

Treasury Committee

Oral evidence: Insurance companies, HC 1189

Tuesday 8 July 2025

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Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Rachel Blake; Chris Coghlan; John Glen; John Grady; Dame Siobhain McDonagh; Lola McEvoy.

Questions 1 - 121

Witnesses

I: Alistair Hargreaves, CEO, UK Insurance, Admiral Group plc; Jon Walker, CEO, AXA Commercial, AXA; Jason Storah, CEO, UK General Insurance, Aviva; Jeremy Ward, Managing Director, Insurance, Lloyds Banking Group, and Managing Director, General Insurance, Scottish Widows.

Examination of witnesses

Witnesses: Alistair Hargreaves, Jon Walker, Jason Storah and Jeremy Ward.

Q1 Chair: Welcome to the Treasury Select Committee on Tuesday 8 July 2025. Today, we are talking to the major insurance companies in the UK about the insurance market as part of some work that we are doing to look at how this is affecting consumers. Also, insurance companies are potential major investors, and of course the Government have a mission to drive growth and investment, so we have a number of topics to discuss with our witnesses today.

I am pleased to welcome Jon Walker, chief executive of AXA Commercial, Jeremy Ward, managing director for general insurance at Scottish Widows/Lloyds Banking Group, Alistair Hargreaves, chief executive officer of UK insurance at Admiral, and Jason Storah, chief executive officer of UK general insurance at Aviva.

If I kick off, I will leave you out for a moment, Mr Ward, if I may. Three of you signed the Mansion House accord, which is a big issue under both this and the last Government, and something that both the current and the former Chancellor have leaned into. I have heard from some of your colleagues in insurance that there are not enough infrastructure projects in the UK to invest in, but you signed this accord. Mr Walker, are you convinced that there are enough UK infrastructure projects for you to

invest in under the accord?

Jon Walker: At AXA, we are very committed to the UK in terms of investments that we have today. We see the UK as a part of the world that we would like to invest more in moving forward. Understanding the pipeline of infrastructure projects will be incredibly helpful to us and will help provide certainty in terms of the upcoming projects that we may wish to invest further into.

Alistair Hargreaves: Admiral is general insurance, and the Mansion House accord is more life and pensions, so it is better if I let my colleagues answer on that.

Jason Storah: Aviva is the largest insurance company in the UK and we are very committed to investing in infrastructure. We have £40 billion invested in UK assets today, with £22 billion invested in UK infrastructure and property. With the Solvency II reforms, we are looking forward to investing £25 billion in critical infrastructure such as houses, schools and hospitals. We have £11 billion invested in UK equities, so we like investing in the UK. It matches our business really well and we are constantly in dialogue with the Government and other stakeholders about UK infrastructure and UK investment opportunities. Where and when we can invest more, we certainly will.

Q2 **Chair:** Mr Walker, you talked about the pipeline. We have the industrial strategy and the national wealth fund. Is there anything more that you need from Government to understand what that pipeline of future investment opportunities is?

Jon Walker: Understanding what the pipeline looks like will enable us to review and make investment decisions. I should probably point out that AXA is not a pension provider in the UK, but AXA Group invests £14 billion in UK assets, and the UK business invests £2 billion. For us, it is about understanding the pipeline in more detail.

Q3 **Chair:** What specifically do you need to know in order to align yourself with the pledges made in the accord?

Jon Walker: We adopt a neutral approach to projects and sectors. While being committed to the UK, we are particularly interested in projects and programmes around infrastructure, housing, health and decarbonisation. Understanding what the future looks like in that regard will play into our investment strategies moving forward for the UK.

Q4 **Chair:** Mr Storah, is there anything that you need specifically from Government?

Jason Storah: No. We have really good engagement with Government, and good line of sight on future projects and opportunities.

Q5 **Chair:** The Government claim that the accord will release £25 billion of investment into the UK, but is there a danger that that will just crowd out investment that would have happened anyway, because you are investing



HOUSE OF COMMONS

quite a lot anyway?

Jason Storah: No, I do not think so. We have a broad range of investment assets. As I said, we invest in a number of areas in the UK and beyond. We signed up to the Mansion House accord, and we are very comfortable with that commitment.

Q6 **Chair:** You are, but do you think that, because you are leaning in on this and pledging under the accord to make these investments, other investors may just walk away? It is difficult to judge, is it not?

Jason Storah: I do not know that I can answer, unfortunately, for other investors, but, at Aviva, we feel really good about this.

Q7 **Chair:** Mr Walker, do you have any thoughts on that?

Jon Walker: I would agree with Mr Storah.

Q8 **Chair:** Mr Ward, the Mansion House accord was presented as an option to sign, but Scottish Widows did not sign it. Can you explain why that was?

Jeremy Ward: We are hugely committed to investing in the UK. We have around £165 billion of discretionary assets, 21.5%, or £35 billion, of which is invested in the UK.

Q9 **Chair:** Why did you not sign the accord, then?

Jeremy Ward: Given our business model and strategy, we did not feel that it was right to sign up at this point in time. We are not an asset manager. We have a large annuities business, which is very heavily focused on UK investment. Some 65% of our annuities business is invested in the UK, and almost half of that is in infrastructure projects such as higher education and social housing. We have invested in things such as the Thames tideway. We have invested in a wind farm off the coast of Hull that is providing clean energy for over a million homes. We have a big commitment to investing in the UK and will focus on delivering on our commitments under the Mansion House compact, which we have signed.

Q10 **Chair:** Did you get any pressure from Government to sign?

Jeremy Ward: We have constant dialogue with the Government around a number of topics. We are engaged with them on a range of things in the pension space, including the Pension Schemes Bill. It is fair to say that we are in constant contact with them on these matters. The explanation and the dialogue that we have just had is the tone of the conversations that we have had with Government.

Q11 **Chair:** You do all this investment, so what was the issue about signing or not signing the accord? It is not a judgment. I am just interested to know.



HOUSE OF COMMONS

Jeremy Ward: Given the combination of factors that I have explained, we just did not feel that it fits with our business model at this point in time.

Q12 **Chair:** So you felt that it would push you into investments that perhaps you did not want to make.

Jeremy Ward: We just did not feel that it was right for our business model at this time.

Q13 **John Glen:** I am just a bit confused, really. In fairness to this new Government, they have come out and said that they are going to invest. They have an industrial strategy with more specificity than the previous Government's. They have been very clear about their massive commitment on capital investment. They have said how they are going to change the planning environment to make it more predictable.

The sense that I get from your collective answers is that there is no overriding sense that the gears have shifted and that there is a new landscape. What is it that is still missing with respect to the clarity over the future programme that is meaningful to you in terms of inhibiting those clear commitments on investment?

Mr Walker, you said that you want more clarity going forward, but what is it that is lacking? From my point of view, they have been quite clear on these things in terms of the aspirations.

Jon Walker: It is clarity and certainty over the timing of the pipeline moving forward. From an AXA perspective, we see the UK as a key part of the world that we invest in, and would like to invest more in, but our investment portfolio works on a case-by-case, project-by-project basis, and we have to strike the right balance between risk and reward in those investments. It is about as much clarity and certainty as we can get. That helps the investment decisions moving forward.

Q14 **Chris Coghlan:** Mr Walker, the Treasury has threatened mandation as a backstop to the accord. Can you explain what flexibility you would have under the accord that you would not have under mandation?

Jon Walker: We are not a pension provider in the UK. When we look at the investments that we make from our general accounts, £2 billion to £2.5 billion meets the 10% threshold. Moving forward, we would need flexibility, despite our commitment to the UK, in order to ensure that we can meet our solvency requirements and that we have the flexibility to make the right level of returns. That is where a mandatory approach may be somewhat pragmatic from investments generally, but I would just repeat that we are not a pension provider in that regard.

Q15 **Chris Coghlan:** Mr Storah, would you like to comment on the mandation point?

Jason Storah: We have signed the accord. We will do what we said we were going to do. We have, as I say, a large amount invested in the UK



HOUSE OF COMMONS

already. We have enough of a balance sheet to be able to make this investment and not hit up against any constraints. We do not need to be mandated to deliver on this.

- Q16 **Chris Coghlan:** Does the very fact that this accord exists send a poor signal about the attractiveness of the UK as an investment destination?

Jason Storah: I do not think that it sends a poor signal. It just signals the anxiety that the Government have about making sure that this happens. That is understandable, but 17 companies have signed the accord. We are all committed to it and will certainly deliver on it. The one thing that we are aware of is not wanting the mandation to create a friction point with fund managers and pension fund managers, and their day-to-day decisions on where best to invest for their customers at any point in time. As I said, we think we have enough flexibility to deliver on that accord without a problem.

