

## **The complaint**

Mr O has complained that Wakam SA ('Wakam') unfairly increased his premiums for his pet insurance policy.

## **What happened**

Mr O took out pet insurance with Wakam in April 2022. When he received his 2023 policy renewal notification, the cost had increased significantly. Wakam gave an overview of the general reasons for the policy price increase but said it couldn't provide a full breakdown of its pricing strategy, as it was commercially sensitive information. Mr O wanted a detailed explanation of the exact reasons for the increase and complained to Wakam, however it didn't uphold his complaint.

Mr O then referred his complaint to this service. The relevant investigator didn't uphold his complaint. He considered that Wakam had acted in a fair and reasonable manner when it said it couldn't divulge its detailed underwriting criteria to the customer. The investigator received detailed underwriting evidence from Wakam. He concluded that it had explained to Mr O the reasons for the policy cost increase adequately, and in as much details as it was required to.

As Mr O remained dissatisfied with the outcome of his complaint, the matter has been referred to myself to reach a final decision in my role as Ombudsman.

## **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.

The key issue for me to determine is whether Wakam acted in a fair and reasonable manner in declining to provide Mr O with a detailed explanation of its price increase. I consider that it's acted in a fair and reasonable manner, and I'll explain the reasoning for this decision.

Turning to Mr O's submission, he complained that his pet insurance policy went up very significantly (by 31%) in 2023, even though veterinary surgery prices had only increased by 1%. He also said the local surgery had said it had processed fewer claims. He also thought that inflation was at 1% to 5% so he wanted an explanation for such a significant increase. He said that Wakam couldn't explain it and he thought that it was hiding behind an e-mail referring to commercially sensitive information. He appreciated the nature of the information, however he stressed; *"I am not commercial competitor nor intend to be, I am a customer who's money they take."* Mr O said he was also willing to sign a confidentiality agreement.

Mr O considered that Wakam wasn't being transparent in explaining the increase, either because it was unable to do so, or because it didn't want customers to see the reasons. He thought that the increase when there'd been no claims or changes, was unjustified. Mr O also said that this was the second increase within 12 months, and he considered the increase to be ridiculous and the pricing structure to be discriminatory. He referenced other complaints on social media. Mr O thought that Wakam; *"judge us all by the worst offenders,*

*it's a form of discrimination.*" He also didn't think he should be paying for a stranger's life choices with whom he happened to share a postcode. Finally, he gave Wakam a deadline to; *"put my policy back to the previous year's rate or explain in detail how much and why you're putting it up"* before placing the matter on social media and taking Wakam to court.

In conclusion, Mr O said; *"I genuinely believe they are fleecing customers for profit margins and placing the insane increase under 'inflation.' It doesn't align with the market or their competitors. They are the only pet insurance company to post such dramatic increases and it's not only insulting it's a modern day Robin Hood."*

I now turn to what Wakam has said in response to Mr O's complaint. It said that in calculating prices, it undertook regular reviews based on data it collected regarding a wide range of factors. It added; *"From this data, we make adjustments to our pricing to more accurately reflect the risk associated with these factors, which include (but are not limited to) breeds, age brackets and geographical areas (etc.)."* It explained that the pricing adjustments were applied to new customers as well as existing customers at renewal. It said it was unable to provide a full breakdown of its pricing strategy and rating factors as it considered these to be commercially sensitive information.

As to the factors, with regard to breed and location, Wakam said that it could be that latest data showed a higher risk for certain breeds, or general pet-related illnesses in an area, or vet fees in the region had increased at a higher rate than inflation. Also, the availability of more sophisticated vet treatments affected insurance costs. It further explained that if a particular breed had a higher number of claims, it might be moved over to a higher risk category. Likewise, if claims for a breed dropped, it might move into a lower risk category. It added; *"Even with breed, it's not just claims for the breed we consider, we also take other factors like breed-specific conditions into consideration."* It considered it had adequately explained some of the general risk factors included in premium calculations. It also explained that in purchasing a policy, customers were informed that prices could increase each year and would agree a declaration to this effect.

Wakam said it appreciated that 31% may seem a big uplift for the year. However, it stated that the policy had been correctly priced. It remained of the view that its prices were competitive within the market, for the level of vet fee cover offered and its excess arrangements. It offered to check the details on Mr O's policy to make sure everything was up to date, or to talk about other options for cover and excess amounts.

I've considered all of the above, and I've also considered the service's settled approach to pricing strategies in the insurance industry. This recognises that insurers research and refine their pricing models and systems and the service doesn't generally consider it's reasonable for the service to disclose this kind of information. I've also considered whether there are exceptional reasons for departing from this settled approach in the current case, however I don't consider that Mr O has demonstrated any such reasons. Also, having viewed Wakam's pricing structure, I've seen no evidence that it's treated Mr O in a discriminatory manner or any differently to other customers. I'm therefore satisfied that Mr O has been treated consistently with Wakam's general approach to pricing and that there's no evidence to suggest that Wakam's price was based on incorrect information.

I agree that the price increase is high in this case, and I can appreciate that Mr O wishes to fully understand Wakam's pricing strategy. He wishes to know in particular how exactly Wakam has worked out the significant price increase to his own premiums. Unfortunately for Mr O however, the way that the insurance industry operates is that it sells a product for the price it calculates based on numerous commercial factors and the risk it's willing to accept. Insurance companies regularly update how they rate risks and rates continually change, and

they may measure and predict risk as they see fit. The customer must then decide whether s/he wishes to purchase a policy or to seek an alternative product with another provider.

It may sound unfair that an insurer can choose to set the price however it likes, including how much profit it may wish to make as well as its appetite for risk. However, the insurance market is competitive, and consumers' choices are often driven significantly by price. Ordinarily consumers have freedom to choose between many insurers and can avoid those they feel are too expensive or poor value for money. I note that Mr O purchased a relatively comprehensive pet policy, and despite his complaint that Mr O retained this level of cover.

In summary, insurers aren't expected to divulge underwriting information either to customers, or competitors. Wakam has however provided the service with this confidential, commercially sensitive information to explain how Mr O's price increase was calculated. Having seen this information, I'm satisfied the price has been calculated correctly based on the legitimate factors taken into account by Wakam. I therefore can't say that Wakam applied its pricing strategy with regard to Mr O in an unfair or unreasonable manner.

In conclusion, I appreciate that this decision will come as a great disappointment to Mr O, however I can't say that Wakam has acted in an unfair or unreasonable way in the manner in which it's calculated Mr O's premiums. Nor can I say that Wakam acted in an unfair or unreasonable manner in declining to share the detailed information regarding the price increase of his policy.

### **My final decision**

For the reasons given above, I don't intend to uphold Mr O's complaint and I don't require Wakam SA to do any more in response to his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 31 August 2023.

Claire Jones  
**Ombudsman**