



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Baroness Nicola Blackwood
House of Lords
London
SW1A 0PW

8th May 2024

Dear Nicola,

Thank you for your thoughtful intervention during my response to Lord Young's oral question on road pricing on 29 April. I promised to write to you to provide some further information concerning the regulation motor insurance and some potential next steps individuals can take.

The Government recognises that rising motor insurance premiums have been challenging for consumers. As you may be aware insurers, make commercial decisions about pricing and the terms of cover they offer based on their assessment on the likelihood of a claim being made (including risk factors such as frequency of road accidents or car thefts) and the cost of those claims. At the present time, motor insurance premiums are being affected by specific economic factors that are increasing the costs of claims, such as the rising cost of replacement car parts.

As mentioned in my response, price is an important factor on which insurers compete with each other to win customers. That competition should push insurers to continuously improve their assessment of risks in order to lower prices and create better products for consumers. The Government intervening in insurance markets could damage that competition and, as a result, the Government does not generally intervene in the commercial pricing decisions of insurers.

However, the Government is determined that insurers should treat customers fairly and firms are required to do so under Financial Conduct Authority (FCA) rules. The FCA is the independent body responsible for regulating and supervising the financial services industry. The FCA requires firms to ensure their products offer fair value (i.e. if the price a consumer pays for a product or service is reasonable compared to the overall benefits they can expect to receive). The FCA has been clear that it will be monitoring firms to make sure they are providing products that are fair value, and, where necessary, it will take action.

The Government would always encourage consumers to shop around the market to find products that are suitable for their needs, circumstances or preferences. The British Insurance Brokers' Association (BIBA) run a not for profit 'find a broker' service that specialises in finding the cover consumers need at a reasonable cost. BIBA can be contacted at:

British Insurance Brokers' Association
8th Floor, John Stow House
18 Bevis Marks
London
EC3A 7JB

Telephone: 0370 950 1790 website www.biba.org.uk

The Government will continue to work closely with the Financial Conduct Authority to monitor the motor insurance market to understand the key drivers of increasing costs and what can be done to support consumers.

A copy of this letter will be placed in the Library of the House.

Yours,
Charlotte

BARONESS VERE OF NORBITON