

The complaint

Mr K's complaint is about the terms of his pet insurance policy with Allianz Insurance Plc.

What happened

Mr K took out a lifetime pet insurance policy with Allianz in 2016 and it has renewed each year since. At the renewal of the policy in February 2022, a co-payment was added to the policy terms.

Mr K queried this in August 2022, as he had made a claim under the policy, and made a formal complaint about it to Allianz in August 2023, as he does not think this is fair.

Allianz says that at each renewal it set out clearly the policy terms and the key facts part of the documentation clearly set out the excess and co-payment (or percentage excess). It also says that it provides all customers with 12 months' notice of the start of the co-payment, which for Mr K was in his 2021 renewal documents. This stated that from the next renewal in 2022, the excess would change and would include a percentage contribution or co-payment.

Allianz also says that the co-payment was also referenced in the insurance product information document since 2018.

Allianz also points out that if Mr K had taken alternative cover, the claims history for his cat would have meant he would have been charged higher premiums. Allianz doesn't consider it has done anything wrong but offered £150 compensation for any trouble caused to Mr K.

One of our Investigators looked into the matter. She did not recommend the complaint be upheld as she said Allianz was entitled to change the terms of the policy at each renewal and the co-payment had been clearly set out in each renewal documentation. The Investigator also didn't think it makes any difference as Mr K would not have been able to get another lifetime policy. She thought the compensation offered was reasonable.

Mr K does not accept the Investigator's assessment. He has made a number of submissions in support of his initial complaint and in response to the Investigator. I have considered everything he has said but have summarised the main points below:

- When he first took out this policy in 2016 no one in the UK had ever mentioned, or he believes, had come across the term "co-payments" in insurance policies.
- All that was understood in 2016 was that there would be an excess to be paid on any claim, which might be subject to change.
- Any change to the material clause or understanding of the policy terms would need to be highlighted to policyholders and Allianz has not highlighted the introduction of the co-payment in the way required by English law.
- A co-payment is not the same as an excess.
- On his latest renewal the co-payment and excess are set out in small print on page 11, this does not amount to clear highlighting of such a material change.
- He wants proof that Allianz wrote to him about this when his policy renewed,
- He opted for a lifetime policy for his pets and did not think that he would only be

- getting partial cover for his pet's life.
- The lifetime cover is only provided, if he continues to renew with Allianz. So while the Investigator stressed it is an annual contract, for each year he accepted the increase in the excess but didn't see the co-payment element.
- If he had known this, he would have got cover elsewhere.
- He queries whether Allianz made this change to the policy after his cat developed a heart murmur. If it was then this is significant, as at that point he would not have been able to get alternative cover. He would only have been able to seek alternative covered for life policies in 2016.
- He pays an increased premium to have such good cover and it is disappointing that despite this and even whilst he is unhappy with the cover, he has to continue paying for the policy whilst not being able to get necessary scans for his cat as he can't afford any further co-payments.

Mr K wants the co-payment removed for heart conditions (as this was developed before his cat was 10 years old) at least, he says he would accept the co-payment for any other matters.

As the investigator was 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.

Co-payments are not now uncommon in pet insurance policies, particularly for older pets. It may not have been something that Mr K was aware of when he first took out this policy and it may not have been something that Allianz added to its policies for older pets when he first took out the policy (I have no evidence to make a finding about that). However, insurers are generally entitled to determine what cover they want to provide for the premium charged and this means they are entitled to change terms at renewal.

I have no power to require Allianz to change its terms so have no power to require it to remove any co-payment. I can however consider whether it has treated Mr K fairly and this would include in notifying him properly of this change, so he could make an informed decision about whether to renew the policy.

I have considered the documents that Allianz sent to Mr K. In the 2021 renewal documents I can see the insurance certificate says:

"Your Excesses ...

In 12 months' time As ... [your cat] is getting older we want to give you advance notice of a change that will apply from your next renewal in February 2022. At that time, the way we apply your excess for ... [your cat] will change. In addition to the fixed amount you pay, you will also pay a percentage of all claims submitted for veterinary treatment and complementary treatment. Typically this percentage is 20% but we will confirm the amount before it is implemented at next year's renewal. The cost of treating older pets can be exceptionally high. In order to keep insurance affordable for older pets we have to strike a balance between excess changes and premium increases. We believe this is the fairest way of ensuring both healthy and sick pets can continue their cover.

And the insurance product information document, which sets out the key terms of the cover, says:

“Are there any restrictions on cover? ...

Changes we can make at renewal – at renewal of your policy we can change the premium, excesses and the Terms and Conditions of your policy.

The excesses you pay when you claim and how these can change:

- Some sections of your policy have an excess and these are explained in the ‘Your Excesses’ section of your Certificates of Insurance.*
- We can change the excesses you pay at the renewal of your policy. Typically a 20% excess is introduced at the renewal following your pets 10th birthday but this can change and you will be notified at least a year in advance of any percentage excess being added to your policy.”*

The paragraph is also highlighted with a red exclamation mark.

And then at renewal in February 2022, the first page of the covering letter sent to Mr K says:

“A change to your policy

As ...[your cat] has reached 10 years of age, please be aware that you'll now pay your flat excess plus 20% of the remaining cost for each claim you make for him. Your Certificate of Insurance explains this in more detail, please read it carefully to understand your excesses for next year.

The certificate then says:

“Veterinary Fees - you will pay the first £125 of veterinary treatment for each unrelated illness or injury. Once this amount has been deducted you will then pay 20% of all treatment costs on all claims submitted.”

I am satisfied that this was clearly and prominently set out and do not think that Allianz would reasonably be required to do anything more to highlight this change to Mr K. And as stated Allianz was allowed to make this change to the terms offered to Mr K.

Mr K has said the co-payment is not an excess. An excess is generally the first part of any claim that is to be paid by the insured. A co-payment is therefore a form of insurance excess but even if it were not, I do not think that it makes any difference to the outcome of this complaint as I think the documents set out above clearly explain how the co-payment would work.

I can understand Mr K's concern about the impact of the co-payment, given his cat's ongoing condition and that he may not have been expecting this. However, as stated, even if I thought it was unfair for Allianz to introduce the co-payment, I have no power to require it to remove it, or change it. Allianz gave Mr K specifically two years' notice of the introduction of the co-payment and it was in the general policy documentation before this.

In any event, even if I thought Allianz should have done more to alert Mr K that this co-payment would be introduced when his cat reached 10 years old sooner, or even when he first took out the policy, I do not think that Mr K's position would be any different than it is now. Mr K may have decided not to go ahead with the policy, although I make no finding on that. However, given that Mr K's cat developed an ongoing condition in 2018 (which this policy guarantees to cover for while the policy continues) it is unlikely he would have been able to get any other policy that would have continued to cover that condition (lifetime policy

or not) after 2018 and there's no evidence that he would have been able to get another policy for his cat without a similar co-payment and/or higher premiums. So Mr K would either have been uninsured, at least for the heart problems and therefore have to bear the treatment of his cat himself, or would have this policy or a similar one also with a co-payment.

I consider the £150 compensation already offered by Allianz to be fair and reasonable in all the circumstances and I do not intend to make any further award.

My final decision

I do not uphold this complaint.

Allianz Insurance Plc has already made an offer to pay £150 to settle the complaint and I think this offer is fair in all the circumstances. So my decision is that Allianz Insurance Plc should pay Mr K £150 if it has not done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 24 April 2024.

Harriet McCarthy
Ombudsman