

The complaint

Mrs N has complained that Allianz Insurance Plc trading as Petplan added an unfair exclusion to her horse's insurance policy. Mrs N thinks the exclusion is too broad.

What happened

Mrs N took out insurance for her horse with Allianz in May 2020. Allianz said it received claims for suspensory ligament damage in a hind limb in May 2021.

The policy was renewed in May 2022. In July 2022 Mrs N told Allianz that her horse had changed to a different policy activity group. Allianz realised it should have added an additional exclusion on the last renewal. It told Mrs N it was adding an exclusion in respect of tendons and/or ligaments for both hind limbs due to the previous claim for hind limb lameness.

Mrs N thought this was too broad and that instead the exclusion should be narrowed down to an injury to the same ligament that had previously been injured.

Allianz said the exclusion was fair because an affected tendon or ligament can cause strains and further issues in other tendons or ligaments in both the affected leg or the bilateral limb. It said it might be able to narrow the exclusion to the affected limb if the horse had been sound for six months. It further said if the horse had been sound for 12 months, the exclusion could be limited to the affected tendon/ligament.

I issued a preliminary decision explaining why I was minded to uphold the complaint in part. An extract from my provisional findings is set out below:

"When a customer notifies an insurer about some form of change to their circumstances during the course of their insurance contract, this is referred to as a mid-term adjustment. What this means is that the contract of insurance is being updated or modified at the request of either the customer or the business due to a change in circumstances or a change in the key details. Once a change has been requested, the insurer will have to review the new information and decide what it means for the policy. Depending on the outcome of that review, the terms of the policy may change.

My role here is to decide whether Allianz treated Mrs N fairly during a mid-term adjustment to the policy. I don't think it did. I'll explain why.

Allianz has told us that when the horse's activity group was changed, it realised that on the previous renewal it hadn't added the exclusion for claims relating to tendons and/or ligaments for both hind limbs due to the previous claim for hind limb lameness.

I think the only elements of the policy which should change on a mid-term adjustment are those which are relevant to the change of circumstances (in this case, the change in horse's activities) and significant in terms of risk. It shouldn't be used as an opportunity to correct an oversight on the insurer's part.

Therefore I provisionally think it wasn't reasonable for Allianz to add this exclusion as part of a mid-term adjustment. To put things right I think Allianz should remove the exclusion from the policy.

I also think Allianz should make a payment to Mrs N to reflect her inconvenience in having to deal with this matter. In the circumstances I think the sum of £100 is fair and reasonable."

In response Allianz agreed to remove the exclusion it added to the policy in July 2022 but said it would look to include it again on renewal. Mrs N was also concerned about the renewal terms.

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.

As neither party objected to my provisional findings, I see no reason to change them.

However, this wouldn't preclude Allianz from including such an endorsement when the policy comes up for renewal. That's because it's a commercial decision for Allianz as to whether to include an endorsement in the terms and conditions of the cover it's willing to offer. The documents I've seen indicate the policy is an annual one, so Allianz can propose changes to the policy and it would be for Mrs N to decide whether to accept a policy on those terms.

My final decision

For the reasons set out above, I uphold this complaint and require Allianz Insurance Plc trading as Petplan to remove the exclusion for tendons and/or ligaments in both hind limbs from her policy which began in May 2022 and to pay her £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 17 July 2023.

Elizabeth Grant
Ombudsman