

## The complaint

Miss Y has complained about the amount by which Pinnacle Insurance Plc (Pinnacle) has increased the insurance premium for her pet cat.

## What happened

Miss Y bought her pet cat, who I'll refer to as "D", in February 2013 when she was a three-month-old kitten. Miss Y insured her with another insurer on 5 February 2013 and her first premium was £9.59 a month, £115.14 a year.

On 5 February 2021, the policy was taken over by Pinnacle and Miss Y's premium for the year 2021/22 was £28.16 a month, £337.92 a year.

On 3 January 2024, when Miss Y's policy year 2023/24 approached its end, Pinnacle wrote to Miss Y to inform her for the forthcoming policy year 2024/25 her premium would increase from £499.32 a year to £659.04 a year, £54.92 a month. In this letter Miss Y was advised that her premium could have increased for a number of reasons and that it was important to know that they were likely to increase as D got older and that over the lifetime of D's policy premium increase may be significant to her. She was told that she might be able to get insurance cover at a better price if she shopped around but to remember that any ongoing illnesses or existing conditions may not be covered by another insurer.

Miss Y is unhappy about the current level of her insurance premium which she says she is now struggling to pay. She says she has only made a single claim on her policy for an injury to D's leg when she was about 6 months old and D has had no problems since. She has had annual injections and boosters and is well cared for. Miss Y feels she is now being penalised by Pinnacle as it will be difficult to change insurers because of the previous issue with D's leg which another insurer is unlikely to cover. She feels Pinnacle should reduce her premium.

In response to Miss Y's complaint about the level of her premiums, Pinnacle explained the information it uses to calculate her premium which includes the product she had purchased (platinum cover), D's age, breed and sex, where she lives, as this could determine the amount of vet fees she might need to claim, and the cost of claims.

Pinnacle has said that when it took over the policy in 2021, it sent Miss Y a renewal pack. This included a leaflet which explained in detail the most important factors that are taken into account when calculating premiums. It also explained that each year premiums will typically increase because a pet is a year older, as a result of vet fee inflation, changes in its general claims experience (e.g a change seen in claims relating to particular breeds or in certain areas), and the pet's claims history. The leaflet contained a specific warning which stated:

*"Considering these factors, it's important to be aware that over the lifetime of your pet's policy, premium increases may be significant to you".*

Miss Y wasn't happy with Pinnacles rejection of her complaint and brought it to this service. Our investigator's view was that Pinnacle had treated Miss Y fairly and the same as other customers when calculating policy premiums. He considered that Miss Y had been made reasonably aware about the long-term costs of lifetime policies.

In response to our investigator's view, Pinnacle informed our investigator that Miss Y had raised a complaint in January 2022 in relation to her renewal premium for the year 2022/23 at which time it explained to her the factors giving rise to the increase to her premium at that time. Miss Y didn't pursue this further.

Miss Y, in response to our investigator's view, said that she didn't feel that the wording of the policy as to how her premiums might increase was clear enough and that this should be on the front of the renewal. She also pointed out that her premiums had increased more in the last three years than they did in the previous seven years when the insurance was with a different underwriter. She also said she wasn't notified that the underwriter was due to change in 2021 and feels that if she had been informed, she would've looked at other insurers then.

Miss Y doesn't agree with our investigator's view and asked that her complaint be referred to an ombudsman. It's therefore been referred to me for a final decision from this service.

### **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'm not upholding Miss Y's complaint and I'll give my reasons for not doing so.

We don't expect insurers to be in a position to tell a consumer exactly what their future premiums will be because of the variable factors that go into the calculation of premiums. But it's in the nature of lifetime pet insurance policies that premiums will increase each year as the pet gets older and there's more risk of a claim, and that increased veterinary costs and claims made are likely to impact the level of these increases. These increases can be significant.

The approach this service takes to complaints about increases in lifetime pet insurance premiums is to look at the information the customer was given when they bought the policy to see how clearly the long-term costs of the policy were explained. As Pinnacle didn't sell the policy to Miss Y initially but took it over in 2021, I've considered what information Miss Y was given by Pinnacle at that time.

When Pinnacle took over Miss Y's policy in 2021, it explained in the leaflet contained within her renewal pack the pricing factors that went into the calculation of premiums and advised her that policy premium increases may be significant for her. Pinnacle has explained why this is the case.

It's not for us to tell an insurer how to price their policies but we need to make sure they're treating all their customers consistently and fairly. All policies tend to provide that the premium and other features can be changed when a policy is renewed, - as Miss Y's policy does. Her policy states that premiums will be reviewed annually, and:

*“As a result of a premium review, your premium may go up, stay the same or go down, and there is no limit to the amount of any change.”*

If premiums are increased it's unlikely we'd say it's unfair particularly because there are usually genuine, risk related reasons for the increase, provided that the same approach is applied consistently and fairly to all customers. I've seen how Pinnacle has calculated Miss Y's premiums since 2021 and the factors it has taken into account. I'm afraid I can't share this as it is commercially sensitive, but I can see that the factors that have had the greatest influence on the increase in premiums are increased veterinary fees and the increased risk due to D's age. It's not unreasonable for premiums to be increased for these reasons.

I also consider it relevant that Miss Y raised a complaint in January 2022 about the increase in her premium for the year 2022/23. It was explained to her again at that time what causes increases in premium in such policies, so she should've been aware of the likelihood of future significant increases in premiums as D got older. Miss Y didn't take this complaint any further and continued with her Pinnacle policy. I therefore don't think it can be said that Miss Y was unaware of the potential for significant premium increase going forward, and future increases should not have come as an unexpected shock.

My view is that when Pinnacle took over Miss Y's policy in 2021, the leaflet that accompanied her renewal letter provided sufficiently clear information about the nature of lifetime policies and the factors that influence the calculation of premiums. Importantly, it also provided a specific warning that premium increases might be significant for her.

I consider that Pinnacle provided Miss Y with sufficient information to enable her to make an informed choice about whether she wanted to continue with the policy. If Miss Y had any concerns, she could've looked for another insurer at that time. But this did not put Miss Y off continuing her policy for the following few years.

Pinnacle had also made it clear that Miss Y might be able to find cheaper insurance elsewhere but cautioned about the risk this might pose to cover for previous medical conditions. Miss Y could've taken the view that D's health was such that she had no significant conditions that another insurer might exclude, and that the saving in premium might be worth the risk of an excluded condition reoccurring. Following her complaint in 2022, Pinnacle again explained what factors led to premium increases, and Miss Y again made an informed decision to continue her insurance.

So whilst I appreciate that premium increases will be very upsetting for Miss Y, I don't consider that Pinnacle has acted unfairly or unreasonably towards her so I'm not upholding her complaint and won't be asking Pinnacle Insurance Plc to reduce her premium.

### **My final decision**

For the reasons I've given above, I'm not upholding Miss Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Y to accept or reject my decision before 7 August 2024.

Nigel Bremner  
**Ombudsman**