- Q17 **Chris Coghlan:** Is part of the issue the attractiveness of inflation-linked gilts to pension funds distracting them from potentially investing in UK assets?

Jason Storah: Any pension fund manager is going to look at the best returns out there, and so having a diverse spread of investments and being able to invest a bit in perhaps some higher-yield assets is certainly going to be attractive. Again, we are confident that we can manage that.

- Q18 **Chris Coghlan:** Mr Ward, in terms of you not signing the accord, was part of the consideration due to concerns that you might breach your fiduciary duty to your investors, in that you are not maximising your return?

Jeremy Ward: Clearly, the fiduciary duty is an overriding principle that we need to maintain for our investors. We note the reserve power in terms of mandation in the Pension Schemes Bill. Clearly, that is a question for Parliament, and we know that it is being hotly debated at the moment. We have been clear that we probably would not support it, but recognising that fiduciary duty is the overriding principle for customers.

- Q19 **Chair:** Mr Storah, you very clearly laid out at the beginning the amount of money that is invested in the UK already. What percentage of the pension funds that you manage is invested in the UK?

Jason Storah: We have £120 billion invested in total, representing about 5.5 million pension savers. We have £60 billion invested in workplace pensions. We are one of the largest workplace pension holders. I have already mentioned the £40 billion and the £22 billion. Off the top of my head, I do not know the exact percentage.

- Q20 **Chair:** If you cannot give us the exact percentage, perhaps someone clever behind you can, not that you are not clever.

Jason Storah: Somebody a lot cleverer than I am can take that away, and we will follow up for sure.



HOUSE OF COMMONS

Chair: It would be good to have it by the end of the session, if we can.

Jason Storah: That would be great. I have two clever people behind me.

Chair: Otherwise I will have to write a letter, so they might prefer to get it over in the meantime.

Jason Storah: That is not a problem.

Q21 **Lola McEvoy:** Could I just follow up on that point? You have £120 billion invested in the UK at the moment. Is that right?

Jason Storah: It is £60 billion.

Q22 **Lola McEvoy:** Has that gone up since last year's Mansion House speech?

Jason Storah: It has gone up a small amount.

Chair: Movements will be small in a year.

Q23 **John Grady:** I would like to turn now to monthly payments of insurance charges, starting with Mr Storah. The FCA estimates that 20 million people pay for insurance monthly, with additional costs for consumers averaging 20% to 30%. The FCA has expressed concerns about this, specifically that it could be too high relative to credit risk and the cost of providing the service. As a yes/no question, are you absolutely confident that the additional costs for monthly premiums for motor insurance are reasonable?

Jason Storah: Yes.

Q24 **John Grady:** Are you absolutely confident that they reflect the credit risk and costs of providing this service?

Jason Storah: We have assessed how much we charge in APRs and interest rates, and we are at the lower end in terms of the ranges out there of all the insurance companies. We have also compared ourselves to the Government and what they charge for paying road tax monthly, for instance, and we think that we charge a fair amount. Just to bring it to life, on a £500 motor policy, a customer who is paying monthly will pay about £3 a month for the financing.

Q25 **John Grady:** The APRs are pretty high on these. How much do you pay to finance these arrangements?

Jason Storah: APRs get the headline numbers because they are bigger, but the numbers that we look at as well are the interest rates. Our average interest rate that somebody would pay is about 7.5%. As I said, relative to other interest rates out there, that stacks up very well. The cost of the administration and the cost of capital of, effectively, that loan for the monthly payments is covered under the 7.5%.

John Grady: You say that it is about 7.5%. The FCA says that the average is about 20% to 30%.

Chair: That is the APR that it is quoting. APRs are about double what



HOUSE OF COMMONS

interest rates are.

Q26 **John Grady:** What is the delta between what you have by way of cost of capital and what you charge consumers?

Jason Storah: It is minimal.

Q27 **John Grady:** Do you have a rough number?

Jason Storah: Off the top of my head, I am not sure, but it is absolutely minimal. The indicator of that, if I could share it with you, would be that, if there was a delta, we would be making money off it. We would be making additional margin or money off the people who are paying monthly, but that is not the case.

Q28 **John Grady:** So you are not making any real money on these products.

Jason Storah: No, not on the financing.

Q29 **John Grady:** Mr Hargreaves, are you confident that your motor finance charges are reasonable?

Alistair Hargreaves: Yes. Our motor finance charges are, similarly, at the lower end of the range in terms of 17%. They compare favourably to other sources of finance. In terms of when a consumer buys insurance, most customers in motor and home, for example, go on price comparison. If they select to pay monthly on most price comparison sites, they are looking at a monthly payment that includes the instalment charge, as well as the underlying premium. Typically, consumers choose one of the cheapest three providers. In addition to looking at the cost, we are also keen to be competitive. We have been very successful by being very competitive for consumers and getting to those top three slots in order that we can serve more customers.

Q30 **John Grady:** Are you in a similar position to Mr Storah, in that you would say that you make very little money on the financing of these arrangements?

Alistair Hargreaves: We look at fair value. When we look at annual customers and monthly payers, the profitability in both groups is very similar, so we look at the overall package to make sure that what customers are paying is fair.

Q31 **John Grady:** Mr Walker, what is your position on this?

Jon Walker: I have a similar position to Mr Hargreaves and Mr Storah on behalf of AXA. We believe that offering an instalment option is a service that is good for customers. When we look at our existing portfolio of business, 30% of customers on our direct book take an instalment option, and 28% on home, so there is definitely a need for the product. We also undertake a market review to make sure that the rates that we charge are proportionate. Certainly, the APRs are below the 20% to 30% that you mentioned. Relatively speaking, earnings from instalments represent a pretty small percentage of our overall earnings.



HOUSE OF COMMONS

- Q32 **John Grady:** Leaving aside the percentage of your overall earnings, you are in a similar boat to the others, in that this does not make you a huge amount of money and no more than the annual route.

Jon Walker: That is correct.

- Q33 **Chair:** Is that because of the cost of administering monthly payments? It is a big expense to customers.

Jon Walker: There are additional costs incurred around the administration of providing instalment options and the reporting of it. There is also an element of risk that the insurer takes. If there is a period when a customer has not made their monthly payment, they are still insured.

- Q34 **Chair:** For how many weeks do they keep their insurance?

Jon Walker: It would depend. It would typically be a small number of weeks if there was a late payment. There is also a cost to insurers, in that, if a client pays up front, that is money that can be invested and generate investment income that does not exist on an instalment option. There are real costs to insurers in the industry of providing instalments, but it is a valuable product.

- Q35 **Chair:** Maybe I can ask the three of you who this applies to whether you have any figures for how many times someone has missed a monthly payment and then claimed on their insurance. It would be a relatively small percentage of people, I would imagine.

Jon Walker: I do not have that figure to hand now, but I would be happy to come back to the Committee and provide it, if that is useful.

Alistair Hargreaves: I do not have that figure to hand. A big driver of the cost is the cost of funds that we have to hold for capital, and not having the income that we would have if we got paid up front. That is the biggest driver that we see.

Jason Storah: I would say the same.

- Q36 **Dame Siobhain McDonagh:** Mr Walker, I want to be clear that I have understood what you said. Does AXA make any profit at all out of monthly instalment payers?

Jon Walker: Our aim would be to generate profit from customers who pay by instalments or those who pay up front. Proportionately, we do not make more money from customers who pay by instalments versus those who pay up front.

- Q37 **Dame Siobhain McDonagh:** So you make money out of the fact that they pay in instalments. You referred to it as a service. Until relatively recently, I did not understand that people did pay their insurance all in one lump sum. I thought that, like council tax, it was quite normal to pay on a monthly basis, because most people do not have that money up front. Am I wrong?



Jon Walker: I can only speak on behalf of our customers and within our business. On our motor book, 37% take instalments as an option for payment, and on home 28%, so the majority of customers on our particular portfolio pay up front.

Q38 **John Grady:** Picking up on Dame Siobhan's point, the *FT* reported earlier this year on Admiral's and Aviva's online information pages for customers with criteria that could push up the cost of insurance. Paying monthly is clearly one of these factors. It reported that Admiral's and Aviva's website information pages list the criteria, but one key criterion that pushes up the cost is paying monthly, which is not listed on the website, so one could quite see how someone could assume that paying monthly is the same as paying annually. That presentation of information on the websites would not appear to me to be very transparent. Have I missed something?

