I'm satisfied that both of those factors meant that G presented a higher risk to insure which Hiscox has evidenced.

Having considered the details contained within G's renewal documents and in the absence of any evidence to the contrary, I'm also satisfied that the price that was offered to G was based on the correct information for its business.

I know G might feel that Hiscox didn't give it enough information to explain the reasons for the increase in its policy premium. And I appreciate it might have wanted Hiscox to share how its price increase was calculated specifically, but for the reasons I've mentioned, I don't think they needed to. We wouldn't expect an insurer to give customers a breakdown of the calculation they've applied. In this case Hiscox did explain the risk factors that led to the price of the policy increasing. And I think G had enough information to decide whether it wanted to renew the policy or seek insurance cover elsewhere.

Given the nature of the policy, I haven't seen anything which supports that G's freedom to change insurers was restricted. Whilst doing so would most likely have meant that cover for new claims would not be covered, G could have chosen not to renew the policy and go elsewhere. In this case G chose to renew its policy. I do of course understand its point that it feels the premiums were disproportionate and that they should now be adjusted, but for the reasons I've explained, I think Hiscox has evidenced that they were applicable to the risks they were prepared to take in accordance with their underwriting criteria and their customers generally.

#### *Excessive reserve and management of Solicitor's costs*

G feels the reserve Hiscox placed against its policy for various claims it notified was unreasonable.

An insurer is entitled to place appropriate reserves against claims that have yet to materialise properly in order to allow them to project what their risk will likely amount to for that specific claim. And that's not really a decision that we'd expect a policyholder to have any influence over. Ultimately, it's up to an insurer to measure what it's likely to spend out on a claim based on the information available to it. From what I've seen one claim that Hiscox placed a reserve against was reduced to 0 in January 2024 because it was found that it would most likely not be progressed, following Hiscox' panel firm's involvement.

Hiscox have said that another claim which was originally notified in May 2021, is likely to

have its reserve released if it doesn't progress because it is no longer being pursued. Given the history of that claim I can quite understand why a reserve was applied to it in the same way a reserve would be applied to any claim that had the potential to result in costs being incurred by Hiscox. So I don't think Hiscox did anything wrong here.

G has said that Hiscox haven't managed Solicitors' costs incurred under its policy properly. The policy covers G's legal costs, subject to particular conditions being met, like the requirement that the claim has reasonable prospects of success.

I appreciate that in the case of the May 2021 notification, the panel firm's costs amounted to around £12,000 when the claim value against G was around £11,000, but that doesn't mean that the claim was mismanaged by Hiscox. Hiscox had a duty to indemnify G for defending a claim against it under the policy as long as there were reasonable prospects of success and that's what it did here. From what I've seen the claim was initially notified then closed for almost two years due to inactivity. Following that the panel firm spent quite a lot of time and effort considering whether there was a valid claim that could be successfully pursued against G. They did this by corresponding with the Claimant and carrying out other investigations. Whilst the end result was that costs exceeded the amount claimed, I don't think this means that Hiscox should have done anything differently from the outset- like paid out for the claim itself- if its Solicitors couldn't establish that it was valid and should be settled. And that is where the claim itself appeared to end up in that the Claimant doesn't seem to be pursuing the matter anymore following the panel firm's challenges and involvement.

From what I've seen Hiscox did keep a reign on the costs incurred by instructing a panel firm and a more junior fee earner at considerably reduced rates. This indicates that G would have incurred considerably more in legal costs if it had chosen to defend the claim at its own cost and not claim on the policy as suggested. But even if that wasn't the case the policy engaged for the purpose of defending a claim was yet to be established as one that Hiscox should pay, so I don't think Hiscox can be criticised for the amount it incurred in costs to investigate this and or defend G's position. So I'm not satisfied that Hiscox did anything wrong here.

#### *Failings of panel solicitors and Hiscox' culpability*

I appreciate that G is unhappy about the way in which the Solicitors appointed by Hiscox dealt with its claim. But I can't consider the actions of Solicitors. They are separately regulated and subject to their own codes of conduct.

The policy in this case is intended to provide an indemnity for claims against G. This includes Hiscox duty to defend claims that can't be validated and pay out awards where appropriate. So its right that Hiscox is entitled to appoint a firm of their choosing given they are ultimately responsible to pick up both their legal costs and any awards that might be made against G. And given the nature of the policy, it's not up to G to determine how a firm of Solicitors runs a claim that is ultimately intended to benefit Hiscox as insurer of the risk. So, the issue of how the claim was managed isn't really one I'd expect Hiscox to be accountable to G for unless there was some detriment to G that it could quantifiably demonstrate. I appreciate G feels the costs incurred by the panel firm are directly reflected in its policy premiums. Whilst that might be the case, I don't think G have shown that the claim was handled inappropriately. In the absence of Hiscox being concerned about how the claim unfolded, I'm not persuaded there is anything more for them to do here.

#### **My final decision**

For the reasons set out above, I don't uphold G's complaint against Hiscox Underwriting Limited trading as Hiscox.

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

Lale Hussein-Venn  
**Ombudsman**