

The complaint

Mr C and Miss C complained that Zurich turned down their claim under their Residential Property Owners insurance policy following damage to an underground pipe at the insured property. They also complained about the fact that Zurich revised the renewal premium for the policy after they made the claim.

Any reference to Zurich includes its agents.

What happened

Mr C and Miss C made a claim under their policy after they were told by a plumber that the water pipe to the insured property was leaking.

Zurich turned down Mr C and Miss C's claim. It said this was because the damage to the pipe had not been caused by a specified insured event. Zurich said that if Mr C and Miss C had accidental damage cover under their policy it would have investigated the cause of the damage to the pipe and considered their claim further.

Mr C and Miss C had the damaged pipe replaced. They also complained to Zurich about it turning down their claim and the fact Zurich had revised the renewal premium after they'd made the claim. Zurich issued a final response letter saying it was satisfied its decision to turn down the claim was correct. However, it said the insurance broker who arranged the policy would deal with Mr C and Miss C's complaint about the revised renewal premium. The broker then issued a final response on this complaint in which it effectively said Zurich was entitled to amend the renewal premium as there had been a claimable event after the original renewal invite had gone out, but before the policy had actually renewed.

Mr C and Miss C asked us to consider their complaints about Zurich.

One of our investigators considered Mr C and Miss C's complaint about Zurich's rejection of their claim. But she decided to consider their complaint about the renewal premium, as a separate complaint about Mr C and Miss C's insurance broker.

On the claim, the investigator said Zurich should meet Mr C and Miss C's claim. And she explained that she thought it should cover the cost of tracing the leak, as well as the cost of replacing the water pipe.

Zurich initially accepted the investigator's view that it should cover the cost of tracing the leak, although it later said it didn't agree on this point. And it said it didn't agree it should have to meet the claim for replacing the pipe because the pipe that was leaking had not been damaged by an insured event.

As Zurich didn't agree with the investigator's view on the case, the complaint was passed to me for a decision.

I issued a provisional decision on the complaint on 23 March 2026, in which I set out what I'd provisionally decided and why as follows:

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

I have firstly considered Mr C and Miss C's complaint about the revised renewal premium. This is because the decision to revise the premium after they made their claim was down to Zurich. And Zurich effectively delegated responsibility for dealing with this complaint to Mr C and Miss C's broker. But Mr C and Miss C did complain about this to Zurich.

I asked Zurich to provide evidence to justify the increase in premium at renewal, but it declined to do so and said Mr C and Miss C's broker had dealt with this issue. However, setting the renewal price was part of effecting the contract of insurance Mr C and Miss C had with Zurich. And this means it was Zurich's responsibility.

I have noted Mr C's comments in his complaint submission about Zurich's offer to renew the policy at £194.29 and, his and Miss C's agreement for the policy to automatically renew at this price, meaning that Zurich entered into a legally binding contract with them at this price. However, I do not agree Zurich entered into a legally binding contract with Mr C and Miss C at £194.29. This is because until the policy renewed there was no legally binding contract. In insurance law the offer was Mr C and Miss C's implied request to allow their policy to renew at £194.29. But the contract would only have been complete if Zurich had accepted this offer by renewing the policy at this price. It didn't do this, so I do not consider Zurich was bound by its renewal invitation to renew the policy at £192.29, following Mr C and Miss C's implied request to renew at this price.

Once Mr C and Miss C had made their claim, the risk, so far as Zurich was concerned, had changed. And because this happened before the policy had renewed it means Zurich was entitled to take this into account and revise its renewal offer. Of course, this should have been made clear to Mr C and Miss C when they were provided with the renewal documents. But I consider this was their broker's responsibility, not Zurich's.

*The problem I have is that Zurich has not provided the evidence I need to show that the premium increase was fair and reflected the revised risk the insured property represented due to the claim Mr C and Miss C had made. This leaves me with no other option than to provisionally uphold their complaint about the increased premium on the basis Zurich hasn't justified it. And I think that the fair and reasonable outcome to this aspect is for Zurich to honour the original renewal premium it quoted and refund the difference between this and what Mr C and Miss C paid to renew their policy, plus interest at 8% per annum simple to compensate them for being without these funds.
Turning now to Mr C and Miss C's claim.*

I think there are three key parts of the policy, plus the policy schedule that are relevant considerations for me in deciding whether Zurich should meet part or all of Mr C and Miss C's claim.

