

## **The complaint**

Ms P complains about the cost of her pet insurance policy with Allianz Insurance Plc.

## **What happened**

Ms P took out a pet insurance policy with Allianz. She said her pets had been healthy and she hadn't needed to make any claims on her insurance. But her renewal cost over the last three years had increased greatly. After looking online she felt her premiums were high compared to what she would've paid Allianz as a new customer. Because of her loyalty Ms P feels Allianz has overcharged her hundreds of pounds. So she wants a refund of the excess she's paid in 2018, 2019 and 2020 which Ms P calculates at around £300.

Allianz said Ms P had set up an annual policy in 2014 providing cover for life. Due to the passage of time Allianz wasn't able to listen to the call when the policy had been set up. But it explained the main reasons for premium increases were the pet's age and breed.

As pets get older they are more likely to become injured or unwell. And the premium reflected the larger risk. Increasing veterinary fees also affected premiums, as did advancements in diagnostic, medical and surgical procedures. Allianz said this had been explained to policyholders in the renewal documents issued since 2018.

Allianz said Ms P had been advised of any change in premium, benefit or excess each year at renewal. And the premiums she'd been charged since she started the policy were correct. Allianz felt Ms P had been given enough information to allow her to decide whether or not to continue with her cover each year. But it'd noted Ms P should've benefitted from one month's free discount when she first started her policy. And it'd arranged for a payment of £50 to Ms P as a gesture of goodwill.

Ms P wasn't satisfied with Allianz's response. So she contacted our service and our investigator looked into the matter. He felt Allianz had been consistent with the insurance renewals each year. And he couldn't see that any errors had been made. But he did think Allianz should've provided more information at the start of the policy in 2014 to give her a better idea of how the premiums could change going forwards.

Our investigator could see Allianz had made it clear from 2017 that Ms P could shop around for a more competitive policy. And he didn't think Allianz's actions had disadvantaged her. So he wouldn't be asking it to refund any premiums or make any changes to her current premium. But he did feel Allianz should pay Ms P £100 compensation for the distress caused by the unexpected increases as he couldn't see it was fully explained at the outset.

Allianz didn't agree with our investigator's recommendation to compensate Ms P. It said Ms P was able to look at alternative cover and the renewal increases weren't unusual. Allianz felt it'd sufficiently notified Ms P about prices rise in its documentation. And it didn't think Ms P had suffered any material distress that justified compensation. So it's asked for an ombudsman's final 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.

It's to be expected that the cost of pet insurance will increase each year as the pet gets older and the cost of medical treatment gets more expensive. A standard pet insurance policy wouldn't cover any pre-existing conditions but some policies, like the one Ms P took out with Allianz, are known as lifetime insurance policies.

This means that, although the policy is renewable each year, cover is provided for the lifetime of the pet based on the terms agreed at the start of the policy. The yearly cost of these policies can go up significantly at renewal. So it's important the long-term cost implications are made clear to the customer when they first take out the policy.

Ms P felt her recent renewal premiums were very high. As a result I can see she's put a lot of effort into reviewing the premiums she's paid and the amount that would've been charged to her as a new customer. But it's important to recognise insurers will often offer new customers a discount to attract their business. And most insurers now offer a discount for online applications as well.

I appreciate the effort Ms P has put into her price comparisons. But as our investigator has explained it can be very difficult to get a fair comparison. It's not possible to know what the pricing model was in previous years so the method Ms P used to calculate what her premiums might have been in previous years isn't necessarily accurate.

Ms P took out insurance for her pets so she clearly wanted some kind of cover. And based on what I've seen I think Ms P would've still chosen a lifetime policy for the greater level of cover it provided – even if she had been more aware that the premium could go up significantly in the future.

Allianz says Ms P's pets have no pre-existing conditions and there are no claims on the policy. So it would've been relatively easy for Ms P to shop around if she felt her premium was too high at any point. And recent renewal documentation carried a warning that Ms P had been with Allianz for a number of years and she might be able to get the insurance cover at a better price if she shopped around. The documents also explained how premiums can change due to a number of factors, as noted above.

It's not the role of this service to tell an insurer how much it should charge. That's a business decision and it's not something we can interfere with. So I can't say Ms P should've paid more or less in the past or what she should pay in the future.

I've not seen anything to suggest Allianz has made any mistakes in the premiums its charged Ms P each year. And I've not seen any evidence to show Allianz has treated Ms P differently to how it would treat any other customer in the same position.

So I won't be asking Allianz to refund Ms P any previous premiums or alter the amount of the current premium.

But I do think Allianz could've done more to make the long-term potential cost increases clearer to Ms P when she first took out the policy. The cost of the policy has increased significantly and I think the extent of the rise would've been unexpected and would've caused some distress to Ms P.

### **Putting things right**

I agree with our investigator that Allianz should pay Ms P compensation for the lack of clear information at the start of the policy and the emotional impact this has had on Ms P. I think an additional £100 compensation is a fair way to resolve Ms P's complaint.

### **My final decision**

My final decision is that I uphold this complaint. Allianz Insurance Plc should pay Ms P an additional £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 21 March 2022.

Andrew Mason  
**Ombudsman**