Alistair Hargreaves: Whether customers come via price comparison or directly to our website, we present all customers with the cost annually and the cost monthly. The information that we presented on the website was on how to control costs for both of those, because we present the option very transparently and make it as clear as possible. We see that about half of our customers pay annually, and half monthly. As I say, those are questions that are asked to customers through the journey as well.

Q39 **John Grady:** Have you carried out any analysis of your customers to see whether they understand that paying monthly is more expensive?

Alistair Hargreaves: I will have to check whether we have looked specifically at that specific question. We do a lot of testing of consumer understanding in areas that we worry that consumers do not understand. This is not one that has come up from all the feedback and the MI. As I say, that is because of the transparency of the journey and the ability to pivot on price comparison and see the different costs.

Q40 **John Grady:** These significantly increased charges for paying monthly have caused quite a lot of surprise on the part of people. Are you sure that you are right about that, Mr Hargreaves?

Alistair Hargreaves: As I say, the journey is very transparent. Everybody is presented with the two options. There are questions that customers actively have to answer as they go through the journey, so it is very transparent.

Q41 **John Glen:** Can I just be clear? You have a customer who presents a set of risks based on factors including their previous history, their age or their demographic. You make a judgment on what it costs to insure them for motor or whatever else. Presumably, that factors in a profit. That is one calculation, which we would all be understanding of.

The secondary issue is how you pay—whether by one lump sum or by monthly payments. What we are trying to get at is that there is a



HOUSE OF COMMONS

premium in that. Basically, you have said that that mode of payment is not, in itself, designed to capture additional profit, but I am still unclear. Mr Hargreaves, you have set out that you do that assessment of your potential customer and give them the options. That implies that the judgment of the costs that they are likely to accrue to you, and the risk package that that customer gives, is not influenced, because you are putting the options up.

If a customer proactively elects to go monthly, does it convey to your assessment process a likely higher risk profile, which therefore increases the overall cost of the product as well as the financing? The bit that is uncertain in our minds is whether, through no fault of their own, just not having a lump sum available attracts a higher overall cost for the underlying product. Do you see the point that I am trying to make?

Alistair Hargreaves: I think so. In terms of how we assess risk, we use all of the information that a customer provides. Some 90% of our customers come from a price comparison site. We are trying to estimate the claims cost for that customer and price them for that as competitively as possible. If we are not competitive, we will not be top on the price comparison and will not win the customer. That is how the process works.

Q42 **John Glen:** At that point, have they elected to give a preference on whether they go monthly?

Alistair Hargreaves: In answering the questions on the price comparison site, they might have said how they normally pay. We then provide all customers with an annual price, and most customers with a monthly price, so they then select.

Q43 **John Glen:** You cannot really be clear, then, that the way that that form is filled in does not drive a different price for one customer versus one who did not elect to put in the monthly option. Do you see my point? You could have somebody with exactly the same risk profile, age and history of payment or non-payment, but get a different pricing proposal from your firm because they have elected not to pay in one lump sum. Is that right?

Alistair Hargreaves: How the customer answers the questions will feed through to the price. We use that information to determine the price. It is in our interest to try to price for the claims risk as competitively as we can, because it is a hugely transparent market. That is really what we are doing. When we are looking at profitability, we analyse the data in all sorts of ways, such as annual versus monthly, and we see that the overall profitability, taking everything into account, is level. We are not making more profit out of customers on our portfolio who pay monthly versus those who pay annually, when we take everything into account.

John Glen: It is just a question of whether the answers to the questions around expressing a preference for monthly payment drove a higher price in the first place. It is not very clear whether it did or did not.

Q44 **Chair:** Mr Walker or Mr Storah, do you have anything to add? Basically,



HOUSE OF COMMONS

you go through the same process.

Jason Storah: Yes.

- Q45 **Chair:** If you are a private renter, you might well pay monthly because you do not know what your situation is going to be. Is there a premium on private renters if they put into that algorithm that they want to pay monthly because they do not have certain housing?

Jason Storah: We look at over 100 risk factors when determining a premium. Monthly versus annual payment is one of those factors, but it is one of 100. It has a place, but it is relative to a whole load of other factors.

- Q46 **John Glen:** But we do not know the weighting of that.

Jason Storah: No, but the weighting changes depending on the other factors. It is almost like an equaliser on an old stereo system. Depending on some of those factors, they will be more important for some customers and less important for others in determining the price. To the comments that Mr Hargreaves was making, it is a balanced view of all those risk factors, not an over-indexing on one or another.

John Glen: Last week, the Committee visited the east end of Glasgow, in Mr Grady's constituency. We are trying to get at the whole issue of poverty premium. It just seems wrong that people have a higher price simply because they do not have a large amount of capital resources, when they do have a regular income and have no intention or likelihood of missing a payment. It just seems that you, as an industry, are at risk of giving an ambiguous view of somebody's risk profile based on nothing other than the fact that they do not have a capital sum in the bank.

- Q47 **Chair:** You were saying that it is one out of 100. What about you, Mr Walker?

Jon Walker: Mine is a very similar answer. There is a plethora of risk factors that are taken into consideration. This is one of them. Does it have a role to play? Yes, it does, but it is in the context of multiple risk factors.

John Grady: Mr Glen has covered double-dipping, which was covered in the *FT* article.

John Glen: Sorry, I have probably double-dipped your questions.

- Q48 **John Grady:** No, not at all. You have covered it very well, Mr Glen. My constituency is one of the poorest in the United Kingdom. I share that with Dame Meg. According to the FCA, 79% of consumers in financial difficulty pay monthly insurance premia. Are these higher charges for that cohort of customers consistent with your consumer duty? Let us start with Mr Walker.

Jon Walker: Clearly, with consumer duty, the focus is on delivering good customer outcomes. It is on ensuring that our products are available and



HOUSE OF COMMONS

are priced appropriately, according to the risk profile across multiple risk factors that are incurred. We clearly want to make insurance as accessible to and affordable for the widest proportion of the population as possible. All of us would acknowledge that we take that responsibility very seriously, while having to balance that with the needs of our shareholders. It is certainly something that we are very thoughtful of.

Q49 **John Grady:** Is that outcome consistent with the consumer duty?

Jon Walker: I would need to look at some specific individual cases and real-life examples to see if that played out that way.

Q50 **John Grady:** It would be helpful if you could follow up in writing as to whether the operation of this, where 79% of customers in financial difficulty pay monthly, is consistent with the consumer duty and whether your processes identify that. We will miss out Mr Ward and move on to Mr Hargreaves. Are you content that that outcome is consistent with the consumer duty?

Chair: Does Mr Ward want to come in? You do not offer some of these products, which is partly why.

Jeremy Ward: We do offer home insurance and we do not charge premium finance on our home insurance products. We took the decision to remove it on one of our products four years ago. It has never been on a number of the other products that we offer. There are a number of reasons that we took the decision to do that. Part of it is that, as the customer is going through a home insurance application process, asking them to then go through a regulated credit agreement at the same time adds an extra level of complexity. As John mentioned, the administration of that further down the line creates all sorts of wider costs and challenges. We felt that, in terms of the ability to make it easier for customers to pay monthly, not having these charges was the right thing to do, and we see over 75% of our customers paying monthly at no extra cost.

Q51 **John Grady:** How do you find the credit default rate on the monthly payments? Do a significant number of people miss the monthly payments?

Jeremy Ward: We have customers who fall into arrears, and there are then approaches that we can take to support them through that process. If they are in financial difficulty, we can allow them to skip a couple of months' worth of payments so that they can maintain the cover that they have in place with us. Generally speaking, you are talking about a couple of months' worth of risk that you are incurring on some of these things. The ability to cancel the policy back to equity means that you can minimise the amount of money that you lose in terms of arrears.

Q52 **John Grady:** So you do not cancel the policy immediately. You go and have a chat with the customer.



HOUSE OF COMMONS

Jeremy Ward: We go through an arrears process. We have conversations with the customer about the position that we are in. There are things that we can do in terms of premium forbearance to allow them to remain on risk for a period.

Q53 **John Grady:** In summary, Mr Ward, Lloyds does not charge a difference for monthly and annual payments. You are not finding this commercially painful, and you think that this is a good way of complying with consumer duty.

Jeremy Ward: We have never charged it on a number of the products that we have. We introduced it briefly on one of our price comparison site products because, at the time, we felt that it was something we may need in order to be able to compete in that space. We found that there was complexity associated with it and, when we were looking at the dimensions that I have just described, we took the decision to remove it at that point in time. As a consequence of that, we now have probably a simpler onboarding journey for our customers, with fewer things for them to engage with. As I say, 75% of our customers pay monthly, and people are increasingly used to paying in that type of way.

