Money and Mental Health's submission to the Financial Services Regulation Committee's Inquiry on the regulation of the consumer insurance market

The Money and Mental Health Policy Institute is a research charity established by Martin Lewis to break the vicious cycle of money and mental health problems. Money and Mental Health currently, with the ABI, jointly leads the working group on travel insurance for people with pre-existing mental health conditions, set up as part of the government's financial inclusion strategy. This written submission has been informed by the experiences of our Research Community, a group of around 5,000 people with personal experience of mental health problems, as well as our wider body of research. Unless otherwise specified, all quotes in this response are drawn directly from our Research Community.

Summary

- Our research has found some key challenges for people with mental health problems when choosing, buying and using insurance.
- In particular, in travel insurance people with mental health problems can face higher premiums, exclusions or be denied cover after declaring a mental health condition.
- People with mental health problems can also find it difficult to understand insurance products, terms and policies. Common symptoms can affect our ability to process and remember complicated information, and this can be exacerbated by poor and unclear design and presentation.
- The introduction of the Consumer Duty by the FCA was a welcomed step but there still remain issues that people with mental health problems, and other groups of consumers, experience, and a real question about how 'fair value' is being meaningfully applied for customers with mental health problems.
- There are steps that insurers can be taking to improve the experience of people with mental health problems, but the FCA should also be ensuring that this group of consumers receive good and fair outcomes.
- At the moment we are concerned that individual travel insurers and the regulator cannot be confident that travel insurance products are meeting key FCA rules because of a lack of transparency and oversight of the way that Verisk, the main medical screening tool provider, is carrying out medical screening and risk assessment.

1. What are the key areas of concern for consumers in the regulation of home and travel insurance

a) Are there any other types of insurance where consumers are facing similar challenges?

Our research has focused on the experience of consumers with mental health problems, some of these concerns will overlap with other groups of consumers, others will not. The key areas of concern are:

- **Being able to take out affordable travel insurance cover.** Our past research has found people with mental health problems are more likely than people without to pay a higher premium, face exclusions or be denied cover after declaring a mental health condition.[1] More detail is provided in answer to question four.
- **Being able to find home or travel insurance that best meets their needs.** Insurance is a complicated product with varying levels of cover and add-ons, and symptoms of mental health problems can make it harder for people to understand and compare policies, find cover and ultimately make a decision. More detail is provided in answer to question three.
- **Being able to make a claim and receive a fair outcome.** Our research has highlighted many of the challenges that people with mental health problems face when trying to make a claim and how the actions of insurers can sometimes make this harder. More detail is provided in answer to question five.
- **Being able to interact with their provider and best use the product.** People with mental health problems can face barriers when insurance services are not designed in an inclusive way and be wary about disclosing their needs. More detail is provided in answer to question four.
- **Being able to keep up with monthly payments.** People with mental health problems are more likely to be in financial difficulty and struggle to make key payments.[2] Paying monthly for home insurance can better meet someone's financial circumstances, but overall will be more expensive compared to paying annually because of premium finance, resulting in a poverty premium.[3]

The first issue is something Research Community members have told us also exists in other insurance products, particularly protection, where mental health is a risk factor that is considered during the application. Many of the other issues are also present in motor insurance and protection insurance.

2. What impact has the Financial Conduct Authority's (FCA) Consumer Duty had on the consumer insurance market?

Our earlier research on insurance took place before the Consumer Duty came into force. We hoped that the Consumer Duty would help minimise the concerns that we came across. In particular the focus on consumer understanding would be crucial in a complicated product like insurance. We also hoped the fair value outcome would push firms to do more on ensuring that their pricing for mental health problems was fair.

