

## Annex A

### Email 1

It has been widely reported that car insurance companies are increasing the premiums they charge customers in 2024 with increases of, on average, around 50-70% higher than in 2023, and as high as 82% higher. Insurance companies are citing inflation and higher costs for parts and labour as the reason for this increase. But inflation hasn't gone up by 50-82%. The cost of labour and parts hasn't gone up by 50-82%.

This seems a very clear case of insurance companies using known problems with the economy to bring in steep and unjustified price hikes, which consumers have no choice but to pay. This is a substantial expense hitting many people hard during a cost-of-living crisis.

1: Please can you confirm if the FCA is currently investigating Car Insurance companies, the insurance industry, or the Association of British Insurers (ABI) for the steep increases in car insurance for 2024, to investigate if these price hikes can be justified or if they are unethical?

2: Can you confirm: does the FCA have the legal powers to investigate Car Insurance companies, the insurance industry, or the Association of British Insurers (ABI) for the steep increases in car insurance for 2024, if they chose to do so?

3: Can you also confirm: does this issue (of Car Insurance companies, the insurance industry, or the Association of British Insurers (ABI)'s steep increases in car insurance for 2024) come under the remit of the FCA, as something that the organisation could investigate, if they chose to do so?

4: The Guardian article suggests that this is an area the CMA could and should investigate? <https://www.theguardian.com/money/2024/feb/21/is-the-car-insurance-industry-driving-up-prices-to-take-us-for-a-ride> Should this be something the CMA investigates, or would the FCA be the better placed organisation?

5: What would be required by the FCA in order to launch an investigation into Car Insurance companies, the insurance industry, or the Association of British Insurers (ABI) for the steep increases in car insurance for 2024? Would you need a certain number of complaints from members of the public, for example? Would you need to see examples of the price hikes?

### Email 2

1: Please can you confirm if the FCA is currently investigating car Insurance companies, the insurance industry, or the Association of British Insurers (ABI) for the steep increases in car insurance for 2024, to investigate if these price hikes can be justified or if they are unethical and dishonest?

2: Is the FCA planning to take any action at all to protect consumers (car drivers) from these steep and unjustified price increases to car insurance hitting people during a cost of living crisis?

3: I'm told by the FCA press office that: "We have powers to fine firms and individuals for breaches of our rules." Can you confirm if the FCA has ever in its history fined car

insurance companies for steep and unjustified price hikes? Has the FCA ever taken any punitive action against any car insurance companies for steep and unjustified price hikes?

4: What is the FCA's threshold or requirements for taking action against unjustified price hikes from car insurance companies?

5: Does the FCA agree that the current price increases of 50-82% are unjustified?

6: In January 2024, the FCA's CEO Nikhil Rathi wrote to the Treasury Select Committee regarding rising motor and home insurance premiums (see section five), saying: "For motor insurance, we have continually analysed data sources across the market. On average, consumers have seen their annual premiums increase by 21% since June 2022, though we have observed some much higher rises than this and predictions show further increases in the year ahead." But as reported vary widely by the media, including articles in The Guardian, The Times, and The Independent, the car insurance premiums have actually gone up on average by 50-60%, with many far higher, including more than 82%. People are now finding that the cheapest annual car insurance is £750 and going up to more than £1000. The figures are far higher than those cited in the FCA letter. Is the FCA aware of the real facts? It's concerning that the FCA seems not to have a clear grasp of the situation. Why is the FCA not reporting on the genuine price increased?

7: The letter also mentions that "Claims costs for insurers have risen 16%". Are you therefore concerned about the fact that car insurance companies are increasing premiums by 50-82%? Surely, if costs to insurers go up by less than 20%, there can be no justification for price hikes of 50-82%? Your letter mentions "There are a range of factors contributing to increased premiums including the cost of car repairs, paint, labour and spare parts having risen considerably alongside a highly fluctuating cost of energy." But none of these costs for insurers have risen by 50-82%. Do you have plans to seriously investigate this matter? There is a massive discrepancy between the increased costs to insurers and the steep price increases to consumers. If the FCA isn't aware of these facts, surely the organisation isn't well placed to get to grips with this issue and is letting down consumers.

8: The FCA say that firms are "incentivised to offer lower prices to attract customers" and you encourage people to "shop around to find the best insurance deals", this is very worrying, as it suggests FCA don't have any understanding of the market. If all the companies have increased their prices by 50-82%, as is the case, then none of the companies are incentivised to offer lower prices, as they don't need to be competitive. If all the companies have increased their prices by 50-82%, it is not possible for consumers to "Shop around" for lower as "lower" prices don't really exist. Again, it's such an important point that, but based on this it seems the FCA isn't really aware of the key facts in this matter. Given that it is not possible to shop around for lower prices, because all the companies have increased their prices, and given that there is no pressure on companies to be competitive if all of them have increased their prices, what action is the FCA taking to help and protect consumers?