

The complaint

Ms S has complained that Allianz Insurance Plc was charging too much for her pet insurance policy.

What happened

When Ms S took out a lifetime insurance policy for her cat with Allianz in 2021, the premium was £370.26. When the policy renewed in 2022, the premium increased to £435.05 and in 2023 to £513.36.

Ms S complained to Allianz about the amount of the increase in premium as her cat was still relatively young.

Allianz said its pricing team uses claims data and veterinary knowledge to understand the types of illnesses, treatments and injuries associated with particular breeds and species. It also takes into account vets' fees and the volume of claims in Ms S's area. It said Ms S's premiums had increased by 17.5% and 18% respectively based on this information. It said it couldn't share with her the matrix used to calculate the premium as this was business sensitive information.

Ms S brought her complaint to this service. Our Investigator recommended that it be upheld in part. He didn't think Allianz had given Ms S sufficiently clear information about the long-term costs of a lifetime policy when she took it out. He thought Allianz should pay her £150 compensation for the trouble and upset caused by that.

As the parties didn't agree, the matter has been referred to me.

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.

Given the large increases in Ms S's premiums over the last two years, I can understand her concerns. She took out a lifetime policy for her cat so that her pet would be covered for any conditions which developed over the rest of his life so long as the policy cover continued. But this sort of policy is usually more expensive and the cost will almost certainly increase every year due to the higher risk of a claim as the pet gets older, as well as general increases in veterinary costs.

Insurers will also consider other factors when setting premiums. For instance, typically an insurer will also assess the number and value of the claims it thinks it will receive and pay, as well as its costs of administration. It will review those factors every year when setting the price for its policies. And it does that for all policyholders.

I need to be satisfied that Ms S hasn't been singled out in any way and that Allianz has treated all comparable customers fairly and equally. I've carefully reviewed the information Allianz has sent us and I haven't seen any evidence to suggest it has treated Ms S any

differently from how it would have treated any other customer in the same position. So I can't say the premium charged to Ms S was unfair or require Allianz to charge her a lower premium in future.

I appreciate that Ms S would like to see the information we've received from Allianz for herself. Unfortunately we are unable to share it with her as it is commercially sensitive.

When considering complaints about the increasing cost of a lifetime pet insurance policy I also look at the information given to the policyholder when they first bought the policy to see how clearly the long-term costs of the policy were explained. But generally it's not my role to tell an insurer what price it should charge for the risk it covers or what factors it should take into account when assessing those risks.

When purchasing this policy online, Ms S was informed (prior to going through to the payment section) that the price would rise over the life of her pet. This was under a section headed '*How your premium can change*' which was located just underneath the Total Price breakdown. Allianz cited the pet's age and increasing veterinary costs as the reasons why this would be the case. This information was also explained in the Important Product Information Document (IPID) which was provided to the customer when the policy was taken out and on renewal since then.

Under the heading "How your premium can change", the IPID says 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. Your premium may also change if you move address. However, Petplan will not increase your premium as a direct result of any claim you make."

On the day after Ms S took out the policy in 2019 (and so within the 14-day cancellation period) she phoned Allianz to query amongst other things the future increases in premium. She asked on what basis the premium would go up every year. Allianz's call handler told her the main factors were her pet getting older and vets' fees going up.

I don't expect sellers of this type of insurance to be in a position to tell a consumer exactly how much their future premiums will be – they won't have this information. But they do know that as the pet gets older, these increases can be significant. Ms S's cat was already around five years old although his exact age was disputed. Allianz was also aware that the increases in premium aren't capped, so there's no upper limit on the premium on each renewal.

From what I've seen, I'm not persuaded that Allianz made it sufficiently clear to Ms S when she bought the policy that the premium on her lifetime policy could increase significantly on renewal.

I've considered what is likely to have happened if Ms S had been given better information about the future cost of the policy when she first took it out. As she took out lifetime cover, I think she wanted the greater protection such a policy offers and she might well have still taken out the policy. But I think the lack of clarity on the part of Allianz about the likely level of future premiums on renewal caused Ms S an unpleasant surprise. It seems to me fair that Allianz should compensate Ms S for that.

Putting things right

I think it's reasonable for Allianz to pay Ms S £150 compensation for her trouble and upset.

My final decision

I uphold this complaint and require Allianz Insurance Plc to pay Ms S £150 compensation for trouble and upset.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 8 November 2023.

Elizabeth Grant
Ombudsman