

MILLIMAN MARKET VIEW

Driving for Profit

A view of the UK motor insurance market 2022

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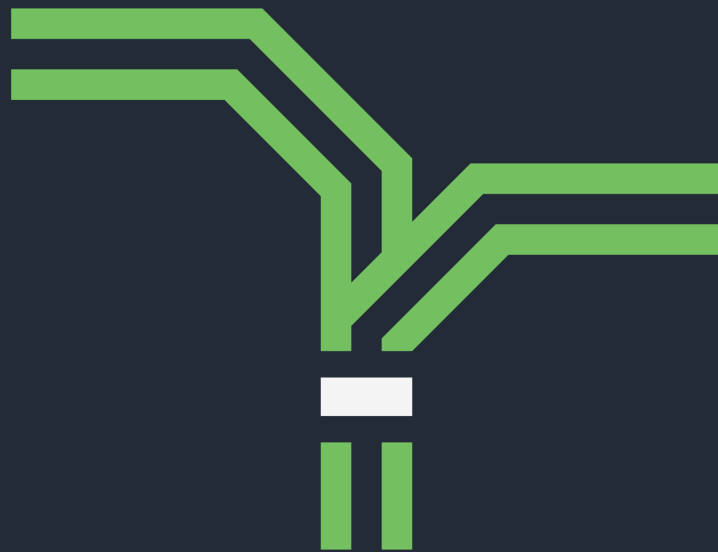


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1. Introduction

In this first edition of Driving for Profit, we present the results of our analyses of the performance of the UK motor market for the year ending 31 December 2022.

We have focused on the two Solvency II lines of business (LoBs) that cover motor insurance, these being Motor Vehicle Liability¹ and Other Motor.²

We have based the analyses that underlie this market view mainly on the quantitative information contained in the Quantitative Reporting Templates (QRTs) within the 2022 year-end Solvency and Financial Condition Reports (SFCRs). We have also studied the text within the SFCRs in order to gain additional insights into various companies, in particular those that displayed characteristics that differed materially from the market average. Our commentary also draws upon our wider market knowledge and experience. Our focus has been on solo entities rather than groups.

In this market view, we summarise and discuss key metrics from those SFCRs as they relate to insurers that are regulated in the UK or in Gibraltar and that write motor insurance, comparing the figures in the 2022 year-end SFCRs with their counterparts as at the 2021 year-end (and at earlier year-ends, where relevant). As such, we have analysed the SFCRs for 39 solo companies. We have listed those companies in Appendix A, together with shorter versions of the names of those insurers to which we have referred explicitly within this market view. Zurich is not included in our sample of companies as the UK business has been transferred to Zurich Insurance Company with the Zurich Insurance plc UK branch ceasing writing insurance business.

The data analysed in this report, unless stated otherwise, has been sourced from SolvencyIIWire, which in turn has populated its database from companies' disclosed SCFRs. The database is available via subscription from: <https://solvencyiiwiredata.com/about/>.

We have not audited or verified the data or other information within SolvencyIIWire data. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

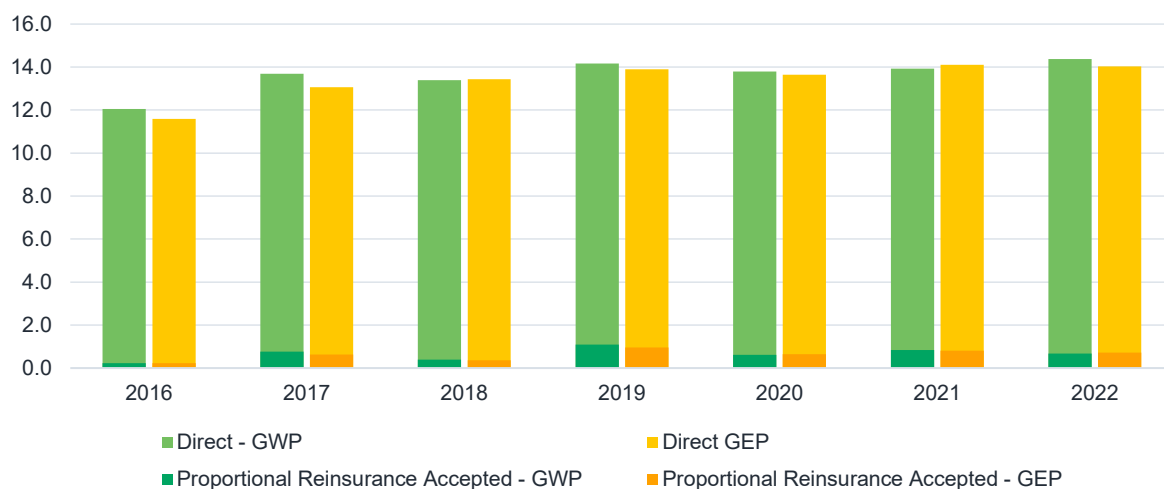
This market view is intended solely for educational purposes and presents information of a general nature. The underlying data and analysis have been reviewed on this basis. This market view is not intended to guide or determine any specific individual situation, and readers should consult qualified professionals before taking specific actions.

¹ Motor Vehicle Liability Insurance comprises all insurance liabilities arising out of the use of motor vehicles operating on land (including carrier's liability).

² Other Motor Insurance comprises all insurance obligations relating to damage to or loss of land vehicles (including railway rolling stock).

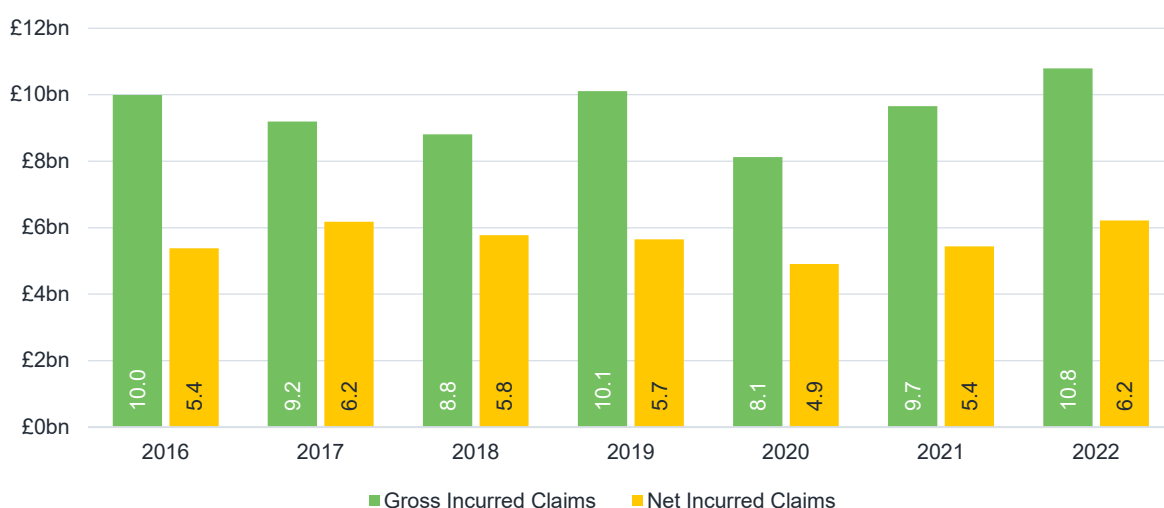
2. Executive Summary

FIGURE 2.1: TOTAL MOTOR³ – GROSS WRITTEN PREMIUMS (£ BILLIONS)



In 2022, our sample of 39 UK non-life insurers wrote over £14 billion of motor premiums, up from just under £14 billion in the prior year. The £14.4 billion of gross written premium (GWP), in 2022, is split between £13.7 billion of direct motor insurance premiums and £0.7 billion of proportional reinsurance accepted business. The reduction in 2020 and 2021, relative to 2019, is primarily a result of premium rebates (as insurers were persuaded to rebate some of the premiums because the cover had not been needed during lockdown), and reduced average premiums, both due to COVID-19 restrictions. We note that the GWP in 2022 has increased above the levels observed pre-COVID as pricing has been adjusted to reflect the shift in claims experience following the lifting of restrictions in the UK. Insurers have noted that rate increases in 2022, driven by the heightened inflationary environment, have also supported premium growth, although others explained that the first half of 2022 was characterised by soft pricing in the market, as the new Financial Conduct Authority (FCA) pricing regulations were adopted.

FIGURE 2.2: TOTAL MOTOR – GROSS AND NET OF REINSURANCE CLAIMS COSTS



³ Total motor is defined as Motor Vehicle Liability and Other Motor aggregated together.

The gross claims costs for Total Motor increased from just under £10 billion in 2021 to just under £11 billion in 2022. Similarly, the net claims costs increased from £5.4 billion in 2021 to £6.2 billion in 2022. The increase in 2022 is driven by higher levels of claim frequencies, as road usage increased following the lifting of COVID-19 restrictions in 2021, and higher levels of claim severities as the UK experienced significant inflation throughout 2022.

The 2022 higher levels of inflation in motor insurance were driven by the shortage of available parts to repair damaged vehicles, the increased cost of raw materials, worsening labour shortages, and supply chain issues (which were exacerbated by the Russian invasion of Ukraine). We also note that the increased cost of repairs led to an increase in the number of claims being settled as a total loss, while the increased value of second-hand vehicles causes the value of total loss claims to increase. This has generally resulted in higher severities, particularly for damage claims (both accidental and property damage).

The lower level of claim costs in 2020 was driven by COVID-19 and the reduced road usage that followed, with COVID-19 restrictions leading to fewer cars on the road, shorter journeys and fewer accidents. In particular, there were no longer 'rush-hour' levels of traffic.

The higher claims costs observed in 2016 could have been driven by the change in the discount rate applied when calculating personal injury claims (the Ogden discount rate, from 2.5% to -0.75% in England and Wales), which was implemented in March 2017 and treated by some insurers as a post balance sheet adjustment for the 2016 financial statement.

The upward movement in claims costs observed between 2018 and 2019 reflects strong claims inflation in the year, particularly on attritional damage and bodily injury claims. A further change to the Ogden discount rate was announced in July 2019 (from -0.75% to -0.25%). At the end of 2018, many insurers in the market anticipated—correctly—that the Ogden discount rate would be increased during 2019 and set their reserves accordingly, but they over-estimated the magnitude of the increase. Therefore, they needed to strengthen their reserves during 2019, to allow for the increase in the Ogden discount rate being less than they had expected.

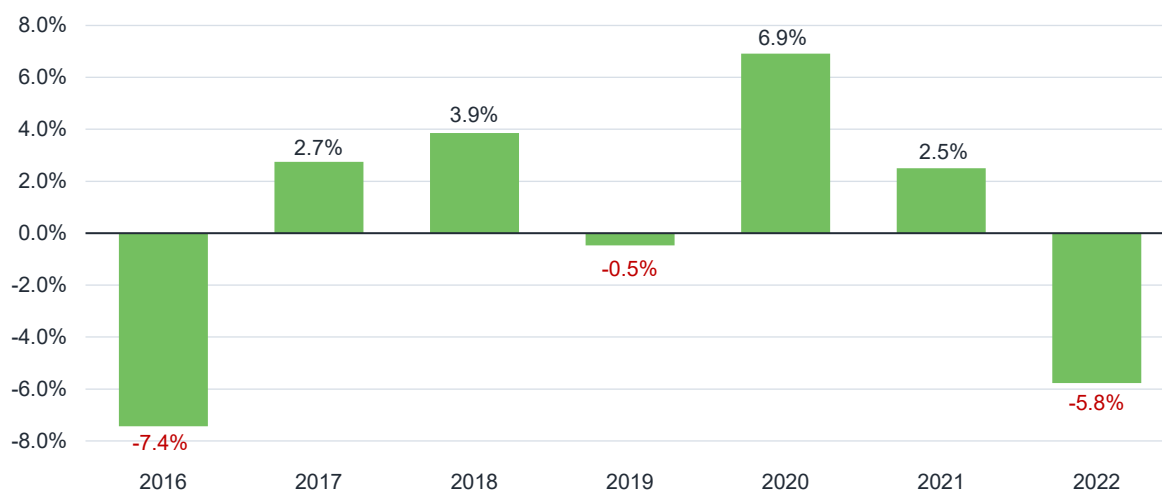
FIGURE 2.3: TOTAL MOTOR – GROSS AND NET OF REINSURANCE LOSS RATIOS



Following a reduction in 2020, the gross loss ratio⁴ for motor increased in both 2021 and 2022, with the gross loss ratio increasing by approximately 8 percentage points in 2022 from 68.5% to 76.9%. Similarly, the net loss ratio⁵ for motor in 2022 increased by approximately 12 percentage points from 64.8% to 77.2%. The trends across 2016 to 2022 are explained by the comments on the gross claims above.

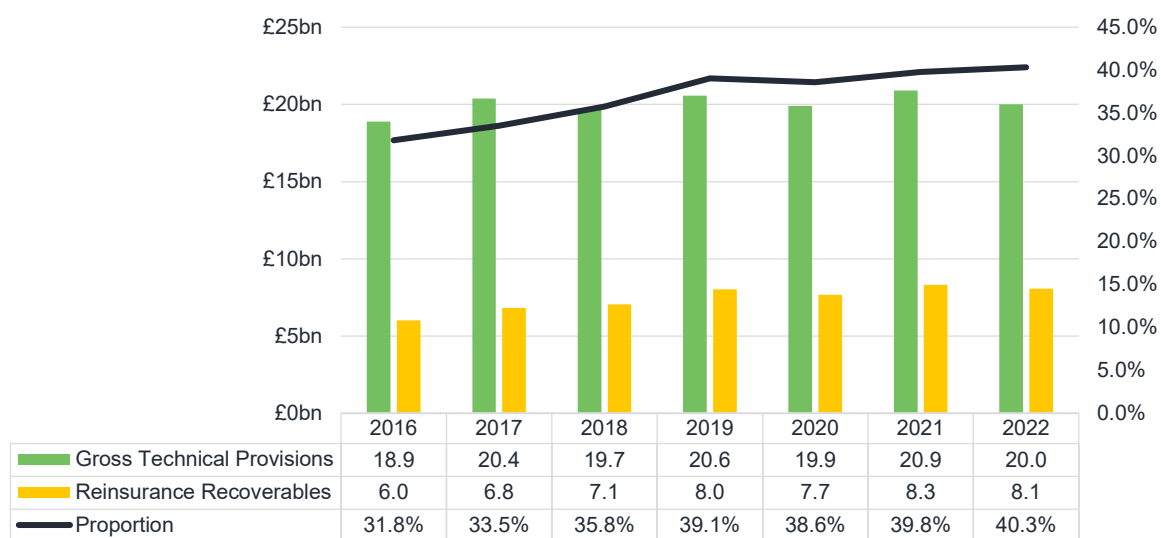
⁴ The gross loss ratio is defined as the gross claims costs divided by the gross earned premiums.

⁵ The net loss ratio is defined as the net claims costs divided by the net earned premiums.

FIGURE 2.4: TOTAL MOTOR – OPERATING MARGIN⁶

Overall, the UK motor market has not remained profitable in 2022, with the operating margin reducing to -5.8%, the lowest figure since 2016.

FIGURE 2.5: TOTAL MOTOR – REINSURANCE RECOVERABLES AS A PROPORTION OF THE GROSS TECHNICAL PROVISIONS AS AT YEAR-END 2022 (£ BILLIONS)



The absolute amount of reinsurance recoverables increased in 2021 relative to 2020. The Third-Party Working Party (TPWP)⁷ commented that there was a 7% increase in the number of reported road deaths in 2021, but that this was still 11% lower than the figure from 2019. Additionally, it stated that there was an 11% increase in the number of casualties in reported road traffic accidents, but that this figure was 16% lower when compared to 2019. The TPWP also noted that there was a significant increase in the pedal cycle miles in 2020, particularly outside of the winter months, with this trend continuing into 2021. Despite the increase in pedal miles, there was a 21% reduction in the number of fatalities for pedal cyclists in 2020, attributable mainly to the reduced numbers of cars on the roads and the establishment of many more cycle paths and cycle-only areas of roads.

⁶ The operating margin is calculated as (net earned premiums—net claims costs—expenses incurred) / (gross earned premiums).

⁷ TPWP is the Third-Party Working Party, established by the IFoA, which, for several years, has been gathering and analyzing claims from across the UK motor market and providing reports on the results of its analysis.

3. General Comments and Recent Developments

MOTOR INSURANCE PREMIUMS

Below, we summarise data from the Association of British Insurers (ABI) as at year-end 2022 and as at the first quarter (Q1) in 2023, showing how average motor insurance premiums have moved over the first three months of the year.

2022 Q4

According to data from the ABI, in the final quarter of 2022 the average premium for motorists increased by 8% to £470.⁸ The figure is 7% higher than the equivalent figure in 2021. The data also revealed that the average premium for new policies was £531 (up by 7%, or £37, over the quarter) to a record high figure, while the average premium for renewed policies was £428 (up by 8%, or £31, over the quarter). The rising cost of premiums was driven by cost pressures faced by insurers, which include:

- Energy inflation added to each repair
- Cost of materials and paint
- Cost of courtesy cars

Taking 2022 as a whole, the average price paid for new policies increased by 11% to £500, while the average price paid to renew an existing policy fell by 7% to £392.

New pricing rules were implemented by the FCA⁹ in 2022 to end cases of 'price walking,' meaning that, when existing private motor insurance customers renew their policies, the price that their insurance providers charge cannot be more than the price that they would charge new customers for an equivalent policy. The FCA expects that the rule change will save loyal customers around £4.2 billion over 10 years. However, these new pricing rules do not put in place a cap for motor insurance premiums.

2023 Q1

According to data from the ABI, in Q1 2023 the average premium for motorists increased by 2% to £478.¹⁰ The figure is 15% higher than the equivalent figure in 2022 and is the highest figure recorded since the final quarter of 2019 (£483). For motorists renewing their cover, the average premium is now £436 (an increase of £8 over the quarter), while, for new motorists, the figure is £545 (an increase of £14 over the quarter). The pressures noted, above, remain for motor insurers.

Data from Consumer Intelligence¹¹ shows that the average cost of the most competitive motor insurance premiums has increased by over 21% in the past year (with the year defined as February 2022 to February 2023), the largest increase that the organisation has observed since it first started tracking premiums in October 2013. Since October 2013, average overall quotes have risen by 41%.

UNINSURED DRIVERS

Statistics from the Motor Insurance Bureau (MIB) estimate that there were 1 million uninsured drivers on the road in the UK, which is roughly 4% of all motorists in the country. In their 2022 annual report,¹² they state that they assisted the police to seize more than 123,000 uninsured vehicles. The MIB also note that uninsured drivers cost law abiding motorists an additional £53 in insurance premiums each year.¹³

⁸ ABI (February 2023). Rising cost pressures push up the price of motor insurance. Available at <https://www.abi.org.uk/news/news-articles/2023/2/rising-cost-pressures-push-up-the-price-of-motor-insurance/>

⁹ Financial Conduct Authority (December 2022). PS21/11: General insurance pricing practices – Amendments. Available at <https://www.fca.org.uk/publications/policy-statements/ps21-11-general-insurance-pricing-practices-amendments>

¹⁰ ABI (May 2023). NEW: Findings from our Motor Insurance Premium Tracker. Available at <https://www.abi.org.uk/news/news-articles/2023/5/above-inflation-costs-for-insurers-continue-to-put-pressure-on-motor-insurance-premiums/>

¹¹ Hughes, R. (March 2023). Motor insurance premiums skyrocket with record 21.1% annual increase. Consumer Intelligence. Available at <https://www.consumerintelligence.com/articles/motor-insurance-premiums-skyrocket-with-record-21.1-annual-increase>

¹² Motor Insurers' Bureau. 2022 Annual Report and Accounts. Available at https://www.mib.org.uk/media/641065/mib_annual_report_2022.pdf

¹³ Motor Insurers' Bureau (March 2023). London's top 20 hotspots for uninsured driving revealed. Available at <https://www.mib.org.uk/media-centre/news/2023/march/london-s-top-20-hotspots-for-uninsured-driving-revealed/>

WHIPLASH REFORMS

Whiplash and other soft tissue claims have been a growing cost to the UK motor insurance market throughout this century. In 2019, the ABI said that whiplash claims were costing the insurance industry more than £2 billion a year, with over 1,500 whiplash claims being made in the UK every day.¹⁴ While many whiplash claims are genuine, it has long been recognised that the insurance industry was vulnerable to claims fraud relating to soft tissue injuries. To mitigate that vulnerability, new regulations came into force in May 2021, as part of the Civil Liability Act 2018¹⁵ (the **Whiplash Reforms**).

The Official Injury Claims (OIC) Portal was introduced as part of the new regulations so that individuals could report road traffic accidents online and claim compensation of under £5,000 without the need of legal help. However, there are still concerns about whether the general public know that the portal exists, and the Ministry of Justice (MoJ) has been criticised in some quarters for failing to inform the public on how to use the portal.

In February 2023, the UK Parliament's Justice Select Committee began an inquiry looking into how whiplash injuries resulting from road traffic accidents are processed.¹⁶ The Committee has called for evidence on the impact of both the OIC Portal and the longer established MoJ Portal (which is used for reporting injury claims for larger but still relatively small amounts).

Further analysis of the data collected from the OIC and MoJ Portal, including the number of claims reported and settled, can be found in Section 4, below.

MOTOR INSURANCE CLAIMS

Data obtained by the Association of Consumer Support Organisations (ASCO) shows that, in the final quarter of 2022, motor injury claim numbers fell to their lowest level since 2018.¹⁷ The quarterly data from the UK government's Compensation Recovery Unit (CRU) shows that submitted motor injury claims fell by 44% to 84,247 between October and December 2022. The reduction is not surprising given the whiplash reforms that were introduced in 2021. ASCO indicates that total driver mileage is not behind the reduction, as miles travelled increased from 265 billion in 2020 to 300 billion in 2021 and the trend has continued over 2022, with miles travelled increasing to 324 billion.¹⁸

INFLATION

Inflation, as measured by reference to the UK consumer price index (CPI), increased to 10.4% in the 12 months to February 2023, up from 10.1% in the previous month. After several years of extremely low inflation, this is the highest level of inflation observed since 1982 and follows a sustained period of high inflation. In the 12 months to July 2023, the UK CPI rose by 6.8%, down from 7.9% in the previous month. Early in 2023 it had been forecast by the Bank of England (BoE) that inflation would fall to about 3% by the end of the year, but strong domestic wage growth and continuing international issues had caused it by mid-2023 to revise its forecast year-end inflation rate to 5%.

The motor insurance sector is not immune to the rising costs that are being experienced in the UK. Further analysis of motor insurance inflation, and trends experienced over time, can be found in Section 5, below.

INTEREST RATES

Since 2009, interest rates had stayed low, with the BoE reducing them to their lowest levels in 2020 (0.1%) in response to the COVID-19 pandemic. In September 2022, due to the rising level of inflation, the BoE started to increase interest rates, which as at the date of this market view stand at 5.25%,¹⁹ the highest level since the financial crisis in 2008. The interest rate rise will impact the investment returns that motor insurers can achieve on their reserves.

