Treasury Committee

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Amanda Blanc
Chief Executive Officer
Aviva
via email

2 April 2024

Dear Amanda,

Inflation within the insurance industry

The Committee is holding an oral evidence session with consumer champions, insurance companies, and the Financial Conduct Authority on the 17 April to—among other things—discuss the impact of the Financial Conduct Authority's new Consumer Duty.

We invited Aviva to give evidence to the Committee as part of that evidence session but you are unable to appear before the Committee on this day. Can you therefore set out in writing, your answers to the following questions:

1. ONS inflation data shows that across the industry, car insurance inflation has at times been running at over 50 per cent in the past 12 months and is at present running at 35 per cent. What is justifying these price increases?

2. As part of its review of "insurers' valuation of vehicles"[1], the FCA has identified several areas for improvement for car insurance providers for when dealing with stolen or written-off car valuations. What is your response to the FCA's findings?

3. In its review[2] the FCA found that "firms would sometimes provide initial settlement offers that are below the insured vehicle's estimated market value" under the expectation "that they would then increase the offer if the customer challenged the original one or complained". Can you confirm that Aviva does not engage in this practice?

4. What tangible changes have you made to the terms and conditions of your policies since the introduction of the FCA's Consumer Duty?

5. What measures are you taking to make sure that customers who in good faith estimated the cost to rebuild their property when taking out buildings insurance will not be left underinsured by the rapid increases in the costs of building that have occurred since their policies were taken out?

[1] FCA paper: Findings of multi-firm review into insurers' valuation of vehicles, 27 March 2024
[2] See above

In line with the Committee's usual practice, I will be placing this letter and your response in the public domain. I would be grateful for a reply by 10 April, so that it can inform the Committee's evidence session.

Dame Harriett Baldwin MP
Chair of the Treasury Committee