Q54 **John Grady:** Mr Hargreaves, we have an alternative view of the world there, where you strip out complexity and cost, and consumers, including my hard-pressed constituents, pay less. Is that something that your business has looked at?

Alistair Hargreaves: We look at premium finance through the lens of the consumer duty and do the fair value analysis on it, so we think that we are acting appropriately for customers from that perspective. We grew by 1.4 million customers last year, and that was because we were hugely competitive in motor and home. More customers came to us and more customers stayed with us. We have worked really hard to make insurance affordable for a broad base of customers, including, I hope, many in your constituency. The way that we are doing that is working well for customers.

Q55 **John Grady:** Are you happy that 79% of customers in financial difficulty paying monthly and paying more is consistent with the consumer duty? Is that something that you are content about?

Alistair Hargreaves: We are providing affordable options to customers, and that is why they come to us.

Q56 **John Grady:** I do not want to appear grumpy on a lovely Tuesday morning, but the question I asked is whether 79% of customers in financial difficulty paying monthly is consistent with the consumer duty. That is, gently, the question that I am asking, Mr Hargreaves.

Alistair Hargreaves: We think that what we are doing with premium finance is consistent with our consumer duty.

Q57 **John Grady:** Finally, what about you, Mr Storah?



HOUSE OF COMMONS

Jason Storah: We have shared all of our data with the FCA. We fair-value assess. The FCA looks at our data, our new business rates and our premium financing rates, and I am sure that it would flag any concerns, if it had any, with the way that we calculate our pricing.

Q58 **Rachel Blake:** Mr Hargreaves, your annual report showed that 10% of your revenue is from interest income. Can you tell us from which particular products that interest income might be coming?

Alistair Hargreaves: That might be referring to the income on investments that we hold.

Q59 **Rachel Blake:** Your annual report has set out that you are seeing more customers paying monthly, and that your profits are increasing. We want to understand what impact monthly payments are having on your business model, and whether you are incentivised towards that. We have highlighted that there is a concern about the premium. Your annual report is saying that your profits are increasing as a result of these monthly premiums. Is that not right?

Alistair Hargreaves: In terms of the sources of profitability, as I mentioned, we do not make more profit on monthly than annual payers, but we get the revenue in different ways. Instalment income would be part of the way for monthly, and investment income and not having the cost of funds would be part of the way for annual payers. The driver of the increase in Admiral's profitability that we saw was, as I mentioned, our growth in customer numbers.

Q60 **Rachel Blake:** That growth in customer numbers is coming from customers who are paying monthly, and we are concerned, based on the risk factors that you have just described, that there is a real premium there.

Alistair Hargreaves: We focus on price comparison distribution. The reason why we are growing is that we are the most competitive for those customers, and they are choosing to come to us or stay with us because we are really price competitive. That growth is really the driver of our results.

Q61 **Rachel Blake:** What confidence can customers have that you are not using this risk around monthly payments just to increase their individual payments? What confidence can the private renters our Chair talked about have that you are not just targeting them for higher payments?

Alistair Hargreaves: In terms of our instalment charges, our APR is at the lower end of what is charged in the market. As I say, that is because we want to be competitive. Our distribution is through price comparison, and our customers come to us via price comparison because we are an affordable solution. That is what gives them the confidence that they are paying a good price. They are comparing what they pay—premiums and instalment charges—and are selecting Admiral because we are the most affordable for them.



Q62 Lola McEvoy: We are going to move on to travel insurance, just to understand a bit more about the risk factors and how they are taken into account. Maggie's, which is a cancer charity, has recently been in the news, talking about the fact that cancer patients are paying a huge premium to go on holiday and go travelling. There was one case where somebody was quoted £3,000, despite being fit and well two and a half years after receiving their treatment.

I just wondered whether you could outline your policies around how long somebody has to have been recovered from cancer before that goes off their record and they do not see a premium for travel. I understand that there would be additional costs for somebody very unwell who was undergoing treatment and might require treatment abroad—those are additional risk factors to you—but how long after somebody is clear from cancer is it morally right to keep charging them a premium?

Jon Walker: Within AXA UK, we do not provide travel insurance. There is another part of AXA, called AXA Partners, that does. I would need to take the detail behind your question away and come back; I would be happy to do so. I do know that parts of its travel offering cover pre-existing medical conditions, but, given the specificity of your question, it is not appropriate for me to answer on its behalf.

Q63 Lola McEvoy: That is absolutely fine. Mr Ward, you do not do travel insurance.

Jeremy Ward: We are not a travel insurance underwriter.

Q64 Lola McEvoy: That is fine. Mr Hargreaves?

Alistair Hargreaves: We do travel insurance, which is a product that really protects the customer. The majority of it is around whether the customer needs to use the product for health conditions. In order to price fairly, we are looking at the expected cost of the claim. Again, we use price comparison to try to be as competitive as possible.

We are relatively new to the travel insurance market. If we are in a situation where we are unable to provide cover for a certain customer because of their conditions, we provide a route to a specialist travel insurance provider in order that the customer gets the most affordable solution possible.

Q65 Lola McEvoy: Let us take another scenario. Say I have breast cancer and am given the all-clear. My family decides, "Congratulations, a holiday is in order. We are off to Tenerife". Am I going to be paying more, because I have had breast cancer and have been given the all-clear, than if I had never had breast cancer?

Alistair Hargreaves: I would need to check the detail of that.

Jason Storah: One perspective would be that, typically, pre-existing conditions are a very clear indicator of a higher potential incidence of claim and cost in the future. This is an average number, but pre-existing



HOUSE OF COMMONS

conditions can lead to claims costs that are two to three times higher in the future, so there will potentially be an increase in cost. Every case is on its merits and individual circumstances. A rule of thumb is that two years post treatment and recovery is a period in which either conditions or an additional premium might apply. Again, that premium is related to the risk associated with that.

Q66 **Lola McEvoy:** Two years after the all-clear, you would not be expecting to pay a premium for having cancer. Is that right?

Jason Storah: All other things being equal, two years is typically a benchmark period for that to drop out of the risk factors that are looked at in terms of calculating the premium.

Q67 **Lola McEvoy:** Is that the same for other conditions? Say you had a heart bypass two years ago. I am just interested in which bit, when you are not unwell, you are still paying a premium for. I understand that, if you are very unwell and need to travel, that is a different thing and a higher risk, but, if you are no longer unwell and living a completely normal life, are you still paying a premium after two years for any other conditions?

Jason Storah: It will be on a case-by-case basis. It will come down to the questions and answers that are provided through the underwriting and pricing process. As those situations get more complex, it often proves the real value of speaking to an agent rather than just filling out forms online.

Q68 **Lola McEvoy:** Moving on to mental health, we know that 8.7 million people, or 15% of the population, were prescribed antidepressants in the UK in 2023-24. Does taking antidepressants incur a premium on travel insurance from Aviva?

Jason Storah: I am not aware that it is a significant impact. I will double-check just to make sure as a follow-up, but I am not aware that it is a significant impact.

Q69 **Lola McEvoy:** I am just interested in what level of condition it is. I totally appreciate that it is to do with the likeliness that you would incur medical treatment while you were abroad, but there are certain things that you might disclose in your travel insurance application that would not naturally incur needing medical assistance. I am just interested as to whether they are paying a premium for those, so could you get back to me on those sorts of conditions? Do you have any ideas about mental health and antidepressants, Mr Hargreaves?

Alistair Hargreaves: In terms of the specifics of antidepressants, I would want to look into that to give you a solid answer, so I am happy to come back on that. Mental health conditions are treated like other health conditions and are priced based on the likelihood of a claim, so that would have an impact on the premium.

Q70 **Lola McEvoy:** The final question from me is on geography. On this



HOUSE OF COMMONS

Committee, our constituencies are widely distributed around the UK. Do you take geography into account for life insurance and, if so, to what level? How granular is the postcode variable for life insurance?

Jason Storch: It is a similar answer to the one that I gave before, in that there are many factors that go into calculating life insurance. Off the top of my head, I do not know the weighting and particular percentage. Geography would be one of them, but I would need to take that away.

- Q71 **Lola McEvoy:** I am just interested because, if you live in a certain area, there are health conditions and outcomes associated with that. That goes to the poverty premium point of whether you are paying more for your life insurance, house insurance or car insurance because of your postcode. Does anybody have any information on any of those insurances and whether postcode is used as an increased or decreased risk factor?

Alistair Hargreaves: For motor insurance, postcode would be one of the many factors that go into a large number of variables that would be taken into account in terms of price.

