Dame Meg Hillier DBE MP
Chair of the Treasury Committee
House of Commons
via e-mail

22 August 2025

Dear Dame Meg,

RE: Follow-up requests following insurance companies hearing on 08 July 2025

Thank you for inviting us to give evidence to the Treasury Select Committee on 8 July and for your subsequent letter dated 23 July.

I have set our response to the Committee's follow-up questions below. Please note that these responses do not reflect the position of Direct Line since our acquisition was only recently approved by the Competition and Markets Authority.

- **What percentage of the pension funds that you manage are invested in the UK? (Q19)**

  Approximately 24% of our customers' pension savings and investments are currently allocated to UK assets — including around 11% in UK equities, 3% in UK property, 4% in Gilts, and 6% in Corporate Bonds.

- **How often has someone missed a monthly payment and then made a claim on their insurance? (Q35)**

  If a customer misses a payment, we do not immediately cancel the insurance policy. We contact the customer to make them aware of the missed payment and to communicate the date in the future the policy will be cancelled if they do not make payment. We offer our customers financial support which can delay the cancellation. During this period, customers are free to claim on their insurance policy - however we may not receive the insurance premium for the cover we have provided during this period.

  We therefore carry a risk that a customer makes a claim during a period where their insurance is valid, but we have not received the insurance premium for that cover. Across our motor and home portfolio, on average 17,000 customer miss a payment each month. We would therefore expect 500-1,000 claims per annum from these customers, assuming a normal claims frequency.

- **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? Do your processes effectively identify consumers in vulnerable circumstances? (Q48-Q50)**

  We are confident that we meet our obligations under the Consumer Duty and our wider regulatory requirements.

  Our products are designed and priced to provide fair value and are subject to fair value assessments, as required by the FCA. Our average Aviva motor Retail APR is around 15% or

a simple interest rate of 7.5%. This compares to the extra 5% surcharge from the government for those wishing to pay monthly or every six months for vehicle road tax. Our maximum Retail APR is 19.9% or equivalent to around 10% simple interest rate and is applicable to a small proportion of customers. As examples of how this would translate to costs to customers based on a £500 new business premium on our Aviva's motor products on price comparison websites:

- A 15% APR would add an additional cost of £3.02 to the £42.19 monthly premium
- A 19.9% APR would add an additional cost of £3.95 to the £42.19 monthly premium

We are committed to identifying and supporting customers in vulnerable circumstances, including financial distress. Our staff are trained to spot indicators of vulnerability. Before a customer purchase's premium finance, we perform an affordability assessment which helps to ensure our customers can manage their re-payments.

If customers do experience payment difficulties, we do not apply additional fees in the event of missed payments or charge additional interest on arrears. We have a range of support (forbearance) options to help customers manage their payments and stay insured. This includes payment deferrals and flexibility around payment dates. As part of our support processes, we highlight the financial support that is available to our customers, both from Aviva and from not-for-profit debt advisory services.

- **Could you outline your policies on how long someone must be recovered from cancer before it no longer affects their record and they stop being charged a higher premium for travel insurance? (Q62 - Q65)**

  Cancer will need to be declared where an individual remains under the care of their specialist and has had an appointment or has been prescribed medication in the 12 months prior to purchasing or renewing their policy or medical upgrade. Therefore, the condition will need to be declared until the individual is no longer receiving long-term monitoring or prescribed medication. This period of time will depend on individual circumstances.

  For many types of cancer, where the customer is in remission but remains under long-term monitoring (meaning the condition still needs to be declared), the associated medical risk score typically decreases over time. By 3–5 years post-treatment, most cases are considered lower risk. At that point, the impact of the condition on acceptance and premium will reduce significantly.

  If an individual has been completely discharged from follow up and has not been seen by a medical practitioner in relation to their cancer during the previous 12 months, the condition will not need to be disclosed and it will therefore not affect their travel insurance premium. Customers should ensure that their medical declaration is up to date when they renew their policy.

- **Does taking antidepressants incur a premium on travel insurance? (Q68 - Q69)**

  No, it does not. Whilst a prescription of anti-depressants in the previous 12 months requires the customer to disclose their medical condition, the prescription is not in itself a determining

factor on the premium charged for travel insurance. Rather, the premium will be determined by the overall assessment of the individual's medical risk relating to their diagnosis, which takes into consideration factors including whether the condition has previously resulted in hospitalisation or the cancellation of travel arrangements.

The medical risk being assessed is both the potential for cancellation of travel plans and the risk of an exacerbation of the condition requiring emergency medical attention during a trip. Any resulting premium adjustment will be proportionate to the assessed risk.

- **Do you take home address into account for life insurance premiums and, if so, to what level of granularity? (Q70)**

  Home address is not used to set premiums for life insurance or critical illness cover in either Aviva's base price setting process or underwriting process.

- **Do you use terms such as 'sudden' or 'sudden flooding' in your flood insurance policies, and would a flood insurance claim ever be declined on the basis that the flooding was not considered 'sudden'? (Q104)**

  Yes, our home insurance policies do use the term "sudden" in the definition of flood. A flood is defined as: *"A substantial volume of water suddenly entering your buildings from an external source at ground floor level or below."*

  The use of the word 'suddenly' is intended to clarify that the policy is designed to cover one-off, identifiable events, rather than damage that develops gradually over time – for example, slow seepage or percolation from a pipe or poorly maintained roof that often leads to dampness and mould growth.

  It is important to note that the term 'sudden' does not imply the event must occur instantaneously. We recognise that flooding incidents may unfold over a period of hours or even days, depending on the circumstances. Therefore, a claim would not be declined solely on the basis that the flooding was not immediate.

  Our definition and approach to flooding aligns with Flood Re. Our claims data supports customer understanding of the cover – our settled claims data from January 2023 to date shows a claim acceptance rate of 94%.

- **What is the gender and ethnic breakdown within your organisation? (Q109 - Q111)**

  As of June 2025, Aviva PLC has the following gender and ethnicity split:

  - **Gender:** Male 47.7%, Female 52.3%
  - **Ethnicity:** White 80.6%, Ethnically Diverse 19.4%

- **Does your firm support the proposals currently under consultation by the FCA regarding non-financial misconduct rules? (Q112)**

  We welcome the FCA's continued focus on tackling non-financial misconduct. This is an area of importance to the integrity and culture of our industry.

At Aviva, we take non-financial misconduct seriously and we have long-standing internal policies, programs and procedures in place to support staff in addressing issues such as bullying, harassment, and other forms of unacceptable behaviour. We look forward to engaging constructively during the consultation period to help shape a regime that is effective, proportionate, and sustainable for firms and individuals alike.

I hope that this information is helpful, and we would be happy to support the Committee with any further information it requires as it completes its inquiry.

Yours Sincerely,

Jason Storah
Chief Executive Officer
Aviva UK & Ireland General Insurance