

The complaint

Ms S complains about Casualty & General Insurance Company (Europe) Ltd (CG). Her complaint covers: deductions from claims; delays in paying claims; communication and remittance issues; and premium increases.

References to CG include their agents who administer the policy.

What happened

Ms S took out a pet insurance policy for her dog in June 2020 (switching from another insurer), at an annual premium of £155.28. In February 2021, her dog developed anal gland problems, requiring treatment.

The dog's condition required ongoing treatment in the following months. A total of 20 claims were made between February 2021 and the beginning of April 2022. Various deductions were made from some of the claims (but not all) including the policy excess (£90) and other deductions, including where the vet had administered an injection (in total, ten deductions of £26.77 were made from claims between September 2021 and May 2022).

However, Ms S was unhappy at the time taken to accept and pay some of the claims (ranging from a few days to several weeks), as well as the deductions made (particularly those for injections, where her vet told her they would otherwise have charged a higher consultation fee). Ms S was also unhappy at not receiving a reply to some of her communication with CG and that remittance advices didn't provide her with the detail to match to claims submitted. She also thought some claims hadn't been paid and in one case the payment had been made to a different account to that contained in the claim form.

Unhappy at what had happened, Ms S complained to CG in April 2022. However, they didn't respond within the eight-week period that businesses have to respond to a complaint. They advised her of this and said she could complain to this service, which she did.

Her complaint contained several issues, including what she considered CG's unreasonable deduction of injection fees from claims; delays in paying claims and others not made. She was also unhappy at how CG had communicated with her, including not replying to correspondence or acknowledging claims when submitted by the vet, lack of detail on remittance advices and remittances to a different account to the claim form.

She was also unhappy at a significant increase in her premium from when she took out her policy. At renewal in June 2021, the annual premium increased to £197.28. In January 2022 CG contacted Ms S to say there was a discrepancy with her policy, as they'd recorded her dog as a different breed. So, they asked her to pay an additional £73.98 (taking the annual premium to £271.26). At renewal in June 2022 the premium increased to £378.24 (a cumulative increase of 143% over the initial premium of £158.28).

Ms S also said the issues in her complaint had affected her financially (the deductions from claims and having to move money between accounts and seek assistance from family

members because of payment delays). The increase in premiums and concern about potential further, future increases was also causing her worry and anxiety.

She wanted CG to reimburse her for the injection fees deducted and pay for her dog's ongoing treatment. She also wanted CG to pay claims more quickly (and to the account specified) and acknowledge claims when submitted and when remittances were made. She also wanted the annual premium increase to be fairer.

After making her complaint, CG considered the issues raised – specifically the deduction of injection fees. They accepted what Ms S's vet said about injection fees being less than the consultation fee they would otherwise have charged (they charged for injections but not a consultation fee – not for both). So, they reviewed the claims previously submitted and reimbursed the ten deductions they'd made. But Ms S wasn't happy CG hadn't responded to the other issues she'd raised, so asked this service to consider them.

Our investigator considered the complaint, which he upheld, concluding CG hadn't acted fairly. He noted some of the issues in Ms S's complaint to this service had subsequently been resolved, including the deduction of injection fees and payment of claims Ms S said hadn't been paid. He thought CG acted fairly in refunding the deductions and paying the outstanding claims.

On the issue of it being difficult for Ms S to identify which claims had been paid, given the lack of detail and a reference on the remittances, he concluded it wasn't part of this service's remit to tell a business what its operational processes and procedures should be. But he did consider the impact of the processes, concluding it was difficult for Ms S to keep track of what claims had been settled (given the number of claims made). He thought CG could have provided Ms S with a clear list of all payments, including claim reference and date paid, much sooner.

It was also clear to the investigator that a lot of the claims were paid outside the five working days that CG publicly state they meet in 97% of claims submitted. While not a target, some payments took significantly longer than five days. So, he concluded Ms S didn't receive the standard of service expected. The investigator also thought, in the absence of evidence to the contrary, that Ms S hadn't always received responses when she contacted CG.