¹⁴ ABI. Whiplash claims. Available at <https://www.abi.org.uk/products-and-issues/topics-and-issues/personal-injury-claims/whiplash-claims/>

¹⁵ Legislation.gov.uk. Civil Liability Act 2018. Available at <https://www.legislation.gov.uk/ukpga/2018/29/contents/enacted>

¹⁶ UK Parliament (February 2023). Justice Committee to study whiplash claims and reform. Available at <https://committees.parliament.uk/committee/102/justice-committee/news/186138/justice-committee-to-study-whiplash-claims-and-reform/>

¹⁷ Rafferty, I. (January 2023). Motor injury claim numbers fall to lowest since 2018 – ASCO. Insurance Times. Available at <https://www.insurancetimes.co.uk/news/motor-injury-claim-numbers-fall-to-lowest-since-2018-acso/1443635.article>

¹⁸ Department of Transport. Traffic statistics - Summary statistics. Available at <https://roadtraffic.dft.gov.uk/summary>

¹⁹ Bank of England, Monetary Policy Committee (August 2023). Monetary Policy Report. Available at <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2023/august/monetary-policy-report-august-2023.pdf>

COST OF LIVING

Rising inflation and interest rates are affecting consumers through higher living costs. At this stage, it is unclear how that will affect the UK motor insurance market. For example, it could result in affordable car finance being harder to obtain, resulting in fewer new cars being bought and an aging car population in the UK. Combined with high fuel prices, the increased cost of living could lead to fewer cars on the road and a reduction in the number of new vehicle registrations. It might also result in an increased proportion of uninsured drivers. This could ultimately affect the frequency of claims for motor insurers.

Higher living costs are likely to trigger an increase in fraudulent claims, something that the National Fraud Intelligence Bureau has started to see. Figures from the City of London Police's Insurance Fraud Enforcement Department (IFED) highlight that there has been a rise in 'opportunistic fraud,' with motor insurance fraud being the most common type between March 2022 and April 2023 (motor insurance fraud accounted for 51% of the total cases received).²⁰

OGDEN DISCOUNT RATE

The Ogden discount rate was last reviewed in England and Wales in 2019, with the rate then being increased from -0.75% to -0.25%²¹. The next rate review is due in 2024 and there is a possibility that a dual rate, rather than a single rate, may be introduced. The MoJ released a paper²² seeking evidence on how a dual/multiple personal injury discount rate may work and what would be the impact on defendants and claimants. The economic uncertainty, as described above, means that insurers have no clear indication as to the likely direction in which the Ogden discount rate may move.

CRASH FOR CASH

'Crash for cash' remains another source of fraudulent claims in the UK, in particular in Scotland. LV reported²³ that personal injury claims linked to crash for cash incidents had increased by 60% between 2021 and 2022. The whiplash reforms introduced by the UK government apply in England and Wales, but they do not apply in Scotland, so fraudsters are able to exploit this difference in the compensation structures. A YouGov survey, conducted on behalf of LV, showed that only 50% of UK consumers (47% of consumers in Scotland) are familiar with crash for cash fraud.

GHOST BROKING

In the UK, new drivers are being targeted by ghost brokers. The Insurance Fraud Bureau (IFB) defines ghost brokers as 'fraudsters who sell drivers apparently cheap motor insurance deals but issue policies that aren't worth the paper they're written on.' The IFED continues to deal with a large number of ghost broking related crimes, with over 30% of their current investigations involving an element associated with illegal insurance intermediaries.²⁴ At the end of 2022, Aviva highlighted that ghost broking comprises 15% of all policy fraud and that, for the 10 months up to the end of October 2022, it had blocked more than 23,300 fraudulent or suspect motor insurance applications (compared with just over 20,000 at the same point in the previous year).²⁵

²⁰ City of London Police (June 2023). Police warn of rise in bogus insurance claims as people turn to fraud amid cost of living pressures. Available at <https://www.cityoflondon.police.uk/news/city-of-london/news/2023/june/police-warn-of-rise-in-bogus-insurance-claims-as-people-turn-to-fraud-amid-cost-of-living-pressure/2/>

²¹ The discount rates applied in Northern Ireland and in Scotland are not necessarily the same as those that apply in England and Wales. Currently, they are slightly lower.

²² Gov.uk (January 2023). Personal Injury Discount Rate: Exploring the option of a dual/multiple rate. Available at <https://www.gov.uk/government/consultations/personal-injury-discount-rate-exploring-the-option-of-a-dual-multiple-rate>

²³ - Rafferty, I. (February 2023). LV=GI reports 60% year-on-year uptick in crash for cash linked personal injury claims. Insurance Times. Available at <https://www.insurancetimes.co.uk/news/lv-gi-reports-60-year-on-year-uptick-in-crash-for-cash-linked-personal-injury-claims/1443859.article>

- LV.com (February 2023). Crash for cash fraud spikes from M6 into Scotland LV= warns. Available at <https://www.lv.com/insurance/press/crash-for-cash-scotland>

²⁴ Hill, T. (January 2023). IFED is working to eliminate 'blight' of ghost brokers. Insurance Times. Available at <https://www.insurancetimes.co.uk/news-analysis/ifed-is-working-to-eliminate-blight-of-ghost-brokers/1443475.article>

²⁵ East, S. (November 2022). Ghost broking still a major problem as Aviva's application fraud rises 16%. Insurance Age. Available at <https://www.insuranceage.co.uk/broker/7952034/ghost-broking-still-a-major-problem-as-avivas-application-fraud-rises-16>

MOTOR INSURANCE COMPLAINTS

According to published data, the Financial Ombudsman Service received 2,769 new case complaints related to car and motorcycle insurance in Q3 2022,²⁶ with motor insurance remaining one of the most complained-about insurance products. These figures represented a 24% increase on the same period last year. The majority of the complaints (63%) related to claims, with 34% arising from administration and a small percentage related to sales or advice. The rise in complaints should concern the insurance industry, particularly in light of the new Consumer Duty principles being implemented by the FCA.

SELF-DRIVING VEHICLES

New government plans announced in 2022 set out how the rollout of self-driving vehicles will be implemented by 2025.²⁷ There is still uncertainty within the insurance industry about the risks involved and how insurers will handle the challenges of investigating crashes involving (partially) autonomous cars,²⁸ although the Automated and Electric Vehicles bill does provide some clarity.²⁹ The challenges become greater if there are questions about whether human drivers were in charge at the time. This clearly does not affect the statistics that we explore in this market view, but it will increasingly become an issue for the market and for market performance.

TELEMATICS

According to data from Consumer Intelligence,³⁰ demand for telematics products has continued to increase. It states that the growth in telematics competitiveness has been driven by telematics providers, those providers continuing to increase their market shares of under-25 business. These providers are also offering cheaper motor insurance quotes for the under-25s (for the under 25s, 72% of the five cheapest quotes come from telematic providers).

4. Impact of the Whiplash Reforms

In this section, we analyse data from both the OIC and MoJ portals to estimate the impact of the Whiplash Reforms (applying to all claims incurred on or after 31 May 2021) on third-party bodily injury claim frequency and severity. The two portals are expected to capture the majority of motor bodily injury claims below £25,000, so analysis of trends in the data from the two portals should provide a reasonable proxy for motor bodily injury claims up to that amount.

The data from the OIC portal³¹ and MoJ portal³², as at 31 March 2023,³³ as seen in Figure 4.1, below, shows that an average of 32,000 claims were reported per month across the two portals (in the period April 2022 to March 2023). This level of claims appears consistent over the period since September 2021, with an increasing number of OIC claims and corresponding drop in the number of MoJ claims. We note that the period between March 2020 and May 2021 was affected by COVID-19 lockdowns and associated impacts on driving behaviour, which resulted in fewer claims.

²⁶ - Rafferty, I. (February 2023). Car and motorcycle insurance drove 2,769 new complaints in 2022's Q3 – FOS. Insurance Times. Available at <https://www.insurancetimes.co.uk/news/car-and-motorcycle-insurance-drove-2769-new-complaints-in-2022s-q3-fos/1443831.article>
- Insurance DataLab (December 2022). Motor insurance accounts for more than a third of complaints. Available at <https://www.insurancedatalab.com/2022/12/13/motor-insurance-accounts-for-more-than-a-third-of-complaints/>

²⁷ Gov.uk (August 2022). Self-driving revolution to boost economy and improve road safety. Available at <https://www.gov.uk/government/news/self-driving-revolution-to-boost-economy-and-improve-road-safety>

²⁸ Financial Times (October 2022). 'The big problem is unknown risk': The insurance worry of self-driving cars. Available at <https://www.ft.com/content/1e2c3ef4-b9d5-4b3f-9ba6-55b5e166d660>

²⁹ Legislation.gov.uk. Automated and Electric Vehicles Act of 2018. Available at <https://www.legislation.gov.uk/ukpga/2018/18/contents/enacted>

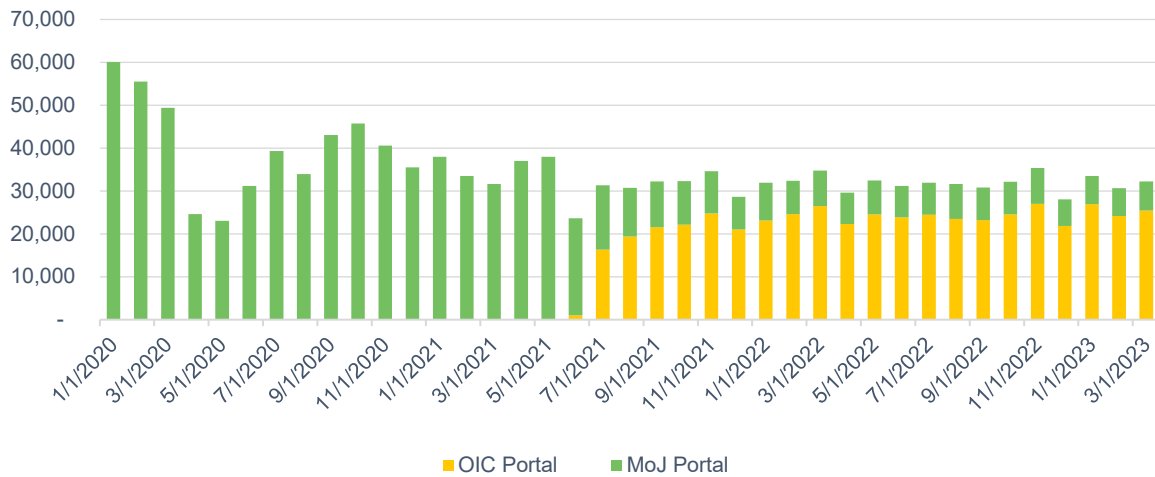
³⁰ Hughes, R. (March 2023). Motor insurance premiums skyrocket with record 21.1% annual increase. Available at <https://www.consumerintelligence.com/articles/motor-insurance-premiums-skyrocket-with-record-21.1-annual-increase>

³¹ Official Injury Claim. Claims data: For the period 1 January – 31 March 2023. Available at <https://www.officialinjuryclaim.org.uk/media/1341/oic-january-march-2023-data-publication-final.pdf>

³² Claimsportal.org. RTA Dashboard. Available at <https://www.claimsportal.org.uk/media/3519/rta-dashboard.xlsm>

³³ The latest data from the OIC portal, to 30 June 2023, is available at <https://www.officialinjuryclaim.org.uk/media/1374/oic-april-june-2023-data-publication-final.pdf>

FIGURE 4.1: MONTHLY CLAIMS SUBMITTED TO THE OIC AND MOJ PORTALS BETWEEN JANUARY 2020 AND MARCH 2023



As shown in Figure 4.2, below, the volume of claims settling has shown an increasing trend since the implementation of the OIC portal, with OIC portal claims making up an increasing proportion of total settlements. In total, 103,266 claims have been settled between the launch of the OIC portal and the end of March 2023 (just over nine quarters), including 26,578 in Q1 2023. In this quarter, represented claimants accounted for 88% of the total number of OIC portal settlements.

FIGURE 4.2: MONTHLY OIC AND MOJ PORTAL CLAIMS SETTLED BETWEEN JANUARY 2020 AND MARCH 2023

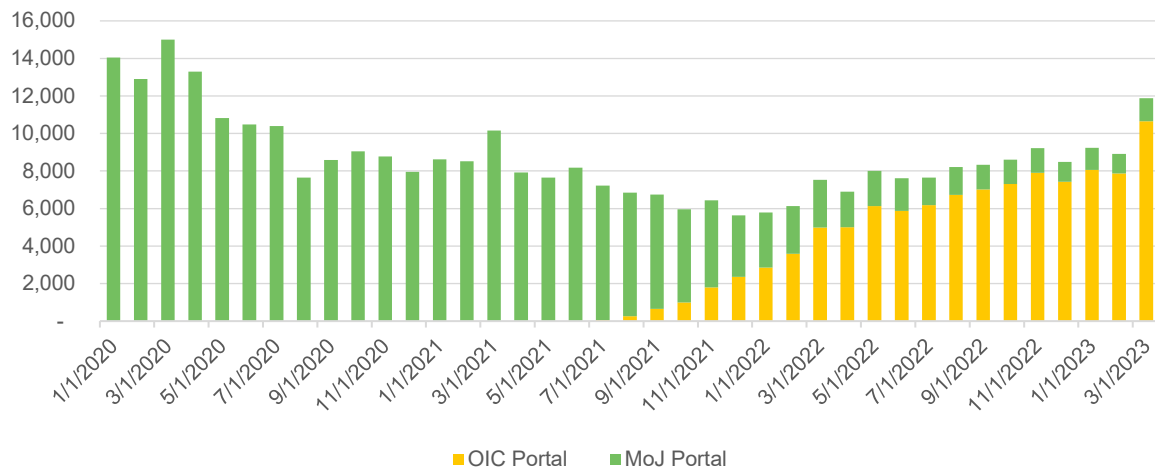
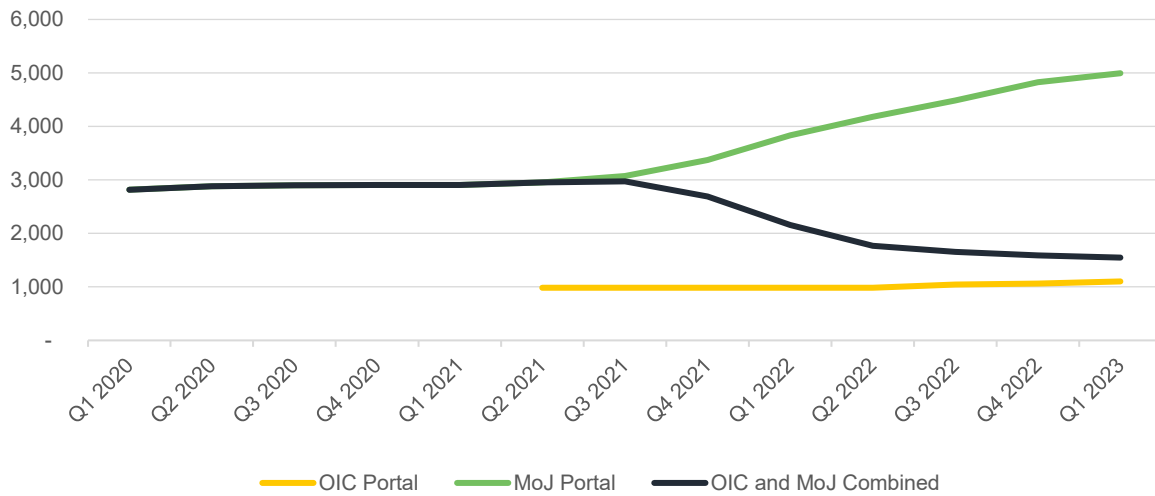


Figure 4.3, below, shows how the average damages for OIC MoJ portal claims have changed since Q1 2020. There has been a steady increase in the average damages awarded through the MoJ portal since the implementation of the OIC portal. This is broadly as expected, because of the mix of claims reported through it shifting away from lower value soft tissue injury claims, which are now reported through the OIC portal.

By combining the damages awarded and the number of claims settled across both portals, the aggregate settled cost can be estimated. This shows a steady reduction towards an average of £1,500 for Q1 2023. This figure is not a reasonable estimate for the steady state average settled cost, due to the continued change in the mix of claims being settled through both portals: the MoJ portal where there will still be soft tissue injury claims incurred prior to the reforms being settled, and the OIC portal because there has not been sufficient time since implementation for the full range of durations and injuries to be reported and settled.

FIGURE 4.3: QUARTERLY AVERAGE DAMAGES FOR OIC AND MOJ CLAIMS BETWEEN Q1 2020 AND Q1 2023³⁴



It is, however, clear that there has been a drop in settled costs since the implementation of the reforms. We have estimated the impact of allowing for longer duration (i.e. still to be settled) whiplash claims in the OIC settled costs as adding approximately £300 to the Q1 2023 settled cost, placing its ultimate value at £1,800.

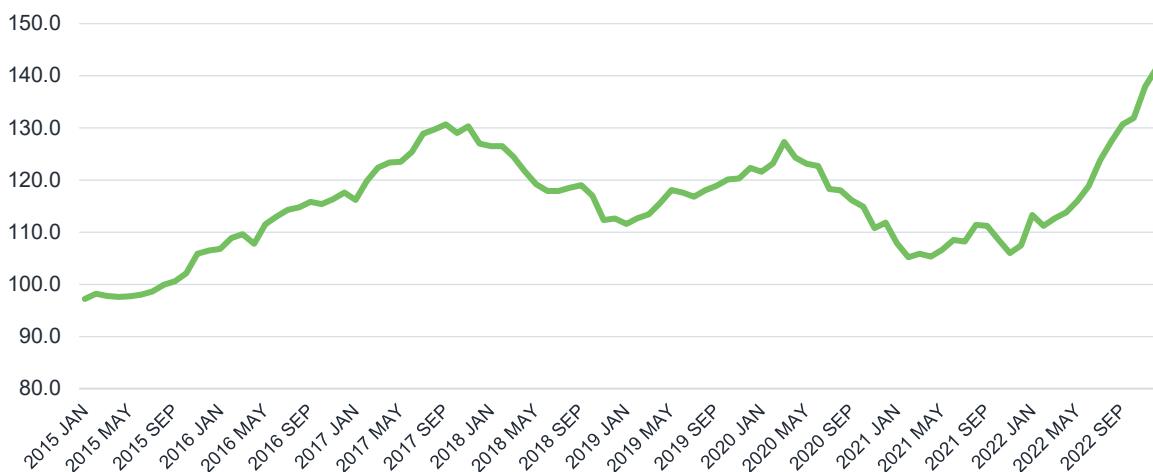
The combined reported claims data from the MoJ and the OIC portals indicates that the overall volume of reported claims remains 45% below the level that was observed in 2019. This is partly explained by the impact of the new whiplash reforms, but is also partly attributable by the ‘new normal’ in driving behaviours following the pandemic.

5. Motor Inflation

In this section, we consider motor claims inflation in the UK.

As noted in Section 3, the motor insurance sector has not been immune to the rising levels of inflation experienced in the UK over the past couple of years. In Figure 5.1, below, we show how motor insurance inflation, as measured by the CPI index.³⁵ has changed over the past eight years, where this index relates to the cost of buying motor insurance.

FIGURE 5.1: CONSUMER PRICE INDEX 12.5.4.1 - MOTOR VEHICLE INSURANCE – 2015 TO 2022³⁶



³⁴ We note that settled values were included in the OIC Portal data for the first time in June 2022. We have assumed the settled cost was uniform in the period between the implementation of the portal and June 2022.

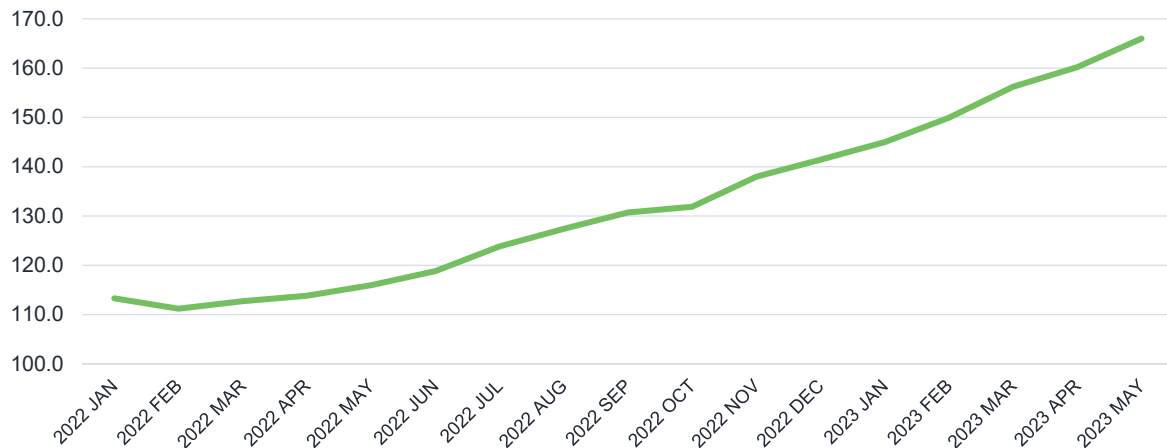
³⁵ Based on data produced by the Office of National Statistics and available at <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l7je/mm23>

³⁶ 2015 = 100

Considering the average CPI index by year, after a 9.7% fall in 2021 there was a 14.4% increase in 2022, with the CPI index returning to a similar level to what was seen in 2017.

In Figure 5.2, below, we show the same data as in Figure 5.1, but for January 2022 to May 2023 only, showing how the increase has continued into the first half of 2023. We observe a 46.5% increase in the CPI index since the start of 2022 and a 14.5% increase since the start of 2023.

FIGURE 5.2: CONSUMER PRICE INDEX 12.5.4.1 - MOTOR VEHICLE INSURANCE – JANUARY 2022 TO MAY 2023

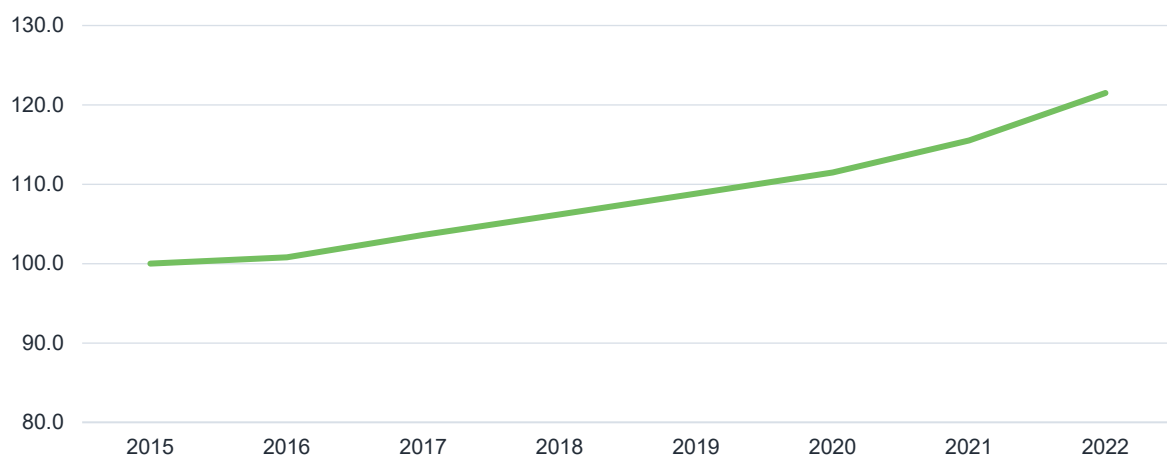


Three parts of the CPI index that are relevant to motor claims have experienced increases over the year.

