

## **complaint**

Mrs K, on behalf of the estate of the late Mr K, is unhappy with the increases in premiums on Mr K's home insurance with Royal & Sun Alliance Insurance Plc (RSA).

## **background**

Mr K's insurance policy with RSA started a very long time ago and covered a Grade II listed building. In 2006, Mr K's policy cost £852 for the year. The next year, 2007, Mr K's insurance cost £894.

Mr K was elderly, and by 2018 Mrs K had become responsible for his financial affairs, after which he sadly passed away. In 2018, the renewal quote was for £1,716. Mrs K thought this was exorbitant, so contacted RSA to discuss the price.

Mrs K says RSA suggested she reduce the sums insured in order to pay less and search for alternative quotes online. But Mrs K didn't want to risk the property being underinsured, and getting quotes online was not possible due to the property's listed status.

Mrs K was unhappy with the service RSA provided, having to chase things up often before things progressed. And she felt that RSA's final response to the complaint was rushed and inadequate. Overall, she felt that RSA had taken advantage of an elderly customer to increase the price and didn't do enough to help Mr K or to respond to the complaint.

Following our investigator's involvement, and in light of Mr K's potential vulnerability towards the end of his life and the dissatisfaction Mrs K has expressed, RSA made an offer of £500 as a gesture of goodwill. Our investigator thought this was a fair way to resolve the complaint.

Mrs K disagreed. She felt a number of the annual increases were substantial. And that RSA should've taken more care in contacting Mr K about the insurance, given his age, rather than just sending him renewal letters. She's unhappy that we can't share information with her about how RSA set the price of the policy. And she reiterated that she felt she was given incompetent advice and faced a lack of interest when she raised the issue with RSA and received a poor response to the complaint.

Because our investigator was unable to resolve the complaint, I've been asked to make a decision.

## **my findings**

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 that RSA's offer of settlement is a fair and reasonable way of resolving this complaint.

I don't have the power to tell an insurer how to price risk and what an insurance policy should have cost. I would be, in effect, determining or telling a business how it should operate – and that's not my role. But I can look at whether RSA has treated Mr K fairly throughout the period he held its insurance policy.

If I find that RSA hasn't treated Mr K fairly, I will look to see what compensation would be fair. And, in this case, whether I think what RSA has offered is fair.

An insurer hasn't necessarily done anything wrong by changing the premium at renewal – and there are often risk related reasons for an insurer doing so. But where an insurer knew, or ought reasonably to have known, the consumer wasn't engaging with the renewals process, they should have taken care to make sure they treated these consumers fairly – and that they didn't take advantage of the consumer's behaviour by increasing their premiums just because they didn't engage with the cost.

Mr K contacted RSA in 2006 to discuss the policy cover, and in 2010 to request some documents. But there's nothing that suggests he was engaging with the cost of the policy. So, I think RSA should've realised this.

However, RSA has given us a lot of information about how it decided how much to charge Mr K for his policy. I'm afraid I can't share this as it's commercially sensitive, but I would like to assure Mrs K that I've carefully considered what RSA has provided, as well as what she has said.

From what I've seen, it doesn't look like RSA was increasing Mr K's premiums unfairly. It has shown there were changes in its rates, its view of the risk of insuring Mr K's house and its understanding of future likely claims. These are all fair reasons for RSA to increase the premium. There's nothing to suggest RSA was charging Mr K more for his insurance, just because he'd had his policy with it for a long time.

I know that Mrs K found insurance for the property much cheaper elsewhere. So, I can understand why this would make her think that Mr K was treated unfairly by RSA. But insurers often include discounts in order to obtain new customers. That means that a new customer will often be paying less than the true cost of providing the insurance policy. And insurance policies are not all the same – they have different levels of cover, excesses and differing terms and conditions that can affect the price charged. And each insurer's costs may vary depending on many things. So, just because the policy with RSA cost a lot more than the new policy that Mrs K found, that doesn't mean the amount charged by RSA was unfair.

Looking at how RSA handled Mrs K's enquiries and complaint, it seems it could've done more to show it was taking the matter seriously. And to give suggestions that were more relevant to a Grade II listed building, given that RSA's representatives should've been aware of what sort of property was being discussed.

I note that RSA's final response letter was issued outside of the eight weeks allowed and didn't refer to the "pricing team's review", which Mrs K was expecting to be given information about. But I can see that the final response letter was issued after that review had been completed and reflected the results of that review – that the price had been set correctly. So, I've taken account of these issues when deciding whether RSA's offer is fair and reasonable.

There are now rules (that were introduced in 2017) that say insurers should, in the renewal invitation, encourage their customers to shop around if they've had their policy for a number of years. These didn't exist when Mr K took out his policy with RSA. And, even if they had, the onus would still have been on Mr K to take action.

I appreciate that Mr K was elderly and had some health issues which meant he couldn't have shopped around himself. But, other than his age, RSA was not aware of any reason why Mr K would not have been able to take action on receipt of the renewal notices. Having said

this, RSA has made an offer of £500 in light of what it now knows. Overall, given everything that happened, I think that is a fair and reasonable way to resolve this complaint. So, I'm not telling RSA to do any more than what it has already offered to do.

**my final decision**

Royal & Sun Alliance Insurance Plc's offer of settlement is a fair and reasonable way to resolve this complaint. If it hasn't already done so, Royal & Sun Alliance Insurance Plc should pay the estate of Mr K £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K, on behalf of the estate of Mr K, to accept or reject my decision before 22 August 2020.

Phillip Lai-Fang  
**ombudsman**