

## **The complaint**

Mr M complains about the price charged by Wakam to renew his pet insurance policy.

## **What happened**

Mr M received a quote to renew his policy which he says was significantly higher than what he'd paid the previous year. So, Mr M complained about the price quoted.

Wakam responded and explained they regularly update their prices to make sure their policies are fairly and correctly priced, so there's enough money in the pot for when customers need it. They explained rising vet costs are a big reason for their general price increases – and this applies to all customers. They said every pet's risk will also change each year. They explained the most common reason why pet insurance will increase every year is the pet becomes a year older. They said Mr M's pet dog's breed affected the price as well as the claims made by Mr M.

Our investigator looked into things for Mr M. He thought Wakam hadn't treated Mr M unfairly in relation to the pricing. Mr M disagreed so the matter has come to me for a decision.

## **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've decided not to uphold the complaint. I understand Mr M will be disappointed by this but I'll explain why I have made this decision.

The role of this service when looking at complaints about insurance pricing isn't to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they've been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I can see Mr M paid a premium of £627.39 in 2022 but then received a quote for £1,252.78 in 2023. This is almost 100% more than what Mr M paid the year before. So, I understand why Mr M is concerned about the price increase. Wakam have provided me with confidential business sensitive information to explain how Mr M's price increase was calculated.

I'm afraid I can't share this with Mr M because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the price Mr M has been charged has been calculated correctly and fairly and I've seen no evidence that other Wakam customers in Mr M's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about Wakam's risk model, but I can see two main factors for the price increase relate to Mr M's claims history and his pet's age. Where claims have been made against a policy, it's not unusual or uncommon for this to be

taken into account when an insurer is pricing a policy and for it to affect the price. In this case, I've seen how this impacted the price, so I can't say Wakam have treated Mr M unfairly in applying any ratings and loadings to account for this. Another factor which has impacted the price is Mr M's pet's age. In the renewal invite, Wakam explain pets require more medical care as they get older – so customers can expect their insurance to cost more as their pet gets older. Again, I've seen how this impacted price so I can't say they've treated Mr M unfairly in taking this into account.

Mr M may feel this is unfair, particularly as he says the cover is the same as last year's. But it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks - different insurers will apply different factors. That's not to say an insurer offering a higher premium has made an error compared to an insurer offering a cheaper premium – but rather, it reflects the different approach they've decided to take to risk. The same applies to ratings – it's for an insurer to decide what risk ratings they take into account as well as the loadings they decide to apply.

I do appreciate Mr M will want to know more detail around what specific factors have led to the premium increase and he feels there's a lack of transparency around the price increases. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think Wakam have acted unreasonably in not providing the detail requested by Mr M.

I can see Mr M queries how the pricing structure can be deemed fair when our service hasn't seen evidence of it being applied to other policies. Mr M says Wakam can provide a pricing structure which corroborates his price increase, and until our service can see the same pricing structure has been applied to other policies, it can't be said that this is a consistent pricing structure and not a structure which was applied to his policy alone. I do acknowledge Mr M's concern, and I think it's important to explain how pricing works. When an insurer rates a policy, for example, for the purposes of pet insurance as in this case, they'll take into account a range of factors. It's expected, and reasonable, to take the view that all policies won't have the same risk profile, as this is dependent on the risk being presented. For example, I can see the loading that has been applied to Mr M's policy due to his claims history. It's likely the risk profile and loading will differ from another customer who hasn't made any claims, or perhaps has made more. So, there will be some fluctuation in ratings and loadings as this is dependent on the risk being presented.

I would also add, nothing I've seen shows the pricing calculation was inaccurate when rating Mr M's policy. And nothing I've seen suggests there has been any loading applied to Mr M's policy which wouldn't have been applied to any other customer's policy in the same circumstances. I acknowledge Mr M queries how the information provided by Wakam proves they've applied the same pricing structure and loadings to other customers in the same circumstances. I've seen no evidence which suggests Mr M's policy was priced completely manually and without any application of Wakam's pricing structure or algorithm. In addition to this, I've seen the increase in loadings to Mr M's policy are consistent with the areas Wakam have described in the renewal invite as being factors which affect the price – this being the pet's age, claims history and claims inflation.

I understand why Mr M has complained, and I hope he feels reassured that I've checked the pricing information from Wakam. But I can't say they've made a mistake or treated Mr M unfairly. I wish to reassure Mr M I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

**My final decision**

For the reasons I have given, it is my final decision that the complaint is not upheld.

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

Paviter Dhaddy  
**Ombudsman**