

complaint

Mr M complains about unfair exclusions on his pet insurance policy with Allianz Insurance Plc.

In this decision my references to Allianz include its agent.

background

In 2016 Mr M took pet insurance with Allianz which provided lifelong cover for his dog. He told Allianz that she'd had surgery in 2014 for a gastric blockage when she'd swallowed a conker. Allianz put two exclusions on the policy from the start date for 'intestinal foreign body' and 'gastro-intestinal disorders/digestive system disorders'.

In February 2017 Mr M received his policy renewal and he contacted Allianz about the policy exclusions. He said the gastro-intestinal/digestive system disorder exclusion seemed extremely broad. After reviewing the dog's veterinary history Allianz agreed to remove the exclusion. But it refused to remove the other exclusion for intestinal foreign body. It also added a new exclusion for 'scavenging' backdated to the policy's start date of 18 March 2016.

When Mr M complained Allianz said the policy exclusions might have been reviewable after six months if the gastric blockage due to the conker was a 'one off' incident. But it saw two entries in her veterinary history. The first in October 2014 said the dog was a 'known scavenger'. The second in December 2016 said that she 'scavenges'.

Because of the entries about scavenging Allianz said it placed exclusions for scavenging and intestinal foreign body, in line with its underwriting guide. This is because scavenging behaviours have a higher risk of a dog swallowing a foreign body. It said these exclusions were reviewable if she went 24 months 'clear' and following a vet's behavioural assessment, which showed she no longer shows scavenging behaviour.

Mr M's vet wrote to say that scavenging was a fairly common behaviour. But Allianz said it wasn't the 'right behaviour' and presented a risk to it.

Mr M said his dog had been clear for 24 months (the timescale given by Allianz for reviewing the exclusions). A later incident 26 months after the conker incident wasn't related to scavenging; his vet said it was likely to be colitis due to a change in diet. His dog had shown no further interest in conkers despite his garden being full of them. He said Allianz' exclusion was unfair, and that it had been inconsistent about its timescale for reviewing the exclusion.

Our investigator thought Allianz had been entitled to apply the exclusions. Its review required the dog to be clear of scavenging for 24 months and required a behavioural assessment. Mr M didn't agree with the investigator's conclusions so the complaint came to me for review.

my provisional decision

I asked Allianz some questions about the scavenging exclusion and its timescales. I included its response in my provisional decision explaining why I thought Allianz had treated Mr M unfairly. This is what I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Insurers are generally free to decide whether to offer someone insurance and, if so, on what terms. They will have different views on the risks they are prepared to cover. We don't consider that unreasonable, provided they treat their customers fairly.

I don't think Allianz has treated Mr M fairly. I intend to require it to remove the scavenging exclusion. I'll explain why.

When Mr M took out the policy Allianz asked him clear questions about whether his dog had shown any signs of illness or injury or been unwell, whether she'd been seen by a vet for any reason and about anything he'd discussed with his vet regarding her health.

In response Mr M told Allianz that his dog had had a gastric blockage because she'd swallowed a conker in October 2014. I think it was fair for Allianz to add the exclusions for gastro-intestinal/digestive system disorders and intestinal foreign body from the policy start date.

Allianz removed the gastro-intestinal/digestive system disorder exclusion. So the questions I need to decide are whether it fairly retained the intestinal foreign body exclusion and whether it was fairly entitled to add the scavenging exclusion.

the intestinal foreign body exclusion

Mr M says that his dog is not a scavenger. He will know his dog best, but I can't ignore the fact that his vet has recorded that she's a scavenger in the veterinary notes in October 2014 and again in December 2016. His vet has also said that this is fairly common behaviour (rather than saying his dog is not, in fact, a scavenger).

So I think Allianz was entitled to rely on the veterinary evidence that Mr M's dog is a scavenger. So the next question is whether Allianz has reviewed the exclusion properly and in line with its own underwriting guidelines.

I think Allianz has given Mr M rather confusing information about the circumstances in which the intestinal foreign body exclusion would be reviewed. He's reasonably made the point that his dog had been clear for six months following a 'one off' incident. His dog hadn't swallowed any more conkers despite having plenty of opportunity.

The 'six months' timescale doesn't appear in the underwriting guidelines. But Mr M took out the policy in March 2016. So the 24 months period from the original incident would have expired around six months later, in October 2016. I think this is what Allianz meant when it said when it said it would have reviewed the exclusion after six months if it was a one off incident.

But in addition to being clear for 24 months, the underwriting guidelines also require a behavioural assessment. I understand Mr M's point that the December 2016 incident wasn't due to scavenging. But his vet would also have to confirm that the dog wasn't showing scavenging behaviour. Given the comments in the notes, I don't think a behavioural assessment would have resulted in Allianz removing the exclusion.

Mr M's dog's scavenging behaviour presented a risk to Allianz. It wasn't a pre-existing condition but rather a risk it wasn't prepared to cover. I don't think it acted unfairly by refusing to remove the intestinal foreign body exclusion, which was placed on the policy from the start date.

the scavenging exclusion

An insurer can add an exclusion backdated to the start of the policy only if it can show that the policy holder should have disclosed something at the time they applied, and the insurer can show it would have added the exclusion if they had mentioned it.

