

## The complaint

Mr B complains that Allianz Insurance Plc unreasonably increased the premiums for his lifetime pet insurance policy and it mis-sold the policy. My references to Allianz include its agents.

## What happened

Mr B had pet insurance for his dog, insured by Allianz, since 2008. In 2015 Mr B cancelled his previous policy, Allianz says due to the price, and a new lifetime policy was issued with an annual premium of £423.58.

Mr B says the premiums increased considerably over the years and for the policy renewal in November 2021 the price Allianz wanted him to pay was an 'extortionate increase'. He cancelled the policy. Mr B complains that:

- Allianz mis-sold the policy as the reason he took lifetime cover was because it told him the dog would be covered when he was older, it would keep the cover the same and the premiums low. Instead Allianz had just increased the premium each year. He'd not raised the price issue before as he wanted to have insurance protection for his dog.
- When his dog became a risk to Allianz it increased the premium to an unaffordable level and he's now been priced out of having insurance for his dog.

Mr B wanted the premiums he paid refunded.

Allianz said it had acted fairly as:

- Mr B contacted it in 2015 because of the price of his original policy and he took out a new policy to get a lower price so he knew premiums increased.
- It no longer had the 2015 policy sales call but the policy terms and the insurance product information document (IPID) sent to Mr B over the years were clear premiums would increase over the lifetime of the policy.
- If Mr B was unhappy with the premiums he could have taken insurance with someone else, but he'd continued with the policy until 2021. The premium increases were in line with its pricing structure. It provided its pricing information.
- Mr B's change of address, which meant different risks, significantly contributed to the increased premium for the November 2021 policy renewal. When Mr B phoned it to change his address it told him the address change could affect the renewal premium and it hadn't applied the additional premium immediately.

Our investigator looked at Allianz's pricing information showing how the premiums had been calculated and thought Allianz hadn't treated Mr B any differently to other policyholders in the same circumstances. So she was satisfied Allianz had acted fairly when pricing the policy. But she recognised the premium increase had been a lot more than Mr B had expected and didn't think Allianz had given him clear enough information about the long term costs when he took out the lifetime policy. She recommended Allianz pay Mr B £150 compensation for the distress and inconvenience he'd suffered as a result of the shock caused by the high premium increase.

Allianz doesn't agree it should pay compensation and wants an ombudsman's decision. It said Mr B shouldn't have been shocked at the increase in premiums as price increases had happened with his previous policy.

### **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.

When considering complaints about the increasing cost of a lifetime pet insurance policy I need to look at the information Allianz gave to Mr B when he 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 an insurer how to work out the risk it's insuring or what to charge for that risk. So I can't say whether Mr B's premiums were too high or that he should have been charged a different amount.

Allianz told us that when Mr B bought the policy in 2015 he'd contacted it because of the price increase for the policy he'd taken out in 2008. Allianz no longer has those call recordings and given the time that's passed I don't think that's unreasonable of Allianz.

I've considered the evidence that is available. The policy terms do allow Allianz to change the premium at renewal and since the 2018 policy renewal the IPID has said under the heading 'How your premium can change':

*'Your pets age, increasing veterinary costs and advancements in veterinary medicine can all affect the premium you pay. These mean your premium will increase over the lifetime of your policy. However, (Allianz) will not increase your premium as a direct result of any claim you make'.*

So from 2018 Allianz did tell Mr B the premiums would increase. And as Mr B already had a pet insurance policy for about seven years when he called Allianz in 2015 to see if he could get a lower price I think he was aware these policies could increase in price each year. I've seen no information about how much the premiums increased from 2008 to 2015.

I understand Mr B hadn't made any claims on the policy taken out in 2015 and there's no evidence that his dog has any pre-existing conditions. On the information I have Mr B wasn't in the position that he needed to keep his policy with Allianz so that a pre-existing condition was covered. Mr B has now cancelled this policy. He acknowledges that he could have raised his concern about the premiums sooner but says he wanted to continue to have his dog insured. That suggests his dog may have had a pre-existing condition Mr B hadn't claimed for, although I've no evidence of that, or he didn't appreciate how his policy worked.

The trigger for Mr B's complaint seems to have been the premium Allianz gave for the November 2021 policy renewal following his change of address. Allianz told Mr B that his change of address would affect his premium at the next policy renewal and I note it didn't immediately increase the premium from the date he moved. However, for the November 2021 policy the premium was £1,161.36 which was an increase of about 41% on the previous year's premium. Allianz's pricing information shows that from 2017 the increase in premium had been about 17% each year so I understand why the large additional increase for the 2021 renewal shocked Mr B.

While I can't say that Mr B's premium for the 2021 policy renewal, or the other annual premiums, was too high I can consider if Allianz treated Mr B fairly and in line with how it would have treated other policyholders in the same position.

In Allianz's final response letter it told Mr B some of the factors it takes into account in setting the price of the premium; age, gender, breed and location of the pet, inflation and the average increase in veterinary fees. I've looked at the confidential business sensitive information provided by Allianz about the premium calculations, which our investigator explained can't be shared with Mr B. I haven't seen any evidence to suggest Allianz treated Mr B any differently to how it would have treated any other policyholder in the same position.

I don't think Allianz has done anything wrong in charging Mr B the premiums he paid. And as his dog was covered, subject to the policy terms, while the policy was in existence and there's no evidence the policy was mis-sold there's no basis for me to say Allianz should refund to Mr B all the premiums he'd paid.

However, it's clear the 41% premium increase for the November 2021 policy renewal was a lot more than Mr B was expecting especially when he hadn't made any claims. He was shocked enough to cancel the lifetime cover policy. I accept what he says about that being emotionally difficult to do now his dog is older and will probably need treatment, particularly as he'd had a policy in place for his dog since 2008. Mr B may be able to find other insurance for his dog but, even if he doesn't have a pre-existing condition, other insurance at his age may be difficult to obtain and likely to be expensive.

From what I've seen I don't think Allianz made it clear enough to Mr B when he bought the policy that the premium on his lifetime policy would almost certainly increase at each renewal and the increases could be significant.

I've considered what is likely to have happened if Mr B had been given better information about the future cost of the policy when he first took it out. As he took a lifetime pet insurance policy I think he wanted the greater protection the cover offered and that it's probable he still would have taken out a lifetime policy.

But I think Allianz's lack of clarity about the likely level of premium increase that ultimately resulted in the policy price increasing by 41% in one year caused Mr B unnecessary distress and inconvenience so Allianz should pay Mr B compensation.

### **Putting things right**

Taking all the above into account I think it's reasonable for Allianz to pay Mr B £150 compensation for his distress and inconvenience.

### **My final decision**

I uphold this complaint in part and require Allianz Insurance Plc to pay Mr B £150 compensation for his distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 July 2022.

Nicola Sisk  
**Ombudsman**