[1] Lees C. Written off. Money and Mental Health Policy Institute. 2023.
[2] Holkar M. Debt and mental health: A statistical update. Money and Mental Health Policy Institute. 2019.
[3] Institute and Faculty of Actuaries and Fair by Design. The hidden risks of being poor: the poverty premium in insurance. 2021

We conducted a survey with our Research Community in 2024 to understand whether the Consumer Duty had made a difference to their experiences across financial services.[4] We found that over six in ten (63%) said they were just as satisfied with their insurance provider and a similar percentage said their provider wasn't better or worse (58%). Over half (52%) said they found communications about insurance easy to understand, although a third (34%) said they were difficult. Only one in five (21%) said they found their insurance provider to be supportive (the lowest of any type of provider), while a similar percentage said unsupportive (19%). Insurance was one of the products that had a higher percentage of respondents saying that the price they paid was higher than the benefits they received, compared to saying the price matched or was lower than the benefits (43% vs 28%). This suggested that the Consumer Duty hadn't made a significant difference a year on, however, there has now been more time for it to be embedded.

"Car and house insurance has gone up by a third. I don't really understand what I'm paying for, and all the caps on claims are really high. [Insurance provider] had a very hard sell, no questions about my mental health, and any support I need." Expert by experience

As part of our role on the working group on travel insurance and mental health problems set up for the government's financial inclusion strategy, we conducted more up-to-date mystery shopping and a survey with our Research Community. Although these figures are not yet published, they do not differ markedly from the previous results, suggesting the industry has not made significant changes as a whole.

3. Does the current regulation of insurance distribution and sales ensure that consumers purchase appropriate home and travel insurance? Are there any changes that should be made to the regulatory requirements?

a) How well do consumers understand the terms of insurance cover that they purchase, and how could this be improved?

b) Do price comparison websites help consumers purchase appropriate insurance?

Overall challenges people with mental health problems can face

Our research found that people with mental health problems can often find the process of comparing and choosing insurance products difficult. Nearly two-thirds (64%) of Research Community respondents had bought insurance during a period of poor mental health. Common symptoms of mental health problems, like short attention spans, can make it harder to compare policies, find suitable cover and ultimately make a decision. This is then exacerbated by the complex nature of insurance and the wide variation across the market.

[4] Lees C. Happy anniversary? A year of the Consumer Duty. Money and Mental Health Policy Institute. 2024.

Research Community members also told us about the difficulty they face when trying to read and comprehend key documents like the terms and conditions, which are often long and complex. This can be a barrier for people with mental health problems and put them at risk of financial harm. Although insurance product information documents were introduced in 2018,[5] they can be missed by consumers or can still be too difficult to understand for someone struggling with their mental health. Additionally, symptoms including low motivation and energy, mixed with avoidance – a common coping mechanism – can lead to people putting off or speeding through the application process.

"I can't read terms and conditions as they're too long and complex so I have to trust the companies." Expert by experience

The role of price comparison websites

In our 2022 Research Community survey, respondents were slightly more likely to have taken out insurance after using a price comparison website compared to going directly through an insurer (78% vs 72%).[6] Respondents liked that comparison sites could give them a range of options and allow them to find the cheapest premium. However, several highlighted how when they were then directed to the provider's website and added extra information, the premium could increase causing some confusion and leaving people mentally drained. Additionally, some mentioned that not all providers were on comparison sites so there could still be a need to go directly to other providers.

"Quotes on comparison sites very rarely stay the same, when you click through to the insurance company to purchase the policy. Insurance companies like to automatically add unwanted "perks" to increase the cost of the cover. Or they leave off things that have been requested/quoted for. When you've struggled through the initial journey of getting quotes, then chosen the cover that meets your needs, your mental capacity is pretty much maxed out & you don't notice the subtle changes that they sneak in. That then leaves you either under covered or paying for "perks" you don't need." Expert by experience

"I do it on a comparison site because it is stressful and takes a lot of energy to look for a good service but it is annoying that some providers will only give quotes directly." Expert by experience

We have recently conducted a new survey with the Research Community on their experiences of trying to get travel insurance, including through price comparison websites. Research

[5] FCA. ICOBS 6.1.10. Providing product information to customers: general.

[6] Money and Mental Health survey of 211 people with lived experience of mental health problems conducted in August 2022. Base for this question: 198.

