

The complaint

Miss F complains that Red Sands Insurance Company (Europe) Limited unfairly increased her pet insurance premium.

Red Sands is the insurer for Miss F's policy and is responsible for this complaint. My references to Red Sands include its agents acting on its behalf. Miss F is represented by her partner in this complaint but for ease of reference I'll just refer to Miss F.

What happened

Miss F had a lifetime pet insurance policy for her dog. When Red Sands sent her policy renewal documents in November 2023 Miss F was shocked to see the annual premium had increased by nearly 60% as compared to the previous year's premium so she complained.

Red Sands final response letter to Miss F said, in summary:

- Several factors had contributed to the premium increase such as a rise in the frequency of claims in certain regions, Miss F's dog's location, age, sex, breed, and the risk of recurring conditions and submitted claims.
- It couldn't provide a detailed breakdown to Miss F of how factors specifically influenced her premium due to the sensitivity of its business information. But one of the significant contributing factors for the year's premium increase is the large increase in vet fees nationally, which meant increased treatment costs.
- There's also an increased risk associated with insuring dogs over the age of eight, such as Miss F's dog, because they typically require more medical treatment as they get older.
- Miss F's premium policy had been calculated correctly taking the above factors into account and the price wouldn't be reduced.

Miss F was unhappy with Red Sands' response and complained to us.

Our Investigator concluded that Red Sands hadn't treated Miss F unfairly in relation to the price of her premium.

Miss F disagrees and wants an Ombudsman's decision. She said she hadn't made a claim on the policy and, although her dog is now nine years old, it appeared that Red Sands had increased the premium just in case he becomes ill in this policy year, which wasn't mentioned in the policy. Her dog was only a year older since the previous year's policy and that didn't justify the 58% increase.

Miss F also told us that she'd recently cancelled the policy and Red Sands wouldn't refund the premiums she'd already paid for the policy year, which it had previously agreed. Our Investigator told Miss F that as the premium refund was a new matter it wouldn't be considered as part of this complaint and Miss F would need to make a separate complaint to

Red Sands on that matter.

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.

Our Investigator correctly explained that Miss F will need to make a separate complaint to Red Sands about the new issue that it won't refund the premiums now she'd cancelled the policy. If the parties can't reach agreement on that issue then Miss F can ultimately make a separate complaint to us.

This decision is just about whether Red Sands treated Miss F fairly and reasonably when it increased her policy premium, and I think it did. I'll explain why.

Miss F paid a premium of about £503 for the policy starting in 2022. She then received a renewal quote for about £798 for the policy starting in 2023 which is around 58% more than what she'd paid the year before. So I understand why Miss F is concerned about the price increase.

The role of this service when looking at complaints about insurance pricing isn't to tell an insurer what it should charge or to determine a price for the insurance it offers. Insurers are entitled to decide how much to charge for the risks its policies cover, and that 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. So I can't say the cost of Miss F's policy was too high. But I can look into whether she's been treated fairly and consider if there is anything which demonstrates Miss F's been treated differently or less favourably than other Red Sands' customers in her position.

Red Sands has provided me with confidential business information to explain how Miss F's price increase was calculated. I can't share that with Miss F because the information is commercially sensitive, but I've checked the information carefully. I'm satisfied the price Miss F was charged has been calculated correctly and fairly. I've seen no evidence that other customers of Red Sands in Miss F's position will have been charged a lower premium.

Red Sands told Miss F the various factors it considers when deciding risk and pricing its pet insurance policies. I can't provide specific detail about Red Sands' risk model, but I can see that one of the main factors relating to the price increase relates to the age of Miss F's dog. Miss F says it's unfair to increase the premium just in case her dog becomes ill in the policy year because he's a year older. But Red Sands has calculated that the risk of a pet becoming unwell does increase as they get older and I can't say that's unreasonable even though Miss F says she hadn't claimed on the policy.

I don't think Red Sands has to give information about how it calculates risk in the policy document. But I note that one of the 'frequently asked questions' Red Sands sent to Miss F says that the price of a policy is likely to increase as a pet gets older as it's more likely they will get ill.

As I've said, it's for an insurer to decide what risks it's prepared to cover and how much weight to attach to those risks, different insurers will apply different factors. That's not to say an insurer offering a higher premium has made an error compared to an insurer offering a cheaper premium, it reflects the different approach the insurers have decided to take to risk.

Overall I don't think that Red Sands made a mistake, or treated Miss F unfairly, in calculating the policy premium.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 28 June 2024.

Nicola Sisk
Ombudsman