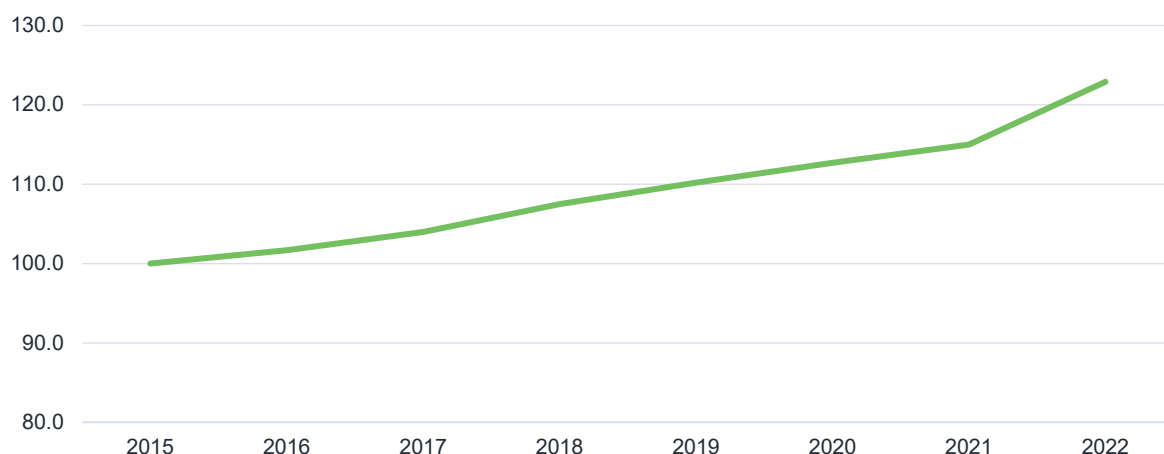
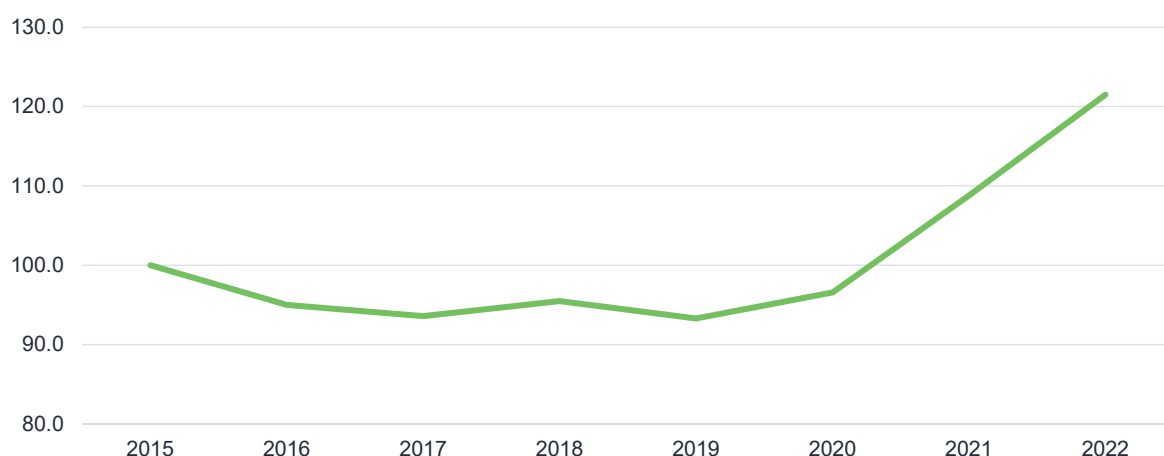
- CPI – Spare Parts and Accessories
- CPI – Maintenance and Repairs
- CPI – Second Hand Cars

In Figure 5.3 to Figure 5.5, below, we show how these indices have moved over the past eight years. We see that for Spare Parts and Accessories and Maintenance and Repairs there has been a gradual increase from 2015, while for Second Hand Cars there has been a sharp increase from 2020.

FIGURE 5.3: CONSUMER PRICE INDEX 12.5.4.1 – SPARE PARTS AND ACCESSORIES – 2015 TO 2022³⁷



³⁷ Based on data produced by the Office of National Statistics and available at <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7eb/mm23>

FIGURE 5.4: CONSUMER PRICE INDEX 12.5.4.1 – MAINTENANCE AND REPAIRS – 2015 TO 2022³⁸**FIGURE 5.5: CONSUMER PRICE INDEX 12.5.4.1 - SECOND HAND CARS- 2015 TO 2022³⁹**

Underlying inflation has been compounded for motor insurers by three factors:

- The COVID-19 pandemic has resulted in labour shortages, a rise in the cost of raw materials and a scarcity of vehicle parts, all of which have affected vehicle repairs and have led to inflated costs.
- Repairs are also becoming more expensive due to the increasing sophistication of vehicles, with complex sensors and technology, in addition to a higher demand for electric vehicles.
- With vehicles taking longer to repair, due to the aforementioned sophistication, and due to supply chain related delays experienced by garages, they are consequently off the road for longer. This means that supply and demand of hire vehicles is becoming an issue, and motor insurers who offer credit hire cover are facing increased costs.

The inflationary trends seen in Figure 5.3-Figure 5.5 have continued into 2023:

- CPI – Spare Parts and Accessories: As at 30 May 2023, there had been a 3.5% increase since the start of 2023.
- CPI – Maintenance and Repairs: As at 30 May 2023, there had been a 4.2% increase since the start of 2023.
- CPI – Second Hand Cars: As at 30 May 2023, there had been a 4.5% increase since the start of 2023.

³⁸ Based on data produced by the Office of National Statistics and available at <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7ed/mm23>

³⁹ Based on data produced by the Office of National Statistics and available at <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7e9/mm23>

6. Road Usage

In this section, we consider road usage in Great Britain over several years, using several metrics and looking separately at different types of vehicles.

The bars in Figure 6.1, below, show the number of licensed private cars in Great Britain⁴⁰ as at the end of each of the last 24 years, and the dotted line shows the year-on-year increases in those numbers. Figure 6.2, below, shows the same, but for the number of licensed commercial vehicles.⁴¹

FIGURE 6.1: NUMBER OF LICENSED PRIVATE CARS ON THE ROADS OF GREAT BRITAIN

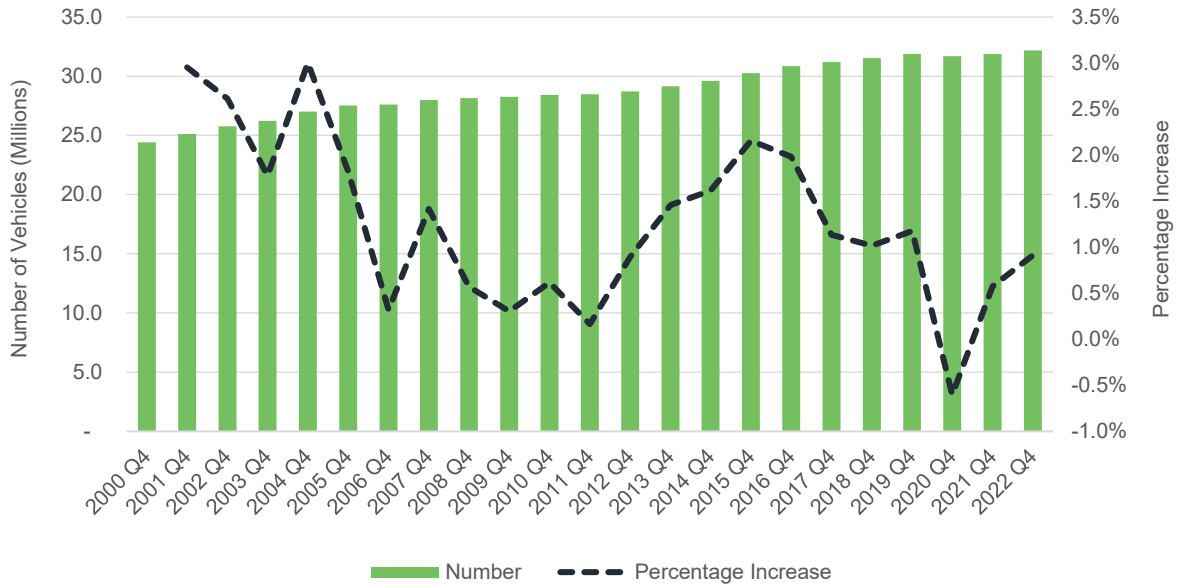
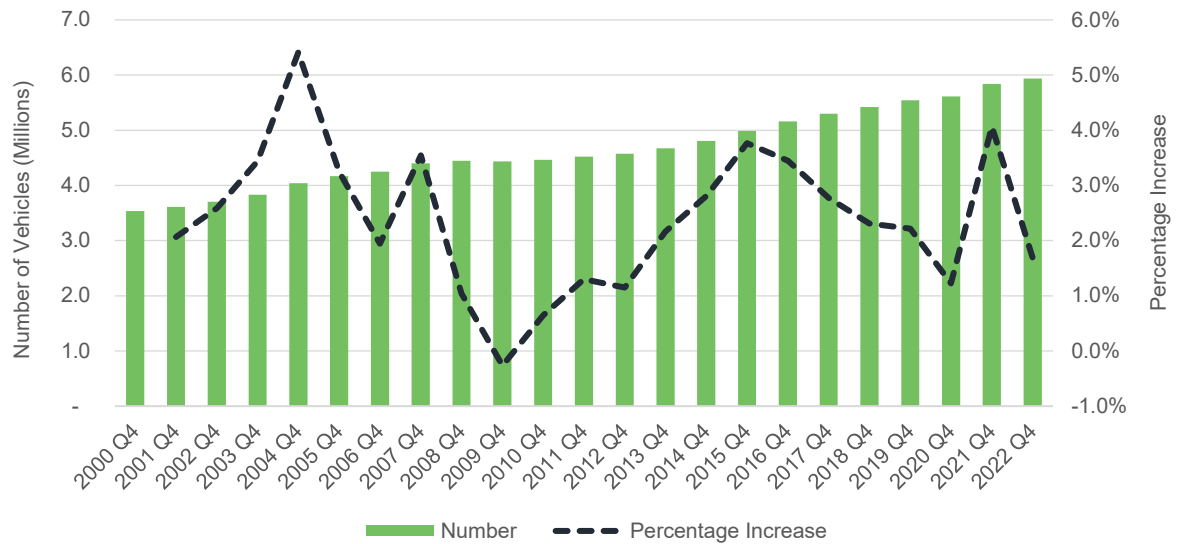


FIGURE 6.2: NUMBER OF LICENSED COMMERCIAL VEHICLES ON THE ROADS OF GREAT BRITAIN



⁴⁰ Based on quarterly vehicle licensing statistics produced by the Department for Transport. Note that figures for Great Britain do not include data relating to Northern Ireland.

⁴¹ Commercial vehicles are made up of Light Goods, Heavy Goods, Buses and Coaches and Other Vehicles.

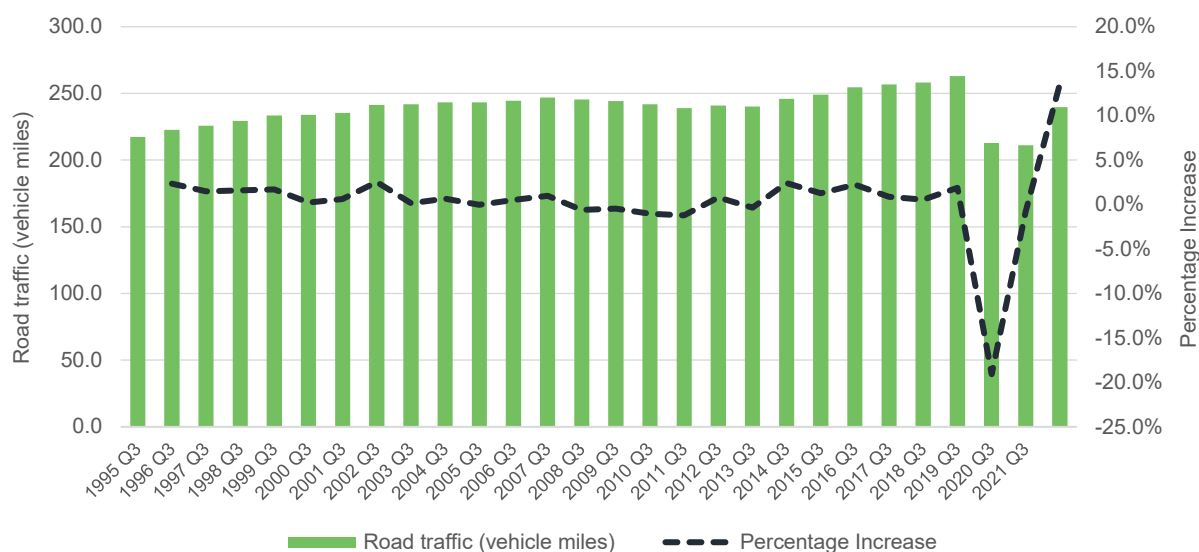
The number of licensed private cars in Great Britain has increased year-on-year, except for in 2020, where there was a 0.6 percentage point reduction (from 31.9 million to 31.7 million).

- Between 2008 and 2012, the rate of increase in the number of licensed private cars was less than 1% per annum, much lower than the rate of increase in earlier years. This reflected the depressed economic conditions experienced over this period).
- Since 2012, per annum increases of over 1.0% have been observed, except for 2020 to 2022. The reduction in 2020, and the comparatively small increase in 2021, can be mainly explained by the impact of the COVID-19 pandemic.
- The comparatively small increase in 2022 can be mainly explained by the current economic conditions, the increased cost of living, and low consumer and business confidence. Given that these conditions have continued beyond 2022, we expect the number of licensed private cars in the UK to increase only marginally in 2023, similar to the levels observed in the period from 2008 to 2012.

The number of licensed commercial vehicles in Great Britain has increased year-on-year since 2002, with 5.9 million licensed commercial vehicles as at 31 December 2022, a 1.7% increase since 31 December 2021. This pattern is quite different from that seen in respect of licensed private cars. Some of this increase in recent years reflects the increase in delivery services during the COVID-19 lockdowns, an increase that appears to be sustained since the end of the pandemic. The Trade Union Congress (TUC) had estimated around 4.4 million people had been working at least once a week for gig economy platforms in 2021⁴² (that worked out to 14.7% of the working adult population, an increase from 11.8% in 2020). In 2022, the corresponding figures were 7.25 million people and approximately 22.1% of the working adult population.

The bars in Figure 6.3, below, show the vehicle miles travelled in Great Britain for licensed private cars in each of the last 29 years,⁴³ and the dotted line shows the year-on-year increases in those numbers. Figure 6.4, below, shows the same but for licensed commercial vehicles in Great Britain.

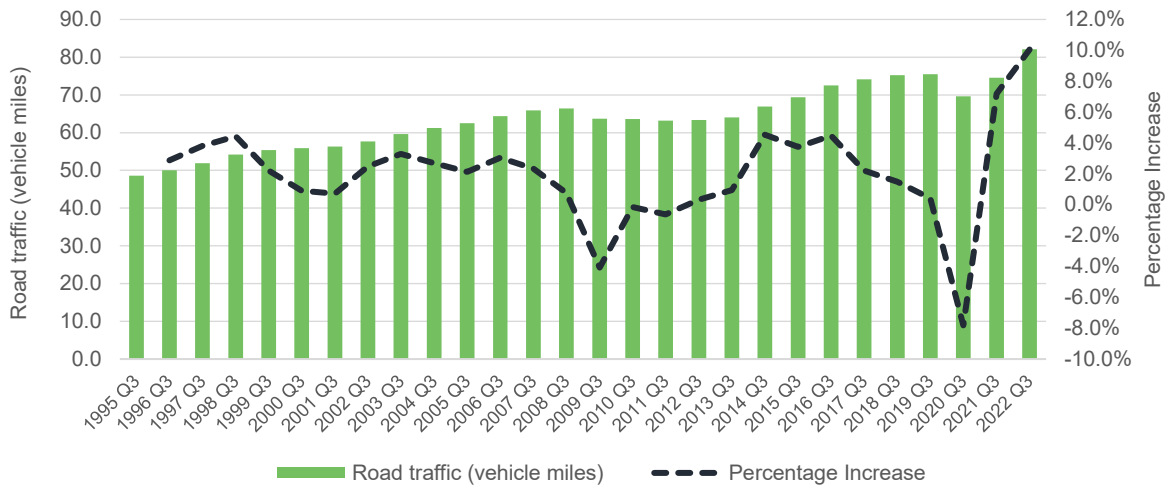
FIGURE 6.3: ROAD TRAFFIC (VEHICLE MILES) FOR PRIVATE CARS IN GREAT BRITAIN



⁴² TUC (November 2021). Gig economy workforce in England and Wales has almost tripled in last five years – New TUC research. Available at <https://www.tuc.org.uk/news/gig-economy-workforce-england-and-wales-has-almost-tripled-last-five-years-new-tuc-research>

⁴³ Based on quarterly vehicle licensing statistics produced by the Department for Transport. Note that these figures do not include Northern Ireland. The latest data available from was at 2022 Q3, so we have shown figures at Q3 in the chart. The 2022 numbers are provisional.

FIGURE 6.4: ROAD TRAFFIC (VEHICLE MILES) FOR COMMERCIAL VEHICLES IN GREAT BRITAIN

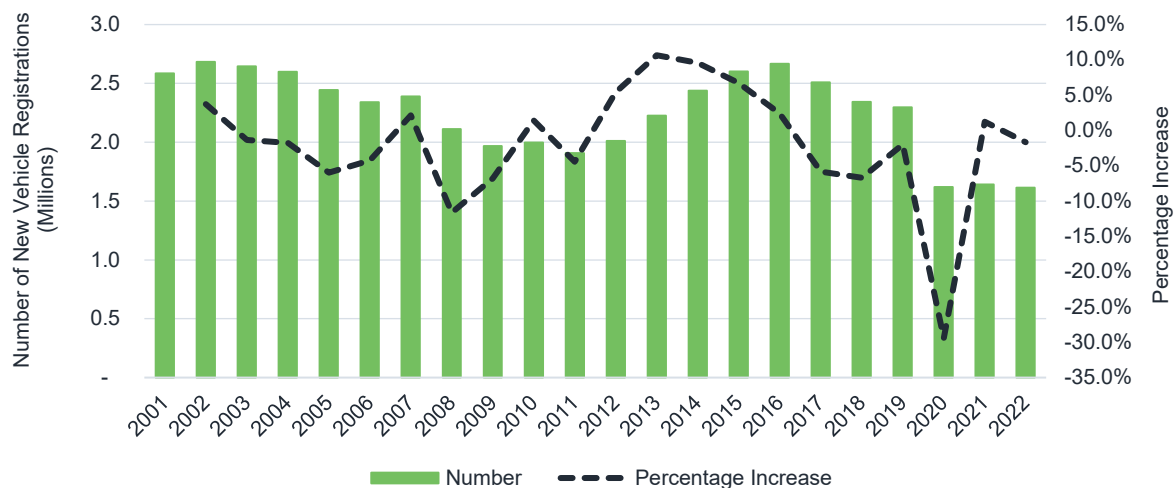


The impact of the COVID-19 pandemic is clearly shown in Figure 6.3 and Figure 6.4, with the number of vehicle miles significantly reducing in the twelve months to the end of September 2020, by 19.1% for private cars and by 7.8% for commercial vehicles. We note that road traffic (vehicle miles) remained below pre-pandemic levels in the twelve months to the end of September 2022 for private car but not for commercial vehicles. Vehicle miles increased by 13.5% for private car and 10.1% for commercial vehicles in the 12 months to the end of September 2022.

In this following charts, we show the number of new vehicle registrations in Great Britain over several years, looking separately at different types of vehicles.

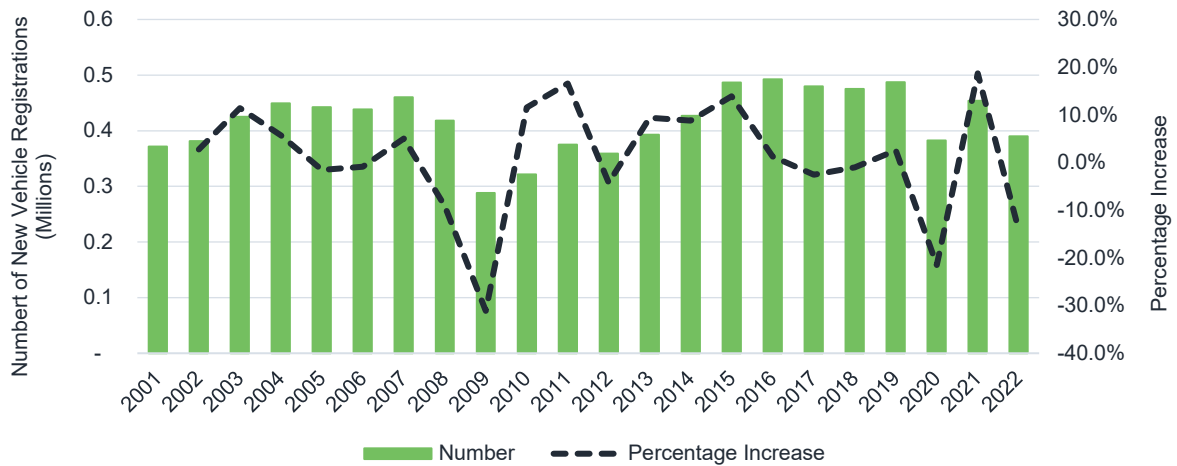
The bars in Figure 6.5, below, show the number of new private car registrations⁴⁴ in Great Britain as at the end of each of the last 21 years, and the dotted line shows the year-on-year increases in those numbers. Figure 6.6, below, shows the same, but for the commercial vehicles.

FIGURE 6.5: NUMBER OF PRIVATE CAR NEW REGISTRATIONS IN GREAT BRITAIN



⁴⁴ Based on quarterly vehicle licensing statistics produced by the Department for Transport. Note that figures for Great Britain do not include data relating to Northern Ireland.

FIGURE 6.6: NUMBER OF COMMERCIAL VEHICLE NEW REGISTRATIONS IN GREAT BRITAIN



The trends in Figure 6.5 and Figure 6.6 are very similar, with the number of new vehicle registrations reducing each year from 2016 through to 2022, except for 2021 which experienced a 1.3% increase in new private car registrations and an 18.7% increase in new commercial vehicle registrations. As at the end of 2022, there were just over 1.6 million new private car registrations (a 1.7% reduction from the end of 2021) and just under 0.4 million new commercial vehicle registrations (a 14.1% reduction from the end of 2022), both figures still below the levels observed pre-pandemic. The reductions observed in 2022 could partially be explained by the supply chain issues and a global shortage of parts.

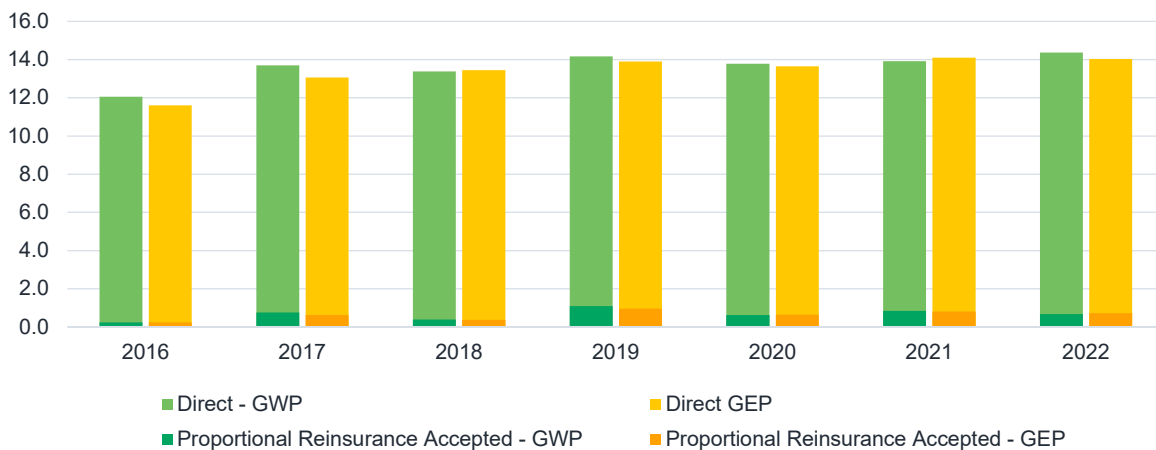
The private car trend has also been noted in the TPWP, which highlights that car sales were falling up to the end of 2021 leading to a higher average licensed vehicle age, potentially leading to lower accident frequency.

