

The complaint

Miss R complained that Allianz Insurance Plc unreasonably increased the premium for her lifetime pet policy.

What happened

Miss R bought her policy from Allianz online in July 2018. She said her premium rose each year by the following: In 2018 the premium started at £463.16. In 2019 it rose to £548.4. In 2020 it rose to £623.54. And in 2021 Allianz wanted her to pay £740.08. She thought this was excessive and cancelled her policy and bought another elsewhere and complained.

Allianz explained that it didn't increase premiums due to any claims Miss R had made and she had made some. It also said it explained on the website, the IPID (Insurance Product Information Document) and in the policy that due to this being a lifetime policy, premiums would rise. So, it didn't think it had done anything wrong.

Miss R remained dissatisfied, so she brought her complaint to us. The investigator thought it should be upheld and he thought Allianz should pay Miss R £500 compensation. Allianz disagreed it should pay any compensation, so Miss R's complaint has been passed to me.

I issued a provisional decision on 25 March 2022 and I said the following:

'Having done so, I'm still upholding this complaint, but I consider the amount of compensation suggested by the investigator is too high. I do understand this will disappoint Miss R, but I'll explain why.

My role is to consider what if anything Allianz did wrong in selling this policy and explaining to Miss R how lifetime policies work as regards the premium. And as I consider it did, how much inconvenience did that cause Miss R.

However, this service isn't the regulator which means we can't tell any insurer what to charge as a premium or how to rate any risk which is being covered. Neither can we tell the whole lifetime pet insurance market how to operate either. The regulator is the Financial Conduct Authority, and not this service.

Allianz said on the IPID the following:

'How your premium can change – your pet's 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, Petplan will not increase your premium as a direct result of any claim you make.'

I've also looked at the underwriting guide which explains how the premium rises occur. This is commercially sensitive information so I can't share it with Miss R but it's very clear to me that Allianz did not increase Miss R's premium because she

made some claims, as she had thought. And further there is no question that Miss R was singled out or treated differently to anyone else.

I consider that Allianz went some way to explaining the premium would increase but not quite enough. The fact is as Miss R's premium increases show, the premium *do* increase year on year and such increases aren't capped in anyway so there is no limit on how much the premium might increase by. And often although it's not specifically mentioned in Miss R's actual policy document there is often a percentage co-pay of the treatment costs in addition to the excess to pay for each claim. I don't expect Allianz to be in a position to explain to a consumer, such as Miss R here, how much those future premiums will be, as of course it simply doesn't know that. Vet costs do increase and furthermore veterinarian science improves all the time with often more costly treatments then available. But I do expect more explanation around the increases. Allianz told us in response to the investigator's view that its price increases were in the mid-teens percentage wise, it's that kind of clarity which permits a consumer to compare and contrast when choosing which policy to buy. But that sort of clarity was not made available to Miss R.

Miss R is firmly of the belief the increases she was expected to endure year on year was too much and that it was because she made claims and because of that she was being priced out of this policy. As I explained it wasn't because of any claim and therefore it wasn't a method to price her out of the policy. However, it rose by £276.92 over three years, which I do consider is substantial considering the policy started off at £463.16 and more importantly isn't loaded for claims made. So, I do agree with Miss R that the extent of the premium increases which could happen weren't fully explained enough. So, it is for that reason this complaint is upheld.

But because Allianz went some way to explaining premiums would increase, I don't consider it is as shocking to Miss R as she believes. She found another lifetime policy but the pre-existing conditions her dog has are not covered as is always the case with new policies. And of course, there's no guarantee that her new provider, given it's also a lifetime policy won't increase premiums too.

Therefore, I consider the appropriate amount of compensation in this case to be £150. Simply for the shock of the extent of the increase rather than the premium generally increasing because Allianz did say initially and before Miss R bought her policy that due to increases in vet costs and new vet treatments, *'these mean your premium will increase over the lifetime of your policy.'*

Miss R was understandably disappointed with my decision. She wanted the compensation I could award her, to make a bigger statement to ensure Allianz and indeed pet insurers needed to be far more transparent and fair about the level of the information on premium increases they provided.

Allianz whilst also disappointed accepted my provisional 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 again, I remain of the view that this complaint should be upheld for the reasons set out in my provisional decision.

Just so Miss R understands, I have no authority to fine or penalise any insurer for any wrongdoing as this service isn't the regulator, that's the Financial Conduct Authority instead. That means any compensation I can award is solely dealing with the level of distress and upset that Miss R herself experienced. It has no other relevance and is certainly not there to make any 'big statement' in the way Miss R would have preferred. It was reduced simply because I thought Allianz had gone some way to explaining premiums in its lifetime policy.

My final decision

So, for these reasons it's my final decision that I uphold this complaint.

I now require Allianz Insurance Plc to pay Miss R £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 3 May 2022.

Rona Doyle
Ombudsman