- Q72 **Lola McEvoy:** I understand that you cannot go into each specific, but, looking broadly at the different variables, let us take two people who have no points on their licence, have been perfect drivers and drive the same car. How variable is the insurance premium if somebody lives in a Darlington postcode versus one in Westminster? I know that you cannot give specifics, but, broadly, how variable is postcode?

Alistair Hargreaves: Where you live has an impact on motor insurance. For example, if you live in an urban area, there are more pedestrians and cyclists, and a big part of the cost of car insurance is making sure that, if somebody gets seriously injured, we cover the cost of that and we support them.

You tend to get more younger drivers in built-up areas, and they are more likely to have collisions. Some of those factors come into the price. If you look at a built-up urban area and a quiet country town, that would have an impact on the price.

Really, it comes back to us trying to provide the best estimate of claims cost in order to cover that risk. In some instances—for example, younger drivers—the price creates a positive incentive. We are leaders in terms of telematics, which is a product that rewards you with cheaper insurance if you drive safely. That is beneficial in terms of safety of driving as well.

- Q73 **Lola McEvoy:** So it is more to do with safety and the likeliness of the driver having a collision than it is to do with any risk of the car being broken into. You might have crime in a really posh area because they have bigger cars, or whatever, compared to a crime-free estate.

Alistair Hargreaves: The majority is the risk of a collision, but theft is an issue, because that is another claims cost that we would cover. Again, that can be different by postcode, as you are alluding to.



HOUSE OF COMMONS

Jeremy Ward: For home insurance, weather is probably one of the most volatile things that we are looking at. In areas near to rivers, we will be worried about floods. On the tops of hills, we will be worried about storms. In areas with clay soil, we are worried about subsidence. We spend pretty much all year looking at the weather forecast. It does make a big difference. Where your property is located and the physical risk that it is exposed to from a weather perspective can drive differences in premium.

Q74 **Lola McEvoy:** I am trying to get to social rather than environmental factors.

Jeremy Ward: Things such as burglaries and theft would still be an issue. Where you have higher crime statistics and higher instances of theft, that will reflect itself within the premiums that are charged.

Q75 **Lola McEvoy:** I am trying to see whether there are stereotypes around certain parts of the country or certain parts of a town.

Jeremy Ward: No, we would look at the insurable perils that we have, and the associated level of risk linked to those perils in that area. We will look at a part of the country and form a view of how likely it is to experience a flood or how likely it is that somebody will be burgled there, and then use that determination to calculate the premium.

Q76 **Lola McEvoy:** So we are not going to find two houses, with the same price, the same type of house, and the same crime rate in certain parts of the country—the north and the south, for example—that are priced differently.

Jeremy Ward: As a northerner, I hope not.

Q77 **Lola McEvoy:** That is good. Mr Walker, you do not do travel insurance, so you cannot answer that. Would you like to answer the broader point on geography?

Jon Walker: It is a very similar answer. Fundamentally, we look at the data. To your question on stereotypes, we follow the data. Postcode is relevant for things such as crime rate and, therefore, theft.

I agree with Mr Ward around postcode for home insurance. We will look at the data around whether it is in a flood risk area, soil type, and so on. They are all factors that could influence it, but it is very much data-led rather than opinion or thought-led.

Q78 **Lola McEvoy:** Is it regularly updated data?

Jon Walker: It is.

Q79 **Lola McEvoy:** The final question is to Mr Storah and Mr Hargreaves on travel insurance. Does postcode come into your travel insurance premium? If you are going abroad, does it matter which part of the country you live in as to how expensive your travel insurance is?



HOUSE OF COMMONS

Jason Storah: What matters more is where you are going and how long you are going for.

Q80 **Lola McEvoy:** Is postcode taken into account?

Jason Storah: No, not that I am aware.

Alistair Hargreaves: It is exactly the same for us.

Q81 **Rachel Blake:** I wanted to talk about some of the data that we have from the Financial Ombudsman Service. We have seen that the complaint uphold rate reported is now at about 40%. Mr Walker, why do you think that is happening?

Jon Walker: We take customer service and customers' experience of dealing with AXA incredibly seriously. We have very well-trained people who interact with our customers and manage complaints. Our service scores, which we monitor closely through the likes of Feefo, are very strong, but we do get complaints across a range of topics such as service or delays in the supply chain. We work really closely with the financial ombudsman to understand the findings on individual cases, and we take that learning back into the business.

Year on year, our goal and objective is to reduce both the number of complaints and the number of customers who feel the need to interact with the financial ombudsman. That is an ongoing process that we look to deliver year in, year out.

Q82 **Rachel Blake:** What specific steps are you taking to improve the claims experience, given that a significant number of complaints are around claims?

Jon Walker: Claims is a key part of the customer journey, where the value of the product that has been purchased really comes to the fore. We make sure that customers can interact with us through the claims journey either digitally or by the phone, whichever is most convenient to an individual customer. We continue to invest in our technology to make the digital journey more efficient for customers.

Equally, we are very focused on making sure that our claims contact centres are appropriately staffed. Particularly during large weather events, that gets challenged, because there is a surge of complaints. When that happens, we have a process in place to pull resources from other areas of the business in order to resource up accordingly.

We are very focused on making sure that we have enough people in the right place at the right time to help customers when they need us most. Our claims lines are open six days a week and, during midweek, they are open 12 hours a day, so we are trying to provide as much accessibility to our customers as we can.

Q83 **Rachel Blake:** Do you use third parties to deal with your claims?



HOUSE OF COMMONS

Jon Walker: There will be third parties that are involved in the claims supply chain. That can range from loss adjusters through to repair networks. We take our management of those third parties incredibly seriously, because, from a customer's perspective, they see AXA, rightly, as being responsible for managing their claim. If there are third parties involved, it is our responsibility to make sure that those third parties are aligned to our own service standards.

Q84 **Rachel Blake:** Mr Ward, I want to come on to the uphold rate for Scottish Widows, which is quite high. It was 80% between July and December. Why is that?

Jeremy Ward: For our insurance business, I have some different numbers there, but I would need to clarify.

Q85 **Rachel Blake:** It is the firm-specific complaints data from the FCA, from December 2024, showing the insurance and pure protection complaint uphold rate.

Jeremy Ward: Let me come back to you on that.

Q86 **Lola McEvoy:** It is a lower overall number than others, but it is a higher overall rate.

Jeremy Ward: Let me check just to see that there is nothing funky going on in the data. At an overall level, we have seen referrals to the FOS in our insurance business reduce. We believe that about one in three of our complaints with the FOS are being overturned, but I am happy to check that.

- In terms of the broader point, we have invested enormously in reducing complaints over the last five years. The number of customers complaining about our services has fallen from four in a thousand to two in a thousand. That comes off the back of a significant investment in digital capability, so customers can now do most of the things that they would want to do with us digitally, via the app that they do their banking in. We are trying to make that as simple and straightforward as possible for them.

Q87 **Dame Siobhain McDonagh:** How have the outcomes for your customers changed as a result of the consumer duty? Do you have any specific examples? Are there any unintended consequences as a result of the new consumer duty? How might you want to change it if you had the opportunity?

Jon Walker: At the heart of the consumer duty is putting the customer in the heart of your organisation and delivering good outcomes. Within AXA, we were already doing much of that, and the duty enabled us to put some more structure and rigour around that. We measure a range of metrics throughout the customer journey to ensure that our service standards and the outcomes that customers are getting are as they should be.



HOUSE OF COMMONS

Within that, we also have internal feedback loops. If we can see, from the data that we have in place in relation to consumer duty, that a service metric has gone out of service, that would point us straight to a specific area of our business more quickly than it might have done previously. Through those feedback loops, we have examples of changes to our products or our process that we can see could work better for customers. That sits right across the heart of our business.

Are there any unintended consequences? I would not say unintended consequences as such. There is definitely an element of additional administrative costs in relation to the duty. The level of reporting that we have in place is significantly greater than it was. Through ongoing dialogue, with the ABI and the FCA in particular, we would seek to find ways where we still deliver good customer outcomes, but perhaps with more agility and with streamlined and more focused reporting where it was appropriate.

The final point that I would make is that, certainly within AXA, it feels that consumer duty is fully embedded in the business now. It is very much business as usual and no longer a separate topic of conversation. It is a topic that we update our board on regularly as well, where we share examples of the work that we have done, as well as the changes that we have made to our processes, so they are very visible throughout the entire organisation.

Jeremy Ward: We are very positive about the impact that the consumer duty has had on our business and on our customers. We have spent a significant amount of time looking at the consumer duty pillars, making sure that we understand the potential harms that customers could face that are aligned to those pillars in the context of the products that we offer to people, and then thinking about the metrics, the insight and the data that we would want to see to be comfortable that those potential harms are not occurring, so that we are confident that we are giving customers the right level of service.