7. Market Profitability

In this section, we look at the profitability of the UK insurance market in aggregate. We also consider the aggregate premiums, this being the main revenue inflow, and the aggregate loss and expense ratios for the market, these being the main two revenue outflows.

In Figure 7.1, below, we show the Total Motor GWP and gross earned premiums (GEP) for our sample companies over the last seven years, split out between direct business and proportional reinsurance accepted business. For the ceded proportional insurance, some is taken by the domestic insurers (the dark orange and dark green bars in the Figure) but most of this is intra-group reinsurance, with the majority of the proportional insurance being ceded to the international reinsurers. Further information on GWP can be found in Appendix B.

FIGURE 7.1: TOTAL MOTOR – GROSS WRITTEN PREMIUMS (£ BILLIONS)



In 2022, our sample of 39 UK non-life insurers wrote £14.4 billion of motor premiums, up from £13.9 billion in the prior year. The £14.4 billion of GWP is split between £13.7 billion of direct motor insurance premiums and £0.7 billion of proportional reinsurance accepted business.

The reduction in 2020 and 2021, relative to 2019, is primarily a result of premium rebates (as insurers were persuaded to rebate some of the premiums because the cover had not been needed during lockdown), and reduced average premiums, both due to COVID-19 restrictions.

Rate increases have been implemented by some insurers recently due to the heightened inflationary environment, which has supported premium growth (as noted by LV). It was also noted by esure that the first half of 2022 was characterised by soft pricing in the market, as the new FCA pricing regulations were adopted, but, in the second half of the year, insurers started to reflect the elevated motor claims inflation in their pricing. With the heightened cost of living, economic uncertainty and financial pressures continuing into 2023, consumers are more likely to shop around and may be attracted to policies with lower levels of cover (e.g., higher excess levels) for reduced premiums. Changing the excess and the dropping of ancillary benefits could lead to an increase in driving without insurance.

In Figure 7.2 and Figure 7.3, below, we show the GEP for Motor Vehicle Liability and Other Motor, over the last seven years, split out between direct business and proportional reinsurance accepted business.

FIGURE 7.2: MOTOR VEHICLE LIABILITY – GROSS EARNED PREMIUMS (£ BILLIONS)

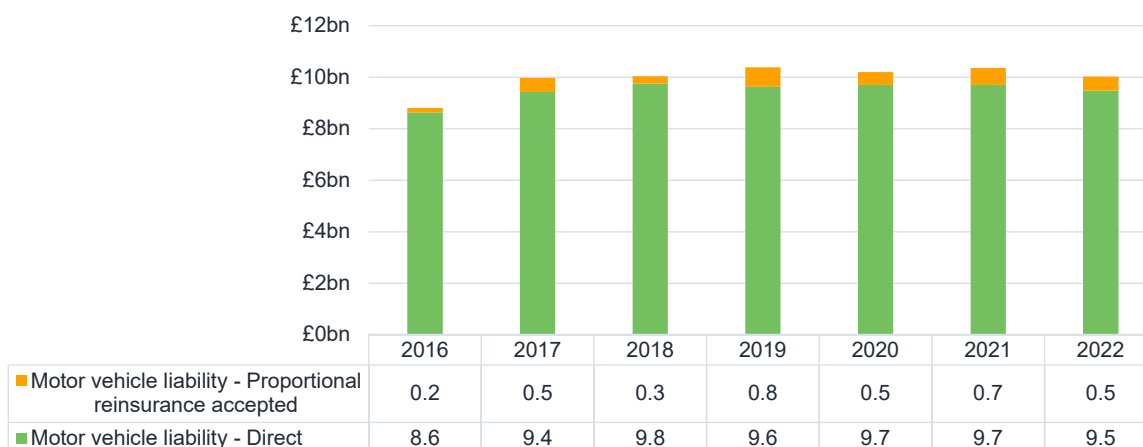
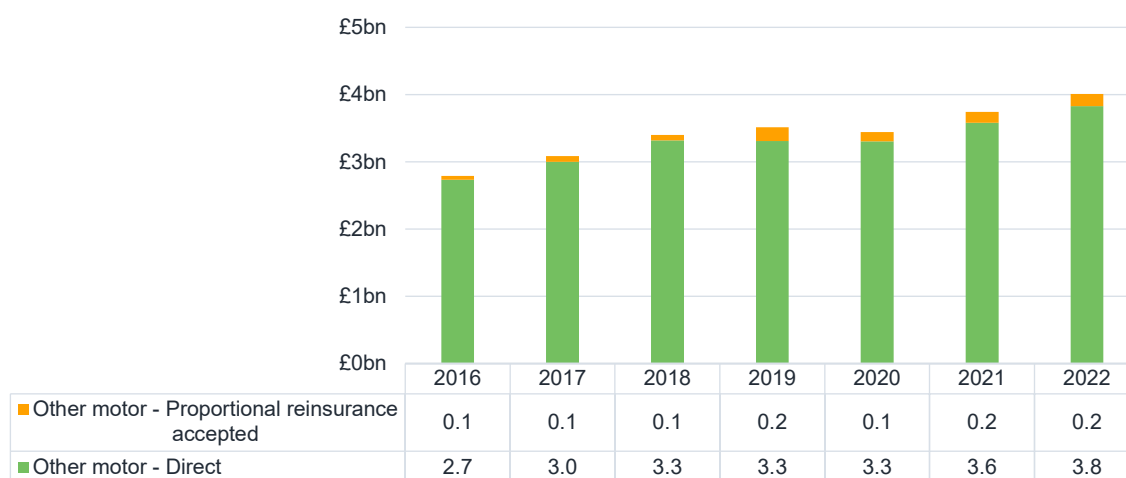


FIGURE 7.3: OTHER MOTOR – GROSS EARNED PREMIUMS (£ BILLIONS)



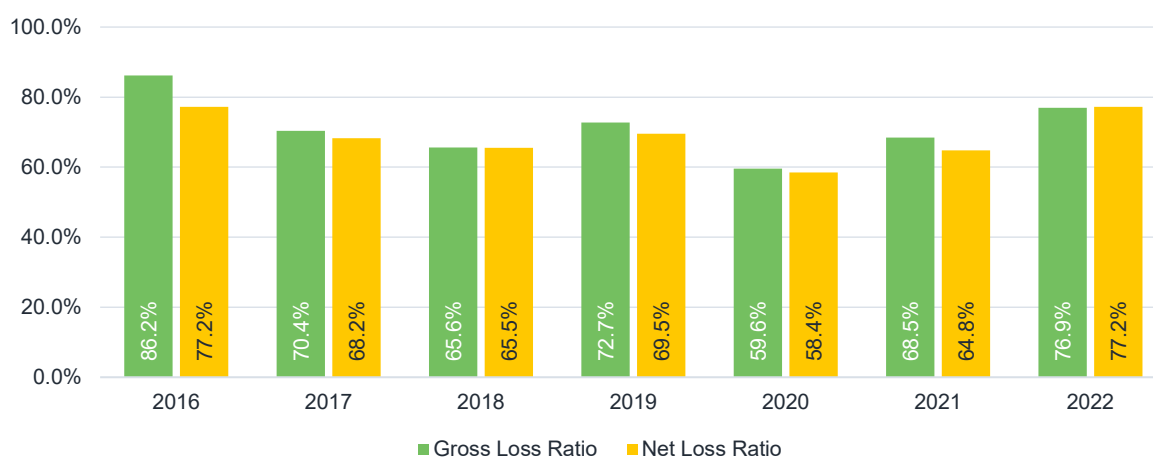
In Figure 7.4, below, we show how the allocation of GEP between Motor Vehicle Liability and Other Motor, for Solvency II purposes, has changed over the last seven years. Figure 7.4 shows that the allocation of premiums was broadly consistent between 2016 and 2020, with a pronounced reduction in the proportion allocated to Motor Vehicle Liability in the most recent two years.

FIGURE 7.4: TOTAL MOTOR GROSS EARNED PREMIUM ALLOCATION SPLIT

	2016	2017	2018	2019	2020	2021	2022
Motor Vehicle Liability	75.9%	76.4%	74.7%	74.7%	74.8%	73.5%	71.4%
Other Motor	24.1%	23.6%	25.3%	25.3%	25.2%	26.5%	28.6%

In Figure 7.5, below, we show the loss ratios over the last seven years, in aggregate for Total Motor and both gross and net of reinsurance. The loss ratios shown are on a calendar year basis, and therefore reflect the loss ratios for the risks exposed during the calendar years, adjusted by any strengthening or weakening of the outstanding claims reserves relating to prior years' exposure. The claim figures underlying these ratios exclude claims management expenses. The gross (net) loss ratios in this section, and throughout the report, are defined as gross (net) claims costs divided by gross (net) earned premiums. We note that the loss ratios in Figure 7.5 are on a Solvency II basis and therefore they may differ from the equivalent loss ratios on a UK GAAP basis. Further information on net premiums can be found in Appendix C and on claims costs in Appendix D.

FIGURE 7.5: TOTAL MOTOR – GROSS AND NET OF REINSURANCE LOSS RATIOS



The higher loss ratios observed in 2016 were partially driven by the change in the Ogden discount rate, from 2.5% to -0.75%, which was implemented in March 2017. Some insurers treated this as a post-balance-sheet adjustment within their 2016 financial statements.

The downward movement observed in 2018 may have partially been driven by favourable development of bodily injury claims (as noted by both Ageas and UK Insurance) and reserve releases following the Ogden discount rate change in 2017 (as noted by Allianz). These would have been offset by higher claims inflation on accidental damage and third-party property damage claims (as noted by both Covea and esure) and an increase in the frequency of theft claims.

The upward movement observed in 2019 reflects strong claims inflation in the year, particularly on attritional damage and bodily injury claims. A further change to the Ogden discount rate was announced in July 2019 (from -0.75% to -0.25%). At the end of 2018, many insurers in the market correctly anticipated that the Ogden discount rate would be increased during 2019 and set their reserves accordingly, but they overestimated the magnitude of the increase. Therefore, they needed to strengthen their reserves during 2019, to allow for the increase in the Ogden discount rate being less than they had expected.

The decrease in the loss ratios in 2020 can be explained by a reduction in claims frequency as COVID-19 restrictions were introduced in the UK, with gross claims costs decreasing from around £10.1 billion (£5.7 billion net of reinsurance) in calendar year 2019 to around £8.1 billion (£4.9 billion net of reinsurance) in calendar year 2020.

The upward trend in the loss ratios in 2021 and 2022 has been driven by the lifting of COVID-19 restrictions in the UK (and hence increased road usage) and by the higher levels of inflation experienced in the UK over the past couple of years, which have affected the average costs of the different heads of damage. The pandemic has exacerbated underlying inflation as car parts have become scarcer, labour shortages have worsened, and the price of raw materials has increased. We note that the increased cost of repairs led to an increase in the number of claims being settled as a total loss, while the increased value of second-hand vehicles caused the value of total loss claims to increase. This has generally resulted in higher severities, particularly for damage claims (both accidental and property damage).

In Figure 7.6 and Figure 7.7, below, we show loss ratios over the last seven years, both the gross and net of reinsurance, separately for Motor Vehicle Liability and Other Motor.

FIGURE 7.6: MOTOR VEHICLE LIABILITY – GROSS AND NET OF REINSURANCE LOSS RATIOS

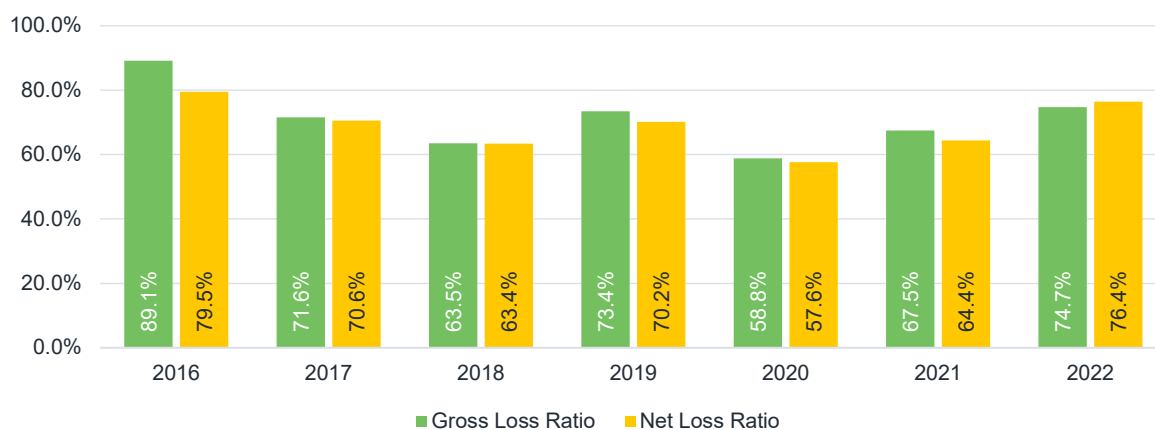
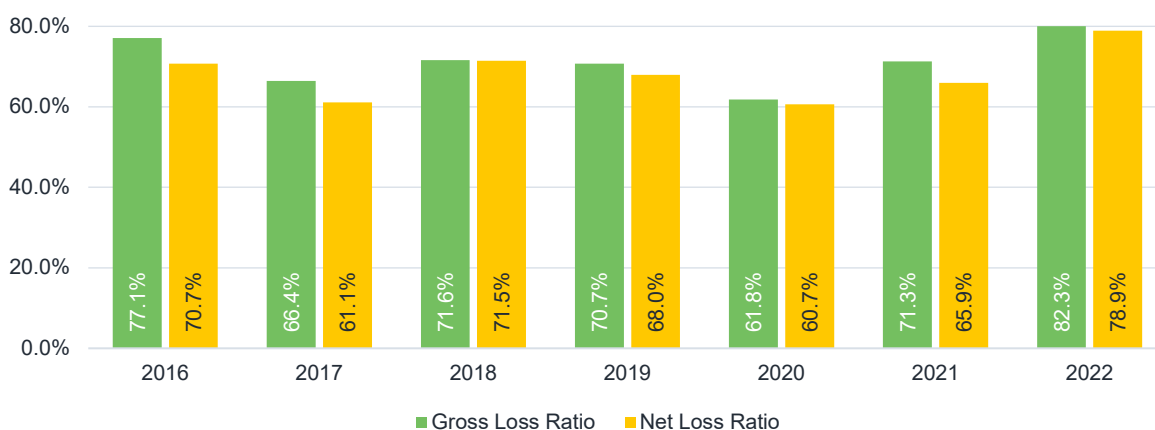
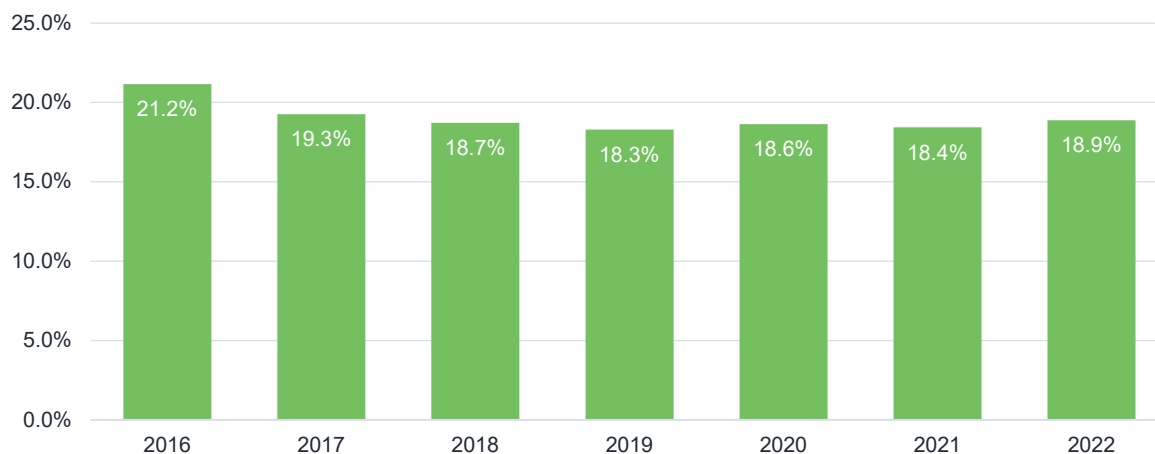


FIGURE 7.7: OTHER MOTOR – GROSS AND NET OF REINSURANCE LOSS RATIOS



In Figure 7.8, below, we consider the expense ratio⁴⁵ for Total Motor. Expenses throughout this report are defined as 'all technical expenses incurred by the group during the reporting period, on an accrual basis'. The expenses do not include Other Expenses (i.e., those not attributed to administrative, investment management, claims management, acquisition or overhead expenses), which are not allocated by LoB. Further information on expenses can be found in Appendix E.

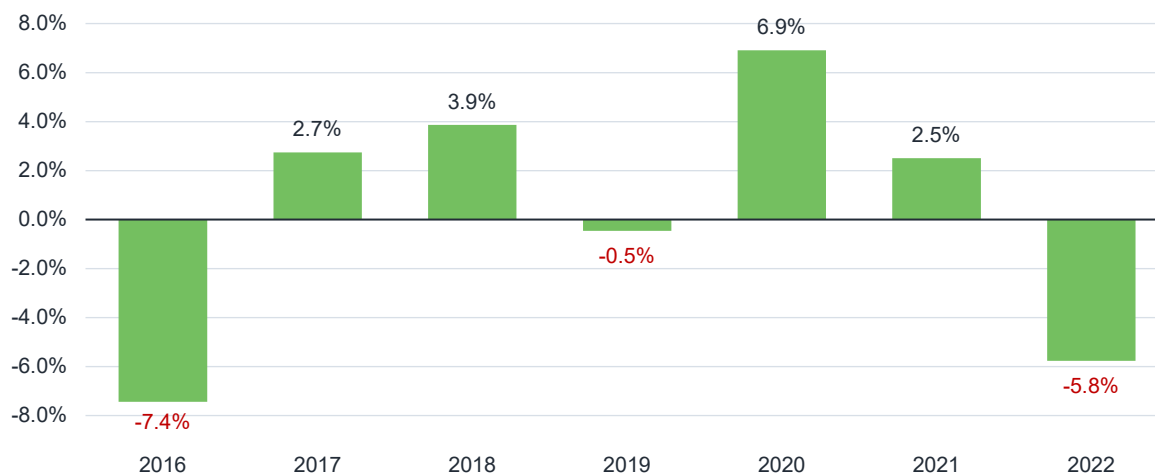
FIGURE 7.8: TOTAL MOTOR – MARKET EXPENSE RATIOS



The expense ratios have been fairly consistent since 2017, ranging between 18% and 19%.

In Figure 7.9 to Figure 7.11, below, we consider the operating margins for Total Motor and separately for Motor Vehicle Liability and Other Motor. Throughout the report, we define the operating margin as (net earned premium – net claims costs – expenses incurred) / (gross earned premium). We note that this definition of the operating margin includes movements in prior year reserves (part of the net claims costs) but does not include investment income.

FIGURE 7.9: TOTAL MOTOR – OPERATING MARGIN



⁴⁵ The expense ratio is calculated as incurred expenses divided by gross earned premiums.

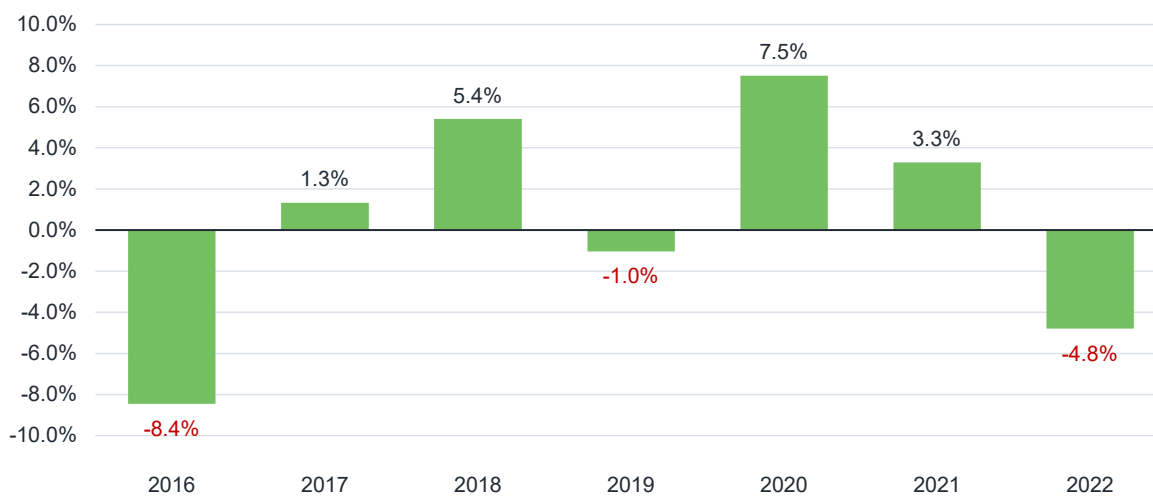
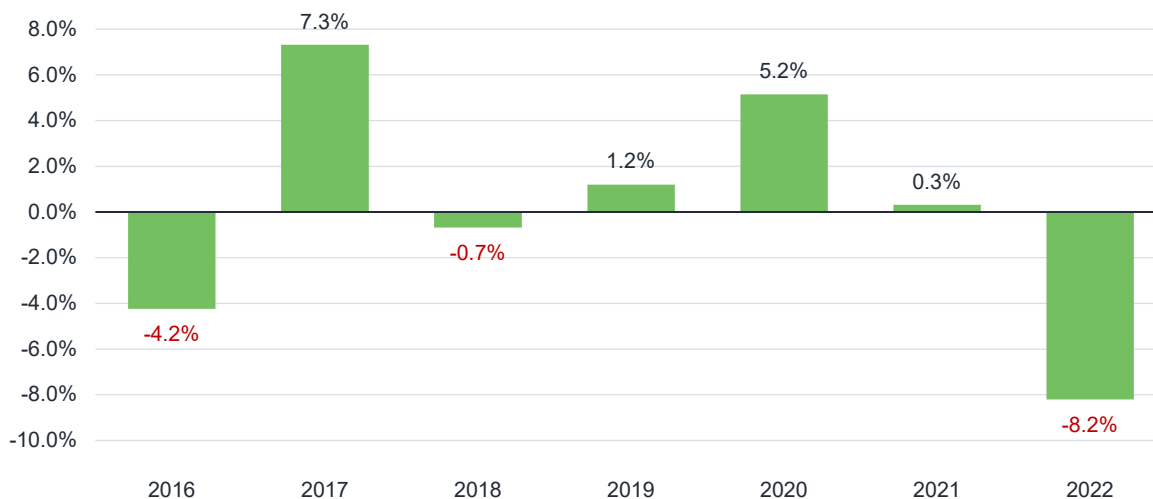
FIGURE 7.10: MOTOR VEHICLE LIABILITY– OPERATING MARGIN**FIGURE 7.11: OTHER MOTOR – OPERATING MARGIN**

Figure 7.9 demonstrates that, in aggregate, the Motor LoBs (separately and together) have operated profitably for four out of the last seven years. Over that period, the operating margins have been volatile, with Motor Vehicle Liability ranging from -8.4% to 7.5%, and Other Motor ranging from -8.2% to 7.3%. While both LoBs were profitable in 2020 and 2021, the operating margins dropped materially below zero in 2022, with the operating margin for Motor Vehicle Liability remaining higher than for Other Motor.