On the additional premium for the discrepancy of the breed of dog, the investigator concluded CG hadn't acted unreasonably in amending the policy. On the increase in premiums, the investigator accepted Ms S recognised the premium would increase and increase over and above the normal increase due to the number of claims she made. From information provided by CG, the investigator concluded the number of claims significantly affected the premium and they hadn't treated Ms S any differently from other policyholders. But from the policy terms and conditions provided to her when she took out the policy in June 2020, there wasn't anything to highlight the possibility of such a significant premium increase, which the investigator thought unreasonable.

To put things right, the investigator thought CG should pay Ms S £250 for failures in customer service. In addition, they should pay £300 for trouble and upset from not alerting her to the degree her premiums could potentially increase when she took out the policy. Ms S responded to question the actual dates of payment of some of the claims (as she thought they didn't match the payment dates CG had provided). She also questioned whether CG had acted fairly in charging an additional premium because of a discrepancy in the breed of dog she'd provided when taking out the policy. However, having considered the additional points, the investigator didn't change his view.

CG disagreed with the investigator's conclusions and asked that an ombudsman review the complaint. They accepted some claims were paid outside five working days – but this wasn't a stated deadline for claims being paid. So they thought £250 compensation for poor service was disproportionate. They also disagreed with the investigator's view on the increase in premiums, given Ms S accepted the number (and value) of claims could increase her premiums. CG said this was made clear in the terms and conditions of the policy provided at each renewal, providing an extract from the terms and conditions. The renewal premiums were in line with their underwriting criteria and Ms S had been treated the same as other policyholders in similar circumstances. CG also referred to previous decisions issued by this service, which concluded the annual cost of lifetime pet insurance policies can increase significantly at renewal (and they provided an extract from a decision). So, they disagreed with the proposed £300 compensation.

In my findings, I concluded £300 was a proportionate award for compensation for CG not making it as clear as they could have done about the likely increase in premiums after the policy was taken out, in the specific circumstances of this case. Having regard to awards made in other cases where premiums have increased significantly (and not made clearer at the time the policy was taken out) I thought £150 would be fair and reasonable.

Because I reached a different conclusion on the amount of compensation, I issued a provisional decision to give both parties the opportunity to consider matters further. This is set out below.

What I've provisionally decided – and why

I'd first want to reassure Ms S that I've considered carefully what she's told us about the nature of her disability and vulnerability, including the financial impact and stress on her from what happened. I've borne this in mind when - as is my role here – deciding whether CG has acted fairly towards Ms S.

In considering the complaint, I've concentrated on what I think are the two key issues, given that the claims made by Ms S have now been paid (though she disputes whether one has) and CG have refunded the principal deduction (for injection fees) they originally deducted from several claims.

The first issue concerns delay in payment of claims, together with a lack of response from CG when Ms S raised queries with them. Ms S says claims were paid significantly after what CG say is their paying 97% of claims within five working days. Ms S also says CG failed to respond to emails she sent CG asking about the position of claims she'd made. CG say they've paid Ms S's claims (and refunded the injection fees deductions). They say the figure of 97% of claims paid within five working days isn't a stated deadline for claims being paid.

I've considered both views carefully, together with the supporting evidence and information provided by Ms S and by CG. Having done so, I've concluded CG haven't acted fairly and reasonably towards Ms S. I'll set out why I've come to this conclusion.

The first aspect I've looked at is the time taken to pay the claims submitted by Ms S. I've looked at the schedule of claims and payments provided by CG to our investigator. In total, there are 27 claims (5 received by CG after Ms S's complaint with this service). The total paid against the 27 claims is some £4,550 (the 5 received after Ms S's complaint to this service total some £1,135). The former figure includes £267.70 in refunded inspection fees initially deducted, as CG's response to Ms S's complaint to them. The schedule from CG indicates the dates the claim was received and when paid (in what appear to be calendar days, rather than working days). Even allowing for calendar days being greater than working

days, it's clear that some of the claims Sere paid outside of five working days – and in some cases significantly outside.