The first consideration is whether the cost of tracing the leaking pipe is covered by their policy. And I don't think it is. I'll explain why.

Mr and Mrs C's policy covers damage to the 'Buildings' at the insured property. Buildings is defined as follows:

The buildings at the premises including:

- a) Landlord's fixtures and fittings and decorations*
- b) private garages, outbuildings, yards, forecourts, car parks, pools, hard courts, patios*

and terraces

- c) i) roads and pavements, associated lamp posts and other street furniture
- ii) garden machinery, garden landscaping and paving, garden furniture, trees and plants but only to the extent of your responsibility
- d) walls, gates, fences, canopies, fixed signs, communication aerials and closed-circuit surveillance equipment
- e) piping, ducting, cables, wires and associated control gear and accessories on the premises and extending to the public mains, but only to the extent of your responsibility
- f) fixed glass or polycarbonate substitutes including mirrors, fixed glass in furniture, plate glass tops, ceramic hobs, solar glass heating panels, double-glazed units, intruder alarm foils and fixed sanitaryware for which you are responsible.

This means that buildings includes the water pipe servicing the insured property. However, the policy also lists what it describes as 'Insured Perils'. And, although in my opinion the policy wording is poorly set out, I think it is clear enough on the fact that only damage caused by the listed insured perils is covered by the policy.

These insured perils include 'Water Damage' which was mentioned by our investigator and is defined as 'Escape of water from or freezing of water in any fixed water installation'. But the damage to the leaking pipe at the insured property was not caused by an escape of water. Water was escaping from it, but this doesn't mean the damage to the pipe itself is covered or the cost of replacing it.

The only other relevant insured peril is accidental damage. But it is clear from the policy schedule that this insured peril is not in operation under Mr C and Miss C's policy, as it says in the policy document it is only in operation if the policy schedule says it is. And Mr C and Miss C's policy schedule doesn't say it is; in fact it actually says that it is not. This is because they did not take up the option of having this cover.

I have noted Mr C's comment that many property insurance policies provide cover for accidental damage to underground pipes as standard, even if they don't cover accidental damage generally. And he is right on this. But, unfortunately, the policy he and Miss C have doesn't provide this cover as standard.

Therefore, I do not think Zurich needs to settle Mr C and Miss C's claim for the cost of replacing the leaking water pipe at their property.

Mr C and Miss C's policy also provides cover for what the policy describes as 'Water Damage Tracing Costs'. The cover for this is set out in the policy document as follows: Costs and expenses which you incur with our consent to locate the source of damage to the buildings due to an escape of water, including subsequent repair to walls, floors or ceilings. We will not pay more than £5,000 any one claim and £25,000 in any Period of Insurance. The reason I don't think the cost of tracing the leak at Mr C and Miss C's policy is covered under this section of the policy is because the cost they incurred was not to locate the source of damage caused to the insured property due to an escape of water. It was to check whether the water pipe servicing the insured property was leaking. As far as I can see, there was no damage to the insured property at all. The driveway and garden, which the pipe is underneath, do count as part of the buildings at the insured property, but they weren't damaged.

As I've already mentioned, the pipe itself would also count as part of the buildings, but the damage to it was not caused by an escape of water. So, the cost of tracing the damage to the pipe itself is not covered by the policy either.

Mr C and Miss C's policy also provides cover for loss of metered water. This covers the extra cost they incur as a result of the loss of metered water following damage which they are unable to recover from any other party. So, if Mr C and Miss C had lost metered water and had paid for it themselves and were not passing the charge on to their tenants, they could claim for this loss. But, as I understand it, the tenants pay the water bill, so Mr C and Miss C do not have a valid claim under this extension of cover.

In summary, for the reasons I've set out above, I am satisfied that Zurich's decision to turn down Mr C and Miss C's claim in respect of the leaking pipe at the insured property was reasonable.

