

## **The complaint**

Miss D complains about the premium Wakam charged for the renewal of her lifetime pet insurance policy.

Wakam, as the underwriter of the insurance contract, is responsible for this complaint and references to Wakam also includes its agents.

## **What happened**

Miss D took out a lifetime pet insurance policy for her dog with Wakam in 2018. She complained when she received the renewal documentation in November 2022 for the new policy year starting in January 2023. This is because the premium quoted was an 80% increase on the year before. Wakam offered to see if increasing the excess or reducing the cover would bring the premium down, but Miss D didn't want to do this. Ultimately, Miss D cancelled the insurance policy with Wakam.

In response to Miss D's complaint, Wakam explained over the last couple of years it has received feedback relating to the way it calculates renewal prices. It explained many customers – who might not have made claims – felt it wasn't fair not to take into account their pet's claims history as they were in essence paying for other customer's claims. These customers felt it was fairer to factor in personal claims history. As a result, it made the decision, in July 2022, to include personal claims history from the last 12 months alongside the normal factors which impact the renewal price. This meant if Miss D had made any claims in the last year, she may find this has affected her premium. Further, it said veterinary costs are increasing which means it needs to make sure premiums are fairly and correctly priced to take this into account.

Wakam said Miss D's pet dog's claims history caused an increase in the policy while her pet cats' claims history – also insured on the same policy - reduced the increase a little. Further, it said the main increase was caused by the breed of Miss D's dog and a general price increase which affected all customers. Whilst it said the price quoted is correct, it acknowledged this came as a shock to Miss D so offered £100 as a gesture of goodwill.

Unhappy at the increase in premium, Miss D brought her complaint to this service for an independent review. Our investigator looked into things but didn't consider Wakam had acted unfairly in how it priced Miss D's policy.

Miss D disagreed. She says she was told when she originally bought the policy, she wouldn't be penalised for any claims made. This coupled with only having to pay one excess for the year encouraged her to take her pets to the vet for every minor concern she had about their health. She'd been very happy with the service she'd had up until the time of the renewal quotation and is upset she isn't able to afford the policy moving forward. She feels as though she's being penalised during a cost of living crisis, particularly when nothing about her dog has changed.

The Investigator and Miss D communicated about the points raised but this didn't change the Investigators view. As Miss D didn't agree, the matter was passed 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.

Insurers are entitled to decide how much to charge for the risks its policies cover, and this will be based on the risk it considers a customer presents. It's up to the insurer how much the premium increases by and it's common for this to vary from year to year. As this is a commercial decision, I don't have the power to tell a business what its insurance should cost – this is because it's not my role to tell an insurer how it should operate its business. So, I can't say the cost of Miss D's policy is too high or that she should be charged less in the future. Instead, I can consider whether the premium has been calculated correctly and applied consistently and fairly – that is, in the same way to consumers in a similar situation.

Miss D is unhappy with the premium charged for the renewal of her lifetime policy. I can understand why Miss D was concerned the increase in premium isn't fair given her monthly payment in 2022 was £163.13 and this increased to a monthly payment of £293.65 in the quote provided for 2023. Also, Miss D says she took out a policy on the basis her premium wouldn't be impacted by claims made. This appears to have been the case for several years until Wakam changed its approach in to include personal claims history July 2022 and this was factored into Miss D's 2023 renewal quotation.

When deciding how much to charge for its policies, insurers will assess how likely it is it policyholders will make a claim and how much it might have to pay out for those claims. Each insurer will make that assessment in its own way. Insurers regularly monitor the market and change its approach in response to internal and external factors. In this case, Wakam says the change to factor in previous claims was brought about following an '*extreme volume*' of feedback from its customers who felt not doing this was unfair. Miss D may feel this is unfair, but Wakam, like all insurers, will review its approach to risks at different points and this will result in changes to the premium. So, I can't say Wakam have acted unfairly here in changing its approach which was then applied equally to all its customers.

Some of the things an insurer, such as Wakam, considers when assessing risk and calculating premiums include factors like the increasing cost of vets' fees, insurance premium tax, and other underwriting changes. And its assessment of those factors will affect all its customers in a similar way. Then there are other specific factors that will affect Miss D and those who have dogs who present similar specific risks. That includes things like the dog's age, breed and – following a claim – the risk of a further claim occurring.

It's reasonable for insurers to apply any changes to customers at renewal – and for this to be sent in advance of the renewal date to allow a customer to make an informed decision on whether to continue with the policy – and this is what happened here.

I think it's also important to note that, while the personal claims history was a factor affecting the 2023 renewal price, it wasn't the only factor. Wakam have provided me with confidential business sensitive information to explain how Miss D's price was calculated. I'm afraid I can't share this with her because it's commercially sensitive, but I've checked it carefully. Wakam have provided a breakdown of the policy price and I can see one factor which has led to a price increase is a general price increase across all similar policy types and this has affected all customers. The age and breed of Miss D's dog - along with other factors such as location – also have an impact on the price. As Miss D says, the breed of her dog hasn't changed. However, this doesn't mean the risk Wakam considers the breed and age of a dog like Miss D's presents has also stayed the same. As mentioned above, insurers are entitled to decide how much to charge for the risks its policies cover.

From the information I've seen, I'm satisfied the price Miss D was quoted has been calculated correctly and I've seen no evidence other Wakam customers in Miss D's position will have been treated differently. This means I don't uphold the main part of her complaint. I can see Wakam acknowledged the new premium came as a shock to Miss D, so it offered £100 compensation – and I think that's fair and reasonable in the circumstances.

I recognise Miss D will be disappointed with this outcome. But my decision ends what we – in trying to resolve her dispute with Wakam – can do for her.

I understand Miss D is unhappy about the information given to her when she first took this policy out. And she feels this change is at odds with this. However, as the Investigator explained, this isn't something I can consider in this complaint - which is against Wakam - as it took over this policy quite some time after its sale to Miss D.

### **My final decision**

My final decision is Wakam doesn't need to do anything further to put things right. It should pay £100 to Miss D, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 30 October 2023.

Rebecca Ellis  
**Ombudsman**