While I accept the figure of 97% of claims paid within five working days isn't a target (it's a statistic) I think it would have led Ms S to believe the great majority of claims would be paid within five working days. I also accept the need to validate claims will sometimes mean claims will take longer to be paid. However, from what I've seen it's not clear why some of the claims took significantly longer to be paid, and CG haven't provided an explanation. Given what Ms S has said about her disability and vulnerability, and financial circumstances, I can understand why this would have impacted her financially and been stressful.

I've also considered that while CG eventually (as part of their response to Ms S's complaint to them) refunded the inspection fees, this was considerably after they had been deducted. And after Ms S's vet provided clarification they charged inspection fees instead of a [higher] consultation fee – not both. This would also have impacted Ms S financially.

The other element of this part of the complaint is that CG didn't respond to emails sent by Ms S (in December 2021) asking about progress with claims she'd made. Ms S says she didn't receive a reply to either email. And CG haven't provided any evidence to show they did reply.

Taking all these points into account, I don't think CG have treated Ms S fairly and reasonably. Particularly given what she's said about her circumstances and the impact of what's happened on her. Given the circumstances of the case, I think Ms S would have been impacted by the delays and CG not responding to her in a timely way. Having considered all the circumstances of the case, I think £250 compensation for distress and inconvenience would be fair and reasonable.

The second issue is the increase in premiums. Ms S is unhappy at a significant increase in her annual premium from that when she took out her policy (£155.28). At renewal in June 2021, the premium increased to £197.28. In January 2022 due to a discrepancy over the breed of dog recorded, CG increased the premium by £73.98 (taking the premium to £271.26). At renewal in June 2022 the premium increased to £378.24.

CG say Ms S accepts the claims she's made would increase the premium, and this was made clear in the policy terms and conditions. The renewal premiums were in line with their underwriting criteria and Ms S was treated the same as other policyholders in similar circumstances. CG also refer to previous decisions issued by this service, which concluded the annual cost of lifetime pet insurance policies can increase significantly at renewal.

Taking CG's points in turn, in their response to our investigator's view CG say the policy terms and conditions make it clear the premium can increase. Specifically they refer to Section 16 – Renewal of Your Policy which states:

"This section explains Your rights and Our rights at renewal.

- *We can review the Premium at renewal and this may increase, decrease or stay the same.*
- *The terms and conditions of the Policy may be changed, and We will always give You at least 21 days' notice of any change in writing ...*
- *The circumstances that may give rise to a change in premium of to the terms and conditions of the Policy are:*
 - *Your overall claims experience; or*
 - *Changes in legislation, taxation or interest rates; or to improve the clarity of Your terms and conditions.*

Insurers have a duty to provide information that's clear, fair and not misleading. I think this wording makes it clear premiums are subject to change (including an increase) over the life of the policy. And one of the circumstances that may lead to a change is the overall claims experience. It's not unreasonable (as Ms S accepts) that making claims will affect future premiums – particularly if the number and value of claims is high (as in this case).

However, while there is reference to claims experience, there isn't any reference to the likelihood that (for a lifetime cover policy) premiums are likely to increase (and increase significantly) for other reasons. CG could have been clearer that:

- The premium will almost certainly increase year on year and as the pet gets older (and is therefore more likely to experience illness and conditions leading to an increased likelihood of claims). These increases can be significant.*
- The increases are not capped so there's no limit on how much the policy might increase by.*

I've then considered the second point made by CG in their response, that the renewal premiums were in line with their underwriting criteria and Ms S was treated the same as other policyholders in similar circumstances.

CG have supplied the detailed rating factors applied to the calculation of Ms S's premiums, including the initial premium when the policy was taken out and subsequent renewals. It also includes the adjustment to the premium for the breed of dog between the 2021 and 2022 renewals. While this is commercially sensitive, it indicates the main factors underpinning the increase in premiums were:

- the age of the dog increasing each year (affecting the age group);*
- adjustment to the breed of dog (affecting the breed group); and*
- claims loading due to claims received.*

There is also a change to the area group (postcode) in the second year of the policy.

Given the point raised about the adjustment to the premium for the breed of dog, having considered what Ms S has told us alongside the response provided by CG, I've considered whether CG acted fairly in adjusting the premium. Having done so, I've concluded CG acted fairly to reflect the specific breed of dog.

