

The complaint

Miss B is unhappy with the premium Great Lakes Insurance SE charged for renewal of her lifetime pet insurance policy

What happened

Miss B took out a lifetime pet insurance policy for her dog with Great Lakes in December 2018. When she received renewal documentation at the end of 2022 she complained as her premium had increased from around £31 a month to over £56. Great Lakes explained the factors which had led to the change including that it now took into account individual claims history when calculating premiums. Miss B said when she took out the policy (and prior to making a claim on it) she was told that wouldn't be the case.

Our investigator found when the policy was first taken out claims were pooled between similar customers. But that was now being rated on a more individual basis. He thought Great Lakes was entitled to make that change but agreed this wasn't made clear to Miss B when she took the policy out. He thought it unlikely she'd have been able to find a policy which operated in a different way if it had but accepted the subsequent increase in price would have been distressing. He said Great Lakes should pay her £350.

Great Lakes agreed to do so. Miss B didn't agree. In summary she said:

- She understood the point about it being difficult for her to find an alternative policy. But Great Lakes had advertised its cover as one that didn't take claims into account. If she'd have known that wasn't the case she would have taken out a more basic and cheaper policy;
- She'd called Great Lakes prior to making a claim for her dog. If she'd been told at that time individual claims would be used when calculating premiums she might have decided against claiming;
- She highlighted the distress this matter had caused her and some particularly difficult personal circumstances which had increased the impact. She said the compensation recommended by our investigator wasn't enough to cover the increased costs she'd have to pay for this policy.

So I need to reach a 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.

Standard pet insurance policies usually won't cover any medical conditions a pet had or had received treatment for when the policy was taken out or renewed. So at renewal ongoing or recurring medical conditions won't be covered (once the 12 months' cover for any such condition has expired). But some pet insurance policies 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 carry on being paid.

Lifetime policies are usually more expensive than standard policies as they provide a greater level of cover. But there are also different considerations surrounding the long-term cost and cover for customers with these policies, as the cost doesn't stay the same for the life of the policy and will generally increase each year at renewal, as the pet gets older and the cost of veterinary treatment goes up. The cost can also increase due to claims, changes in insurance premium tax or if an insurer re-evaluates the risk. There's no limit to how high the cost could be.

In this case Miss B is unhappy with the premium charged for the renewal of her lifetime policy. In particular she's concerned claims history is now taken into account which is different to what she was told when she took the policy out (and what she says she was told prior to making a claim). I've thought first about whether the increase has been correctly calculated by Great Lakes.

In doing so I've taken into account that insurers are entitled to decide how much to charge for the insurance cover they provide. It's up to them how much they increase their premiums by and it's common for the percentages of increase to vary from year to year. I don't have the power to tell a business what its insurance should cost. I would be, in effect, determining or telling a business how it should operate – and that's not my role. So I can't say the cost of Miss B's policy is too high, she should have been charged less for the policy or that she should be charged less in the future.

And the policy terms do allow Great Lakes to change the premium at renewal. It's explained the factors that influenced the increase which includes claims history but also overall increases in vet's fees and the age of a pet. I've seen evidence to show how that's been applied in Miss B's case. I haven't seen evidence to suggest Great Lakes treated Miss B differently to how it would have treated any other policy holder in the same position.

However, I do appreciate that as Miss B has said, this policy was marketed to her as one that would continue to provide cover for as long as a customer consumer continues to pay the premiums. And she was told that individual claims wouldn't impact the policy premium. We've previously taken the view that in some circumstances it might not be fair for a business to make changes to a policy like this if they fundamentally change the nature of the cover on offer. That might, for example, be the case where an insurer withdrew from the market and left a consumer without ongoing cover for a pre-existing condition their pet might have, which would otherwise be covered by the policy that insurer had sold.

I don't think that's the same as what happened here. Great Lakes has changed the way it calculates the policy premium and that does differ from the position when Miss B took the policy out. However, claims were always taken into account when calculating premiums. The difference is that previously they were pooled across customers with similar characteristics whereas now customers who have more claims are charged more if claims in the last 12 months indicate an increased risk of future claims.

I don't think that represents a fundamental change to the lifetime cover offered by Great Lakes. So while I appreciate the renewal quote it offered Miss B in 2022 was a significant increase on the previous year I don't think it's done anything wrong here.

But as the seller of the policy Great Lakes also had a responsibility to provide clear, fair and not misleading information to Miss B when she took this policy out. The relevant rules (the Insurance Conduct of Business Sourcebook – ICOBS) say it needs to take reasonable steps to provide a customer with “*appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed*”.

In this case I don’t think Great Lakes did provide Miss B with the information she needed. In particular during her call with its adviser Miss B did ask what would happen when the policy renewed and was told premiums could increase but that wouldn’t be based on whether she’d made a claim. The increase would reflect other factors such as inflation, vet’s fees or the age of her pet.

I appreciate that reflected the pricing position at the time. But the adviser didn’t provide any caveat to that or give any indication that might change in future. As Miss B was making a decision on taking out lifetime cover I think that was something she should have been told so she could make an informed choice as to whether this was the right policy for her dog.

I’ve gone on to think about how that’s affected Miss B and whether she’d have acted differently if she’d been given better information. She’s suggested she might have taken out a cheaper “*bog standard*” policy. But during her call with the adviser she said she’d already been looking at policies and “*definitely*” wanted a lifetime one. And that was prior to any discussion of renewal costs. So I think it’s most likely Miss B would always have opted for lifetime cover.

I appreciate it’s possible if given clearer information on the impact of claims she might nevertheless have looked elsewhere for that sort of cover. But while she might have found a policy that operated in a different way, policies like this generally do take individual claims into account. And while Miss B did ask about renewal during her call with the adviser the focus of her questions was on a pre-existing condition her dog had and whether this would be covered under the policy.

I think it was the reassurance she was given on that point which was the main driver of her decision to take this policy out. And so even if Great Lakes had made clear the way it considered claims could change in future, I think it’s unlikely that would have put Miss B off taking out this policy. I think she’d have still gone ahead with it.

Miss B says she contacted Great Lakes prior to making a claim and was again told this wouldn’t affect her renewal premium. She’s suggested if given clearer information she might not have claimed. However, she’s also told us the ongoing cost of treatment for her dog is around £120 a month and that isn’t something she can afford herself. So even if Great Lakes had told her that claiming might impact her future premiums I think it’s most likely Miss B would have decided to take the risk of that and go ahead with her claim.

However, I accept when the cost of her policy did increase (which was in part driven by her claims history) that will have come as a shock to Miss B. She’s acknowledged she knew the price would increase but I think the extent of that increase would have been unexpected and would have caused her distress given she’d previously been told premiums wouldn’t impact this.

I’ve thought about the impact of that on her and have taken into the account the difficult personal circumstances Miss B has told us about (which I was very sorry to learn of). Having done so I’m satisfied the £350 our investigator recommended is the right amount to recognise the impact on her of what Great Lakes got wrong. Miss B says that amount doesn’t reflect the increased costs she’ll now have to pay for her policy. She’s right about that. But it

isn't intended to. It's a payment to address the distress she was caused when she realised how much her premiums would increase by (which could have been avoided if Great Lakes had given her clearer information about this from the outset).

My final decision

I've decided to uphold this complaint. Great Lakes Insurance SE will need to put things right by paying Miss B £350.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 10 July 2023.

James Park
Ombudsman