

The complaint

Mrs P has complained that Liverpool Victoria Insurance Company Limited (LV) unfairly declined a claim on her pet insurance policy.

What happened

Mrs P took out a pet insurance policy for her dog with LV in March 2019.

In 2022 Mrs P made a claim for the removal of a lipoma (benign tumour) from her dog's right chest wall.

LV declined the claim on the ground that the policy didn't cover pre-existing conditions. It said the dog's clinical history showed that she had had a lipoma on a different part of her chest in 2017 before the policy started.

Mrs P provided evidence from her vet that the two lipomas were on different parts of the chest and only the later lipoma was removed. LV didn't change its decision. It said that according to the policy terms if a condition occurs or recurs in a different part of the body at a later date, the start of the treatment will be taken as the date the pet first visited a vet for the condition.

When Mrs P called LV to make the claim, she told them that her address had changed two years previously. She was told that her premium would increase by over £70 a year. LV said that the change in address had led to an increase in the premium.

In March 2023 LV told Mrs P that the underwriter and provider of the insurance policy had changed. Mrs P wasn't happy with that and thought that was the reason for her claim being declined as she always been very happy with LV up to that point.

Mrs P cancelled the policy. She thought LV had only allowed her to do that in order to avoid paying her claim.

Mrs P brought a complaint to this service. I issued a provisional decision upholding her complaint in part.

In my provisional findings I noted that Mrs P's policy, like many other pet policies, doesn't cover pre-existing conditions. There is an exclusion in the policy for the cost of any treatment for a pre-existing condition. A pre-existing definition is defined as:

“Any illness, injury, behavioural problem or vicious tendency, or any signs of illness, injury, behavioural problem or vicious tendency that occurred or existed in any form before the start date of the policy; and

Any illness, injury, behavioural problem that was previously covered by a policy with us and had reached either the monetary limit or time limit that applied to that condition; and

Any illness, injury or behavioural problems or any signs of illness or behavioural problems that occur within the waiting period.”

The policy also set out the position with regard to related, recurring, ongoing and bilateral conditions. It said:

*“Related illnesses and/or injuries include conditions that are likely to be recurring, ongoing or affect a part of the body that forms a pair eg knees, feet, shoulders, eyes, ears. A related illness that affects more than one part of the body will be treated as one condition. Related conditions are treated as one condition and this includes payment of the veterinary fees excess. This is the way the policy works rather than it necessarily being a scientific fact, so **your vet** may state that conditions are not technically related but **your policy terms** requires **us** to treat them in this way.”*

So I provisionally thought it was clear that the policy terms provided no cover in Mrs P’s situation based on a strict interpretation of them. I said I needed to consider whether LV had acted fairly in relying on this exclusion to decline the claim.

Our general approach to related conditions is that unless there is evidence that establishes the first condition led to the second condition or the second condition was noted as likely to happen at some point in the future at the time of the first condition being diagnosed, they should be treated as two independent conditions.

The first mass/lipoma described by Mrs P’s vet as “*smaller, insignificant*” was first noticed by a vet in February 2017 and didn’t have to be removed. The later and larger lipoma was noted in February 2021 which is after the policy started.

In my opinion it was unreasonable for LV to link these two separate lipoma incidents. I said I hadn’t seen any evidence to suggest that Mrs P’s dog has a predisposition to lipomas or that there was an underlying causal link between them.

I said in the absence of persuasive evidence of such a connection, I was minded to uphold Mrs P’s complaint about the decline of her claim.

With regard to the complaint about the increase in premium, insurers consider a variety of factors when calculating the premium for a policy. The premium can vary depending on the insurer, the individual circumstances of the policyholder and in particular the risks the insurer is being asked to cover. Each insurer is entitled to take its own view on how to assess the relevant risks and set the premium.

In this case LV explained that Mrs P’s address is a rating factor and it took into account vets’ fees and the number of claims in that postcode area to calculate the new premium. In my opinion LV has been able to explain satisfactorily why Mrs P’s premium increased after her move and it treated her fairly and consistently in line with its general approach to pricing.

Although the underwriter of the policy changed with effect from 13 March 2023, LV said it would continue to handle claims made under the policy. In any event Mrs P’s claim was decided before the underwriter changed. So I wasn’t persuaded the change had impacted the way LV dealt with the claim.

Under the terms of the policy Mrs P was entitled to cancel it. LV was obliged to allow her to do this. So I wasn’t persuaded it only did so because she had an ongoing claim.

In response LV made the following points:

- It’s standard in pet insurance policies to exclude pre-existing conditions.
- It hadn’t applied the exclusion “*strictly*” but rather as it would for any other customer in the same situation.

- Regardless of whether one lipoma was caused by the other, they had the same clinical diagnosis and so should be classed as one condition.
- They referred to other decisions where I had found it reasonable for the claim to be declined in similar circumstances.

Mrs P referred me to a letter from her vet which stated that the lipoma which was the subject of this claim was *“completely unrelated to any previously and it is our professional opinion that this should not be classed as a pre-existing condition by the insurance company.”*

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.

I agree that it is standard in pet insurance policies to exclude pre-existing conditions. I also don’t doubt that LV has treated Mrs P in the same way that it would any other customer in the same situation although that doesn’t necessarily mean its treatment was fair. Similarly, I agree that the lipoma in 2017 and the one removed in 2022 had the same clinical diagnosis, that is that they were non-cancerous fatty lumps known as lipomas.

Whether it’s fair for an insurer to apply the exclusion in one case and not another is not a precise science. There are a number of factors which I take into account and each case is decided on its own facts. One of the points I take into consideration is the period of time that has elapsed between the two conditions presenting- in this case it was a relatively long time of about four years. Another is how the conditions were treated. In this case the first lipoma doesn’t appear to have caused any problem for the dog and was only noticed during a routine health check. The vet didn’t recommend it be removed as was the case with the later one.

I’ve taken everything LV has said into account. However I find it hard to disagree with the opinion of Mrs P’s vet who has said there was no connection between the lipoma found in 2017 and the removal of the one that was claimed for.

So overall I do not think it would be fair for LV to rely on the exclusion to refuse the claim in the particular circumstances of this case.

My final decision

For the reasons set out above, I uphold this complaint and require London Victoria Insurance Company Limited to settle Mrs P’s claim subject to the other terms and conditions of the policy and to pay interest on any amount paid to her at the simple rate of 8% from the date her claim was made until payment.

If London Victoria Insurance Company Limited considers that it’s required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs P how much it’s taken off. It should also give Mrs P a tax deduction certificate if she asks for one so that she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs P to accept or reject my decision before 15 September 2023.

Elizabeth Grant
Ombudsman