Given the number and value of the claims made (as set out above), together with the age of the dog increasing also leading to an increase in premium, I don't think such a significant increase between the policy start and the 2022 renewal should have been unexpected. There's also no indication Ms S was treated any differently than would any other policyholder in similar circumstances.

Alongside this, it's also a commercial decision by CG about how they set premiums and the factors they take account of (and the weighting/loading of those factors). It's not for me to tell insurers how to price their policies but I do need to make sure they're treating all their customers consistently and fairly.

Taking these points into account, I've concluded CG have calculated the renewal premium in accordance with their approach to setting renewal premiums. So, I've concluded they haven't acted unfairly or unreasonably towards Ms S as she has been treated consistently with CG's general approach. I recognise Ms S is concerned at a 143% increase in the premium between 2020 and 2022 (and that the 2022 premium is 243% higher than the premium when the policy was taken out), but as I've set out above, I don't think CG have acted unfairly or unreasonably.

While I've reached this conclusion, as mentioned above, the information at the point of sale (and subsequently) didn't highlight the extent to which premiums might increase. So, I don't think CG have made it as clear as they could have done when the policy was taken out that premiums could subsequently increase (and potentially increase significantly).

It's likely Ms S would still have taken out the policy even if the information had been clearer, as she was looking for lifetime cover (and was switching from another insurer). And if she had looked for a policy elsewhere, it would also have been subject to increased premiums as the pet got older (and claims were made).

I've also considered CG's third point, about other decisions issued by this service (extracts of which they provided in their response to our investigator's view). I've considered the extract, but as a service we consider the specific circumstances of each case on its merits. And in this case, as I've set out above, I don't think CG have made it as clear as they could have done about the likely increase in premiums after the policy was taken out.

Given these conclusions I've thought about what CG should do to put things right. I think CG could have been clearer about the likelihood the premiums could increase (and significantly so) when Ms S took out her policy. So, while I also think the number and value of claims made by Ms S would have indicated the premium would be likely to increase (and she accepts this) I think the extent of the increase would have been a surprise to her and caused her some distress. Balancing these points, I don't think £300 is a proportionate award for compensation, in the specific circumstances of this case. Having regard to awards made in other cases where premiums have increased significantly (and not made clearer at the time the policy was taken out) I think £150 would be fair and reasonable.

While I've reached this conclusion, I've also considered the other issues raised by Ms S in her complaint to this service. On the points about acknowledging claims Shen submitted and when remittances were made, while I can understand why Ms S feels it has made it harder for her to see what claims have been paid (and when), it's an operational matter for CG. As such, it isn't for me to say how CG should arrange its processes and systems. On the point about annual premium increase to be fairer, I've considered this issue in relation to the premiums at renewal in 2021 and 2022. I cannot anticipate what the level of premium will be at the next renewal, so it isn't within the scope of this decision.

My provisional decision

For the reasons set out above, my provisional decision is that I uphold Ms S's complaint. I intend to require Casualty & General Insurance Company (Europe) Ltd to:

- Pay Ms S £250 compensation for distress and inconvenience from delays in paying claims and not responding to her communications.*
- Pay Ms S £150 compensation for not making it as clear as they could have done about the likely increase in premiums after the policy was taken out.*

Casualty & General Insurance Company (Europe) Ltd must pay the compensation within 28 days of the date on which we tell it Ms S accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

CG responded to accept the provisional decision.

Ms S didn't respond by the date for responses.

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.

My role here is to decide whether CG have acted fairly towards Ms S. As CG have accepted the provisional decision and Ms S hasn't responded, then my final decision is unchanged from my provisional decision.

My final decision

For the reasons set out above, my final decision is that I uphold Ms S's complaint. I require Casualty & General Insurance Company (Europe) Ltd to:

- Pay Ms S £250 compensation for distress and inconvenience from delays in paying claims and not responding to her communications.
- Pay Ms S £150 compensation for not making it as clear as they could have done about the likely increase in premiums after the policy was taken out.

Casualty & General Insurance Company (Europe) Ltd must pay the compensation within 28 days of the date on which we tell it Ms S accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Your text here

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 7 July 2023.

Paul King
Ombudsman