

## The complaint

Ms L has complained that Casualty & General Insurance Company (Europe) Ltd (“C & G”) has unfairly increased her pet insurance premiums.

## What happened

In November 2022, Ms L took out the policy with C & G for her cat. It’s a lifetime policy which is renewed each year. This type of policy gives cover for health conditions that are ongoing through the pet’s lifetime. The premium was £21.72 per month. When Ms L received notice of the renewal in November 2023, she was shocked to see the premium was to increase to £43.44 per month.

Ms L complained to C & G but it said the increase in the premiums was accurate and in line with its pricing model. C & G said it could not give Ms L detailed pricing information but the factors that influence its pricing include claims made, the pet’s age, location, breed and inflation. C & G said Ms L had made eight claims in the first year of the policy. It said it had assessed the risk associated with Ms L’s cat and priced the policy correctly.

Ms L was not happy with C & G’s response and brought the complaint to this service. Ms L has made a number of points in support of her complaint. I have considered everything she has said but have summarised the main points below:

- The factors C & G has said impact future premiums do not justify the doubling of her premium. For instance, her vet has confirmed their prices have gone up by 10% this year, they have not doubled.
- She was told, when she asked about renewal increases when she took out the policy, that the main factor in renewals would be the proportion to how much of the yearly allowance had been used.
- Her policy covers vet fees of £12,000 per year. The claims she made were just over £1,000, so a small proportion of her allowance.
- The claims she made were for a very common and minor condition that is now managed with diet.
- Her cat is extremely well looked after and is an indoor cat, so she does not think he is a high risk for future claims.
- The policy documentation says that the reasons behind price increases will vary according to individual circumstances and there is no “*one-size-fits-all*” when it comes to the premiums. However, C & G then told her that it could not consider her cat’s history.
- As it is a lifetime policy, she cannot shop around now that she has made claims and is subject to whatever price increases C & G make in the future.
- The way the complaint was handled was misleading. C & G said it would carry out a full investigation but then told her the price would not be changed (before any investigation was done) and the investigation just meant the complaints-handler would “*speak to pricing*” to pass on their reasons for the price increase. So C & G had no intention of considering her complaint points.

Ms L says this matter has caused her a great deal of stress as well as having a financial impact; she is also disabled and unable to work and dealing with the complaint has exacerbated her medical symptoms.

One of our Investigators looked into the matter. He thought C & G had been entitled to put up Ms L's premium on policy renewal. It had given us information showing it increased premiums to reflect pets' ages and claims history, as well as other factors and that in calculating premiums in this way it had treated Ms L fairly and in line with other customers in the same group, with the same rating factors. Given the age of Ms L's cat and an ongoing medical condition, our Investigator thought C & G had not acted unfairly in putting up the premium.

Ms L does not accept the Investigator's assessment. She says that the Investigator has disregarded important points she has made. Again, I have considered everything she has said but have summarised the main points Ms L has made in response to the Investigator below:

- the policy wording and renewal wording say about C & G's pricing approach that *"every pet and circumstance is unique, there is no one-size-fits-all when it comes to pricing."* However, she was then told that it doesn't take an individual's circumstances into account when deciding on policy renewals, as it wouldn't be able to do that for everyone. That directly contradicts what C & G says in the policy documentation, which is misleading and unfair.
- C & G used generic data to calculate the premiums, rather than her cat's specific and the Investigator has just repeated the same generic reasons for the increase.
- If C & G looked at her cat's particular situation as it claims to do, it'd see that the majority of the claim fees in that first year were used for diagnosing his condition and that said condition is well-managed and under control and he is now symptom free.
- Therefore a 100% increase is out of proportion to his circumstances. Not to mention that the total claim amount for that first year reached 9% of the total claim allowance.
- The Investigator has not asked to look at any clinical notes or investigated the policy wording.

As the Investigator has not been able to resolve the complaint, it has been passed to me.

### **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.

It is up to insurers to decide what cover they wish to provide and the premium that they want to charge for that cover, based on the risk they are being asked to cover. We have no power to make an insurer cap its charges or charge certain amounts. And we cannot assess the commercial decisions it has made about how it will set premiums.