We note that many UK motor insurers supplement the profitability of their pure motor insurance products with profits arising from ancillary services, such as breakdown recovery, legal protection cover, etc. So Figure 7.9 should not be taken as indicating that motor insurers were, overall, unprofitable in three of the last seven years.

8. Performance Comparisons – Gross of Reinsurance

In this section, we look at the performance of the top 15 participants in our sample of 39 companies, as measured by GEP income for Total Motor. The majority of the commentary on movements in loss ratios, below, is related to Motor Vehicle Liability, as generally we have found less commentary related to Other Motor in SFCRs of those insurers within our sample. As shown in Figure 7.4, above, the majority of the premiums are allocated to Motor Vehicle Liability.

MARKET SHARE AND OVERALL PERFORMANCE

During 2022, the top 15 participants accounted for approximately 90% of our sample of 39 companies by GEP. Furthermore, approximately 70% of the market was spread between just seven insurance companies: Admiral, Allianz (including both LV and Highway), Aviva, AXA, NFU Mutual, RSA and UK Insurance. **Admiral** holds the largest market share, at 12.8% as at year-end 2022, which is higher than its market share as at year-end 2021 (12.1%) and as at year-end 2020 (11.2%). **Aviva**, which had the largest market share as at year-end 2021, experienced a 0.4% reduction in its market share as at year-end 2022 (13.1% down to 12.7%).

Figure 8.1, below, shows the comparison in market share for the top 15 participants for Total Motor, as measured by GEP for 2022. For comparison purposes, we also display the market shares as at year-end 2021.

FIGURE 8.1: TOTAL MOTOR – MARKET SHARE BASED ON GROSS EARNED PREMIUMS AS AT YEAR-ENDS 2021 AND 2022⁴⁶



From Figure 8.1, we note that **RSA** is the company with the largest reduction in market share over the past year (9.1% as at year-end 2021 falling to 8.2% as at year-end 2022). Along with **Admiral**, **Skyfire** has experienced the largest increase over the year (2.5% as at year-end 2021, increasing to 3.3% as at year-end 2022).

In Figure 8.2, below, we have extracted the gross performance of the top fifteen participants for Total Motor for the 2022 financial year, ordered as in Figure 8.1.

⁴⁶ - Admiral is made up of Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL).

- Zurich is not included in our sample of companies as the UK business has been transferred to Zurich Insurance Company with the Zurich Insurance plc UK branch ceasing writing insurance business.

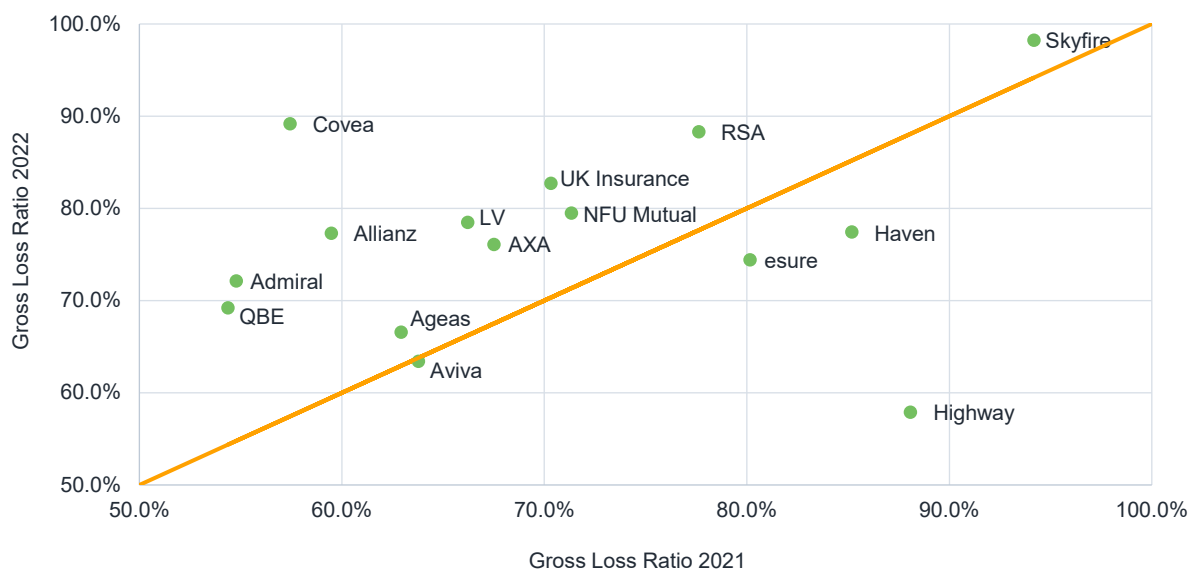
FIGURE 8.2: TOTAL MOTOR – COMPARISON OF GROSS PERFORMANCE OF THE TOP PARTICIPANTS IN THE UK MOTOR MARKET AS AT YEAR-END 2022 (£ MILLIONS)

Company	Market Share	Gross Earned Premium	Gross Incurred Claims	Expenses	Gross Loss Ratio	Expense Ratio	Combined Ratio
Admiral	12.8%	1,791	1,291	197	72.1%	11.0%	83.1%
Aviva	12.7%	1,789	1,134	226	63.4%	12.6%	76.1%
UK Insurance	11.9%	1,673	1,383	582	82.7%	34.8%	117.5%
RSA	8.2%	1,148	1,014	263	88.3%	22.9%	111.2%
LV	7.0%	988	776	178	78.5%	18.0%	96.5%
AXA	6.9%	965	734	225	76.1%	23.4%	99.4%
NFU Mutual	4.6%	646	513	237	79.5%	36.7%	116.2%
esure	4.6%	644	479	124	74.4%	19.2%	93.6%
Ageas	4.5%	636	423	64	66.5%	10.0%	76.5%
Allianz	4.0%	556	430	101	77.3%	18.2%	95.5%
Skyfire	3.3%	461	452	-1	98.2%	-0.2%	98.0%
QBE	2.5%	351	243	91	69.2%	25.9%	95.1%
Covea	2.3%	329	293	119	89.2%	36.2%	125.3%
Haven	2.3%	316	245	27	77.4%	8.7%	86.1%
Highway	2.0%	282	163	56	57.9%	19.7%	77.6%
The Rest	10.4%	1,462	1,220	161	83.4%	11.0%	94.4%
Total	100%	14,037	10,795	2,650	76.9%	18.9%	95.8%

We note that several of the top 15 participants in the UK motor market outsource certain services, such as claims handling, and that they pay for some of these outsourced services at the point of sale. Their earned premiums and expenses in Figure 8.2 are expressed net of these point-of-sale expenses. This means that the loss ratios and expenses ratios in Figure 8.2 are not wholly comparable across all of the insurers.

GROSS LOSS RATIO

In Figure 8.3, below, we show the gross loss ratios for each of the top 15 participants as at both the 2022 year-end and the 2021 year-end. For those companies above the line, the gross loss ratio as at the 2022 year-end is greater than that as at the 2021 year-end, and vice versa for those below the line.

FIGURE 8.3: TOTAL MOTOR – CHANGE IN GROSS LOSS RATIO BETWEEN THE 2021 AND 2022 YEAR-ENDS

For the majority of insurers their 2022 gross loss ratios are worse than their 2021 gross loss ratios had been. We have highlighted some movements, below:

- The 2022 gross loss ratio for **Covea** is 89.2%, up from 57.4% in 2021 (and 60.7% in 2020). Covea noted that the claims environment saw a return to pre-pandemic levels with a subsequent increase in claims and costs elevated due to supply chain disruption and increased inflation. It also highlighted that the number of policies (and hence the GWP) reduced by circa 4%-5% driven by the pricing reforms, the softer market and Covea's desire to mitigate exposure to the market.
- The 2022 gross loss ratio for **Allianz** is 77.3%, increased from 59.5% in 2021 (and 51.1% in 2020). Allianz notes the heightened inflationary environment in the motor market and the challenges with rising repair costs, labour shortages and supply chains.

- **UK Insurance** experienced unfavourable movement, with its gross loss ratio increasing from 70.3% in 2021 to 82.7% in 2022 (it had been 49.6% in 2020). UK Insurance noted that severity inflation was 14%, higher than the levels that had been assumed in its pricing. It also highlighted that supply chain disruptions caused delays to third-party claims.
- The 2022 gross loss ratio for **Skyfire** is 98.2%, slightly higher than the 94.2% in 2021 (it was 58.8% in 2020). Skyfire mentioned that the best estimate reserves for the 2021 and prior accident years developed adversely over 2022, driven by inflationary pressures on small bodily injury (following on from the Court of Appeal ruling with respect to secondary injury valuations) and third-party damage claims.
- **QBE's** gross loss ratio increased from 54.4% in 2021 to 69.2% in 2022 (having been 36.7% in 2020). QBE noted that it needed to uplift its inflationary assumptions during the year due to the factors mentioned previously but also as a result of the increasing technological sophistication of vehicles (which is a further cause of rising costs of claims).

On the other hand, some insurers experienced favourable movement in their gross loss ratios over 2022.

- **esure's** gross loss ratio reduced from 80.2% in 2021 to 74.4% in 2022 (having been 77.2% in 2020), with its gross cost of claims reducing from £562 million to £479 million.
- The 2022 gross loss ratio for **Haven** is 77.4%, lower than the 85.2% in 2021 (but higher than the 68.6% that it had been in 2020). Haven notes that its premium volumes grew in 2022 following a small reduction in the prior year and that it had applied rating actions to account for the rising costs due to inflation and the impacts on the supply chain post the pandemic. Overall, its gross claims costs reduced from circa £264 million to £245 million.

Many insurers commented on motor claim frequencies increasing in 2022, mainly during the first half of the year, as road usage increased following the removal of all COVID-19 restrictions. However, many also commented that the claim frequencies still remained below pre-pandemic levels. With higher living costs and general inflation continuing into 2023, claim frequencies might remain at pre-pandemic levels, with drivers managing their costs by reducing the discretionary element of their motoring.

Some insurers commented on the new pricing reforms that were introduced in January 2022, as described in Section 3. Of the top 15 participants:

- **Ageas** stated that it expected the pricing reforms to lead to a more stable market in the medium term, although they have made acquiring new customers more of a challenge.
- **Covea** highlighted that the pricing reforms presented challenges to market participants as competitive practices needed to be updated. It noted that there was a decline in its GWP for Personal Lines Motor in 2022.
- **esure** noted that the motor market was characterised by soft pricing, particularly in the first half of the year, while insurers navigated the new pricing reforms.
- **Skyfire** commented that, despite an improvement in retention rates, attracting new business was more difficult due to reduced quote volumes and a large number of new brands and products being launched by competitors.

Outside of the top 15 insurers, others commented that the FCA's pricing reforms had led to better outcomes for renewing customers and subsequently helped to improve renewal retention rates. Others highlighted that reduced volumes had meant rate increases were necessary to cover fixed costs.

Some insurers also commented on the impact of the whiplash reforms, as described in Section 4. **Skyfire** stated that it continued to witness a sustained reduction in frequency which it believed was line with the rest of the market. The savings that it has achieved so far on settled claims has been in line with its expectations. Others noted that mixed injury awards were being challenged in the Court of Appeal in 2022 and were worried that such challenges would dilute the benefits of the reforms.

GROSS COMBINED RATIO

In Figure 8.4, below, we show for the top 15 companies the gross combined ratios and market shares (based on GEP, as shown in Figure 8.2) for Total Motor, for the 2022 financial year.

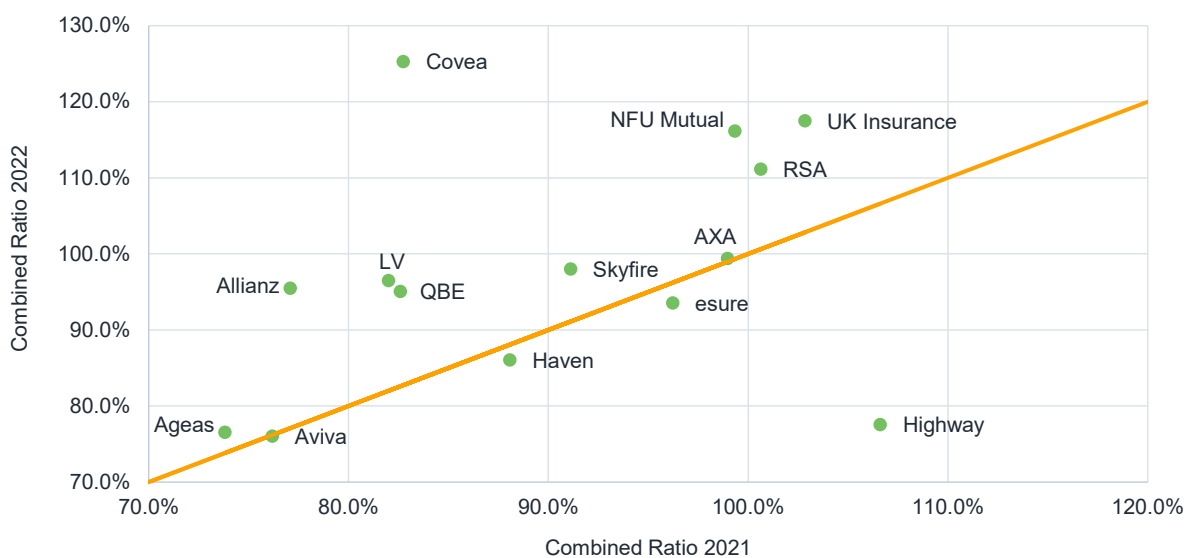
FIGURE 8.4: TOTAL MOTOR – GROSS COMBINED RATIO VERSUS MARKET SHARE, BY COMPANY, AS AT YEAR-END 2022



Those positioned on the left-hand side of the graph are the more profitable insurers in respect of Total Motor; those positioned towards the top of the graph are the insurers with the largest shares of this market. We observe from the graph that two of the most profitable insurers are also two of the insurers with the largest market shares. These figures do not allow for investment income, or for other sources of income such as profits / commission from ancillary services.

In Figure 8.5, below, we show the gross combined ratios for each of the top 15 participants as at both the 2022 year-end and the 2021 year-end. For those companies above the line, the combined ratio as at 2022 year-end is greater than that as at 2021 year-end, and vice versa for those below the line.

FIGURE 8.5: TOTAL MOTOR – CHANGE IN COMBINED RATIO BETWEEN THE 2021 AND 2022 YEAR-ENDS



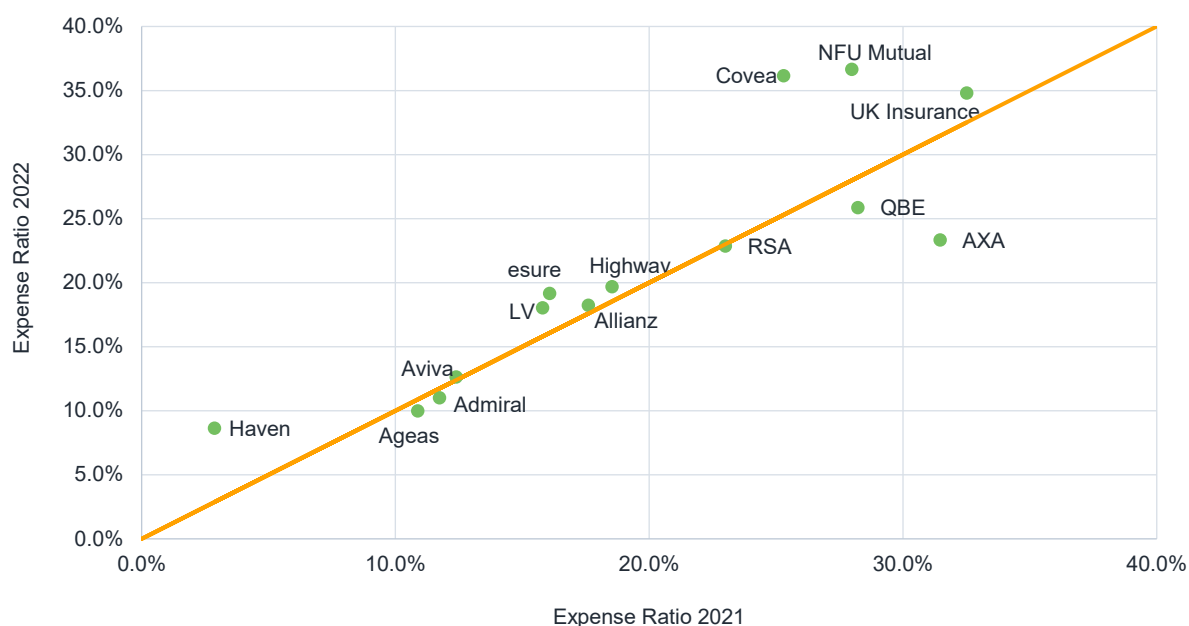
We note that for the majority of the top 15 participants the combined ratios have worsened over the year. The largest increases were observed for the following companies:

- **Covea**, where the combined ratio moved from 82.7% as at year-end 2021 to 125.3% as at year-end 2022
- **Allianz**, where the combined ratio moved from 77.1% as at year-end 2022 to 95.5% as at year-end 2022
- **NFU Mutual**, where the combined ratio moved from 99.3% as at year-end 2021 to 116.2% as at year-end 2022

EXPENSE RATIO

In Figure 8.6, below, we show the expense ratios for each of the top 15 participants as at both 2022 year-end and 2021 year-end. For those companies above the line, the expense ratio as at 2022 year-end is greater than that as at 2021 year-end, and vice versa for those below the line.

FIGURE 8.6: TOTAL MOTOR – CHANGE IN EXPENSE BETWEEN THE 2021 AND 2022 YEAR-ENDS⁴⁷



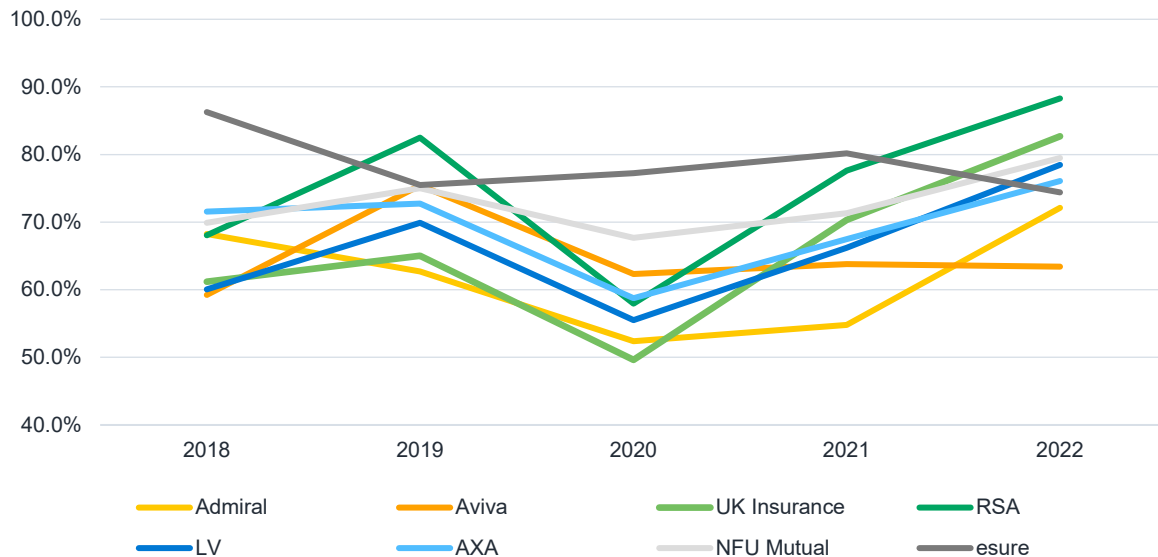
We note that for the majority of the top 15 participants, the expense ratio has deteriorated between year-end 2021 and year-end 2022 (albeit not to a great extent, save for Covea and NFU Mutual), with the exception of Admiral, Ageas, AXA, QBE and RSA.

⁴⁷ Skyfire is not shown in Figure 8.6. The expense ratio as at year-end 2021 is -3.1% and the expense ratio as at year-end 2022 is -0.2%.

TRENDS OVER TIME

In Figure 8.7 and Figure 8.8, below, we show the gross loss ratios for the top 8 companies (by market share, as shown in Figure 8.1, above) over the last five years, for Total Motor.

FIGURE 8.7: TOTAL MOTOR – GROSS LOSS RATIOS FOR YEAR-ENDS 2018-2022

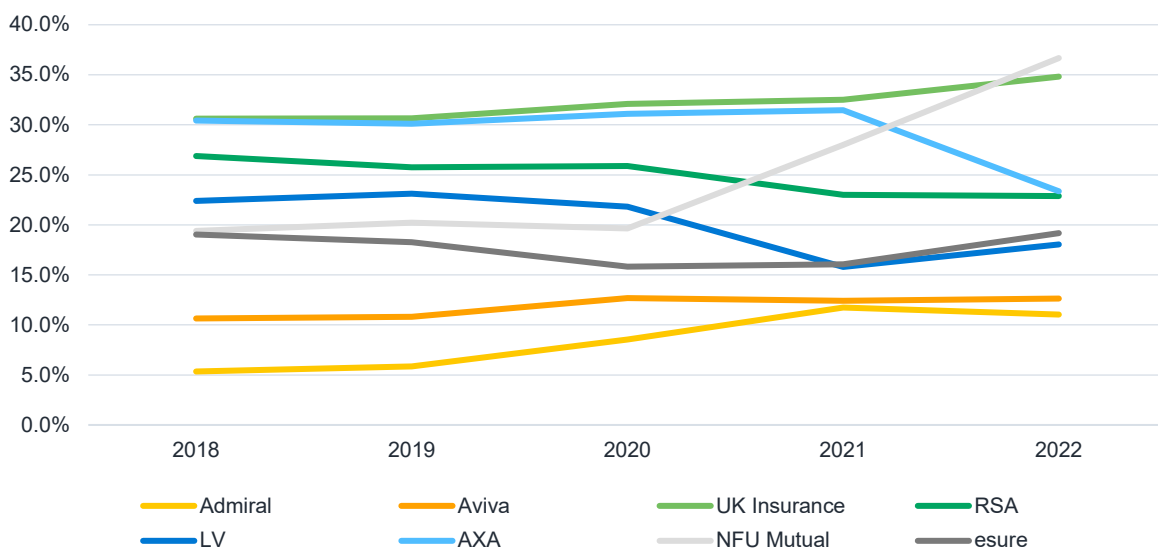


We note from Figure 8.7 that, for Total Motor, the gross loss ratios have been volatile for the top eight companies over the last five years, with COVID-19 driving the reductions observed in 2020. For example, for RSA and UK Insurance, the gross loss ratios range from 57.9%-88.3% and 49.6%-82.7%, respectively. We observe that Aviva and esure follow different patterns to the other top eight companies.

