

## **The complaint**

Mrs D's complaint is about the premiums charged by Wakam for a pet insurance policy.

## **What happened**

Mrs D took out a 'lifetime' pet insurance policy in September 2019. Mrs D says the premium has gone up each year since and in the last two years it has gone up significantly. In 2019 the premium was £70.71pm, in 2020 £83.50 pm, 2021 £92.32, 2022 £135.83 and in 2023 £244.13pm. Mrs D says the premium has increased by 300% over her dog's life, which is not reasonable.

Mrs D says Wakam initially told her the increases were due to inflation in vet costs. However after she provided information showing the increases in her premiums were significantly higher than inflation at the time, it told her it was due to the dog's age and breed.

Mrs D says she wanted lifetime cover and is reluctant to move to a different insurer, as her dog would not be covered for any existing health conditions. She says the purpose of the lifetime policy was to ensure that her dog had the care it needed regardless of what happens for its entire life.

Wakam says that the policy has been priced fairly and in line with other customers with similar risk. It says that rising vet costs are one factor which applies to all customers but each pet's risk will change each year as well on top of this. Wakam says the age of the pet is the most significant factor and as dogs age quickly, this can result in significant increases. In addition, the breed of dog is an important pricing factor and it says it has adjusted its pricing for the breed of Mrs D's dog.

Wakam also says that it has charged Mrs D the new customer price as she has not made any claims. It says that it can't reduce the price for individual customers, as it treats all customers fairly, without making adjustments to the policy cover. It says Mrs D currently has no excess and this also has an impact on the premiums. Just because it's a lifetime policy does not mean that the cost is set for the lifetime of the dog but that if it develops a condition while insured it will continue to be covered for that condition provided the insurance is continued. Wakam says it can increase the excess, add a co-payment or provide a different level of cover to see if the policy is more affordable for Mrs D.

Mrs D remains unhappy with Wakam's response and referred her complaint to us. Mrs D says that Wakam knew in 2019 that the dog would be getting older so is not new information and should not be a factor in increasing the premium. Similarly she says Wakam knew in 2019 the breed of the dog. So again this is not new information and is not relevant.

She says that based on inflation, the premium should be £94.03pm, so she estimates she has been overcharged just under £2,400. In addition, Wakam says the premiums have increased due to increases in vet costs but has not increased the level of cover, which remains at £7,000. This demonstrates Wakam has no interest in insuring her dog for its lifetime. She wants a refund of the amount she has been overcharged and her premium reduced to £94.04pm and in future and to only increase by the published veterinary rate of inflation.

One of our Investigators looked into the matter. He did not recommend the complaint be upheld, as he was satisfied that Wakam had calculated the premium in line with its underwriting criteria and Mrs D had not been treated unfairly.

Mrs D does not accept the Investigator's assessment. She has made a number of points in response. I have considered everything she has said but have summarised the main points below:

- the dog's age and breed were factored in to the original price of the policy and she has not changed anything about the policy since taking it out, so the increases are unfair.
- The "*whole purpose of insurance is to protect me from changes in risk*" but Wakam is looking for her to either pay for the increased risk they insured against or change her requirements.
- Wakam might apply such factors across the board to all its customers but that does not make it fair "*it just demonstrates the extent of this fraud*".
- The Investigator has simply accepted what Wakam has said "*lifetime*" means and has not acted fairly. There has been no consideration as to a balanced point of view about what lifetime means.
- Her definition is that it means the lifetime of the dog and this is why she took out the lifetime insurance so she could cover the risk of that dog for his life. This is a very clear case of fraud on the part of the insurer as they are selling a product named lifetime and not taking the risk of a dog's entire life.
- If her complaint fails, she will no longer be able to afford the insurance and the dog "*will have to be executed*".
- The policy does not say anything about price increases and only says that once the dog is over 9 years' old the excess may change.

As the Investigator has been unable 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 generally 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 that it thinks a customer presents. We have no power to make an insurer lower its charges. Similarly, individual 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.

In general, the cost of insuring a pet will increase each year as the pet gets older and the cost of medical treatment rises. Standard pet insurance policies usually won't cover any medical conditions the pet had, or received treatment for when the policy was taken out or renewed, so ongoing or recurring medical conditions won't usually be covered. But 'life-time policies' like the one Mrs D took out, will cover any conditions they develop on an ongoing basis for the rest of their lives, as long as the policy continues. The pet is usually covered up to a set amount each year, until the policy limit is reached and on renewal of the policy, the limit is then refreshed.

This is why they are called lifetime policies and I agree with the Investigator that it is not that the cost of the insurance is set for the lifetime of the pet. This is not as Mrs D alleges, simply accepting Wakam's definition of a lifetime pet policy. This is the basis of lifetime pet insurance cover.

Providing this cover is expensive and the yearly cost of these lifetime policies can go up significantly at renewal. There is no limit to how much the premium could be and I 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 but they might include an individual's claims history, the cost of claims (e.g. vet treatment) in the locality, and the age and breed of the pet, among other things. Wakam has also said that the level of risk with the breed of Mrs D's dog has changed based on its overall data, so it adjusted its pricing for this breed.

Mrs D says that the whole purpose of insurance is to protect her from changes in risk but this is not correct. The insurance is to protect her from certain specified risks but not changes in risk. I am satisfied that Wakam is entitled to account for changes in risk it is being asked to insure against.

Mrs D also says that Wakam knew the breed of her dog and that it would get older and this would have been factored into the initial price, so it can't increase premiums based on these matters. Again I don't agree. The premium is set for each year of the policy, based on the position at the time the policy starts. As the age of a pet increases, so does the risk of claims, so it is not unreasonable to use this as a factor in pricing the policy. As stated, Wakam did know the breed of the dog but has said it adjusted its pricing for this breed based on data about the risk of insuring that breed. It is entitled to do this.

Mrs D's premium has increased significantly in recent years but I haven't seen any evidence to suggest Wakam has treated her differently to how it would have treated any other policyholder in the same position. So I can't say it has acted unfairly when pricing the policy.

As stated, I have no power to direct that Wakam charge Mrs D less for her policy. So while I acknowledge that there have been increases, I do not have the power to require it to charge less. This is how much Wakam has determined it needs to charge to provide the cover for Mrs D's dog.

Mrs D says she is being priced out of the policy and this is unfair. However, as stated insurers are entitled to set their own prices and it is not unfair or unreasonable that they increase those to reflect the risk they are taking on. I understand that the insurance might become unaffordable but that is not as a result of anything Wakam has done wrong.

So, while I appreciate Mrs D doesn't think the policy should be so expensive, and is worried about future premiums, I am not able to say that Wakam 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.

Wakam has explained that changing some details of the cover, such as having an excess, could bring the premium down and that it can explore these options with Mrs D. I think this is reasonable if she wants to continue the policy.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 27 September 2024.

Harriet McCarthy  
**Ombudsman**