

The complaint

Mrs H and Mr H complain about the price charged by Admiral Insurance (Gibraltar) Limited (“Admiral”) to renew their home insurance policy.

Mrs H 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 Mrs H or Mr H as “Mrs H” throughout the decision.

What happened

Mrs H received a quote to renew her policy which she says was significantly more than what she’d paid the previous year, so she complained. Mrs H said she’d made a claim for subsidence which meant she had no option but to remain with Admiral until remedial works are completed. She also said the increase in price wasn’t proportionate as insurers are bound by the fair value rules brought in by Consumer Duty.

Admiral responded and explained they regularly update their rates to keep them up to date with what they’re currently seeing in their claims statistics. They said, when calculating a price, they take a number of factors into account such as personal details, property details, address and claims history. Admiral said, in the interest of bringing the complaint to a close, they’ve added a £79.15 discount to the overall premium.

Our investigator looked into things for Mrs H. He thought Admiral hadn’t treated Mrs H unfairly in relation to the pricing. Mrs H 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 not to uphold the complaint. I understand Mrs H and Mr H will be disappointed by this but I’ll explain why I have made this decision.

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 a renewal premium was generated for Mrs H’s policy in October 2022 for £709.13. Mrs H then made a claim for subsidence and a revised rating was carried out to Mrs H’s policy to account for this – this led to an additional charge of £349.92 meaning the price was now £1,059.05. Then in 2023 Mrs H received a renewal invite for £2,979.40 which was then reduced down to £2,900.25 after Admiral applied a discount. Given the increase is almost 175% more than what she paid the year before for the adjusted premium, I understand why Mrs H is concerned about the price increase. Admiral have provided me with confidential

business sensitive information to explain how Mrs H's price increase was calculated. I'm afraid I can't share this with her because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the price she has been charged has been calculated correctly and fairly and I've seen no evidence that other Admiral customers in Mrs H's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about Admiral's risk model, but I can see the main factor which affected the price for Mrs H's policy was the claims which were made – and I've seen how this impacted the price. I can see there are other factors also including changes to the base rate – and this is driven by claims inflation and the increase in claim costs paid by Admiral. The general increase has been applied to all policies. I think that's important here as it demonstrates this rating was no different to what was used for any other customer in the same circumstances.

I acknowledge the increase is significant when comparing the adjusted premium Mrs H was charged in 2022 and the recent renewal price. Mrs H may feel this is unfair, but it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks - different insurers will apply different factors. That's not to say an insurer offering a higher premium has made an error compared to an insurer offering a cheaper premium – but rather, it reflects the different approach they've decided to take to risk. I also understand Mrs H says her risk profile, after making a subsidence claim, doesn't increase as the risk of a subsequent subsidence claim on the same property reduces on the basis a proper repair has been performed. I acknowledge Mrs H's points, but as mentioned above, it's for an insurer to decide what risks they're prepared to cover and what ratings and loadings they apply to those risks.

In addition to this, I can see Admiral did, in their renewal quote, remind Mrs H that she could shop around to see if she could get a better price. Section 6.5 of the Insurance Conduct of Business Sourcebook ("ICOBS") requires a business to provide specific wording about the benefits of shopping around. So, as well as treating Mrs H fairly, I think Admiral have also acted in line with requirements set out under ICOBS.

I can see, when Mrs H raised a query about the price, Admiral did apply a discount. I can see this was a discretionary discount and often insurers will do this as an attempt to retain a customer's business or to try and resolve a complaint. So, I'm satisfied the discount they applied here wasn't to correct a mistake they'd made with the original quote but was as a result of a discretionary discount. So, I think Admiral increased Mrs H's premium at renewal correctly in keeping with the changes made to their risk ratings and underwriting guidelines. And, in addition to this, I think they treated Mrs H fairly and reasonably in applying a discretionary discount.

I understand one aspect of Mrs H's concern is that she feels she has no option but to remain with Admiral given the subsidence issue and that it's unfair for Admiral to try and recoup their claim costs in this way. I can see Mrs H has referred to being held as a 'captive customer' due to it being impossible to find cover with another insurer. I do acknowledge Mrs H's concern, but I do wish to reassure Mrs H I've checked the pricing information carefully and I've seen the factors which have impacted the price.

As mentioned above, the claim history is one such factor, but I can't say Admiral have acted unfairly in applying a rating and loading to take this into account. I do understand how an ongoing subsidence claim might limit Mrs H's options to shop around for a policy with an alternative insurer, but I can't hold Admiral responsible for other insurers' underwriting criteria. In this case, I can only look to see whether Admiral have priced Mrs H's policy fairly – and from my review of the information, I think they have. I think it's also important to add, from my review of the pricing information I haven't found any evidence of any ratings and

loadings being applied to Mrs H's policy to take into account any difficulties she might experience in finding cover with an alternative insurer.

I can see Mrs H also raises concerns about whether Admiral's actions are consistent with obligations set out by the Consumer Duty principle. The Consumer Duty applies to open products and services from 31 July 2023. Given Mrs H's renewal is after this date, I've looked into this further and I've considered the 'Price and value' outcome as I believe that is what is relevant to Mrs H's concerns. I think it's important to add, this isn't a price-setting rule. The Financial Conduct Authority ("FCA") expects firms to assess their products and services to ensure there is a reasonable relationship between the price paid for a product or service and the overall value and benefit a consumer gets from it. When assessing whether the price of a product/service provides fair value, insurers must include consideration of at least the nature of the product/service including the benefits that will be provided and their quality, any limitations that are part of the product/service, and the expected total price customers will pay.

In deciding this complaint, I've kept in mind the FCA's expectation that there should be a relationship between price and value. While looking into the price charged by Admiral, I've also considered the benefits provided and whether the policy offered Mrs H fair value. I've firstly taken into account the value measures data published on the FCA's website. The FCA has been focusing on value measures in insurance across a number of products which includes data on how often consumers are claiming on their insurance policy, how likely it is for a claim to be accepted, and the average claims payout.

In the case of combined buildings and contents home insurance – which is the cover taken out by Mrs H – it shows a claims acceptance rate of over 76% and the percentage of premiums paid out in claims as 50%. I think this demonstrates this product carries both a value and benefit to consumers. If things happen unexpectedly, and where the terms and conditions of the policy allow, I think this data provides reassurance that a high volume of claims are accepted.

Looking more specifically now to Mrs H's circumstances, I can see the home insurance policy provides cover against a range of perils linked to both buildings and contents. I think it's fair to say, and certainly so in the case of home insurance, there is a lot of value consumers get from peace of mind from owning a product and knowing they're covered against a range of unexpected scenarios. Looking at the cover more broadly, I can't say Admiral have provided Mrs H with a product which isn't comparative with similar products across the market. I think it's also important to point out that the cover and benefits provided by Admiral under this policy are broadly consistent with what I would expect to see from such a policy. So, from the information I've taken into consideration, I can't say Admiral haven't met their obligation to offer fair value to Mrs H.

I understand why Mrs H has complained, and I hope she feels reassured that I've checked the pricing information from Admiral. But I can't say they've made a mistake or treated Mrs H unfairly. I wish to reassure Mrs H I've read and considered everything she has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 19 February 2024.

Paviter Dhaddy
Ombudsman