

## All-Party Group on Insurance and Financial Services

### Supplementary note by the Financial Services Authority

#### Introduction

1. We submit this note as a supplement to our meeting with the Group on Wednesday 15 March. The Group asked for further information on:
  - The annual amount of settlement by firms in relation to claims by endowment mortgage policyholders, including the proportion that went through claims management companies; and
  - The proportion of Payment Protection Insurance products sold on an advised and non-advised basis.

#### Endowment mortgages – the annual amount of settlement by firms

2. The Group asked for data on the annual amount of settlement by firms to endowment mortgage policyholders in each of the last three years. The table below sets out this data, as well as the number of complaints received by firms in each of these years.

| Period  | Number of complaints | Compensation paid |
|---------|----------------------|-------------------|
| 2003/04 | 202,200              | £424 million      |
| 2004/05 | 324,935              | £601 million      |
| 2005/06 | 594,169              | £777 million      |

#### Notes

- Figures for 2003/04 and 2004/05 are based on around 70% of firms in the market  
- Figures for 2005/06 are up to and including 31/01/06 – in addition, as we widened the scope of data collection following our July 2005 publication *Mortgage Endowments: Progress report and next steps*, figures for this period are based on around 70% of firms in the market for 01/04/05-30/06/05 and on around 90% of firms in the market for 01/07/05-31/01/06

3. We do not collect data relating to the number of complaints received through claims management companies. However, the Association of British Insurers (ABI) tell us that insurers are currently receiving almost 40% of endowment complaints via claims management companies.

#### Payment Protection Insurance – advised and non-advised sales

4. The Group asked for data on the proportion of Payment Protection Insurance policies sold on an advised versus non-advised basis.
5. The information we hold on product sales does not include a specific breakdown of sales of Payment Protection Insurance. We are therefore unable to provide figures either on overall sales volumes or, within that, data on the basis on which they are

sold. However, in its press release of 3 April on its market study into the PPI sector, the Office of Fair Trading said that between 6.5 and 7.5 million policies are taken out each year, generating premium income estimated in 2003 at £5.4 billion.

6. We are now beginning an effectiveness review of our general insurance regime, which will look at the extent to which consumers buying insurance on a non-advised basis receive sufficient information and, for consumers buying on an advised basis, the degree to which they are recommended suitable policies that meet their demands and needs. The overall findings of this review should be available towards the end of this year. We will keep the Group informed.

**7 April 2006**