

The complaint

Mr T has complained that HDI Global Specialty SE ('HDI') unfairly increased premiums for his pet's insurance policy. For the avoidance of doubt, the term 'HDI' includes HDI's agents and representatives for the purposes of this decision letter.

What happened

Mr T had held his lifetime pet insurance policy with HDI since December 2019. He felt that HDI had unfairly increased the premiums for the policy which he held for his pet dog. For 2023/24, the quote was nearly £1,400 to renew his policy. Mr T complained that there had been a lack of information provided by HDI at the time of policy inception.

HDI upheld Mr T's complaint, to the extent that it acknowledged that it hadn't provided sufficient information at the outset for Mr T to make an informed decision on whether the cover was right for him. It awarded £200 in compensation for the distress and inconvenience caused by this lack of information provided.

Mr T remained unhappy with HDI's response to his complaint and referred the complaint to this service. The relevant investigator upheld Mr T's complaint. He said that whilst he couldn't say that HDI had calculated Mr T's premiums incorrectly, he didn't think it had acted fairly as it didn't provide sufficient information about how the policy would operate. He also recommended that HDI increase the amount of compensation to £600 to reflect the continued distress caused by this lack of information.

HDI didn't agree with the investigator's view. The matter has therefore been referred to me to make a final decision in my role as Ombudsman.

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.

I turn firstly to Mr T's submissions in support of his complaint. He explained that due to claims he'd made on the policy, he was no longer able to get insurance elsewhere. He felt that HDI had taken advantage of the situation and unfairly increased insurance premiums. Mr T also felt that any claim was now classed as a pre-existing condition, one example being an ear infection. He didn't consider that he'd made excessive claims and said he'd only made two. Mr T said that he was struggling to pay the premium but felt he had no choice.

Mr T said that his main complaint was that there had been an excessive jump in insurance premiums for 2023/24, and he thought that it was a 50% increase, which he felt was neither justified nor reasonable. He felt that the percentage increase was '*staggering*'. He noted that alternative policies had been offered, with lower cover, however these didn't cover his pet appropriately '*for the age/size/breed etc against recommendations...*' Mr T appreciated that his dog was getting older and understood the terms of the policy. He accepted that '*naturally increases will happen*', but he felt that the percentage increase here was excessive.

I now turn to HDI's submissions in response to Mr T's complaint. Whilst it upheld Mr T's complaint in part, it didn't uphold his complaint on the substantive issue. It said that Mr T purchased his lifetime policy to provide cover for ongoing conditions every year for the lifetime of the pet, as long as the policy was renewed each year and premiums were up to date. It explained that lifetime policies provided cover for conditions claimed for in previous years, *'so that treatment for recurring illness or injury will be covered throughout the lifetime of the policy, taking into consideration the level of cover you have'*. HDI said that this was why the cost for this type of cover was generally higher than a policy with a time-limit or maximum monetary limit per health condition. It said that as a pet gets older, the more likely it is that they are likely to require treatment by a vet. It said this meant that the premium increase could be significant if a claim was made.

HDI also stated that increasing costs and advancements in treatment, changes to insurance premium tax, and other changes in underwriting, *'also all affect the price we are able to offer you each year'*. HDI maintained its stance however that the premium was correct based on the information it held. It nevertheless decided to pay £200 in compensation to Mr T for the trouble and upset caused. This was because it accepted that it *'had an obligation to make you aware that whilst you are purchasing cover for the lifetime of your pet, the above factors could mean your premium could increase significantly. This would have allowed you to make an informed decision on whether our policy would be financially viable for you in the future and I'm sorry this was not made clear'*.

HDI stated that there was nothing out of the ordinary with the policy, and that the standard reasons for premium increase applied, including the ageing of the pet, the claims history and regular rate reviews. HDI stated that it had received four claims on the policy. Two claims related to the same bladder condition and was therefore deemed to be a re-occurrence. The same was the case for two ear conditions. It said that there had been a percentage increase in premiums of just under 94% for 2023/24.

In conclusion, HDI didn't think that it should pay an increased sum to Mr T as compensation for trouble and upset caused. It considered that it had provided appropriate information in 2020 and 2021, in a clear and concise form to enable Mr T to make an informed decision about his renewals. It said that it clearly detailed the ongoing cost implications of a lifetime policy and underlined the relevant wording. It said that as no claims had been made by those dates, Mr T *'had the opportunity to shop around and seek alternative insurance without any detriment'*. It therefore couldn't see why shock or continued distress applied. It also felt that compensation to £600 was out of line with other awards in cases of this type.

I've carefully considered the wording of correspondence sent by HDI on renewal of the policy in 2020 and 2021. I agree with HDI that this is clear and at these points, it should have placed Mr T on notice that claims and on-going conditions could well lead to significant increases in premiums. Nevertheless, HDI has also candidly acknowledged and offered compensation because it had failed to highlight to Mr T at the outset that a policy designed to cover the lifetime of a pet could well mean that the premium could increase significantly over the years. It also acknowledged that it had an obligation to make the customer aware of this. It accepted that if Mr T had been properly informed, he could have made an informed decision on whether its policy would be financially viable for him in future.

The difficulty with this failure to provide key information prior to the purchase of a lifetime policy is, as stated by HDI itself. This failure prevented Mr T from making an informed decision at the outset as to whether the policy would be financially viable over the lifetime of the policy and to plan or seek alternative lifetime cover accordingly. The first year of a lifetime pet policy is clearly key, and the customer will at that stage be expecting the policy to be fit for purpose and affordable for the lifetime of the pet.

Whilst I appreciate that HDI had made this information available in 2020 and 2021, Mr T had by that stage bought into his lifetime policy. Once the customer had been drawn into the insurance contract, it was then far less likely that the customer would re-visit the terms and conditions and seek alternative cover. Until 2022 when it appears that the pet's health issues started to emerge, it's likely that Mr T hadn't appreciated the magnitude of the future '*significant*' premium increases. Indeed, it was only in January 2024 that Mr T felt the need to complain about the percentage premium increase of nearly 94% for 2023/24. In future years Mr T may well face future significant percentage increases or be faced with seeking alternative cover for an ageing pet with recorded re-occurring health conditions.

I've carefully considered the pricing information provided by HDI to determine whether the premium charged for 2023/24 had been calculated correctly. I've noted changes in HDI's rating system that caused the significant increase in the premium, as well as the pet's age and history of claims and illnesses (which I have no reason to doubt is correct) and which can indeed re-occur. In conclusion, I'm satisfied that the calculation for the renewal quote was correct and in line with HDI's own internal guidelines. I also can't say that Mr T has been treated differently to any other customer as regards the underwriting criteria.

In the circumstances, whilst I've seen no evidence to suggest that HDI's underwriting criteria and the way in which they were applied, were unfair or unreasonable, I consider that HDI's initial failure to highlight the magnitude of the likely financial impact of the lifetime policy, was a significant failure which caused considerable trouble and worry for Mr T as to how to fund any medical issues for his pet in the future. In conclusion, I'm satisfied that £200 in compensation doesn't adequately recognise the extent of the trouble and worry caused. I'm satisfied that £600 is a more appropriate figure to recognise that trouble and worry which is likely to continue for the foreseeable future due to HDI's failure to provide adequate information at the outset.

My final decision

For the reasons given above, I uphold Mr T's complaint and I require HDI Global Specialty SE to pay Mr T £600 in compensation, less £200 if this amount of compensation has already been paid to Mr T, in order to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 19 September 2024.

Claire Jones
Ombudsman