UK Insurance has explained that it benefitted from reduced claim frequency in 2019 as a result of improvement to risk mix, counter fraud initiatives as well as benign weather, while bodily injury claims reserves developed favourably. **esure's** loss ratio was higher in 2018, as it was affected by higher claims inflation for damage claims and adverse development of prior year reserves.

In Figure 8.8, below, we show the expense ratios for the same top 8 companies over the last five years, for Total Motor.

FIGURE 8.8: TOTAL MOTOR – EXPENSE RATIOS FOR YEAR-ENDS 2018-2022



9. Technical Provisions

There is insufficient information regarding the technical provisions in the public QRTs in SFCRs to enable detailed analysis. Therefore, in this Section, we only show how the proportion of reinsurance recoverables and the proportion of technical provisions in respect of annuities has changed over time. Further information on the components of the technical provisions and on how they have changed over time, and on the proportions of reinsurance recoverables and the risk margins for the leading players in the market can be found in Appendix F.

In Figure 9.1, below, we show the reinsurance recoverables as a proportion of the gross technical provisions for Total Motor. The technical provisions shown are those reported as at each year-end.

FIGURE 9.1: TOTAL MOTOR – REINSURANCE RECOVERABLES AS A PROPORTION OF THE GROSS TECHNICAL PROVISIONS AS AT YEAR-END 2022 (£ BILLIONS)

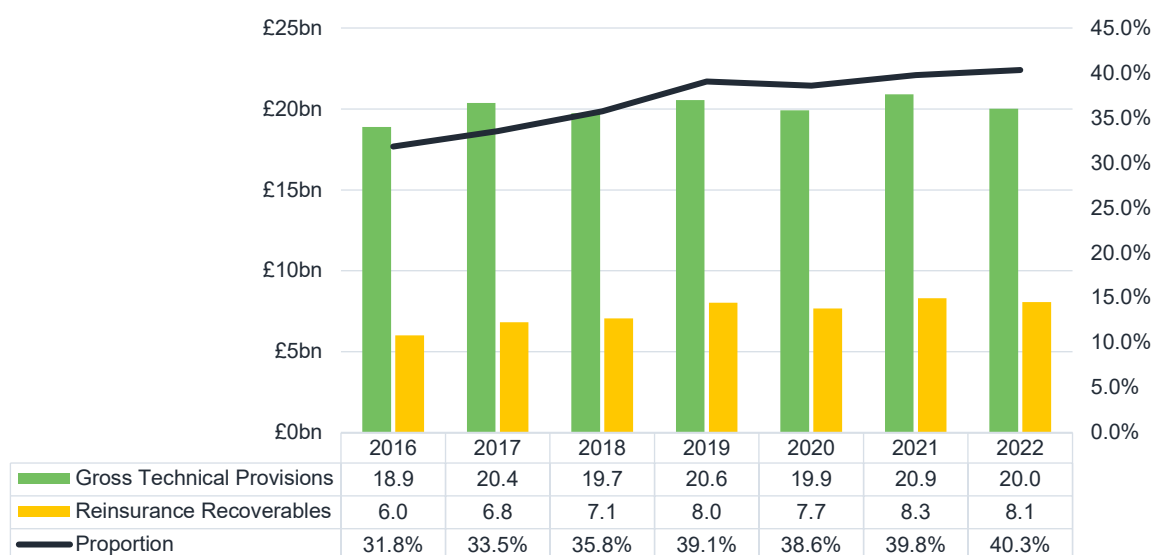


Figure 9.1 shows that the absolute amount of reinsurance recoverables increased between 2016 and 2019 but has been relatively stable since then at around £8 billion.

Considering just the latest four years, 2020 had the lowest level of absolute reinsurance recoverables, which is consistent with a reduced number of vehicle miles, and hence accidents, due to the COVID-19 pandemic restrictions. The TPWP highlight that accident numbers were much lower in March through June 2020 compared to the equivalent months in 2019 and 2021.

The absolute amount of reinsurance recoverables increased in 2021 relative to 2020. The TPWP commented that there was a 7% increase in the number of reported road deaths in 2021, but that this was still 11% lower than the figure from 2019. Additionally, it stated that there was an 11% increase in the number of casualties in reported road traffic accidents, but that this figure was 16% lower when compared to 2019. The TPWP also noted that there was a significant increase in the pedal cycle miles in 2020, particularly outside of the winter months, with this trend continuing into 2021. Despite the increase in pedal miles, there was a 21% reduction in the number of fatalities for pedal cyclists in 2020, attributable mainly to the reduced numbers of cars on the roads and the establishment of many more cycle paths and cycle-only areas of roads.

In Figure 9.2 and Figure 9.3, below, we show the reinsurance recoverables as a proportion of the gross technical provisions for Motor Vehicle Liability and Other Motor separately. The technical provisions shown are those reported at each year-end.

FIGURE 9.2: MOTOR VEHICLE LIABILITY - REINSURANCE RECOVERABLES AS A PROPORTION OF THE GROSS TECHNICAL PROVISIONS AS AT YEAR-END 2022 (£ BILLIONS)

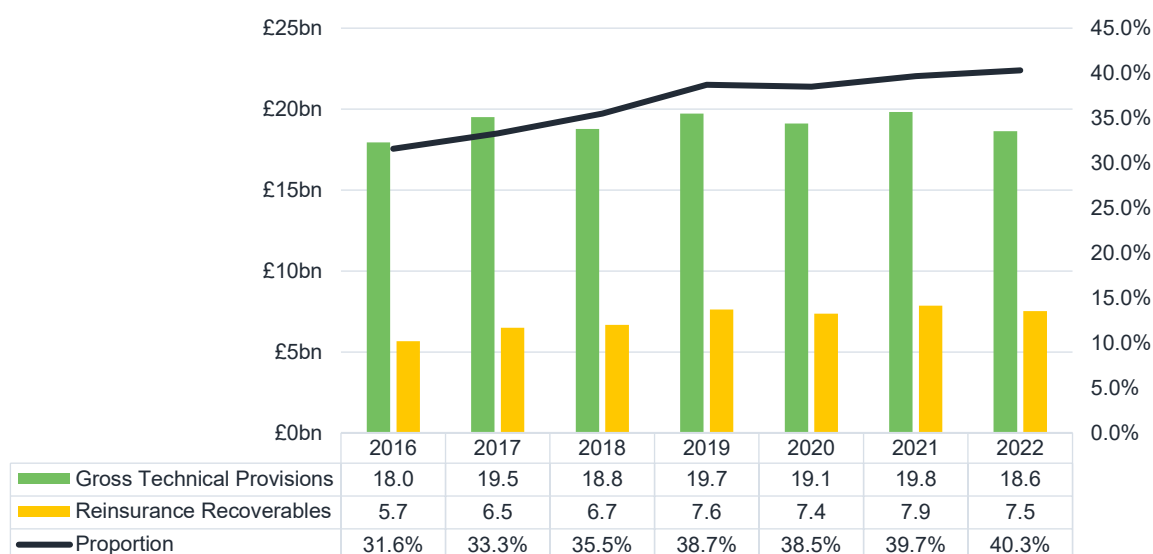
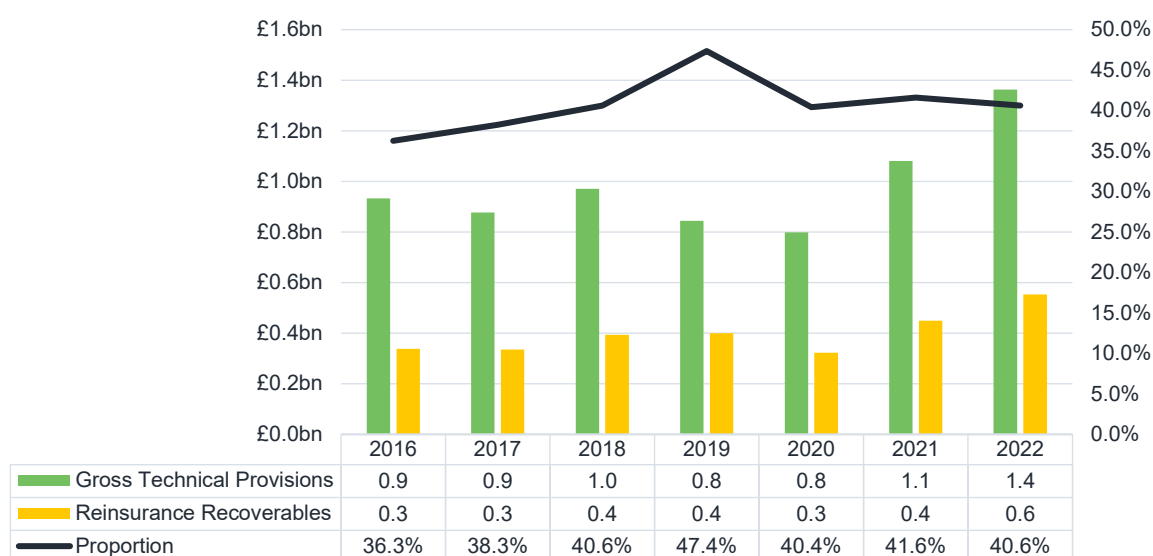


FIGURE 9.3: OTHER MOTOR - REINSURANCE RECOVERABLES AS A PROPORTION OF THE GROSS TECHNICAL PROVISIONS AS AT YEAR-END 2022 (£ BILLIONS)



The trend for Other Motor is different than the trend observed for Motor Vehicle Liability, which is mainly explained by reinsurance recoverables for Other Motor being dominated by quota share reinsurance rather than excess of loss reinsurance, which we would expect Motor Vehicle Liability to have a larger proportion of. We observe that the trend in Figure 9.2 is almost identical to the trend observed in Figure 9.1, as Motor Vehicle Liability makes up the majority of the Total Motor technical provisions. We would expect the trends to vary as companies change the level of quota share and excess of loss covers as their mix of business changes from year to year.

Figure 9.4, below, shows the technical provisions (excluding the risk margin) in respect of annuities stemming from non-life insurance contracts as a proportion of the technical provisions for Motor Vehicle Liability, both gross and net. We show this as at 2022 year-end, and, for comparison purposes, as at 2020 and 2021 year-ends.

FIGURE 9.4: PROPORTION OF TECHNICAL PROVISIONS (EXCLUDING THE RISK MARGIN) FOR MOTOR VEHICLE LIABILITY BUSINESS IN RESPECT OF ANNUITIES AS AT YEAR-ENDS 2020, 2021, AND 2022 (£ MILLIONS)

		MOTOR VEHICLE LIABILITY TECHNICAL PROVISIONS	TECHNICAL PROVISIONS IN RESPECT OF ANNUITIES	PROPORTION
GROSS	2020	18,391	3,397	18.5%
	2021	19,077	3,455	18.1%
	2022	18,105	2,459	13.6%
NET	2020	11,033	1,123	10.2%
	2021	11,217	1,179	10.5%
	2022	10,589	912	8.6%

Technical provisions in respect of annuities have decreased from year-end 2021 to 2022 in absolute terms, both gross and net of reinsurance, and have decreased as a proportion of Motor Vehicle Liability technical provisions. The gross proportional movement is in line with expectation as these annuities relate mostly to Periodic Payment Orders (PPOs) awarded in respect of injury claims, which, as a claim type, have not yet reached maturity. The reduction in 2022 is mainly driven by an increase in the risk free rate to discount the liabilities which offsets the increase in inflation assumption to give a higher real discount rate.

The number of claims being settled as PPOs has reduced since the material reduction in the Ogden discount rate in 2017, compounded in 2020 and 2021 by reduced activity in the courts (because of the COVID-19 pandemic). The PPO Working Party of the Institute & Faculty of Actuaries (IFoA) has estimated that 5%-15% of claims that have settled in each of the years 2017-2021 for lump sum or present value amounts in excess of £1 million in 2011 terms were settled as PPOs.⁴⁸ This corresponds to approximately 15-20 PPOs per year across the whole market.

The level of actual historical inflation and future inflation assumptions is a key driver of the level of reserves for PPO claims. We note that the level of inflation implied by the 80th percentile of the ASHE 6115 index has increased in recent years. This is a common reference point for the level of inflation assumed for the care costs associated with PPO settlements. As insurers reflect this in their reserves, it may cause the proportion of technical provisions related to PPOs to increase (although this is likely to be partially mitigated by insurers using higher discount rates). Studies from the IFoA PPO Working Party also highlight that the increases in ASHE 6115 inflation have been higher than the level of increases observed in the Retail Price Index (RPI), although ASHE 6115 inflation dropped materially below RPI in 2022.

⁴⁸ Francis, C. & Yallop, P. (February 2021). PPOs – A new dawn? Institute and Faculty of Actuaries Available at <https://www.actuaries.org.uk/system/files/field/document/IFoA%20PPO%20Working%20Party%20-%202020YE%20Quantitative%20Survey%20Update.pdf>

Appendix A: List of entities whose data was included within the analysis

FULL NAME	SHORT NAME USED IN THE REPORT
AA Underwriting Insurance Company Limited	
Acromas Insurance Company Limited	
Admiral Insurance (Gibraltar) Limited and Admiral Insurance Company Limited	Admiral
Ageas Insurance Limited	Ageas
AIG UK Limited	
Aioi Nissay Dowa Insurance UK Limited	Aioi Nissay Dowa
Allianz Insurance plc	Allianz
Arch Insurance Company (Europe) Limited	
Aviva Insurance Limited	Aviva
Avon Insurance plc	
AXA Insurance UK plc	AXA
AXA XL Insurance Company UK Limited	
Berkshire Hathaway International Insurance Limited	
Calpe Insurance Company Limited	
Convex Insurance UK Limited	
Cornish Mutual Assurance Company Limited	
Covea Insurance PLC	Covea
Ecclesiastical Insurance Office plc	
esure Insurance Limited	esure
Haven Insurance Company Limited	Haven
Highway Insurance Company Limited	Highway
Hiscox Insurance Company Limited	Hiscox
Liverpool Victoria Insurance Company Limited	LV
Markel International Insurance Company Limited	
Motors Insurance Company Limited	
Mulsanne Insurance Company Limited	
Premier Insurance Company Limited	
QBE UK Limited	QBE
Red Sands Insurance Company (Europe) Limited	
Royal & Sun Alliance Insurance limited	RSA
Sabre Insurance Company Limited	Sabre
Skyfire Insurance Company Limited	Skyfire
The National Farmers Union Mutual Insurance Society Limited	NFU Mutual
Tradex Insurance Company Limited	
TransRe London Limited	
Travelers Insurance Company Limited	
U K Insurance Limited	UK Insurance
Watford Insurance Company Europe Limited	

Appendix B: Gross Written Premiums

In Figure B.1 and Figure B.2, below, we show the GWP for Motor Vehicle Liability and Other Motor over the last seven years, split between direct business and proportional reinsurance accepted business. These figures are as reported as at the end of the last seven years, so they do not allow for any post year-end adjustments.

FIGURE B.1: MOTOR VEHICLE LIABILITY – GROSS WRITTEN PREMIUMS (£ BILLIONS)

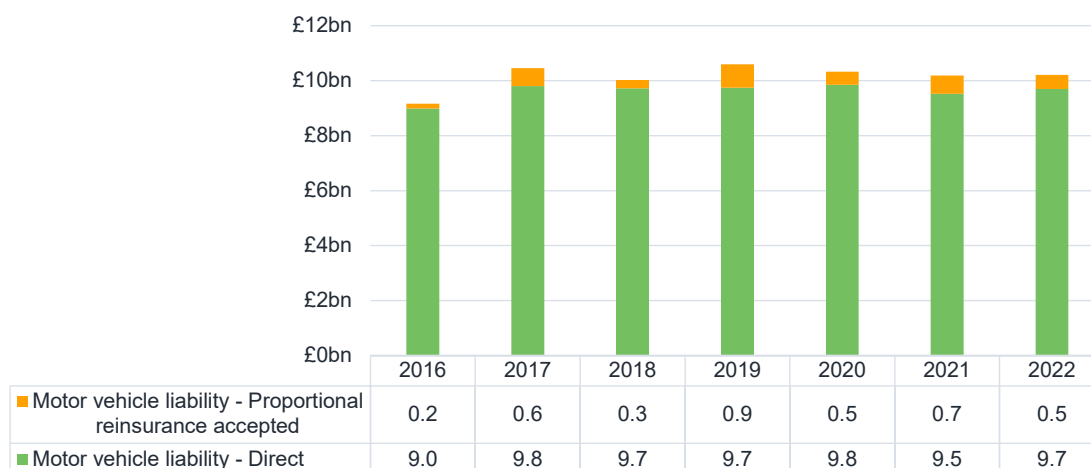
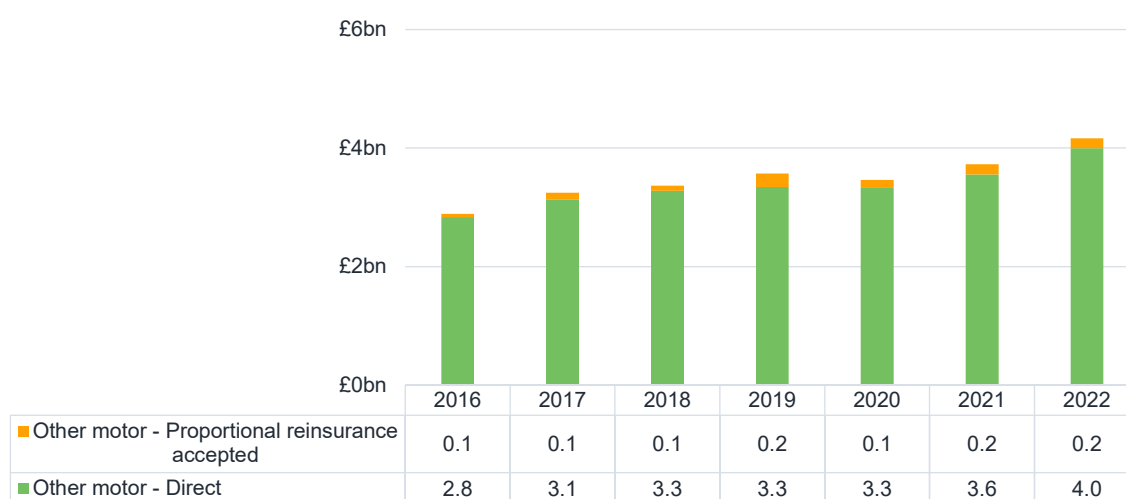


FIGURE B.2: OTHER MOTOR – GROSS WRITTEN PREMIUMS (£ BILLIONS)



In Figure B.3, below, we show how the allocation of GWP between Motor Vehicle Liability and Other Motor, for Solvency II purposes, has changed over the last seven years.

FIGURE B.3: TOTAL MOTOR GROSS WRITTEN PREMIUM ALLOCATION SPLIT

	2016	2017	2018	2019	2020	2021	2022
Motor Vehicle Liability	76.0%	76.3%	74.9%	74.8%	74.9%	73.2%	71.0%
Other Motor	24.0%	23.7%	25.1%	25.2%	25.1%	26.8%	29.0%

Appendix C: Net of Reinsurance Premiums

In Figure C.1 to Figure C.3, below, we show the net written premiums (NWP) for Motor Vehicle Liability, Other Motor and Total Motor over the last seven years. These figures are as reported as at the end of the last seven years, so they do not allow for any post year-end adjustments.

FIGURE C.1: MOTOR VEHICLE LIABILITY – NET WRITTEN PREMIUMS (£ BILLIONS)

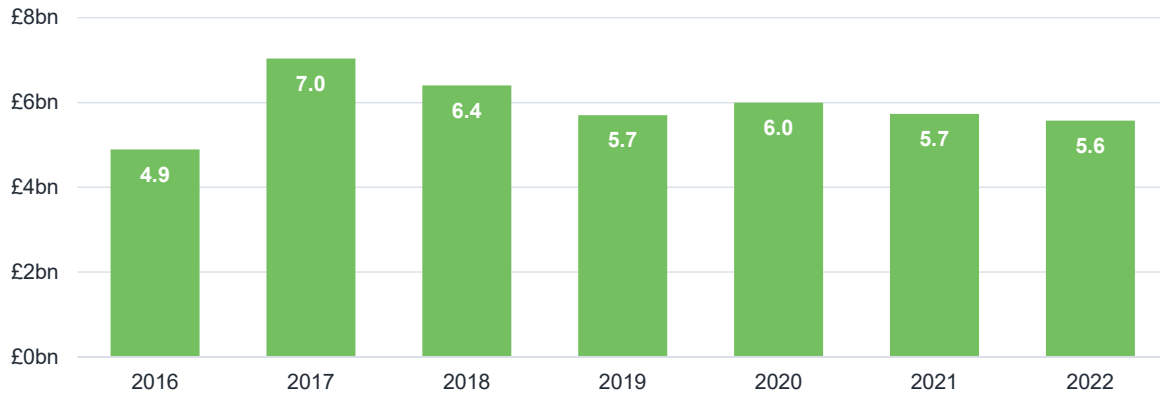


FIGURE C.2: OTHER MOTOR – NET WRITTEN PREMIUMS (£ BILLIONS)

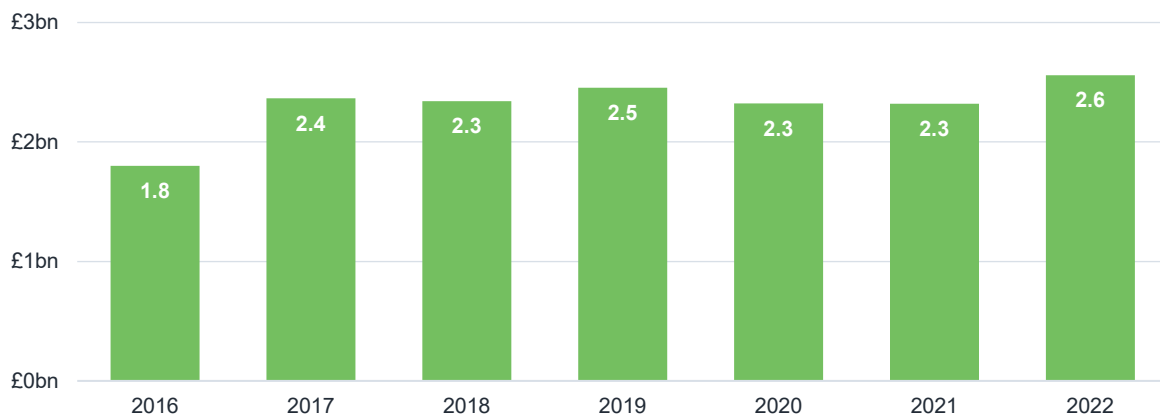
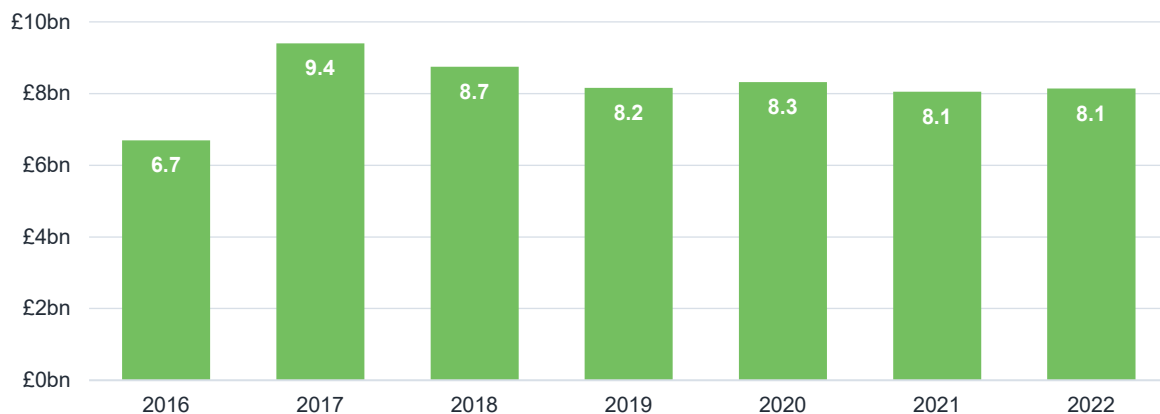


FIGURE C.3: TOTAL MOTOR – NET WRITTEN PREMIUMS (£ BILLIONS)



In Figure C.4, below, we show how the allocation of NWP between Motor Vehicle Liability and Other Motor, for Solvency II purposes, has changed over the last seven years.