Likewise, consumers have a choice about which policy and which insurer they wish to take insurance with, or not take insurance at all (unless it's a requirement, legal or otherwise) and meet any treatment costs themselves.

The cost of insuring a pet will generally increase each year, as the pet gets older because the likelihood of claims increases and the cost of medical treatment rises. This is especially true of 'lifetime' policies such as the one Ms L holds. Most pet insurance policies won't cover any medical conditions the pet had, or received treatment for, when the policy was taken out or renewed, so ongoing medical conditions won't usually be covered. But 'life-time policies'

will cover any conditions on an ongoing basis for the rest of the pet's life, as long as the policy remains in force. This means there is a higher risk of claims being made and so the cost of providing this cover tends to be more expensive than other types of pet insurance on the market. Premiums can also increase significantly at renewal. There is no limit to how much the premium could be and, as stated above, we can't impose one.

Normally insurers calculate a base premium rate for a policy that applies to all consumers and then other factors they consider relevant to the risk being covered, are applied, which might bring that base premium up or down. Different insurers apply different factors, and different rates to each factor, but C & G has said it includes an individual's claims history, the cost of vets in the relevant locality, and the age and breed of the pet, among other things.

Ms L has objected to the application of generic data about these matters in her case, as she says her cat is not a significant risk as it is young and she has only claimed for a small percentage of the annual claim limit. Ms L also says that vet costs have only gone up by 10%. She wants a thorough investigation of exactly how the premium was calculated in her case and justification for the increase.

I can't give the detailed explanation that Ms L wants, as the details of the factors and particular ratings that C & G applies to each factor, is commercially sensitive. However, I have considered the information C & G has provided. Having considered the information provided to me, I am satisfied that Ms L was treated fairly and in line with other customers; and I'm not persuaded that the premiums have been calculated unfairly or that C & G needed to provide any further information to Ms L, who was free to choose another policy elsewhere if she didn't accept the premium.

I would also comment that the increase in vet's costs generally is only one of the factors that C & G is entitled to take account of. Ms L also said they knew the breed when she first took out the policy so this should not be relevant at renewal. However, certain breeds are prone to conditions at different ages. So this is a factor that C & G is entitled to take into account at each renewal.

So, while I appreciate Ms L doesn't think the policy should be so expensive, and is worried about future premiums, I am not able to say C & G should have charged her less, or changed the ratings it applies to each factor for her; and I am unable to make any award or direction about the future pricing of her policy.

Ms L also says that the policy documentation states that the individual circumstances of the insured pet will be taken into account when setting premiums C & G later told her that it could not take account of individual claims history, which is contradictory and unfair.

I have read the information provided to Ms L about potential premium increases which lists some of the factors C & G says might impact future premiums and which also says "*all of the factors listed above contribute to reasons behind price changes and as every pet and circumstance is unique, there is no one-size-fits-all when it comes to pricing.*"

I have also seen a letter sent to Ms L in response to her complaint in which C & G said: "*Unfortunately, we are not able to consider ... [your cat's] vet history when calculating premiums, as that would be unfair to the thousands of other pets that we insure.*"

I do not agree that these two statements are contradictory or wrong. The information provided to Ms L said that it takes account of various factors such as the number and value of claims made, as well as the breed and age of the pet. However, as each pet is different these factors may have different effect on the premiums for different pets. So, for instance, in one breed of cat the particular age of the cat at the time may have a different impact on the

premiums charged than in another breed. I think this is what it means by not being “*one-size-fits-all*”. I do not consider this statement means C & G is obliged to consider in the level of detail Ms L has suggested the reasons for the claims she made, or other details about her cat, its lifestyle and her care of it, other than its age and breed. C & G is entitled to set its own underwriting criteria which draws on generalised data it has gathered about the likelihood of future claims and risk it is being asked to insure.

Overall, therefore while I acknowledge this has caused Ms L stress, I do not think that C & G has acted unfairly and it was entitled to increase the premiums for the risk it was being asked to cover.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms L to accept or reject my decision before 31 July 2024.

Harriet McCarthy  
**Ombudsman**