

The complaint

Mr D complains about the price quoted by Royal & Sun Alliance Insurance Limited ("RSA") to renew his pet insurance policy.

What happened

Mr D received a quote to renew his policy which he says was significantly higher than what he'd paid the previous year. Mr D says, while his dog is a year older, he hadn't made a claim in the previous year, and no other factors had changed. He says he queried the price increase with RSA, and they informed him that vet fees had increased. Mr D complained about the price increase and said RSA hadn't provided adequate reasoning to justify the increase.

RSA responded and explained the price they'd quoted was correct and in line with the risk presented to them. They said, when generating the premium, they consider factors such as the pet's age, breed, gender and the vet fees charged in that area. They acknowledged Mr D hadn't made any claims, but customers should still expect a price increase. They acknowledged Mr D wanted more detailed information to explain the price increase but explained this was commercially sensitive.

Our investigator looked into things for Mr D. He thought RSA hadn't treated Mr D unfairly in relation to the pricing. Mr D 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 D 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 D paid a premium of £178.75 in 2023 but then received a quote for £357.53 in 2024. This is around 100% more than what Mr D paid the year before. So, I understand why Mr D is concerned about the price increase. RSA have provided me with confidential business sensitive information to explain how Mr D's price increase was calculated. I'm afraid I can't share this with Mr D because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the price Mr D was quoted has been calculated correctly and fairly and I've seen no evidence that other RSA customers in Mr D's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about RSA's risk model, but I can see one factor which has contributed to the price increase relates to Mr D's pet's age. It's not unusual or uncommon for insurers to take into account this factor when rating a policy – and in this case I've seen how this impacted the price. I think it's also important to point out that the cover letter sent to Mr D in 2023 did say, *"As pets get older, sadly they're more likely to get ill. In fact, our claims data shows that the cost of looking after your pet's health doubles every four to five years. That's why your renewal price increases each year...when your pet turns nine."* So, I think RSA did provide clear information about this and I've seen how Mr D's pet's age was rated at renewal compared to the previous year - and the impact this had on the price. So, I can't say RSA have acted unfairly here.

I acknowledge Mr D says his pet is of a breed which can live up to 20 years, and his dog is nine and in full health. 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. This similarly applies to rating factors and loadings. It's for an insurer to decide what rating factors and loadings to apply to a policy. In this case, I've seen how Mr D's pet's age has impacted the price as well as RSA's reasons for this – and I can't say they've acted unreasonably or treated Mr D unfairly.

Another factor which has contributed to the price increase relates to 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've seen how Mr D's policy was rated and the loadings which have led to the price increase. This forms part of RSA's pricing model so it applies to all policies. I think that's important here as it demonstrates the pricing model used to calculate Mr D's premium was no different to what was used for any other customer in the same circumstances. RSA have also provided evidence which shows how their view of risk changed and the specific ratings which were impacted by this. RSA have described how they refreshed their rating system to more accurately reflect the expected costs they underwrite and how this led to Mr D's premium increasing at renewal. So in short, they have treated all customers the same with the pricing structure and Mr D hasn't been treated differently or unfairly when they chose to change their approach.

I do appreciate Mr D will want to know more detail around what specific factors have led to the price increase and he was left frustrated at not receiving a clear explanation for this. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think RSA have acted unreasonably in not providing Mr D with details of the specific ratings and loadings used to calculate the price.

I understand why Mr D has complained, and I hope he feels reassured that I've checked the pricing information from RSA. But I can't say they've made a mistake or treated Mr D unfairly.

I wish to reassure Mr D 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 D to accept or reject my decision before 21 February 2025.

Paviter Dhaddy
Ombudsman