FIGURE C.4: TOTAL MOTOR NET WRITTEN PREMIUM ALLOCATION SPLIT

	2016	2017	2018	2019	2020	2021	2022
Motor Vehicle Liability	73.1%	74.9%	73.2%	69.9%	72.1%	71.2%	68.5%
Other Motor	26.9%	25.1%	26.8%	30.1%	27.9%	28.8%	31.5%

In Figure C.5 to Figure C.7, below, we show the net earned premiums (NEP) for Motor Vehicle Liability, Other Motor and Total Motor over the last seven years. These figures are as reported as at the end of the last seven years, so they do not allow for any post year-end adjustments.

FIGURE C.5: MOTOR VEHICLE LIABILITY – NET EARNED PREMIUMS (£ BILLIONS)

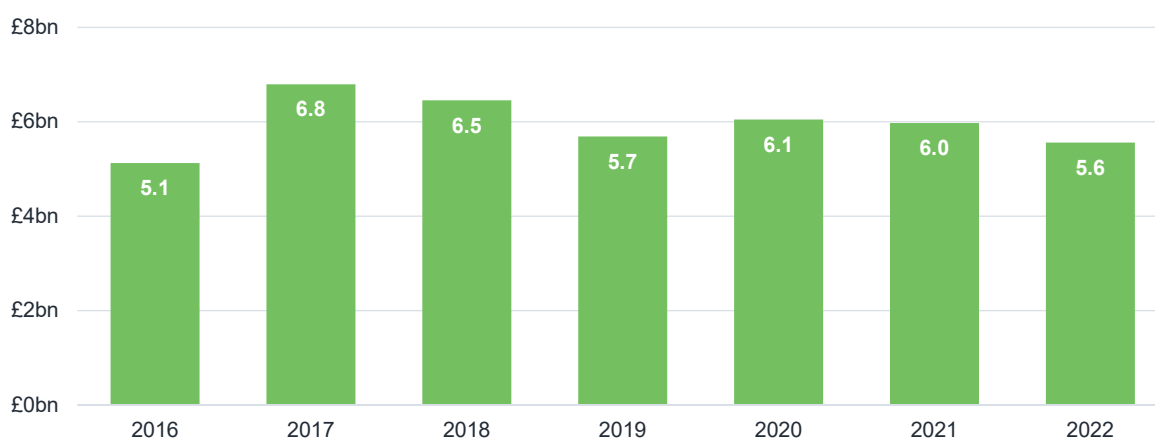


FIGURE C.6: OTHER MOTOR – NET EARNED PREMIUMS (£ BILLIONS)

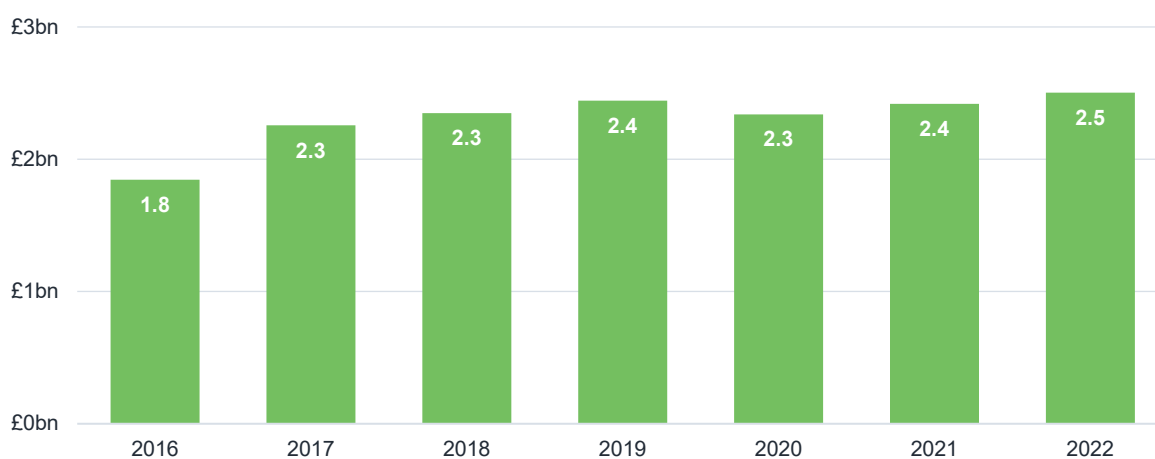
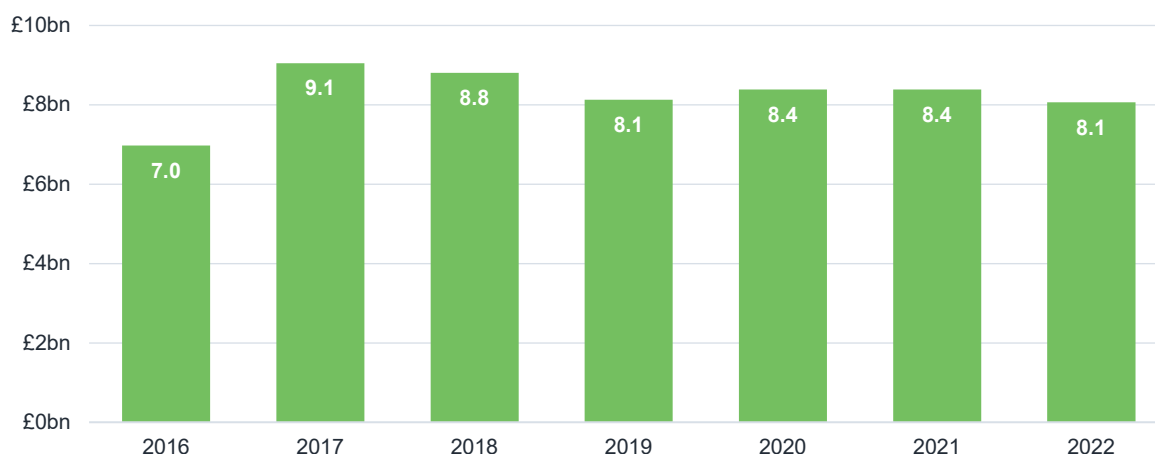


FIGURE C.7: TOTAL MOTOR – NET EARNED PREMIUMS (£ BILLIONS)



In Figure C.8, below, we show how the allocation of NEP between Motor Vehicle Liability and Other Motor, for Solvency II purposes, has changed over the last seven years.

FIGURE C.8: TOTAL MOTOR NET EARNED PREMIUM ALLOCATION SPLIT

	2016	2017	2018	2019	2020	2021	2022
Motor Vehicle Liability	73.5%	75.1%	73.3%	70.0%	72.1%	71.2%	69.0%
Other Motor	26.5%	24.9%	26.7%	30.0%	27.9%	28.8%	31.0%

Appendix D: Claims Costs

Figure D.1 to Figure D.3, below, show the aggregate gross claims costs for Motor Vehicle Liability, Other Motor and Total Motor over the last seven years. The claims costs shown are on a calendar-year basis. Thus, they include movements during the year in claims reserves relating to prior years' exposure as well as the booked ultimate cost of claims for the current year's exposure. The gross claims costs exclude claims management expenses and movements in provisions in claims management expenses

FIGURE D.1: MOTOR VEHICLE LIABILITY – GROSS CLAIMS HISTORY (£ BILLIONS)

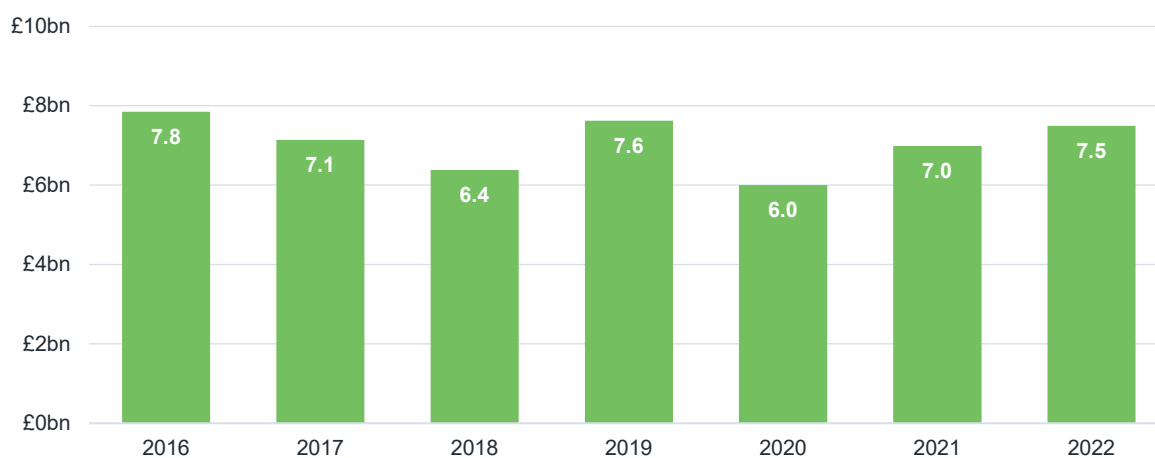


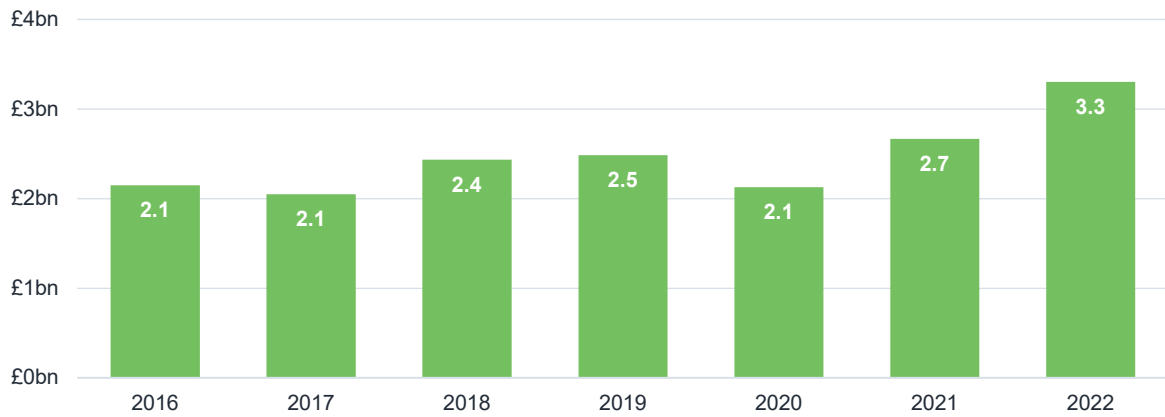
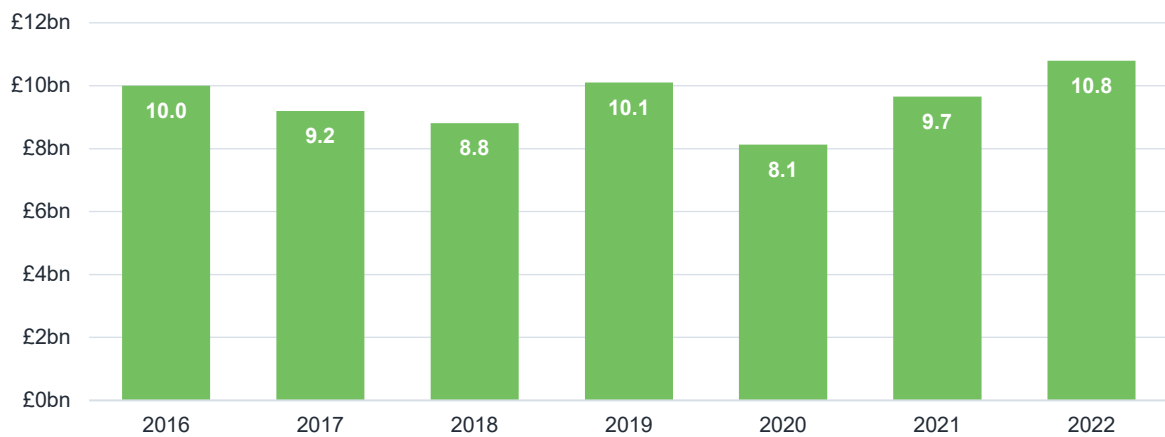
FIGURE D.2: OTHER MOTOR – GROSS CLAIMS HISTORY (£ BILLIONS)**FIGURE D.3: TOTAL MOTOR – GROSS CLAIMS HISTORY (£ BILLIONS)**

Figure D.4 to Figure D.6, below, show the aggregate claim recoverables for Motor Vehicle Liability, Other Motor and Total Motor over the last seven years. The reinsurance recoverables exclude claims management expenses and movements in provisions in claims management expenses.

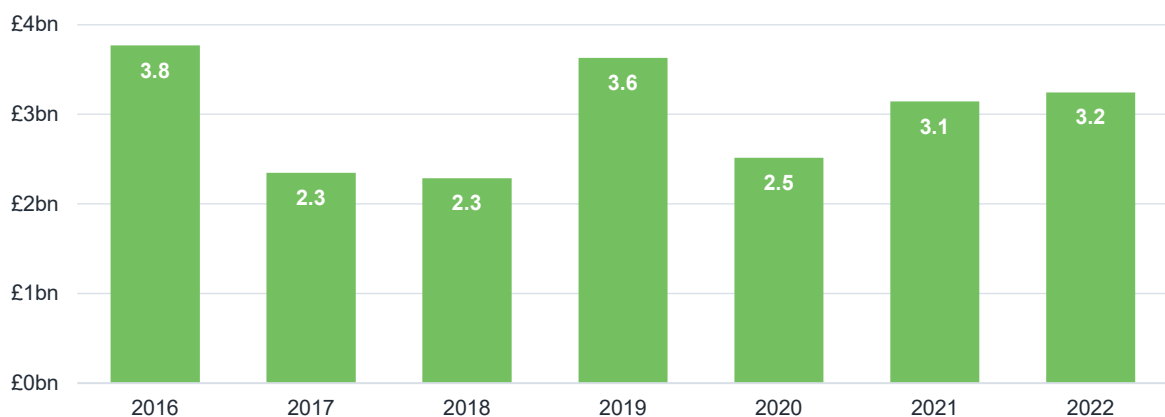
FIGURE D.4: MOTOR VEHICLE LIABILITY – CLAIM RECOVERABLES HISTORY (£ BILLIONS)

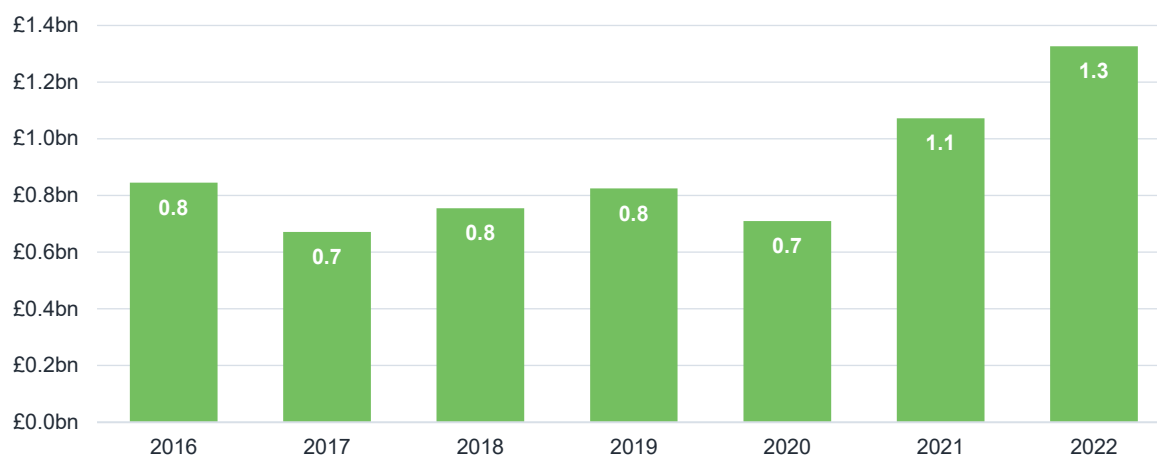
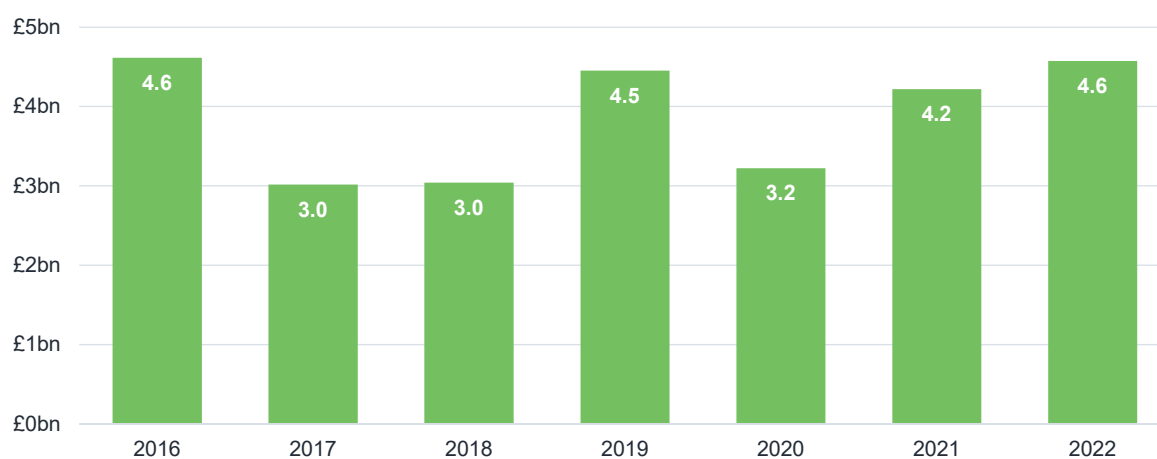
FIGURE D.5: OTHER MOTOR – CLAIM RECOVERABLES HISTORY (£ BILLIONS)**FIGURE D.6: TOTAL MOTOR – CLAIM RECOVERABLES HISTORY (£ BILLIONS)**

Figure D.7 to Figure D.9, below, show the aggregate net claims costs for Motor Vehicle Liability, Other Motor and Total Motor over the last seven years. The net claims costs exclude claims management expenses and movements in provisions in claims management expenses.

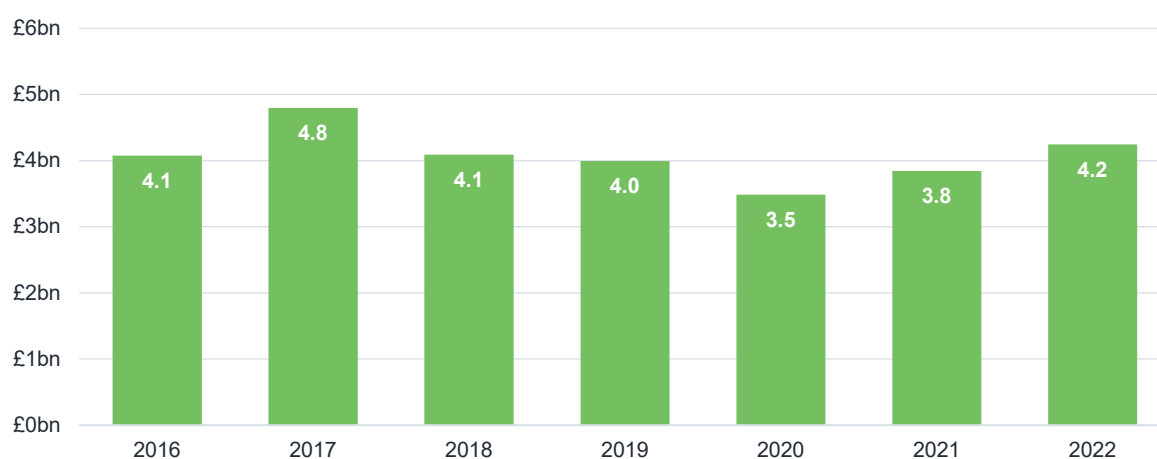
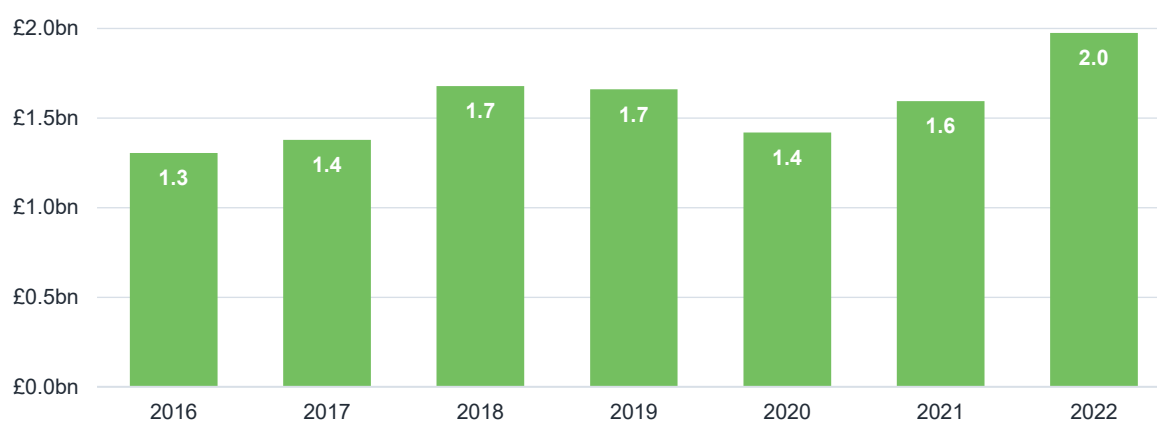
FIGURE D.7: MOTOR VEHICLE LIABILITY – NET CLAIMS HISTORY (£ BILLIONS)

FIGURE D.8: OTHER MOTOR– NET CLAIMS HISTORY (£ BILLIONS)**FIGURE D.9: TOTAL MOTOR – NET CLAIMS HISTORY (£ BILLIONS)**

Appendix E: Expenses

Figure E.1 to Figure E.3, below, show the aggregate expenses incurred for Motor Vehicle Liability, Other Motor and Total Motor over the last seven years. Expenses are defined as 'all technical expenses incurred by the group during the reporting period, on accrual basis.' The expenses do not include Other Expenses (i.e. those not attributed to administrative, investment management, claims management, acquisition or overhead expenses), which are not allocated by LoB.