Mr M told Allianz that his dog had swallowed a conker, which had caused a gastric blockage. So he clearly made Allianz aware that his dog had swallowed a foreign body. Its underwriting guidelines for the 'intestinal foreign body' exclusion are for scavenging or scavenging behaviour, so this was a risk it had identified at the outset. So it had the opportunity to put an exclusion for scavenging on the policy from the start date.

As Mr M told Allianz about his dog's behaviour it's not fair or reasonable for it to add the scavenging exclusion to the policy retrospectively. If it had wanted to add the exclusion to a lifelong policy it had to do this at the outset. So I intend to require it to remove the scavenging exclusion from the policy, with effect from the policy's start date.

I think Allianz has been unclear about its reasons for adding the scavenging exclusion and the timescales for removing the intestinal foreign body exclusion. I think this has caused Mr M some inconvenience and frustration, so I also intend to award him £100 compensation for this."

So in summary, I said intended to uphold this complaint in part. I intended to require Allianz to remove the scavenging exclusion from the policy, with effect from the policy's start date. I also intended to require Allianz to pay Mr M £100 compensation for inconvenience.

responses to my provisional decision

Mr M responded to say that he thought my decision seemed very fair.

Allianz didn't accept my provisional findings. It said the following:

- It sent some more evidence from its technical underwriting team for me to consider. This explained in more detail how it placed the exclusions on Mr M's policy.
- It placed the exclusions correctly based on what it was told about at inception. When it received the dog's full clinical history it came to its attention that the dog was a 'known scavenger'. So at that point it added the exclusion for scavenging.
- It could remove the gastro-intestinal/digestive system disorders exclusion because the dog had been clear of a foreign body for six months. This was in line with its underwriting guidelines which it sent to me. It retained the foreign body exclusion, alongside the exclusion for scavenging.
- If it had been made aware the dog was a scavenger from the outset it would have shown the scavenging exclusion on the policy at the outset, together with the review criteria. It explained this in more detail:
 - it would not make the assumption that a pet who had ingested a foreign body once (such as a conker) was a scavenger. The dog could have been playing with it (or a stick, or ball) and swallow it. It considers scavenging to be a habitual

behaviour, which is why it would only underwrite in this way if the dog was a known scavenger. The information given by Mr M (that his dog had swallowed a conker) didn't require further questioning as it was detailed as a one off incident. It was only on receipt of the medical history that it noted the dog was a scavenger, and so it added the exclusion from inception.

- Given the above Allianz disputes that compensation should be awarded, as it has placed the exclusions consistently, in line with its underwriting guidelines.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've carefully considered all the evidence, including Allianz' most recent submission. I still intend to uphold this complaint in part, for the reasons set out in my provisional decision (set out in full above) and here. I'll explain why, with reference to the points that remain in dispute – the scavenging exclusion and compensation.

As I've explained, a consumer must take reasonable care when answering an insurer's clear questions. The key issue here is the consumer's knowledge of his dog. Mr M has argued clearly and consistently that he didn't think his dog was a scavenger. Rather she'd swallowed a conker as a one-off incident. At the point he answered Allianz' questions there's no evidence the dog swallowing a conker was any more than a one-off incident.

I do accept Mr M's vet has recorded in the dog's notes that the dog is a 'known scavenger', but the important point is that Mr M didn't think his dog was a scavenger at the time he applied for the policy. He thought his dog had swallowed a conker as a one-off incident. I still think he took reasonable care in answering Allianz' questions, so it can't now retrospectively add a scavenging exclusion to the policy.

Allianz is entitled to take the dog's medical history into account when deciding whether or not to remove the exclusions it placed on the policy from the outset; that is, the exclusions Mr M knew would be imposed when he took out his lifelong pet insurance policy. But I don't think it's fair for Allianz to apply, retrospectively, the policy exclusion for scavenging. The scavenging exclusion wasn't based on Mr M's knowledge of his dog. Rather it was added retrospectively following Allianz' review of the dog's clinical notes following a request to remove the existing exclusions.

Allianz disputes that compensation should be awarded as it says it has placed the exclusions consistently, in line with its underwriting guidelines.

I can see that Allianz has different time limits for review based on the individual exclusions, given the information it has now given me in response to its provisional decision. Its underwriter has added some helpful additional explanatory notes.

But the reason I think it's fair to award compensation is that Allianz didn't explain this to Mr M. It quoted to him various different timescales for reviewing the exclusions, which were confusing. Even when I asked for information about the time limits before issuing my provisional decision Allianz didn't give a complete explanation. I think the lack of clear explanation caused Mr M inconvenience and I am still of the view that £100 compensation is a fair and reasonable award.

my final decision

I uphold this complaint in part. I require Allianz Insurance Plc to remove the scavenging exclusion from the policy, with effect from the policy's start date. I also require Allianz Insurance Plc to pay Mr M £100 compensation for inconvenience.

Allianz Insurance Plc must pay the total compensation within 28 days of the date on which we tell it Mr M accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision until the date of payment at 8% per year simple*.

*If Allianz Insurance Plc considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr M how much it's taken off. It should also give Mr M a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 February 2018.

Amanda Maycock
ombudsman