

## **The complaint**

Ms F complains that Allianz Insurance Plc (trading as Pet Plan) unfairly increased the premiums on her pet insurance policy.

## **What happened**

Ms F took out pet insurance with Allianz in 2017. She'd been a loyal customer and hadn't made a claim on her policy. So Ms F was very upset when her premium increased by nearly 20% each year. Ms F is very frustrated by the response she received from Allianz and she wants her current premium kept at the previous year's level.

Allianz was sorry to hear Ms F was unhappy with the price increase. Allianz explained the price of the policy would increase year on year as her pets got older as there was more risk of a claim. Allianz said it also had to take into account general inflation and increasing veterinary fees. Allianz said changes to the premium were set out in the terms and conditions sent with each renewal and in the product information document. And the increases were in line with its pricing structure.

Ms F wasn't satisfied with Allianz's response. So she contacted our service and our investigator looked into the matter. Our investigator looked at whether Allianz had acted fairly and in line with the terms and conditions of the pet insurance policy. And she looked at the underwriting information showing how the premiums had been calculated.

Our investigator didn't think Allianz had treated Ms F any differently to other consumers in the same circumstances. So she was satisfied Allianz had acted fairly when pricing the policy. But she recognised the premium increases had been a lot more than Ms F had expected. And she didn't think Allianz had given Ms F clear information about the long-term costs when she took out the lifetime policy.

Our investigator accepted Allianz couldn't tell Ms F exactly what would happen to the cost of her premiums in the future. But she felt Ms F hadn't received clear information about the long-term cost implications of a lifetime policy. And our investigator felt Allianz should pay Ms F £200 compensation for the trouble and upset she'd suffered as a result of the shock caused by the high premium increases.

Allianz didn't agree with our investigator. It understood she didn't feel Ms F had been provided with sufficient information about the pricing at the point of sale. But it didn't think the individual circumstances of this case had resulted in material distress or inconvenience that required compensating. 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.

Ms F took out a lifetime pet insurance for her pets so they'd be covered for any conditions they developed over the rest of their lives – as long as the policy cover continued.

But these sorts of policy are usually more expensive as they offer a more comprehensive level of cover. And that cost will almost certainly go up each year due to the increased risk of a claim as the pet gets older, as well as general increases in veterinary costs and the like.

When considering complaints about the increasing cost of a lifetime pet insurance policy I need to look at the information given to the policyholder when they first bought the policy to see how clearly the long-term costs of the policy were explained. But it's not the role of this service to tell a business how to work out the risk it's insuring – or what to charge for that risk. So I can't say whether Ms F's premium is too high or that she should be charged a different amount in the future.

The terms and conditions of Allianz's pet insurance policy allow it to alter the premium. And over time I'd expect a business to look at its pricing models so it can remain competitive and viable. So it's up to Allianz to decide how much to charge for the insurance cover provided. But I do think, particularly for insurance products such as 'lifetime' cover, that information about the long-term costs of the policy would've been important to the consumer. And it should've been highlighted when they first took out the policy.

I've looked at the information provided by Allianz to show how it calculated each renewal premium. And I've not seen anything to suggest Ms F was treated differently from any other consumer in a similar situation. So I can't say Allianz acted unfairly when determining the premium for Ms F's pet insurance policy. But it's clear the premium increased a lot more than Ms F was expecting – especially when she hadn't made any claims and wasn't expecting it to change very much at all.

From what I've seen I don't think it was made clear enough to Ms F that the premium would almost certainly increase at each renewal – and that the increases might eventually reach a level that would become unaffordable.

After a small increase in the year after Ms F took out the policy, the premium increased by around 15-20% in each of the following years. I understand Ms F queried the price increase in 2018 and 2020 before deciding to continue with the policy cover. And I think that shows she was surprised and unhappy with the amount of increase each year – even if she then decided to continue with the policy.

Allianz says Ms F was free to look at alternative products if she was unhappy with the cost. It says it's easy to carry out searches to compare prices. And Ms F had been made aware each year that the cost would rise during the life of her pets. But I do think the increase in cost each year was likely to have come as a shock to Ms F. Even though she'd not made any claims her monthly cost has already increased by over 60% since she took out the policy.

It's clear Ms F wanted some kind of cover for her pets. She chose a lifetime policy - so I think it's fair to say she had an interest in the greater level of cover it provided. And I think Ms F would've probably still gone ahead with a policy like this – even if she'd known the premium could increase significantly over time.

Ms F didn't have to renew her Allianz policy. But it would've been harder each year to find alternative cover as her pets became older. And any medical conditions that her pets might've developed – even if she hadn't made any claims yet – would be treated as pre-existing and wouldn't have been covered if Ms F had moved her insurance elsewhere.

Having considered everything Ms F and Allianz have said I don't think Ms F was given clear and fair information about the long-term costs of the pet insurance policy.

And Ms F now has to decide whether to carry on with this policy – with a much greater premium moving forwards than she was expecting – or take the risk of choosing an alternate policy that may not provide the same level of cover.

As I've previously explained, I can't tell Allianz what to charge for the risks it insures. So I can't ask it to set Ms F's renewal premium at any given amount. But although she may still have taken out the policy if she'd been given better information, I do think Ms F has been caused unnecessary distress and upset.

### **Putting things right**

I can see our investigator recommended Allianz pay Ms F £200 compensation for the impact of not making it clear how much the premiums might increase when she took out the policy. And I think that's fair and reasonable in the circumstances.

### **My final decision**

My final decision is that I uphold this complaint. Allianz Insurance Plc should pay Ms F £200 compensation for her trouble and upset.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 15 April 2022.

Andrew Mason  
**Ombudsman**