

## **The complaint**

Mrs C complains that Wakam unfairly increased her pet insurance premium.

Wakam is the insurer for Mrs C's policy and is responsible for this complaint. My references to Wakam include its agents and claim handlers acting on its behalf.

## **What happened**

Mrs C had a lifetime pet insurance policy for her dog. The policy included cover for a dog behaviourist. Before deciding whether to consult the behaviourist, Mrs C called Wakam to check whether the claim would impact her future premiums – and she was told it would not. So she decided to consult the behaviourist and claimed the costs of around £1,000.

The policy was due to renew not long after Mrs C's claim. When Wakam sent the renewal documents in early 2023 Mrs C was shocked to see that it had increased her annual premium by around 60% as compared to the previous year's premium.

Mrs C called Wakam to query the increase. She said that only then did Wakam tell her that it had changed its approach and that claims would now impact the cost of the policy. She said she would have no choice but reduce the cover level from the maximum of £15,000 to £7,000 a year. She complained.

Wakam responded to say personal claims history had not previously been included when pricing pet insurance policies. But it had taken into account customer feedback when deciding to change its approach. Over the previous two years, its customers – who might not have made claims – had said it wasn't fair for Wakam not to take into account their pets' claims history as they were in essence paying for other customers' claims. These customers felt it was fairer to factor in personal claims history. Wakam said, as a result, it had decided in July 2022 to include personal claims history from the last 12 months alongside the normal factors that can impact the renewal price.

Wakam explained veterinary costs were increasing, which meant it needed to make sure premiums were fairly and correctly priced so there would be enough money in the pot when its customers needed to claim. Wakam said Mrs C's claims history meant a slight increase in her premium. But it said the main increase was caused by a general price increase which affected all customers, followed by a change in rating to her geographical area. In addition, her dog's breed impacted the premium. It said these changes affected all new and renewing customers equally.

As Wakam accepted the new premium had come as a shock, it offered (and, I understand, paid) Mrs C £100 as a goodwill gesture. Mrs C remained unhappy with Wakam's response and came to us.

Our Investigator looked into the complaint. He concluded that Mrs C's claim history wasn't the main reason for the increase, as Wakam had said. But he thought Wakam had caused Mrs C distress and inconvenience because it had not explained that claims could affect the price of the premium. He thought higher compensation was fair and recommended that

Wakam pay Mrs C £200 in total – so a further £100.

Wakam agreed to pay the additional £100 compensation. But Mrs C did not think this was a fair outcome. She said she had taken steps to ensure her claim would not impact her premium. Wakam did not tell her about the change in its policy. The compensation is not adequate compared to the increase in premium over the next 10 years. Her dog's breed means there is a higher risk of a particular type of surgery, which could cost around £12,000, and so the highest level of cover is important to her. A drop in the level of cover means she will not be able to increase it again.

Mrs C says her decision to consult a behaviourist and claim around £1,000 will have a massive impact and she would not have chosen to do this if she'd known how the claim would have affected her insurance premium. It could cost her several thousand pounds.

### **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.

Having done so, I've decided Wakam's offer is a fair way to resolve matters. I understand Mrs C will be disappointed by this but I'll explain why I have made this decision.

Insurers are entitled to decide how much to charge for the risks its policies cover, and this will be based on the risk it considers a customer presents. It's up to the insurer how much the premium increases by and it's common for this to vary from year to year. It's not my role to tell an insurer what its insurance should cost or how it should operate its business. So, I can't say the cost of Mrs C's policy is too high or that she should be charged less in the future. Instead, I can consider whether the premium has been calculated correctly and applied consistently and fairly – that is, in the same way as other consumers in a similar situation.

I acknowledge that Mrs C is concerned about Wakam's decision to include personal claims history as one of the rating factors affecting the price of the policy. I do understand why Mrs C is upset, given she specifically asked about this before deciding to consult the behaviourist. Mrs C has explained why having the maximum level of cover is important to her. I can see that Mrs C's premium in 2022 was around £530, but this increased to a premium of around £850 in the renewal quotation for 2023.

Mrs C said she could have opted not to consult the behaviourist. She made a claim on the understanding that it would not impact her premium. But Wakam then said that her claims history would, in fact, impact her premium. She is concerned not just for the 2023 renewal but for future years.

Wakam says it first made the decision to include personal claims history in July 2022 – so this first affected Mrs C's renewal in 2023. Mrs C may feel Wakam's decision is unfair, but Wakam, like all insurers, will review its approach to risks at different points and this will result in changes to the premium. It has explained that this was a change across all its policies as it changed its approach. So in short, it has treated all customers the same with the change and Mrs C hasn't been treated differently or unfairly when it chose to change its approach to factor in personal claims history. Insurers regularly monitor the market and change their approach in response to internal and external factors. In this case, the change was brought about following what Wakam describes as an 'extreme volume' of feedback from its customers who felt the omission of a personal claims history rating factor was unfair. So I can't reasonably say that Wakam has acted unfairly here in changing its approach – a change which it applied equally to all its customers.

Mrs C makes the point that this change should have been communicated to her at the time Wakam changed its approach and when she made the specific query about a potential claim. Wakam said that all customers were notified of the change in the way it priced its policies when they became affected by it – this being the next renewal after the change. For Mrs C's policy, this was the 2023 renewal. Wakam says this wasn't a change in its terms and conditions, but a change in its pricing strategy which brings it into line with standard market practice.

I understand Mrs C considers it's unfair Wakam has decided to change its approach and that she wasn't told about this when deciding whether to make a claim. She has said that had she been given correct information she would have had the option not to consult a behaviourist to avoid a price increase. I do acknowledge Mrs C's concern here, and I think it's fair that Wakam has increased its compensation offer to reflect the inconvenience she has been caused.

I have considered Mrs C's point about the impact of the claim on her renewal price in 2023 and going forwards. Wakam has provided me with confidential business sensitive information to explain how Mrs C's premium price was calculated. I'm afraid I can't share that information with her because it's commercially sensitive, but I've checked it carefully.

Wakam said that Mrs C's personal claims history caused only a slight increase in Mrs C's premium. Having reviewed the rating factors it applied in calculating her premium I can see that this is correct.

The breakdown of the policy price shows that one factor which has had a significant impact on the price increase is a general price increase across all similar policy types which has affected all customers. This appears to have been caused by an increase in the vet fee rating, as Wakam has said. The main reasons specific to Mrs C for her premium increase are her geographical area and her dog's breed. So, from the information I've seen, I'm satisfied the 2023 renewal price was calculated correctly and fairly and I've seen no evidence that other customers in Mrs C's position will have been charged a lower premium. This means that I don't uphold the main part of her complaint.

Wakam has acknowledged that the new premium would have come as a shock to Mrs C, so it paid her £100 compensation. Based on the information I have seen Mrs C's premium would always have increased significantly – even if she'd not made a claim. So she would likely always have had the concern about whether to continue with the maximum level of cover. But she was given incorrect information and Wakam has offered her a total of £200 in compensation - and I think that's fair and reasonable in all the circumstances. I acknowledge Mrs C's point that the compensation will not reflect the increase in premium over the years. But it is not intended to do so. Rather, it is to reflect the inconvenience caused by the incorrect information she was given by Wakam.

### **Putting things right**

I require Wakam to pay Mrs C compensation of £200 in total for her distress and inconvenience. It is entitled to deduct the £100 it offered to her if it has already paid her that amount.

### **My final decision**

My final decision is that I uphold this complaint but only in part. I require Wakam to take the steps set out in the 'Putting things right' section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or

reject my decision before 12 February 2024.

Amanda Maycock  
**Ombudsman**