Community members have told us about challenges around using these sites, such as the amount of information and the lack of specificity for mental health problems.

"The price comparison websites don't usually offer specific insurance for those with mental health and the jargon is just too overwhelming." Expert by experience

"Due to inability to concentrate and compare so many choices, it becomes overwhelming and sometimes causes confusion, inability to choose a good deal vs a bad deal leading to anxiety and depression" Expert by experience

The difficulty in finding alternative cover

Symptoms of mental health problems can then make it harder to look for alternative cover after being quoted a high premium or being declined due to a mental health condition. In travel insurance, providers are required to signpost customers to a directory of specialist providers for pre-existing medical conditions. The triggers for this are: a decline, an exclusion related to a pre-existing medical condition, or a significant increase in the premium. In 2025, the FCA decided to raise this premium increase from £100 to £200 despite the earlier figure being a significant cost to many consumers on low incomes.[7]

Our research also found that specialist providers do not necessarily offer customers with mental health problems more affordable cover, which can often be available from other mainstream providers that are not included in specialist directories. In effect, this means that there are likely to be cases where the signposting intervention is actively making it harder for people with mental health problems to find the most suitable and affordable cover for them. The FCA published a review in 2024 and concluded that the signposting intervention was working as intended.[8] However, this does not address some of the fundamental issues people with mental health problems are facing and relies on customers to do extra searches to find cover, something that can be nearly impossible when unwell.

"Getting travel insurance you have to dig around to find specialist companies who offer more affordable prices and who will cover your conditions." Expert by experience

Auto-renewing policies rather than switching

We also found that people with mental health problems often renew annual policies automatically, as they either forgot it was due or find the process of finding alternative cover too difficult. For example, people can negotiate with their provider to get a better deal but this takes

[7] https://www.fca.org.uk/publications/multi-firm-reviews/travel-insurance-signposting-rules-consumers-medical-conditions-review

[8] FCA. Post implementation review of the travel insurance signposting rules for consumers with medical conditions. 2024.

significant mental energy which many people with mental health problems can lack when unwell.[9] This can mean that people with mental health problems are taking out and renewing products that are unaffordable or unsuitable for their circumstances. Although the FCA acted to end the loyalty penalty in insurance, remaining with the same provider can still lead to ever-increasing premiums compared to switching to a cheaper alternative.

"I felt too unwell to cope with changing the policy so I just renewed even though it had increased quite a lot for the same cover." Expert by experience

What this means for claims

Our research also highlighted how challenges with understanding cover before taking out a policy can then impact someone when they come to claim. Research Community respondents told us about how their claim was rejected because their condition was excluded from the policy which they hadn't been aware of as the detail had been buried in the terms and conditions which they struggled to read while unwell.

"I read the main points that I was covered for but when I put in a claim they said it was not covered (in the additional tiny writing). I struggle to focus when reading and don't always take it in." Expert by experience

What can be done by insurers to improve understanding

The Consumer Duty's focus on consumer understanding is particularly important in a complex market like insurance; however, others, like Which?, have highlighted that there are still challenges with how understandable the information provided by insurers actually is.[10]

We believe that insurers can make it easier for people with mental health problems to understand key information related to insurance by:

- Testing the information that they provide to customers with people with lived experience of mental health problems.
- Providing easy-to-follow information on what is and isn't covered by a policy, especially related to mental health conditions. This should be made clearer during the customer journey itself.
- Ensuring that the information they provide when a customer is declined, given an exclusion or faces a higher premium is easy to understand. The information should clearly set out next steps, such as where customers can find alternative cover.

[9] For an example of some of the barriers, see our joint research with Citizens Advice on haggling in the telecoms market - https://www.citizensadvice.org.uk/policy/publications/hidden-deals-haggling-and-mental-health-in-the-telecoms-market/.

[10] Beesley S, Crapnell R and Reed A. Risky business: Consumer confusion around general insurance. Which?. 2025.

- Introducing more consistency in the information provided by them and price comparison websites to make it easier for customers to compare products and find the right cover for them.