We have invested very heavily in pulling together that insight. Those are dashboards that are available to everybody in the organisation and are reviewed within team meetings at a products and proposition level, right up to the board, where I take a regular update to the Scottish Widows board.

In terms of the impact, it has given us a really helpful framework. As we are thinking about new product launches and annual product reviews, looking at them through the lens of the four consumer duty outcomes gives us a nice and consistent language that everybody in the business can understand. It makes the achievement of the goals in that space more straightforward. We have got to a place where we are really starting to embed this within the culture and thinking of the organisation, so we are very positive about the impact.



Alistair Hargreaves: My answer would be very similar. The consumer duty focuses on the right things. We have always been customer-focused. We have a leading 4.6-star rating on Trustpilot, so it is very much aligned with what we did anyway. As mentioned, it gives an extra layer of granularity across the four pillars for us to really think about things, and that drives continuous improvement. We use it throughout the organisation.

To focus on a few things in addition to what has been said, it would, for example, feed through to incentives for senior managers. We look at how we are doing on some of the management information that we report on, which is very much about customer outcomes. Customer understanding was one of the pillars that we thought about a great deal, for example in how our documents work. Plain Numbers is a party that we work with to try to increase customers' understanding of our documents.

Jason Storah: I agree with everything that has been said. On the consumer duty, the framework that it provided was really helpful. We are very focused on consumer outcomes and customer journeys anyway. We have a great deal of people in Aviva who work on that. The consumer duty really helped frame the work around identifying vulnerable customers and offering alternatives. I think about the breadth of products, propositions and premium levels that Aviva offers across a range of customer types. It is very embedded, as you heard from some of my colleagues.

I do not know that there were any unintended consequences. Certainly, the cost and the balance of managing the administration of the consumer duty and the dialogue with the regulator is something that we are very conscious of and aware of, but it is well embedded in the business.

Q88 Dame Siobhain McDonagh: We are coming up to the third anniversary of a gas explosion in Galpin's Road in my constituency, in which four-year-old Sahara Salman died and a number of properties had to be demolished. Hundreds of people had to be temporarily rehoused in hotels. The vast majority of those people were owner-occupiers with household insurance and car insurance, but the organisation that stepped in to provide them with temporary accommodation was the council. On the night, the insurance companies were nowhere to be seen.

Most of my constituents reported to me that they were told they could not be provided with temporary accommodation because the insurers had to check that their properties were structurally unsound or at risk, or people were not provided with courtesy cars because they would have to check that the cars could not be used or were damaged. That was completely impossible, because there was a security zone around the road, because the police and the fire brigade were worried that there would be further explosions. Would that happen today with a consumer duty? Would my constituents—who pay their bills in full and were dealing with really distressing circumstances—be treated in the same way?



Alistair Hargreaves: No, that would not happen. That was a very sad event, and it was something that we learned from. The policies have been changed so that that would not happen in the future. We have communicated that to customers. That would not happen again.

Dame Siobhain McDonagh: I was really helped by the ABI, because I contacted it. I am not picking on any insurance company in particular. That was an almost universal experience for constituents.

Chair: Mr Hargreaves said lessons have been learned and it would not happen again. Is everyone nodding along with that, for the record? Okay, thank you very much.

Q89 **Lola McEvoy:** We are going to move on to AI. Some 95% of the insurance sector is using AI. We know that there have been questions around these models, their bias, unconscious bias, and conscious bias, which we all hold as a society. What are your firms doing to ensure that your use of AI does not discriminate against groups who need your products just as much as everybody else?

Jon Walker: Yes, so we do see the use of AI within our business today. We think it is an incredibly important technology in the future that should deliver better service and outcomes for customers. In answer to your specific question, the simple answer is by keeping humans in the loop, as we would internally refer to it. If we were using AI in and around a pricing model, or to help drive underwriting decisions, then there would be a part in the process that absolutely means we have our subject matter experts checking the validity of the models on an ongoing basis. We have an internal governance framework around how we utilise data.

Specifically in relation to pricing, we have a pricing ethics committee. We also have first and second-line risk teams, all of whom would be involved in any fundamental changes to pricing models, from an ethics committee perspective, absolutely, to make sure there were no biases with any models we were planning on changing that should not be there. Right now, the answer is maintaining subject matter experts in the loop as we develop models, ongoing testing and ongoing reviews.

Q90 **Lola McEvoy:** That is really interesting. How far along your AI journey are you? Have you had any red flags so far in regard to unconscious bias or wrong decisions?

Jon Walker: We have not had any red flags, as far as I am aware. Certainly for AXA and from conversations I have had across the industry, we are at the start of the AI journey, as opposed to midway through it or at the end of it. The challenge with AI is that the technology moves on at pace. What started off as AI is now generative AI. We now talk about agentic AI. From what I see, we are testing, we are looking at use cases, we are implementing and we are learning, but AXA and the industry as a whole are at the start of that journey, as opposed to it being at a very mature point.



Q91 **Lola McEvoy:** I will ask the same question to everyone.

Jeremy Ward: At an overarching level, we have a responsible AI framework that sits across everything that we do within the wider bank, and that sets parameters for the areas that we are able to look at.

If I think specifically about where we are using AI in our insurance business, it is probably not so much in the pricing space at this point in time. Those things around biases and other bits and pieces probably do not play in as much, but we are using it to try to identify fraud. In every instance where we are using it to identify a potential fraud case, there is then a human being who is looking at the outcome of the model, the decision that has been taken in that space, and then deciding whether we act on it. That concept of human in the loop that Mr Walker has just described is pretty critical here.

If I think about our life insurance business, we are currently looking at it to try to speed up some of our underwriting processes, so where customers present with medical conditions. There may be a number of decisions that we want to take there. What we do with the AI model in that space is, once it has done its stuff and told us what decision it would have reached, to pass that to a human being and see whether that is consistent with the decision that the human being would have reached, before it gets rolled out at a greater scale.

Q92 **Lola McEvoy:** Are they?

Jeremy Ward: They are, yes. Otherwise they would not be rolled out.

Q93 **Lola McEvoy:** But is the AI meeting the human decision? Are they aligned most of the time? How is the breakdown working?

Jeremy Ward: Yes, we see that. We would need a 100% success rate in terms of the decisions, because they are relatively binary things that we are looking for in some of these matters.

Alistair Hargreaves: We are very, very similar in terms of the use of AI. There are different types. We use machine learning—the more traditional AI—for our pricing in order to predict claims costs. The explainability of how the models work and making sure we can really understand it is really important, as has been said.

We have a separate data ethics team, which is basically a team of data scientists who really understand it and can independently challenge all the assumptions and the way in which the model works. Then there is governance on top of that, in order to make sure that the models are behaving as we would want them to.

Q94 **Lola McEvoy:** Are the ethics team busy? Is it a position where they are just sitting there thinking, “Oh, there aren’t any problems”? Give us some flavour of the things that are cropping up.



Alistair Hargreaves: There are processes to independently sign off models and review them, and they would be involved in every single one of those. There is also a process to make sure that people really understand. They will do drop-in sessions. There is a big education piece across the business, so that it is not that they are just coming at the end of the process. All our data scientists can go to the drop-in sessions and really understand data ethics.

We have a data academy, which trains everybody who is involved in data or AI across the business. One of the big elements would be the data ethics, because you really need to think about that at the outset of the process; otherwise you have to go right back to the beginning. It really needs to be part of the thinking of the models, and that understanding of the models, in order to be successful.

Q95 **Lola McEvoy:** So far you have not had any red flags or anything that has come up from the models where you have thought, "Oh my goodness, if we had let that go, loads of people would not be able to get the insurance".

Alistair Hargreaves: We have not had any red flags, so that process has worked well. There are feedback loops, and we make changes through that process. As I say, we are trying to minimise a big surprise by starting from the very start of the process and educating everybody involved, so there have not been any red flags.

Jason Storah: We are very, very similar. We use AI and machine learning in our pricing, but we have tested well. We have a lot of safeguards in place to understand and make sure that there is no undue bias that comes through. Over the years, we have proven that, through human intervention, the rigor of the testing and testing in controlled environments, we can make sure that there is no such bias and none of those flags that you mentioned.

At the moment, we see the short to medium-term opportunity with some of the most recent developments in AI and gen AI around improving productivity and customer service. One example we have spent quite a lot of time on—and it is a real leading case for us—has been around claims summarisation technology. Somebody might phone up multiple times during the life of a claim. Rather than them speaking to somebody who needs to read all the notes from previous calls, they instantly get a summary and they know the most pertinent details. That has been really effective.

