

## **The complaint**

Mr S complains about the price quoted by Wakam to renew his pet insurance policy.

## **What happened**

Mr S received a quote to renew his policy which he says was significantly higher than what he'd paid the previous year. Mr S says the renewal quote provided reasons for why prices change, but none of these reasons applied to his policy. Mr S complained and said all firms are required to comply with Consumer Duty, but Wakam had failed to do so as the renewal price didn't represent fair value.

Wakam responded and explained they regularly update their prices to make sure their policies are always fairly and correctly priced. They said rising vet costs were a big reason for the general price increases applying to all customers, but every pet's risk will also change each year on top of this. They said the most common reason why the price of pet insurance will increase every year is the pet becoming a year older. They said Mr S' pet dog's breed also affected the price this year as they needed to adjust the pricing for this. Wakam said they were confident the price hadn't increased unreasonably and remained fair for the cover provided.

Our investigator looked into things for Mr S. He thought Wakam hadn't treated Mr S unfairly in relation to the pricing. Mr S disagreed so the matter has come to me for a decision.

## **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 not to uphold the complaint. I understand Mr S will be disappointed by this but I'll explain why I have made this decision.

The role of this service when looking at complaints about insurance pricing isn't to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they've been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I can see Mr S paid a premium of £42.10 per month in 2022 but then received a quote for £55.28 per month in 2023. This is around 31% more than what Mr S paid the year before. So, I understand why Mr S is concerned about the price increase. Wakam have provided me with confidential business sensitive information to explain how Mr S' price increase was calculated. I'm afraid I can't share this with Mr S because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the price Mr S has been quoted has been calculated correctly and fairly and I've seen no evidence that other Wakam customers in Mr S' position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about Wakam's risk model, but I can see two main factors for the price increase relate to Mr S' pet's breed and age. It's not unusual or uncommon for insurers to take into account these two factors when rating a policy – and in this case I've seen how this impacted the price. I acknowledge Mr S says his pet is only three years old and can't be considered elderly. But I've seen how Mr S' pet's age was rated at renewal compared to previous years - and the impact this had on the price. So, I can't say Wakam have acted unfairly here.

There has also been a general insurance price increase. It's been widely publicised over the last year that the price of insurance has increased due to claims inflation and insurers facing rising costs in settling claims – and in the case of pet insurance, increasing veterinary costs have contributed to this. I think it's also important to add the renewal said, *"Cost increases generally for vets, insurers and everyone involved in your pet's care, result in higher fees. So, as with all insurance providers, we have to adjust your premium to cover those higher costs. Availability of new, more sophisticated treatments to help take care of your pets also tend to cost more, which is passed on to us and you."*

These changes relate to Wakam's pricing model so it has been applied to all policies. I think that's important here as it demonstrates the pricing model used to calculate Mr S' premium was no different to what was used for any other customer in the same circumstances. Mr S may feel this is unfair, but Wakam, like all insurers, will review their approach to risks at different points and this will result in changes to the premium. Wakam have described how they refreshed their rating system to more accurately reflect the expected costs they underwrite and how this led to Mr S' premium increasing at renewal. So in short, they have treated all customers the same with the pricing structure and Mr S hasn't been treated differently or unfairly when they chose to change their approach.

I acknowledge Mr S says he searched a price comparison site and was able to find a cheaper price with other insurers. I acknowledge why this caused Mr S frustration and I note he decided to cancel his policy with Wakam as he found a cheaper policy with another insurer providing the same level of cover. But it's for a business to decide what risks they're 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 – but rather, it reflects the different approach they've decided to take to risk.

Mr S also says, when searching the price comparison site, he was able to get a quote from Wakam as a new business customer for the same policy for £37 per month. I understand why this concerned Mr S but it's not unusual or unfair if a different sales channel for the same brand has resulted in a difference in price.

I can see Mr S believes the price increase doesn't represent fair value and links this to the Consumer Duty principle. The Consumer Duty applies to open products and services from 31 July 2023. Given Mr S received his renewal price after this date, I've looked into this further and I've considered the 'Price and value' outcome as I believe that is what is relevant to Mr S' concerns. I think it's important to add, this isn't a price-setting rule. The Financial Conduct Authority ("FCA") expects firms to assess their products and services to ensure there is a reasonable relationship between the price paid for a product or service and the overall value and benefit a consumer gets from it. When assessing whether the price of a product/service provides fair value, insurers must include consideration of at least the nature of the product/service including the benefits that will be provided and their quality, any limitations that are part of the product/service, and the expected total price customers will pay.

In deciding this complaint, I've kept in mind the FCA's expectation that there should be a relationship between price and value. While looking into the price quoted by Wakam, I've also considered the benefits provided and whether the policy offered Mr S fair value. I've firstly taken into account the value measures data published on the FCA's website. The FCA has been focusing on value measures in insurance across a number of products which includes data on how often consumers are claiming on their insurance policy, how likely it is for a claim to be accepted, and the average claims payout.

In the case of pet insurance, it shows a claims acceptance rate of 95% and the percentage of premiums paid out in claims as just over 65%. I think this demonstrates this product carries both a value and benefit to consumers. If things happen unexpectedly, and where the terms and conditions of the policy allow, I think this data provides reassurance that a high volume of claims are accepted. I acknowledge Mr S believes Wakam are overpricing their policies and that an insurer's pricing strategy shouldn't be unfairly biased to only benefit them, but I think the data for the percentage of premiums paid out in claims demonstrates it's a product which offers fair value.

Looking more specifically now to Mr S' circumstances, I can see the pet insurance policy provides cover up to £15,000 for all vet's fees in any one year. The policy says there's no limit to the number of claims Mr S is able to make or the number of conditions his pet suffers, and claims will be paid until the £15,000 limit is reached that year. And when the policy is renewed, the limit of £15,000 is reset for Mr S to use if needed. So, I think a policy which provides such benefits, offers fair value. I think it's also fair to say, and certainly so in the case of pet insurance, there is a lot of value consumers get from peace of mind from owning a product and knowing they're covered against a range of unexpected scenarios. I think it's also important to point out that the cover and benefits provided by Wakam under this policy are broadly consistent with what I would expect to see from such a policy. So, from the information I've taken into consideration, I can't say Wakam haven't met their obligation to offer fair value to Mr S.

I understand why Mr S has complained, and I hope he feels reassured that I've checked the pricing information from Wakam. But I can't say they've made a mistake or treated Mr S unfairly. I wish to reassure Mr S I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

### **My final decision**

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 June 2024.

Paviter Dhaddy  
**Ombudsman**