

The complaint

Mr C has complained about the price charged by Great Lakes Insurance SE to renew his pet insurance policy.

What happened

When Mr C took out a lifetime insurance policy for his dog with Great Lakes in March 2022, the premium was £29.47 a month. He says he was told that on renewal the premium would be based on his postcode and not on any claims made by him.

In July 2022 Great Lakes notified Mr C that it would now base renewal premiums on (amongst other things) claims he'd made the previous year. He thought Great Lakes would have been aware of this when he took out the policy and should have told him about the proposed change at that stage. In the first year of the policy Mr C made a number of claims. On renewal the premium increased to £45.57 a month.

Mr C complained to Great Lakes about the amount of the increase in premium. He said he'd been told claims wouldn't affect future premiums.

Great Lakes said while individual claims weren't previously considered against individual policies, claims had always been taken into account against all policyholders as a group. It said in essence claims were pooled across all customers. It had changed the way it was now calculating premiums so that there was still some pooling for customers with no or very few claims but for those with several claims an additional increase would be placed on their individual premium above the amount charged to the rest of the group. It thought this was fairer overall. It paid Mr C £100 compensation for the shock he'd received when he received notice of the renewal premium.

Mr C brought his complaint to this service. He also said it would be difficult to change insurer as any new insurer wouldn't cover his dog's pre-existing conditions. Our Investigator recommended that his complaint be upheld in part. She didn't think Great Lakes had given Mr C sufficiently clear information about his lifetime policy when he took it out. She thought Great Lakes should pay him £150 compensation for the trouble and upset caused by that.

As Mr C 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 significant increase in Mr C's premium on renewal, I can understand his concern. He took out a lifetime policy for his dog so that his 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 Mr C hasn't been singled out in any way and that Great Lakes has treated all comparable customers fairly and equally. I've carefully reviewed the commercially sensitive information Great Lakes has sent us and I haven't seen any evidence to suggest it has treated Mr C any differently from how it would have treated any other customer in the same position.

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.

Before purchasing this policy, Mr C discussed future premium increases and was told premiums could increase, stay the same or go down. The sales advisor said that price calculations weren't based on individual claims but rather on overall claims data across all customers. Great Lakes says that information was correct at the time. 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 withdraws from the market and leaves 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 what it did when Mr C first took the policy out. However, claims were always taken into account when calculating premiums. The difference is that previously claims were pooled across customers with similar characteristics whereas now customers who make several claims are charged more. I don't think that represents a fundamental change to the lifetime cover offered by Great Lakes. So while I appreciate the renewal premium Mr C was charged was a significant increase on the previous year, I don't think the premium charged to Mr C was unfair or that I should require Great Lakes to charge him a lower premium in future.

I've gone on to think whether Mr C would have acted differently if he'd been told that Great Lakes might well change its position on the impact of claims on renewal premiums when he first took out the policy. As he took out lifetime cover, I think he wanted the greater protection such a policy offers and he might well have still taken out the policy. I'm also mindful of the fact that he hadn't had to make any claims for his dog at that point.

However, I accept that the price increase, which was partly driven by his claims history would have come as an unpleasant shock to Mr C given he'd been previously told that individual claims wouldn't affect the premium. I've thought about the impact of that on him and I'm satisfied that the £150 compensation recommended by our Investigator is the right amount to recognise his trouble and upset.

My final decision

I uphold this complaint and require Great Lakes Insurance SE to pay Mr C an additional £150 compensation for trouble and upset.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 25 December 2023.

Elizabeth Grant
Ombudsman