Those sorts of uses of AI around improving productivity, augmenting our people's capability, to allow them to spend less time on the administration and more time on the actual issues, and the value add is definitely where our focus has most recently been.

Lola McEvoy: It is interesting that you should raise that, because there have been things in the news about how entry-level graduate jobs are



HOUSE OF COMMONS

going to really be impacted. A lot of the administrative roles that people do when they come out of university are going to be impacted by that productivity gain.

Q96 Dame Harriett Baldwin: All of you, except for Scottish Widows, are members of Flood Re. Is that correct?

Jeremy Ward: We are members of Flood Re as well.

Q97 Dame Harriett Baldwin: Oh, you are as well. Fantastic. One of the reasons that Flood Re was set up was to help homeowners in flood-prone areas such as my constituency of West Worcestershire to get insurance for their properties. Flood Re wants to ensure that the Government do their part by spending enough money, in terms of capital, on flood defences. I know Flood Re wanted to see, in the spending review, £1.15 billion a year spent on flood defences. It does look as though there is at least that to be spent for the first three years of the spending review, but over the decade the infrastructure plan says £7.9 billion. Do any of you have any concerns that there may be a sharp fall in flood defence capital spending after year 3? Have any of you raised that with Flood Re?

Jason Storah: There is not necessarily a concern about a drop in flood spending, but an overall need to continue to increase flood spending, flood defences and natural defences. The capital associated with those is really important. In the last decade, 10% of all new homes built have been in higher-risk flood zones. That is a real concern. We are fully supportive of the Government's push to build more homes, but we just want to make sure those homes are built in the right areas and in the right ways.

There is research out there to suggest that by the middle of the century one in four homes might be at an increased risk of flooding. That just suggests that ongoing capital investment in flood defences and natural defences is only going to increase; it is not going to reduce any time.

Q98 Dame Harriett Baldwin: That £7.9 billion over a decade sounds like it is less than £1 billion a year. I just wondered whether that troubles you as members of Flood Re.

Jon Walker: From an AXA perspective, we certainly welcome the Government's commitment to supporting that spending now. It is very clear when it comes to the matter of flooding that building resilience and defences is going to be incredibly important moving forward. Similar to Mr Storah, I think it is an element of spend that we should continue to make sure we are sufficiently investing in, relatively speaking. It does appear in the future that that spend is at risk of reducing. We would urge the Government to find ways to increase it.

We recently produced an extreme weather risks report, which we shared with the Minister for Water and Flooding at the start of the year. That made a number of recommendations. To the point around future building of houses, I know there is a desire to build 1.5 million homes. Having



HOUSE OF COMMONS

climate change in mind in building those homes, in terms of location but also the resilience of the buildings themselves, is going to be incredibly important. Yes, from an AXA perspective this is an area where we would encourage as much spending as is achievable.

- Q99 **Dame Harriett Baldwin:** You both raised the point about homes, but Flood Re does not cover business access to insurance. I have a community, Tenbury Wells, where the flood defences do not yet have the full funding and they have not been built. Businesses and even the town council building cannot get insurance at all. What conversations are you having about how we might be able to rectify things for communities such as Tenbury Wells, where insurance is becoming a real problem?

Jason Storah: We certainly have a vested interest in collectively taking action. You referenced the capital spent on flood and natural defences, and the need to build houses in a certain way and in certain zones.

- Q100 **Dame Harriett Baldwin:** This is businesses and public buildings.

Jason Storah: Yes. Adding businesses and public buildings into making a change to Flood Re would be quite challenging.

- Q101 **Dame Harriett Baldwin:** It is not something you are advocating at the moment, then.

Jason Storah: No, not right now.

- Q102 **Dame Harriett Baldwin:** What should I say to these businesses?

Jason Storah: It is quite tough. Retrofitting existing buildings or business buildings to improve their flood defences is a real challenge, unfortunately.

- Q103 **Dame Harriett Baldwin:** You would not be prepared to insure them without the investment in the flood defences.

Jason Storah: I am sure we do insure some of them.

Jon Walker: We do, yes. It is a really pertinent point. Some 99.9% of UK businesses are SMEs, and over 70% of those businesses are what we would call micro-SMEs, so businesses with one to five people, where often the business owner has put in personal savings or remortgaged their home in order to set the business up.

I do agree that including businesses in a Flood Re offering is challenging, but it is something that as an industry we should enter into dialogue with you on. We do insure businesses in flood zones, but it comes back to the previous questions around whether postcode affects the cost of insurance premiums.

- Q104 **Dame Harriett Baldwin:** Thank you very much for that. Could you all look into whether you could write to me about Tenbury Wells businesses, and whether your businesses were prepared to insure them?



HOUSE OF COMMONS

We have had some input from Which?, the consumer organisation, about the wording in some of your flood policies, and arguing about the use of the words “sudden” and “sudden flooding”. Is that something you recognise? A flood is a flood, whether or not it is sudden. Would you ever invalidate your flood insurance because it was not sudden enough?

Jason Storah: Our coverage and our wording matches the Flood Re accepted wording.

Q105 **Dame Harriett Baldwin:** You do not recognise that criticism.

Jon Walker: I do not recognise that criticism, but I am very happy to take that specific point away and take it back to the business.

Dame Harriett Baldwin: It would be great if you could let me know how many of your flood claims you are turning down and what the reasons are. That would be really helpful.

Chair: It is fair to say that when covid happened some businesses found that the wording was interpreted differently by different insurance companies. We will not go through that today, but it was quite challenging.

Q106 **Dame Harriett Baldwin:** We have spoken about Flood Re. There is also Pool Re, which is a collective for terrorism insurance. Is there a need in the UK for any other kind of “re”, such as cyber-security re? Is there anything else that you think is a gap in the market where our constituents cannot get the right kind of cover?

Jon Walker: I cannot think of anything immediately that springs to mind.

Q107 **Dame Harriett Baldwin:** Anyone else?

Jeremy Ward: I just would make the point that Flood Re is due to expire in 2039, and the conditions in terms of flood risk that existed when it was set up in 2014 still persist. That is something that we are all going to need to work together on trying to find a long-term solution for.

Q108 **Dame Harriett Baldwin:** You would want to see Flood Re continue beyond 2039.

Jeremy Ward: I would want to see Flood Re continue, yes.

Q109 **Chair:** Thank you very much indeed. I just wanted to come to discuss you, the panel. It came to our notice that you are four white men. I am not critical of you individually, as that is what you are, but is this a reflection of the insurance industry?

Jeremy Ward: If our bosses were sat here you would see a materially more diverse picture.

Q110 **Chair:** We thought you might say that. They are not here; they sent you. Is it that the women are running things back at base and they sent you



HOUSE OF COMMONS

to be in the firing line at the Committee? Seriously, though, in your organisations what is the gender and ethnic breakdown? Is it a very white male environment or is this just unusual?

Jon Walker: I am very happy to give you an AXA view and answer that question. Some 42% of leadership roles within AXA are fulfilled by women. The UK and Ireland management committee that I am a part of is a 50/50 split between men and women. My boss, the UK and Ireland CEO Tara Foley, unfortunately could not be here today, but obviously plays a senior role within our industry.

That said, we are very conscious that we should do more, and that 42% of women in leadership roles is not 50% of women in leadership roles.

Q111 **Chair:** What about your ethnic breakdown? What is it like?

Jon Walker: Across the organisation, about 14% of our colleagues would describe themselves as non-white. There is work for us to do there to make sure we are representative of the various parts of the communities we serve. We operate out of 26 locations in the UK; 90% of our people work outside London. We partner with a number of networks internally and externally to constantly challenge ourselves as to how we do more from both a gender and an ethnicity perspective.

One of the key things for us is transparency of the data. That is really important. For the first time, in 2024 we issued an ethnicity report that clearly showed where the organisation is at. We have equal pay across all roles at both gender and ethnicity level. It is a matter we take incredibly seriously. We have made progress over recent years, but our commitment is to continue to do so.

Jeremy Ward: Scottish Widows is part of Lloyds Banking Group, as you will know, and inclusive is one of our values. We have made some very public commitments to progress that we want to make in representation at senior levels in our organisation. We currently have just over 40% of women holding senior roles. We want to move to a position where that is between 45% and 55% by 2030. We set targets for both black and minority ethnic representation from 19% to 22%, and for representation for colleagues with disabilities. Actually, our group executive committee is probably the most diverse part of the organisation that we have.

Chair: Perhaps we will write to you to get the full figures, rather than go through it all in the room.

