

The complaint

Mr and Miss C's complaint is about the increase of their Royal & Sun Alliance Insurance Limited ('RSA') pet insurance premium at renewal.

Mr and Miss C say they've been treated unfairly.

What happened

Mr and Miss C held a yearly limit pet insurance policy with RSA. When it was time to renew their policy, RSA increased their premium by roughly £68 despite Mr and Miss C not making any claims on the policy during the policy year. Mr and Miss C say that when they ran a quote as a new customer to RSA however, they were quoted a considerably lower policy premium. Mr and Miss C feel this is unfair and don't understand why they've been penalised at renewal as an existing customer versus coming in as a new customer.

RSA considered Mr and Miss C's complaint and didn't uphold it. They said that the renewal price offered was in line with what they would offer any existing customer in the same circumstances as Mr and Miss C and that any quotations offered to new customers exclude cover for pre-existing conditions and have a 14-day exclusion period for claims within the first 14 days of cover.

Our investigator considered Mr and Miss C's complaint and didn't uphold it. He said that the way in which RSA generated their renewal premium was fair and that they'd explained the most significant risk factors that gave rise to the increase in price to Mr and Miss C.

Mr and Miss C didn't agree, so the matter has been passed to me to determine.

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 won't be upholding Mr and Miss C's complaint. I'll explain why.

The Financial Conduct Authority doesn't regulate on the prices insurers charge or the methods an insurer might use to calculate the price of an insurance policy. So, the Financial Ombudsman Service won't usually make any determinations about the way an insurer chooses to assess risk, the risk assessments it makes or the premium it charges to cover a certain risk. The only aspects that this Service can consider in relation to pricing are:

- Whether a policyholder has been treated differently to the way other consumers would be in the same circumstances.
- Whether the price being charged is based on the correct information.
- Whether a consumer is being given clear information to make decision with, such as whether to seek cover elsewhere.
- Whether a consumer who doesn't have the freedom to change insurers and choose what premium to pay has been treated fairly, taking into account the insurer's approach.

Given the limited nature of the issues we're able to consider in relation to pricing of insurance policies, I've restricted the findings in my decision to these areas. Whilst I appreciate that this will be disappointing for Mr and Miss C, I won't be able to give them an answer on anything that falls outside of the points I've listed above.

Mr and Miss C held a yearly limit pet insurance policy with RSA for which they received a renewal invitation. The renewal premium was priced at roughly £68 more than the previous year despite Mr and Miss C having made no on claims on the policy. It's important to point out that the cost of pet insurance policies will almost certainly go up each year as the pet gets older and there's more risk of a claim. Other factors can contribute to prices increase such as increased vet costs and other changes in underwriting by insurers.

Insurers constantly update how they rate the risk of offering insurance and their rates continually change. In this case RSA have provided the Financial Ombudsman Service with confidential business sensitive information to explain how Mr and Miss C's price increase was calculated. As the investigator explained we can't share that with them, but I have checked it carefully. Having done so I'm satisfied that the price they were quoted has been calculated correctly and all of RSA's customers in the same position will have been charged a similar premium. In Mr and Miss C's specific case, I can see that the most significant impact on the price of the policy was their pet's age and the likelihood of future claims being made, which is a risk spread across all of RSA's existing customers. RSA also explained that the price of a policy to a new customer reflects that it does not cover pre-existing conditions prior to the policy being taken out, nor any claims within the first 14 days of cover. So, the risk to them is considerably less, irrespective of whether or not Mr and Miss C made no claims in the previous policy year. That's because making a claim isn't the same thing as the pet having the potential to shown signs or symptoms of conditions it might need to claim for in future, which would otherwise be excluded if this happened before the policy was in place, as would be the case with a new customer.

Having considered the details contained within RSA's renewal documents and in the absence of any evidence to the contrary, I'm also satisfied that the price that was offered to Mr and Miss C was based on the correct information for the pet.

I appreciate that Mr and Miss C might have felt that RSA didn't give them enough information to explain the reasons for the increase in their policy premium versus the cost of a policy to a new customer. And I know they might have wanted RSA to share how their price increases were calculated specifically, but for the reasons I've mentioned, I don't think they needed to. We wouldn't expect an insurer to give customers a breakdown of the calculation they've applied. In this case RSA did explain the risk factors that led to the price of the policy increasing and why policies to new customers in the same circumstances would be priced differently. So, I think Mr and Miss C had enough information to decide whether they wanted to renew the policy or seek insurance cover elsewhere. In this case Mr and Miss C chose to renew the policy as existing customers, though I appreciate they remain unhappy about the price they paid.

I'll now address Mr and Miss C's submissions about the cost of other pet insurance policies they've taken out for two of their other pets compared to the renewal premium they were charged for this specific policy. I can't comment on how those other policies were priced as they aren't the subject of this specific complaint. I can only look at whether the cost calculated at renewal for this specific policy was fair based, on the information RSA have supplied to demonstrate that.

I note Mr and Miss C have commented on the fact that RSA have sold their insurance business to another company. I don't think this makes any difference to the outcome of their

complaint as I'm satisfied that RSA have demonstrated that they did not treat Mr and Miss C unfairly in this case.

Finally, I haven't seen anything which supports that Mr and Miss C's freedom to change insurers was restricted. Whilst doing so would most likely have meant that cover for long term or reoccurring illnesses would not be covered, they could have chosen not to renew and gone elsewhere. In this case Mr and Miss C chose to renew their policy with RSA even though they don't agree that the price of the policy increased reasonably. They didn't have to do so this and were entitled to change insurers if they wanted to and are free to do so in future policy years should they wish to do so.

My final decision

For the reasons set out above, I don't uphold Mr and Miss C's complaint against Royal & Sun Alliance Insurance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Miss C to accept or reject my decision before 18 December 2024.

Lale Hussein-Venn
Ombudsman