However, I do not consider Zurich has justified the increase in the renewal premium. And I think it needs to refund the extra Mr C and Miss C paid as a result of this increase, plus interest.

My provisional decision

For the reasons set out above, I've provisionally decided to partly uphold Mr C and Miss C's complaint about Zurich Insurance Limited and require it to refund the difference between the original renewal premium quoted and the premium they paid, plus interest at 8% per annum simple from the point they paid it to the point it is refunded.

I have provisionally decided not to uphold Mr C and Miss C's complaint about Zurich's decision to turn down their claim.

I gave both parties until 6 April 2026 to provide further comments and evidence in response to my provisional decision.

Zurich has not provided any further comments or evidence.

Mr C and Miss C have responded with the following further comments:

Their central concern is whether Zurich had a reasonable basis to reject their claim. This is because in its final response it said another unknown peril caused the leak in the first place, whereas it initially declined the claim on the basis that the damage to the water pipe was caused by accidental damage, which their policy does not cover. These positions are inconsistent. And no inspection or investigation was carried out to determine the cause of the failure of the water pipe before their claim was declined. This means Zurich declined the claim because no insured peril had been established, while at the same time taking no steps to establish whether such a peril may have been present.

Their claim was submitted as 'Damage to Underground Services (not Escape of Water)' and – whatever the ultimate interpretation of the policy - they do not consider it fair or reasonable for their claim to be rejected without Zurich first establishing the relevant facts. And they have quoted the relevant sections from the Financial Conduct Authority (FCA) Handbook on claim handling by an insurer, which requires Zurich to assess claims fairly and not unreasonably reject them.

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, it remains my view that Zurich's decision to decline Mr C and Miss C's claim was fair and reasonable. And that it acted in accordance with its obligations in the FCA

Handbook in doing so. This is because it is for an insured person or persons to establish that they may have a valid claim in the first instance. And, until they do this, I would not expect an insurer to carry out an extensive investigation. And I do not think Mr C and Miss C ever established they may have a valid claim under their policy.

When Mr C and Miss C told Zurich the water pipe serving the insured property was leaking, Zurich considered what they'd said and correctly pointed out that it was likely to be caused by accidental damage, which their policy didn't cover. I presume Zurich said this because it was clear the pipe had not been damaged deliberately. And, if the damage wasn't caused deliberately, it must have been caused accidentally. When Mr C challenged this Zurich then said there was no other insured peril that it could see had caused the damage. And I assume that in doing so, it was simply trying to point out to Mr C and Miss C that only damage to the buildings (as defined in the policy) caused by an insured peril was covered by their policy.

As I explained in my provisional decision, there is no obvious evidence to suggest the water pipe was damaged by an insured event. It seems to me most likely the damage to it was due to wear and tear or some other external accidental means. But, in my opinion, Mr C and Miss C haven't provided any other evidence at all that suggests the pipe could have been damaged by an insured peril, to warrant Zurich carrying out an investigation to check whether this is the case. So, as things stood at the time Mr C and Miss C made their claim and Zurich issued its final response, I think its decision to decline the claim was reasonable.

I have noted Mr C and Miss C's point that their claim was submitted as a claim for damage to underground services. However, their policy doesn't specifically mention damage to underground services. The water pipe serving the insured property is of course an underground service. But damage to this is only covered if it was caused by an insured peril. And, as I've already said, there is nothing to suggest that it was damaged by one of the insured perils listed in the policy.

Turning now to the revised renewal premium charged by Zurich after Mr C and Miss C made their claim. As Zurich hasn't provided the further evidence needed to justify the increase in the premium, I see no reason to alter my view that Zurich should refund the difference between the original renewal premium and the revised premium it charged Mr C and Miss C, plus interest.

My final decision

For the reasons set out in my provisional decision, I have decided to partly uphold Mr C and Miss C's complaint. And I require Zurich Insurance Company Limited to refund the difference between the original renewal premium quoted and the premium they paid, plus interest at 8% per annum simple from the point they paid the revised renewal premium to the point the refund is made.

However, I have decided not to uphold Mr C and Miss C's complaint about Zurich's decision to decline their claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Miss C to accept or reject my decision before 5 May 2026.

Robert Short
Ombudsman