Alistair Hargreaves: My boss, the group CEO, is Milena Mondini. She is a great figurehead for us as an organisation. Over a third of our senior management are female. I will not go into all of the figures, but it is obviously an area of big focus for us.

We place a lot of importance on culture and one of the things that we embrace is our "great place to work" surveys, which are anonymous and filled in by staff. On that, we see that 97% of our staff feel they can fulfil



HOUSE OF COMMONS

their potential within Admiral, regardless of race, gender or sexuality. Those sorts of datapoints give us a lot of comfort about the culture, and the inclusivity of our culture.

Jason Storah: About 41% to 42% of senior leaders in Aviva are women, very similar to the comments earlier. Amanda Blanc has been a fantastic champion of this.

Chair: Of course she has.

Jason Storah: More broadly, making sure that our leadership population reflects the population of everybody in the organisation and our customers is very important. We do have targets. Those targets flow through to performance scorecards that are shared with our board and go into consideration in people's year-end reviews. It is really important to us.

We have an annual employee survey, and one of the questions in there that we ask our people is whether they feel that the leadership reflects them. Can they see themselves in the leadership group? That is just to show how important that is and how much we track it. We are actively making strides there. The fact that we are four white middle-aged males does not reflect the changes that have been made all around us, certainly over the last few years.

Chair: It is interesting. Earlier in the conversation about AI you were talking about the human in the loop, and if those humans in the loop are not reflective of disability, ethnic differences and gender differences then perhaps the decisions are not always going to be the best. I am heartened by what you have said.

Q112 **Dame Harriett Baldwin:** I wondered, with the proposals that the FCA currently has out in terms of non-financial misconduct rules, whether your firms are supportive of what it is proposing? Everyone has gone silent on that.

Jason Storah: I believe the answer is yes, but, again, let me take that away and ask some people smarter than I am.

Q113 **Dame Harriett Baldwin:** Is that the answer you all want to give, that you will follow up in writing?

Jon Walker: It is, yes.

Jeremy Ward: Yes.

Alistair Hargreaves: Yes.

Chair: That is instructive in itself. This has been a useful session so far. It would be good if you could come again next July, or maybe one of your female colleagues could come instead of you. It is nothing personal; it is just to show that you are committed to that diversity. Is that a nod that you are all going to agree to come next July? It is probably easier to say



HOUSE OF COMMONS

yes than to have an argument.

Q114 John Glen: Can I turn to growth and regulation? You as insurance companies invest a lot of money, and the rules around what you can invest and how you report on what you invest have been a cause of lots of debate. One thing that the previous Government did, which this Government are supportive of, is Solvency II changes, and we now have Solvency UK. We also hear that deregulation, the burden of reporting and so on is a massive frustration.

Representations are often made to us individually and privately, but when we get into a public forum the executives are less forthcoming because they do not want to upset the PRA or the FCA. We are anxious to find out from you this morning what has gone on with Solvency UK. I have had many conversations with Amanda Blanc and others about this, and their frustrations with the PRA on the matching adjustment. Those changes have now been made. Could you give us your view on whether it has landed in the right place, and whether it allows you the level of flexibility on how you invest your premiums in a way that you feel is appropriate?

Jason Storah: I am conscious that, with Solvency II, as you referenced, there was quite a lot of dialogue. Where that started versus where it ended were two different places, but we feel certainly very good about where it ended. We have been quite public in our commitment to invest £25 billion in UK infrastructure—hospitals, homes, schools, and so on—as a result of the Solvency II reforms. There are some other areas, such as the matching adjustment investment accelerator. We have said quite publicly that we would like to see expansion to the scope of what assets could be included, but that feels like it is an iterative dialogue that is ongoing.

Q115 John Glen: Is it sufficiently speedy? You can be honest.

Jason Storah: We would always like it to be a bit quicker.

John Glen: Right, so it is not.

Jason Storah: There is a healthy tension there. There are lots of viewpoints to consider, and ours is only one.

Q116 John Glen: You are a diplomat, Mr Storer. Are there any other views on where we are on this? The Chancellor has been very explicit about the need to remove unnecessary reporting burdens. Can you tell us what you would like the regulator to do, and you think there is justification to do, that would not put customers or the solvency of companies at risk? Mr Hargreaves, do you have a view on this?

Alistair Hargreaves: Because we are general insurance, and that is short term, it is less significant for us, in terms of our portfolio.

Q117 John Glen: Yes, I understand that, but nevertheless you must have some things that irritate you as a board around compliance with regulators.



HOUSE OF COMMONS

Alistair Hargreaves: If it is not in terms of Solvency II—we talked about the FCA regulation earlier—we would be supportive of the direction of focusing on consumer duty and on customer outcomes in respect of that, and then tidying up the rulebook. The one point that we would be keen on is that the number of areas that are looked into in the detail is proportionate to the risk, because when there are reviews and studies it takes a lot of information and a lot of senior management time in order to really support those things. It is just about being proportionate with how many areas are dug into.

Jeremy Ward: There are a couple of things I would touch on. From a PRA perspective, we would welcome the changes that it is making to some of the regulatory reporting requirements. I would probably balance that with the consultation on liquidity reporting, and just making sure that we do not gain in one area and lose in another. That is something we are really positively engaged with the PRA on.

From an FCA perspective, some of the progress that it is driving in terms of targeted support, with changes to the way that regulation will sit around that, has the potential to unlock support for large numbers of customers. We are really supportive of that.

Q118 **John Glen:** Is it right that in May of this year the FCA also reduced the frequency of product reviews that you have to do?

Jeremy Ward: Yes, there are changes happening all the time in terms of the product governance requirements. There are changes to that, and to the way it is thinking about the consumer duty framework. The overall atmosphere is a positive and collaborative one.

Jon Walker: I have a couple of points, if I may. We enjoy very productive dialogue with both the PRA and the FCA. The FCA's focus appears to have been on simplifying and reducing the handbook, with 100 pages coming out, but for context that is 1% of the size of the handbook. It should continue and go further there.

In terms of our interactions, if I think about AXA over the last couple of years, we have probably made about 140 submissions on various topics. That excludes a lot of ad hoc requests that we get, from the FCA in particular. My observation there would be that the rationale and the clarity behind some of those ad hoc requests could be refined further. We were really, really clear on the purpose, and, as such, could perhaps input into how we refine the request so it really gets to the heart and the nub of the issue that the FCA is trying to draw out. Those would be the couple of things I would add in addition.

Q119 **John Glen:** You said 140. Do you have any comparisons to previous years? Is it being reduced, or is it still going up?

Jon Walker: I do not. I am happy to go away and get that figure. My instinct would say that over the last couple of years that is not a reduction, but that would be an opinion of mine as opposed to fact.



HOUSE OF COMMONS

Q120 **John Glen:** We want to try to express, for the industry, the collective view of where the regulatory burden is excessive. Thank you for what you have said, but it is not very clear overall where we can draw conclusions about where that burden needs to be reduced. If we are serious about assisting the growth aspirations of the Government—which we all are, and we want to reflect that—we need as much as you can give us around how superfluous or how material some of that reporting is to your businesses.

Alistair Hargreaves: The ABI is looking at some of that, joined up, to provide an industry view.

Chair: You all get a bit of protection.

John Glen: Get the ABI to send it in, please.

Q121 **Dame Harriett Baldwin:** Have any of your regulators ever requested that, should you come in and have a private meeting with one of our members, you need to report that back to them?

Jon Walker: No.

Jeremy Ward: Not to my knowledge.

Alistair Hargreaves: No.

John Glen: That is reassuring.

Chair: Thank you very much. I thank our witnesses very much indeed. We are looking forward to having you back again, or, if not you, your colleagues. We also have a number of issues that you are going to write to us about, so we look forward to receiving that information.

We have heard today about a number of things. We discussed the Mansion House accord, and three of the witnesses reaffirmed their commitment to it. Scottish Widows has explained that it did not sign the accord because it did not align with its business model.

We had a good discussion about premiums and affordability, where our witnesses asserted that pricing is transparent and not profit-driven, with multiple factors influencing costs.

We had a good discussion about the coming challenge of risk-based pricing, how medical conditions and geographical location can affect insurance premiums, and how AI may play a role in that. The personalisation of insurance is something that we have been picking up as an interesting issue, so we will be keen to explore that next time you are in front of us.

I thank our witnesses: Jon Walker from AXA, Jeremy Ward from Scottish Widows, Alistair Hargreaves from Admiral, and Jason Storah from Aviva. The transcript of this session will be available on the website uncorrected in the next couple of days. Thanks to our colleagues at *Hansard*, and



HOUSE OF COMMONS

thanks to our colleagues in the broadcasting team at Bow Tie.