

The complaint

Mr R complains that Allianz Insurance Plc trading as Petplan has unfairly increased the premiums and excesses of his lifetime pet insurance policy.

What happened

In 2012, Mr R took out a PetPlan policy underwritten by Allianz to cover his dog. Over the years, the premium Mr R has been asked to pay has gone up. It was £233.70 in the first year, but by the renewal in 2022, it had reached £815.39. The excess too had increased from £75 to £115 and the latest renewal also said that Mr R would have to pay 20% of any claim over and above the excess.

In October 2021, Mr R complained to Allianz. He said he was aware from the outset of the policy that the premium and excess could increase, but he believed the level of increase to be *“unjust and immoral”*. He said Allianz was *“aware as the dog gets older or if they have an ongoing condition, it could be difficult and potentially expensive to get a policy elsewhere”* and it was abusing its position as a lifetime insurer. Mr R asked Allianz to compensate him £500, cap his premium at £467.40 (double the first premium) and the excess at £90 for the duration of the policy.

Allianz looked into his complaint and explained the premiums and excess charged will increase over the lifetime to reflect the risk involved. It said the primary factors related to the increases are the dog's age, tax increases and veterinary cost rises. Allianz said the increase in premium and excesses have been calculated correctly for the risk presented to it and in line with the terms of the insurance contract Mr R took with them. But Allianz offered Mr R a 10% reduction in his 2021 renewal price as a gesture of goodwill.

Mr R was unhappy with the response to his complaint and referred it to our service. One of our investigators looked into it. She said that insurers are entitled to decide how much to charge for insurance and we do not have the power to tell them to change that. She noted the policy documents from inception had said the premiums and excesses could change at each renewal. But our investigator said that as the policy in this case was a lifetime one, the wording used ought to have been clearer that the increases could be significant and unlimited.

Our investigator acknowledged that Mr R now finds himself in the difficult position of having to decide whether or not to continue with the insurance. She recognised the upset this would have caused Mr R and recommended that Allianz should pay Mr R £350.

Allianz didn't agree with our investigator's reasoning but agreed to pay £350 to settle the complaint. Mr R didn't agree and stood by his request for higher compensation and a cap in premiums and excesses going forward. As there was no agreement, the complaint has been passed 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.

Mr R has raised arguments about the way lifetime pet policies work generally. I can't deal with general points and can only deal with specific issues affecting Mr R and his policy on an individual basis. Mr R is however free to provide his feedback and arguments to the industry regulator – the Financial Conduct Authority (FCA) – if he wishes. If the FCA agrees with him, it has the power to look to the industry to improve things for consumers. I've read what he's said in this regard, but I won't comment further as it is outside my remit to do so.

Insurance companies calculate their premiums to cover likely claims under an insurance contract, with a margin on top to ensure the viability of the insurer. Each company is free to take into account different factors when working out what it needs to charge. This service doesn't have the power to tell an insurer what its insurance should cost or what level excesses should be capped at.

In general, the cost of insuring a pet will increase each year as the pet gets older and the cost of medical treatment rises. Standard pet insurance policies also usually won't cover any medical conditions the pet has or had received treatment for when the policy was taken out or renewed. So ongoing or recurring medical conditions won't be covered.

But some pet insurance policies, like the one Mr R took out, will continue to cover any medical conditions claimed for in previous years, provided the policy is renewed each year. These are sometimes referred to as lifetime policies, as ongoing or recurring conditions will continue to be covered for the lifetime of the pet if premiums are paid. The cost of providing this cover can be expensive and the annual premium of these lifetime policies can go up significantly at renewal. There is no limit to how much the premium could be.

While Mr R's premium and excesses have increased, Allianz has sent renewal notices each year setting out the premium and excess. Mr R has accepted those renewal terms by renewing the policy on each occasion. The evidence I've seen shows Mr R has been treated in the same way as any other customer with a similar pet, the same level of cover and has had the policy for the same length of time. So, I can't say Allianz has singled him out or treated him unfairly compared to its other customers.

Mr R has told us he was aware from the outset that the premiums and excesses could change and that the policy he bought was more expensive than others on the market at the time. But he chose this policy as it provided cover for the lifetime of his dog, should he suffer a recurring or ongoing condition. So he made a balanced judgement to pay more for his insurance for greater peace of mind should something happen to his dog.

As he's acknowledged, Allianz did tell Mr R that premiums and excesses were variable. While it will have been difficult for Allianz to be precise as things change, it will have been insuring dogs for many years and it will have had an idea of how costs increased for customers over time. I think Allianz could have done more to give greater detail about the potential level of the increases. So I can understand Mr R's unhappiness with the situation he was placed in due to the level of increases. But I can't say the premiums and excesses have gone up unreasonably or, as I've already said, tell Allianz to reduce them.

I can however make an award for compensation for the upset the situation has caused Mr R, and I've thought carefully about that. Our investigator recommended an award of £350 which Mr R rejected. He said our investigator had awarded that amount before considering further points he'd raised about increases in the excess and the 20% charge I've mentioned above.

I acknowledge that Mr R added further evidence to his complaint after our investigator reached her first view of it, but her view remained the same after those additions. I'm sorry to disappoint Mr R, but I agree with her. The additional information Mr R raised was included within renewal notices which our investigator had considered in reaching her view. She and I acknowledge these caused him upset when they were received. But the information was all received at the same time, and I don't think it is appropriate to calculate the award based on each point contained within the same communication; the level of upset will have been the same.

On balance, having considered the level of awards we make in similar circumstances and taking into account Mr R was aware his premiums and excesses were likely to go up over time, I think £350 is a fair award in the circumstances. I appreciate Mr R will be disappointed by my decision, but I hope what I've said has been helpful.

My final decision

My final decision is that I uphold this complaint. Allianz Insurance Plc trading as Petplan should pay Mr R £350 for the reasons I've explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 17 January 2023.

Richard Hale
Ombudsman