4. Are there any groups of consumers that face challenges in accessing suitable insurance?

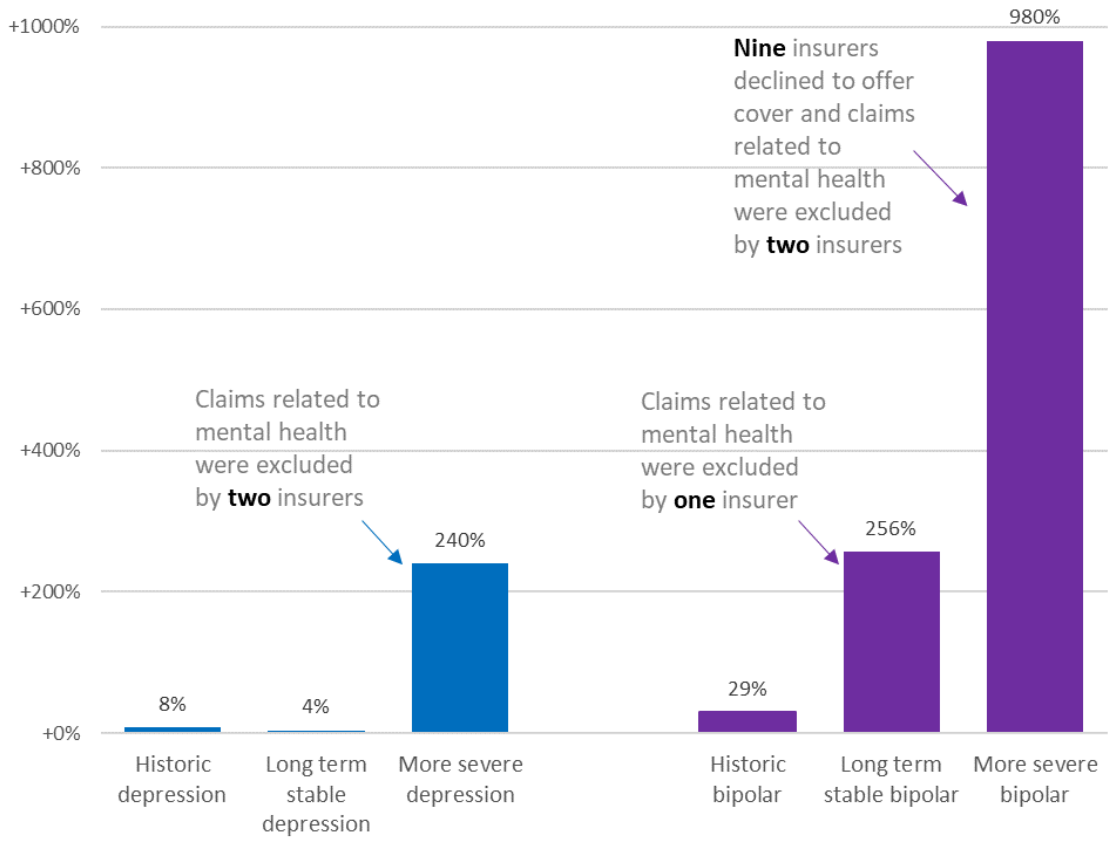
a) Do the current regulations effectively protect these groups of consumers?

The challenges people with mental health problems face when buying insurance

Our research has shown that people with mental health problems face challenges in accessing affordable travel insurance. In particular those who have more severe or recent experiences can face significant jumps to their premiums, exclusions for their condition or declines. For example, in an online mystery shopping exercise conducted in 2022 of 15 travel insurers, a 'customer' who has experienced severe bipolar disorder was turned down by 9 of the providers. When cover was offered, the price quoted was 6 to 27 times higher than that quoted to a customer without a mental health problem. As figure 1 shows, people with more severe depression and stable bipolar also experienced large increases to their premiums or exclusions.

