

The complaint

Mr and Mrs E are unhappy that Zurich Assurance Limited declined a claim made under their personal protection insurance policy, which includes critical illness benefit for their children ('the policy').

What happened

I issued my provisional decision, explaining why I was intending to partially uphold this complaint. I also explained why I was intending to direct Zurich to do something different to put things right compared with our investigator.

An extract of my provisional decision is set out below:

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Zurich has an obligation to handle complaints fairly and promptly. And it mustn't unreasonably decline a claim.

The policy schedule confirms the following benefit:

£25,000 payable if a child covered by the policy is diagnosed with a critical illness as defined in the Terms and Conditions.

Under the policy terms the following is listed under children's critical illness cover:

Craniosynostosis – requiring surgery

A definite diagnosis of craniosynostosis by a consultant neurosurgeon which has been treated surgically.

The policy terms also say:

We will not pay a claim for children's critical illness cover...if;

- The life assured or their partner were aware of an increased risk, or had received counselling or medical advice in relation to an increased risk, of the child suffering the condition relating to the cause of the claim before the child was covered by the children's cover.

Zurich has relied on this term to decline a claim for Mr and Mrs E's daughter's claim for the children critical illness benefit under the policy. For ease, I'll refer to their daughter as 'their third child'.

For the reasons set out below, I don't think that decision was fair and reasonable in the circumstances of this case. I don't think that it has been fairly established that Mr and Mrs E were aware of an increased risk that their third child would have Craniosynostosis before she was covered under the policy.

It isn't disputed that Mr E was diagnosed with Craniosynostosis as a baby and had surgery for this. I don't know the type of Craniosynostosis Mr E had. However, in its final response dated February 2025, Zurich says its Chief Medical Officer ('CMO') accepts that genetic factors don't usually play a part in non-syndromic scaphocephaly (the form of craniosynostosis their third child has) – although it's possible that a genetic basis might exist.

That's consistent with the information provided by Mr and Mrs E from a leading children's hospital based in the UK which says:

The cause of sagittal craniosynostosis is not yet known. There may be a genetic basis to the condition as it seems to be passed on from parent to child in a small number of families but the gene affected has not been identified. Some people believe that the cause of sagittal craniosynostosis is the position of the baby while in the womb altering the head shape. More research is needed to identify the cause of sagittal craniosynostosis.

And:

As the gene mutation causing sagittal craniosynostosis has not yet been identified, genetic testing is not helpful in most cases...

Mr and Mrs E also have two older children, who had not been diagnosed with craniosynostosis.

Zurich has relied on the fact that Mr and Mrs E's second child was investigated for craniosynostosis.

Mr and Mrs E say that her birth was traumatic and required intervention. I've got no reason to doubt what they say about that and accept their submission on this point. Mr and Mrs E later noticed that her head was a different shape to their first born. They say that their GP wasn't concerned and said that her head was normal shape for a baby of her age. They wanted a second opinion and paid privately for this, but it was again confirmed that she didn't have it.

In the circumstances of this case, I don't think it's fair and reasonable for Zurich to conclude that Mr E having had the condition as baby and their second child being investigated but ultimately not having Craniosynostosis means that Mr and Mrs E was aware of an increased risk of their third child being born with this condition before taking out the policy, or before their third child was added to the policy.

After their second child was born, they did want to get a second opinion whether she had the condition, but she didn't. I don't think it would be fair to reasonably find that this means they were aware of an increased risk that their third child would have craniosynostosis.

At the time of taking out the policy, Mrs E was pregnant with their third child. I've seen no evidence that they'd been advised that there was an increased risk of their (at that time) unborn child having craniosynostosis – or before she was added to the policy. The medical evidence supports that the first time this was raised was at the eight-week development appointment (which took place when she was ten weeks' old).

However, for the policy definition of 'Craniosynostosis – requiring surgery' to be met, there's needs to be more than a diagnosis. The condition has to have been treated surgically.

Zurich's CMO has said: "reconstructive surgery is inevitable" and Mr and Mrs E has provided

medical evidence that their third child is on the NHS waiting list for surgery. However, until that happens, I don't think their third child meets the policy definition of having a critical illness.

If the policy is still active when the surgery takes place, Mr and Mrs E would be free to resubmit the claim for the children critical illness benefit in respect of their third child's craniosynostosis. And I would reasonably expect Zurich to reassess that claim under the remaining terms of the policy taking into account my findings above about whether Mr and Mrs E were aware of the increased risk of their third child being diagnosed with craniosynostosis before she was covered under the policy.

Because I'm satisfied that the principal reason relied on by Zurich to decline the claim wasn't fair and reasonable - and that it should've better explained to Mr and Mrs E that the definition of the children's critical illness being claimed for hadn't yet been met because surgery hadn't taken place - I'm satisfied that Mr and Mrs E were put to additional and unnecessary distress challenging the claim decline.

I'm intending to direct Zurich to pay £200 total compensation to Mr and Mrs E for the impact on them.

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I invited both parties to provide any information for me consider in response to my provisional decision.

In summary, Mr and Mrs E provided assurances that the surgery will be taking place as it was unavoidable. They were concerned that the policy could be ended before surgery took place, depriving a potential benefit being made under the policy. They also explained how stressful it has been challenging Zurich about its decision to decline the claim on the basis that they were aware of an increased risk.

Zurich didn't agree with my provisional findings. It referred back to its earlier communications in support of its decision to decline the claim. It also said that there is no medical underwriting of children when it comes to child critical illness cover. Instead, Zurich relies on the pre-existing exclusions set out in the policy terms and conditions to mitigate against children being covered with existing medical risks. It maintained that by having their second child tested privately for craniosynostosis is proof that Mr and Mrs E were concerned about an increased risk.

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.

Having done so, I'm satisfied that there's no compelling reason for me to depart from my provisional findings.

I'm satisfied that their third child hasn't yet had surgery, so the policy definition of child critical illness hasn't been met. The policy end date is stated to be 2064. And although the policy terms do set out the circumstances when it can be cancelled, if Zurich sought to rely on one of these reasons to cancel the policy, it would need to act fairly and reasonably by doing so.

I'd previously considered the points raised by Zurich in response to my provisional decision when provisionally deciding this case. I've explained why I don't think it's fairly relied on the

following term to decline the claim:

We will not pay a claim for children's critical illness cover...if;

- The life assured or their partner were aware of an increased risk, or had received counselling or medical advice in relation to an increased risk, of the child suffering the condition relating to the cause of the claim before the child was covered by the children's cover.

I remain satisfied that it's not fair and reasonable to conclude that Mr and Mrs E were aware of an increased risk that their third child would have craniosynostosis before she was covered under the policy.

In the circumstances of this case, I'm not persuaded that the fact their second child was investigated for craniosynostosis (and didn't have it) meant that Mr and Mrs E were aware of an increased risk that their third child would be born with this condition.

For these reasons, and for reasons set out in my provisional decision (an extract of which is set out above and forms part of this final decision), I partially uphold this complaint.

My final decision

I partially uphold this complaint to the extent set out above. I direct Zurich Assurance Limited to put things right by paying Mr and Mrs E £200 total compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs E to accept or reject my decision before 15 January 2026.

David Curtis-Johnson
Ombudsman