

The complaint

Mrs W complains about the price charged by Allianz Insurance plc (“Allianz”) to renew her pet insurance policy.

What happened

Mrs W received a quote to renew her policy which she says was significantly higher than what she’d paid the previous year. So, Mrs W complained about the price.

Allianz responded and explained the price increase was primarily driven by age and a general insurance increase. Allianz said the price of a policy will increase each year for a variety of reasons, such as the increased risk of illness or injury as Mrs W’s pet gets older. They explained, each year, they would also need to consider the cost of veterinary fees in Mrs W’s locality, including charges applied by out of hours services and specialist referral centres. Allianz confirmed the renewal price was correct and that they’d treated Mrs W fairly based on the risk factors they use to rate each individual policy - and, in this case, they’d found the increase was within their general increase limits which a policyholder will see each policy year at renewal. Allianz also explained, in cases where a policyholder believes that a policy is unaffordable, they do have the option of downgrading their policy to a more affordable plan and they also recommend that policyholders search the market to make sure they have the right level of cover they need at the right price.

Our investigator looked into things for Mrs W. He thought Allianz hadn’t treated Mrs W unfairly in relation to the pricing. Mrs W 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 Mrs W 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 Mrs W paid a premium of £1,476.22 in 2022 but then received a quote for £1,837.89 in 2023. This is around 24% more than what Mrs W paid the year before. So, I understand why Mrs W is concerned about the price increase. Allianz have provided me with confidential business sensitive information to explain how Mrs W’s price increase was calculated. I’m afraid I can’t share this with Mrs W because it’s commercially sensitive, but I’ve checked it carefully. And, I’m satisfied the price Mrs W has been charged has been

calculated correctly and fairly and I've seen no evidence that other Allianz customers in Mrs W's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about Allianz's risk model, but I can see two main factors for the price increase relate to Mrs W's pet's age and a general insurance price increase. It's not unusual or uncommon for insurers to take into account a pet's age when rating a policy – and in this case I've seen how this impacted the price. In relation to the 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 policy documentation provided by Allianz at renewal does say, *“your pet's age, increasing veterinary costs and advancements in veterinary medicine can all affect the premium you pay. These mean your premium will increase over the lifetime of your policy.”*

These changes relate to Allianz'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 Mrs W's premium was no different to what was used for any other customer in the same circumstances. Mrs W may feel this is unfair, but Allianz, like all insurers, will review their approach to risks at different points and this will result in changes to the premium. Allianz have described how they refreshed their rating system to more accurately reflect the expected costs they underwrite and how this led to Mrs W's premium increasing at renewal. So in short, they have treated all customers the same with the pricing structure and Mrs W hasn't been treated differently or unfairly when they chose to change their approach.

I acknowledge Mrs W says she has spoken to other pet owners who aren't paying as much as her for insurance. 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.

In addition to this, I've seen the renewal letter sent to Mrs W in 2023 and I can see Allianz did remind Mrs W that she could shop around to see if she could get a better price. As there have been at least four renewals, then section 6.5 of the Insurance Conduct of Business Sourcebook (“ICOBS”) requires a business to provide specific wording about the benefits of shopping around. So, as well as treating Mrs W fairly, I think Allianz also acted in line with requirements set out under ICOBS.

I can see Mrs W says she's also concerned about the price she has been paying since first taking out a policy with Allianz and how this has increased gradually over time. Mrs W also raises a complaint about the level of cover reducing from an unlimited amount to £12,000. I can't see these complaints have been raised with Allianz so Mrs W will need to do this first before our service is able to consider these.

I understand why Mrs W has complained, and I hope she feels reassured that I've checked the pricing information from Allianz. But I can't say they've made a mistake or treated Mrs W unfairly.

I wish to reassure Mrs W I've read and considered everything she 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 Mrs W to accept or reject my decision before 11 April 2024.

Paviter Dhaddy
Ombudsman