Recent mystery shopping and a survey we have our Research Community conducted for our work on the travel insurance and mental health working group suggests that these types of customers can still face similar experiences. This new mystery shopping has highlighted particular areas where the premium can jump in a significant way that might not match the associated risk. This includes: taking continuous medication for bipolar; having historical (e.g. three to five years ago) instances of hospitalisation that are still captured within the default timeline of the last five years; and having to cancel or cut a trip short, even if this didn't lead to an actual claim. We hope that the working group will help shed more transparency on why these increases occur, what could be done to minimise them within commercial models and ensure that firms have an appropriate level of confidence that all of their policies meet key FCA rules, including the 'fair value' test.

Figure 1: Average price increase by mental health problem, relative to a customer with no medical condition in percentage terms



Source: Money and Mental Health testing of 15 travel insurance providers, more detail on the different 'personas' can be found in our report 'Written off?' - https://www.moneyandmentalhealth.org/wp-content/uploads/2023/02/MMHPI-Written-Off-insurance-report.pdf

The limits of existing regulation

There are two key pieces of regulation/legislation that apply that do allow insurers to treat customers with mental health problems differently - through higher premiums, exclusions or declines. These are the Equality Act and FCA rules for travel insurers, which crucially say that insurers must make "reasonable" decisions based on "relevant", "current" and "reliable" information.[11] However, there is a lack of transparency in the travel insurance sector on what data is being used to allow a judgement of whether providers are following these rules.

[11] The Equality Act applies to disability which can include mental health problems if they meet the qualifying definition. Equality Act 2010 Code of Practice: Services, public functions and associations; ICOBS 6A.4 Travel insurance and medical conditions

As part of our 2023 report we called on the FCA to launch an investigation into how insurers were making decisions around mental health problems, however, the FCA has not done so. Although the Equality Act is enforced by the Equality and Human Rights Commission (EHRC) which is a small regulator that does not focus on financial services,[12] the travel insurance specific rules can be enforced by the FCA. In 2019, the FCA told the Treasury Select Committee that it had the resources to look at the algorithms of individual firms to assess compliance with the Equality Act but had not asked for data despite several firms being unable to give assurances of compliance.[13] The Committee felt that this was a missed opportunity.

One of the key ways that insurers make these decisions is by using a medical screening tool that gives them a risk score that they can then apply their own risk judgement to. For the majority of the market, this is Verisk. However, Verisk is not regulated by the FCA, which means there is lack of transparency and independent oversight of how it operates. While firms are allowed to outsource medical screening and risk assessment to an unregulated third party, as part of the Consumer Duty, the FCA does expect insurance firms to be confident that their use of Verisk leads to good outcomes, including fair value, for customers and avoids harm. At the moment, given the lack of transparency and oversight of Versik, we are concerned that this might not be the case. The travel insurance and mental health working group is a good step in the right direction to increasing transparency and helping us assess whether the current system is working as it should. However, it remains to be seen whether it will make sufficient progress on this issue.

Wider accessibility issues people with mental health problems face in insurance

Beyond whether people with mental health problems can get affordable cover in travel insurance, we have also found that like other essential service markets and financial products, people with mental health problems can face significant barriers to interacting with their insurance provider or fully using the product. For example, challenges using communication channels - three quarters (75%) of customers with mental health problems have serious difficulties engaging with at least one communication channel, with more than half (54%) struggling to use the telephone.[14] While these barriers can be due to common symptoms of mental health problems, they can also be driven by insurance providers not designing their services to best meet the needs of people with mental health problems.

Although insurers can design their products and services inclusively, they can also respond to disclosures of needs by offering appropriate support. In financial services as a whole, disclosure rates for people with mental health problems are low – just 14% have done so.[15] Reasons why

[12] EHRC. Strategic plan 2025 to 2028. 2025.
[13] House of Commons Treasury Committee. Consumers' access to financial services. 2019.
[14] Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018.
[15] Bond N and D'Arcy C. The state we're in. Money and Mental Health Policy Institute. 2021.

people don't disclose can include embarrassment, not realising it could lead to receiving support, or concerns over not being believed. However, in insurance a particular concern is that the information will then be used by the insurer to increase the premium, add an exclusion or stop providing them insurance altogether. This feeling is often directly due to people having experienced these outcomes when trying to buy travel insurance and declaring their condition.

5. Are consumers' insurance claims handled fairly?

a) Do the current regulatory requirements provide sufficient protection for consumers when making insurance claims?

b) What impact does the outsourcing of claims handling have on consumers' insurance claims? Do insurance firms have appropriate oversight of outsourced claims handlers?

c) Do cash settlements deliver good outcomes for consumers?

In our past research, a majority of Research Community respondents (68%) had made a claim at some point, with motor insurance being the most common product (68% of claimants), and home (32%) and travel (12%) being the next most common.

We heard about some positive experiences but we also found several common issues:

- Barriers to claiming
- A long and complicated process
- The impact of a declined claim and the difficulty in challenging this

Firstly, there can be some key barriers to making the claim. Some of these can be due to symptoms like low motivation and avoidance. There can also be issues with the excess to pay before the cover kicks in, with many who are struggling with their finances feeling put off by higher excesses.

"My biggest problem is procrastination and obsessively looking for the finest details so when I'm asked to get three quotes from three different builders it makes it impossible and I tend to leave the claim." Expert by experience

"I had to pay the excess and that was difficult as I had to pay when my benefit went in and then didn't have enough for other bills." Expert by experience

Once someone has taken the difficult steps to make a claim, the process can then often be long and complicated. This can be particularly when people are experiencing symptoms of mental health conditions or are dealing with whatever had gone wrong in order for them to have claimed, such as being burgled or hospitalised while abroad. The length of the process and not receiving updates from their insurer can then cause stress and anxiety.

"The forms appear deliberately complicated to put you off claiming." Expert by experience

"Stressful due to water damage after a fire, I lost nearly everything. Filling the reports, trying to find invoices, and not being informed on what was happening, [it] took the best part of 6 months before I got a pay out." Expert by experience

"It was for flooding. It was a truly awful experience from day one and took over 6 months to fix a tiny 1 bed flat… Which was the start of my mental health issues and I was diagnosed with PTSD/Anxiety/Stress with a potential break-down. Which I managed to avoid – just." Expert by experience

Being rejected for a claim can have a significant impact on someone's finances, particularly given people with mental health problems are more likely than people without to be in financial difficulty. Additionally, people with mental health problems can struggle to challenge the insurer's decision on a claim. This can be driven by a power imbalance between an individual consumer and their insurer, a large firm often with thousands of employees.

"It was a nightmare. The company initially refused my claim. I studied law and found a clause in the policy that applied. Eventually they accepted my claim. Without legal training and knowledge it would have been very difficult to win the claim." Expert by experience

6. How effectively are the current regulatory requirements enforced by the FCA?

As highlighted above, we have raised concerns that it is difficult to assess whether travel insurance providers are complying with their obligations around pre-existing medical conditions. However, the FCA has not looked into the data firms are using to make these decisions to ensure that they meet the requirements. The FCA is involved with the travel insurance and mental health working group which is very welcome.

Beyond this, the recent super complaint from Which? highlighted a consistent lack of action from the FCA despite several reports suggesting that key rules were not being followed by insurance providers, particularly around claims management.[16] The FCA did respond to the super complaint, outlining the steps it had already taken and was going to take, including enforcement investigations. It will remain to be seen what actions are taken and what impact these will have. The FCA has also not yet used its enforcement powers for the Consumer Duty, although it is said to be investigating six potential breaches related to fair value.[17]

More widely, the FCA, alongside other regulators, is under pressure from the government to promote economic growth. This has potentially led the FCA to take a more cautious approach

[16] Which? Addressing poor consumer outcomes in home and travel insurance. 2025.

[17] Cody S. FCA enforcement of the Consumer Duty – What do we know?. Linklaters. 2026.

to its market study remedies, particularly in insurance. For example, the FCA concluded that there wasn't a need to mandate 0% APR for premium finance after its market study,[18] despite consumer groups being concerned about the harms consumers were experiencing.[19] Additionally, the interim report for the FCA's pure protection market study also did not propose major changes even though the FCA had identified a significant protection gap.[20] There is a risk that a focus on economic growth allows for consumer harm and detriment to continue within the existing rules. An additional risk is that pushing for economic growth can also come at the expense of undermining consumer protections or leading to consumer harm.

7. What is the role of the Financial Ombudsman Service (FOS) in protecting consumers in the insurance market, and how effectively does it resolve disputes?

FOS plays a key role in protecting consumers and ensuring that they are able to access redress when things go wrong. HMT, FOS and the FCA have all done work over the last few years to look at how the redress system works and how it could be adapted. As the Consumer Duty is an outcomes based piece of regulation, it can be difficult to know what this means in practice. Greater collaboration between FOS and the FCA would help FOS decide cases where the Consumer Duty would apply in insurance, but it's important that FOS remains an independent organisation. We also welcomed the decision by HMT to drop a proposed addition to the Financial Services Bill that would have meant FOS could have a power, in some cases, to disregard the Consumer Duty when making decisions.

Being able to make a complaint to FOS and access redress is very important to consumers, but our research suggests that many people can face barriers to doing so because of their mental health problems. As with interacting with their insurance provider, symptoms like low motivation or difficulty processing information can make accessing FOS challenging. It's therefore very important that FOS' services are inclusive and accessible for people with mental health problems, particularly as FOS looks to introduce an earlier registration phase.[21] We welcomed FOS publishing a vulnerable customer policy[22] and acknowledging the importance of making the registration phase accessible in its recent consultation.

8. Are there any gaps in the current legislation or regulatory framework for the consumer insurance market?

a) Is the current regulatory regime well adapted to respond to the adoption of AI in the insurance industry?

[18] FCA. Premium Finance Market Study Final Report. 2026.
[19] Sobers D. FCA fails to act on premium finance insurance rip-off. Which?. 2026.
[20] FCA. Market study into the distribution of pure protection products to retail customers Interim report. 2026.
[21] FOS and FCA. Consultation Paper CP26/9** Modernising the Redress System. 2026.
[22] FOS. Vulnerability Policy. https://www.financial-ombudsman.org.uk/corporate/policies/vulnerability-policy.

Although there is a specific FCA rule around how travel insurers can treat customers with pre-existing medical conditions differently in their underwriting decisions, insurers more widely have to comply with the requirements in the Equality Act. However, the regulator for the Equality Act - the EHRC - does not focus on financial services and has previously said it lacks the resources to monitor compliance in these markets.[23] While the FCA did helpfully remind insurers of their Equality Act obligations in the final rules for the Consumer Duty and there is a Memorandum of Understanding between the EHRC and the FCA,[24] issues relating to compliance with the Equality Act, including around underwriting decisions, are potentially falling through regulatory cracks.

It is welcome to see the FCA consider what AI means for the financial services industry and regulation, including setting out its approach and the Mills Review.[25] The FCA has said it will not introduce new rules but will instead utilise existing frameworks like the Consumer Duty. Having an outcomes based approach does allow the FCA to be more flexible in responding to emerging technology. However, there is a risk that adoption of AI in insurance is outpacing both the FCA's and firm's understanding of how the Consumer Duty would apply. The FCA needs to work with other regulators and government departments to ensure that consumers are not being harmed by this rapid technological change and introduce new obligations, regulations or guidance if necessary.

[23] EHRC. Strategic plan 2025 to 2028. 2025; and House of Commons Treasury Committee. Consumers' access to financial services. 2019.
[24] FCA. FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty. 2022; and FCA and EHRC. Memorandum of Understanding between the FCA and the Commission for Equality and Human Rights - https://www.fca.org.uk/publication/mou/mou-fca-ehrc.pdf.
[25] FCA. AI and the FCA: our approach. 2025/26; and FCA. Review into the long-term impact of AI on retail financial services (The Mills Review). 2026.