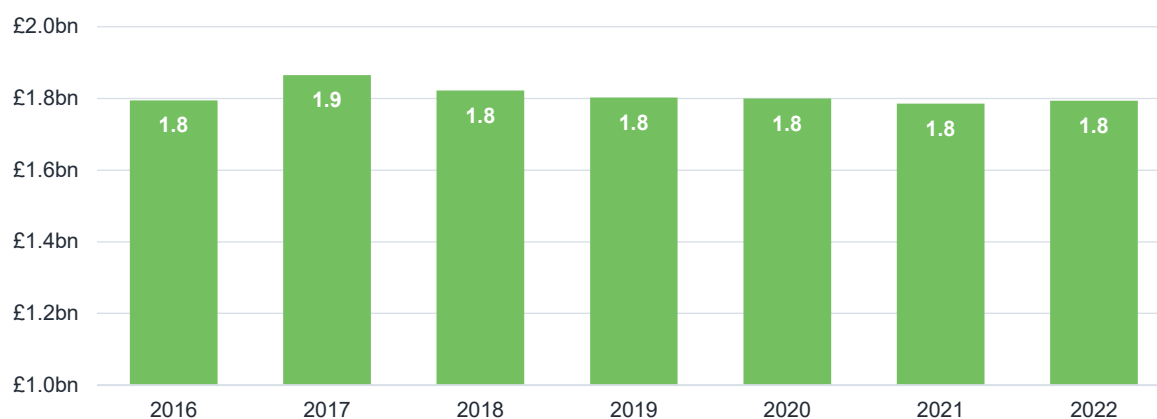
FIGURE E.1: MOTOR VEHICLE LIABILITY – EXPENSES HISTORY (£ BILLIONS)

FIGURE E.2: OTHER MOTOR- EXPENSES HISTORY (£ BILLIONS)

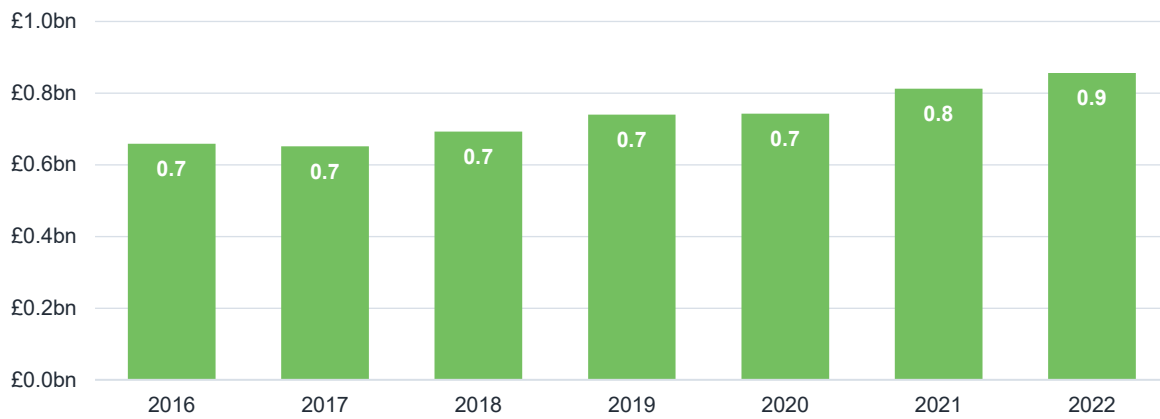
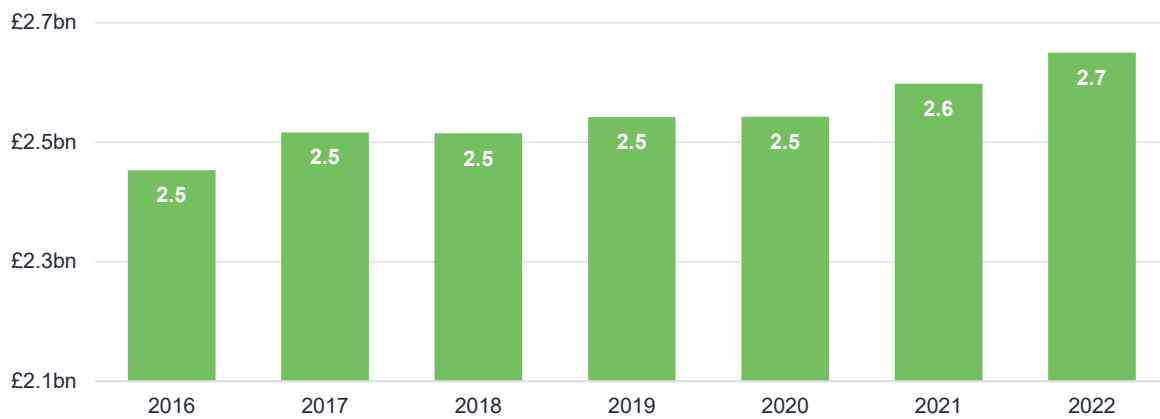


FIGURE E.3: TOTAL MOTOR – EXPENSES HISTORY (£ BILLIONS)



In Figure E.4 and Figure E.5, below, we split out the expense ratios for Motor Vehicle Liability and Other Motor.

FIGURE E.4: MOTOR VEHICLE LIABILITY- MARKET EXPENSE RATIOS

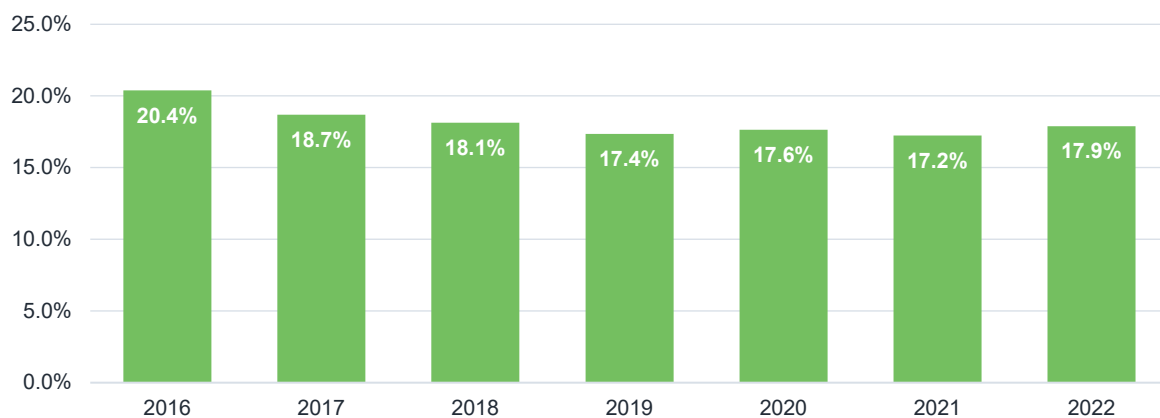
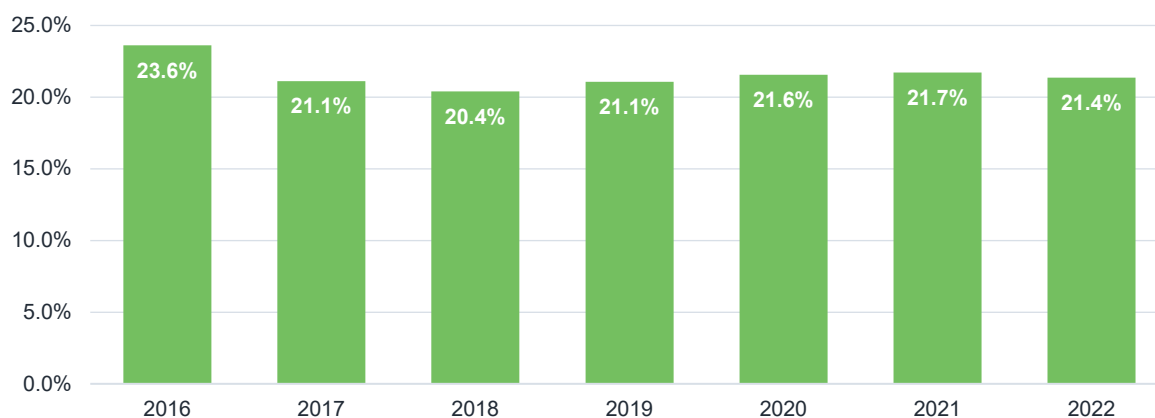


FIGURE E.5: OTHER MOTOR – MARKET EXPENSE RATIOS



Appendix F: Technical Provisions

In Figure F.1, below, we show the gross best estimate for Motor Vehicle Liability and Other Motor over the last seven years. Figure F.1 also shows the split between the premium provision and the claims provision.

FIGURE F.1: GROSS BEST ESTIMATE (£ MILLIONS)

Segment		2016	2017	2018	2019	2020	2021	2022
Motor Vehicle Liability	Best Estimate	17,292	18,856	18,123	19,054	18,391	19,077	18,105
	Premium Provision	2,182	2,244	2,309	2,326	1,989	2,118	1,874
	Claims Provision	15,110	16,612	15,813	16,728	16,401	16,960	16,231
Other Motor	Best Estimate	897	843	937	808	760	1,038	1,318
	Premium Provision	717	750	843	812	759	898	1,147
	Claims Provision	179	93	93	-4	0	140	171

In Figure F.2, below, we show the net best estimate for Motor Vehicle Liability and Other Motor over the last seven years. Figure F.2 also shows the split between the premium provision and the claims provision.

FIGURE F.2: NET BEST ESTIMATE (£ MILLIONS)

Segment		2016	2017	2018	2019	2020	2021	2022
Motor Vehicle Liability	Best Estimate	11,622	12,362	11,456	11,426	11,033	11,216	10,589
	Premium Provision	1,402	1,454	1,501	1,466	1,268	1,251	1,216
	Claims Provision	10,220	10,908	9,956	9,960	9,765	9,965	9,373
Other Motor	Best Estimate	558	508	542	408	437	588	765
	Premium Provision	530	538	569	519	508	537	729
	Claims Provision	28	-28	-27	-111	-71	52	35

In Figure F.3, below, we show the risk margin for Motor Vehicle Liability and Other Motor over the last seven years.

FIGURE F.3: RISK MARGIN (£ MILLIONS)

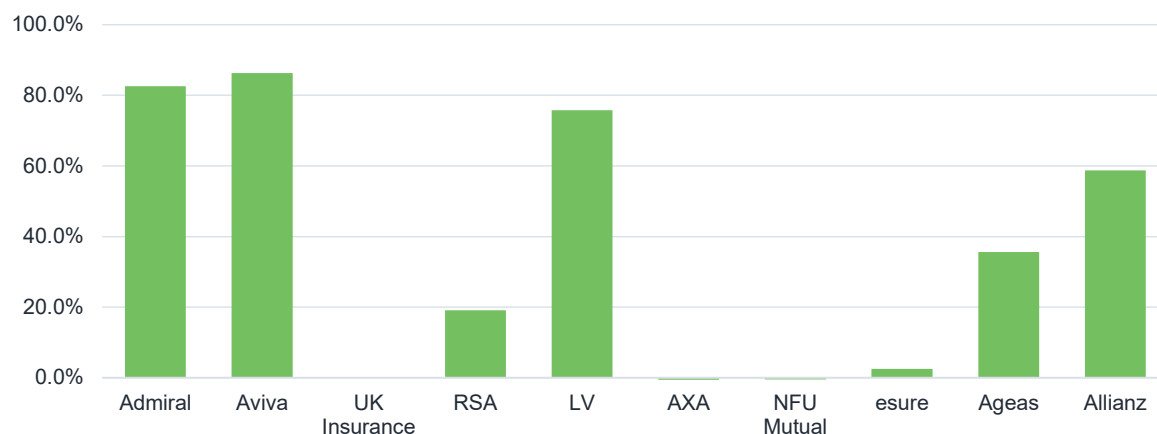
Segment	2016	2017	2018	2019	2020	2021	2022
Motor Vehicle Liability	658	643	654	659	724	736	541
Other Motor	36	34	34	36	39	43	45

In Figure F.4 and Figure F.5, below, we show the reinsurance recoverables as a proportion of the gross technical provisions for the top 10 insurers (measured by GEP), for both Motor Vehicle Liability and Other Motor.

FIGURE F.4: MOTOR VEHICLE LIABILITY - REINSURANCE RECOVERABLES AS A PROPORTION OF THE GROSS TECHNICAL PROVISIONS, TOP 10 INSURERS BY GEP, AS AT YEAR-END 2022



FIGURE F.5: OTHER MOTOR - REINSURANCE RECOVERABLES AS A PROPORTION OF THE GROSS TECHNICAL PROVISIONS, TOP 10 INSURERS BY GEP, AS AT YEAR-END 2022⁴⁹



In Figure F.6 and Figure F.7, below, we show the risk margin as a proportion of the net technical provisions for the top 10 insurers (measured by GEP), for both Motor Vehicle Liability and Other Motor.

⁴⁹ The proportions for AXA and NFU Mutual go beyond the chart axis (-0.6% and -0.5% respectively).

FIGURE F.6: MOTOR VEHICLE LIABILITY - RISK MARGIN AS A PROPORTION OF THE NET TECHNICAL PROVISIONS, TOP 10 INSURERS, AS AT YEAR-END 2022

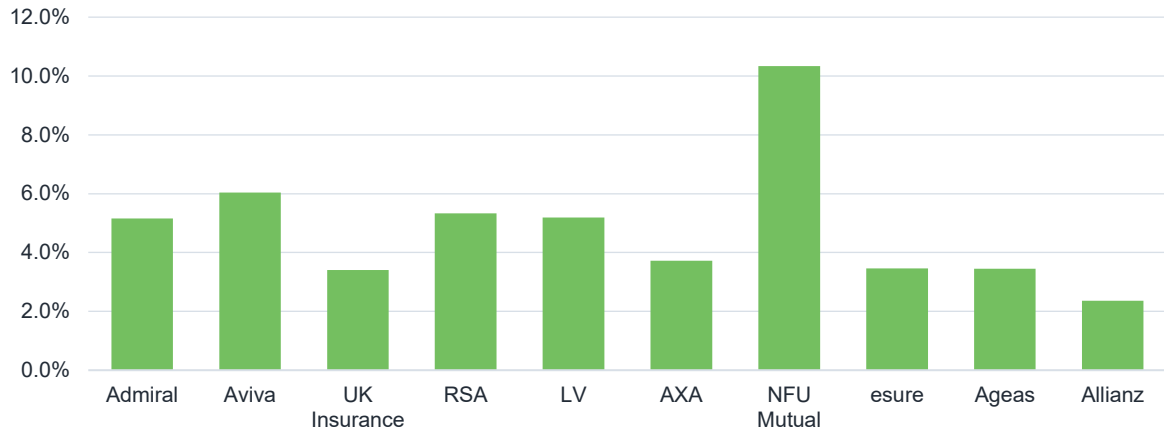
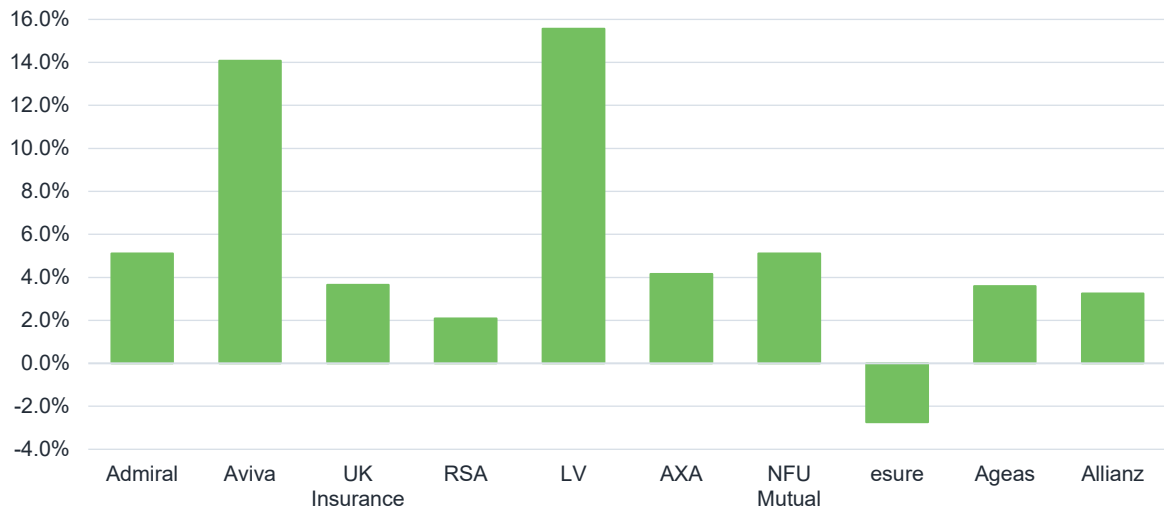


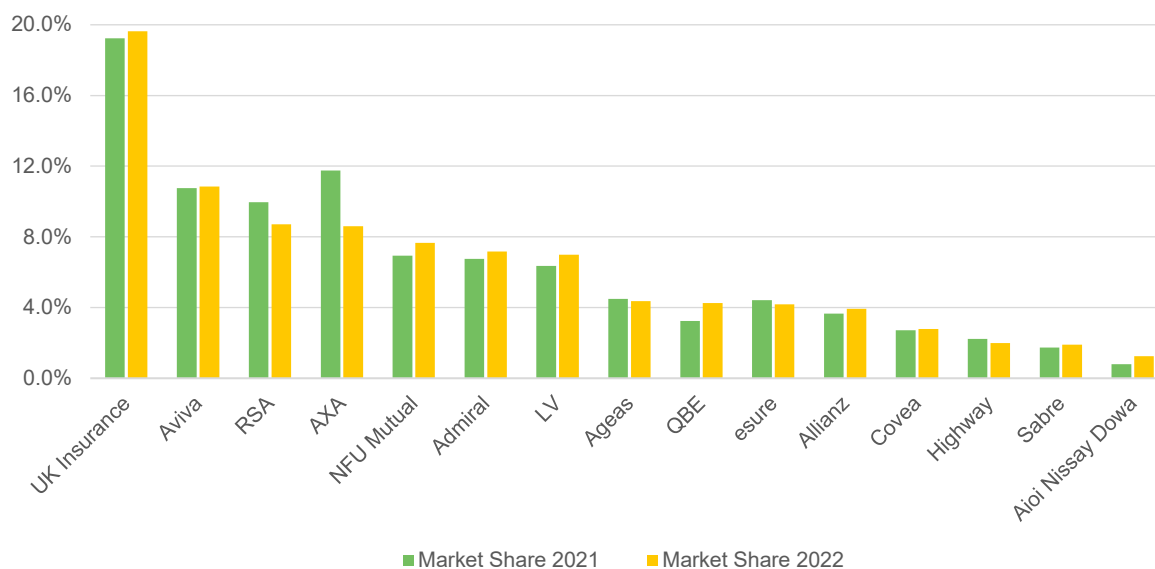
FIGURE F.7: OTHER MOTOR - RISK MARGIN AS A PROPORTION OF THE NET TECHNICAL PROVISIONS, TOP 10 INSURERS, AS AT YEAR-END 2022



Appendix G: Performance Comparisons – Net of Reinsurance

Figure G.1, below, shows the comparison in market share as at year-end 2022 for the largest 15 companies for Total Motor, as measured by NEP. For comparison purposes, we also show the market share as at year-end 2021 in Figure G.1.

FIGURE G.1: TOTAL MOTOR - MARKET SHARE BASED ON NET EARNED PREMIUMS AS AT YEAR-ENDS 2021 AND 2022



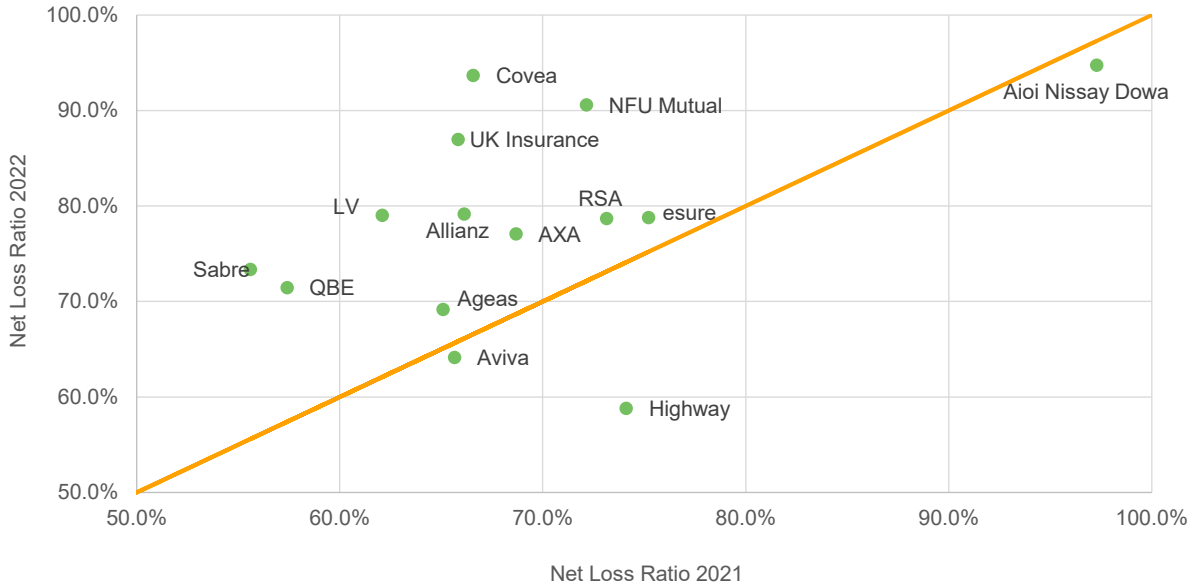
In Figure G.2, below, we have extracted the net performance of the major participants for Total Motor. We note that several of the significant participants, gross of reinsurance (as shown in Figure 8.2, above), are not significant net of reinsurance (e.g. Haven and Skyfire), i.e., their writings rely heavily on proportional reinsurance.

FIGURE G.2: TOTAL MOTOR – COMPARISON OF NET PERFORMANCE OF THE MAJOR PLAYERS AS AT YEAR-END 2022 (£ MILLIONS)

Company	Market Share	Net Earned Premium	Net Incurred Claims	Expenses	Net Loss Ratio	Expense Ratio	Net Combined Ratio
UK Insurance	19.6%	1,583	1,377	582	87.0%	36.8%	123.8%
Aviva	10.8%	874	561	226	64.1%	25.9%	90.0%
RSA	8.7%	702	552	263	78.7%	37.4%	116.1%
AXA	8.6%	693	534	225	77.1%	32.5%	109.6%
NFU Mutual	7.7%	618	559	237	90.6%	38.4%	128.9%
Admiral	7.2%	578	219	197	37.9%	34.2%	72.1%
LV	7.0%	563	446	178	79.2%	31.7%	110.8%
Ageas	4.4%	352	243	64	69.2%	18.1%	87.2%
QBE	4.3%	343	245	91	71.5%	26.4%	97.9%
esure	4.2%	337	265	124	78.8%	36.7%	115.5%
Allianz	3.9%	317	250	101	79.0%	32.0%	111.1%
Covea	2.8%	225	210	119	93.7%	52.9%	146.6%
Highway	2.0%	160	94	56	58.8%	34.7%	93.5%
Sabre	1.9%	153	112	33	73.4%	21.6%	95.0%
Aioi Nissay Dowa	1.3%	101	96	30	94.8%	29.5%	124.2%
The Rest	5.7%	463	456	124	98.4%	26.8%	125.2%
Total	100%	8,062	6,222	2,650	77.2%	32.9%	110.0%

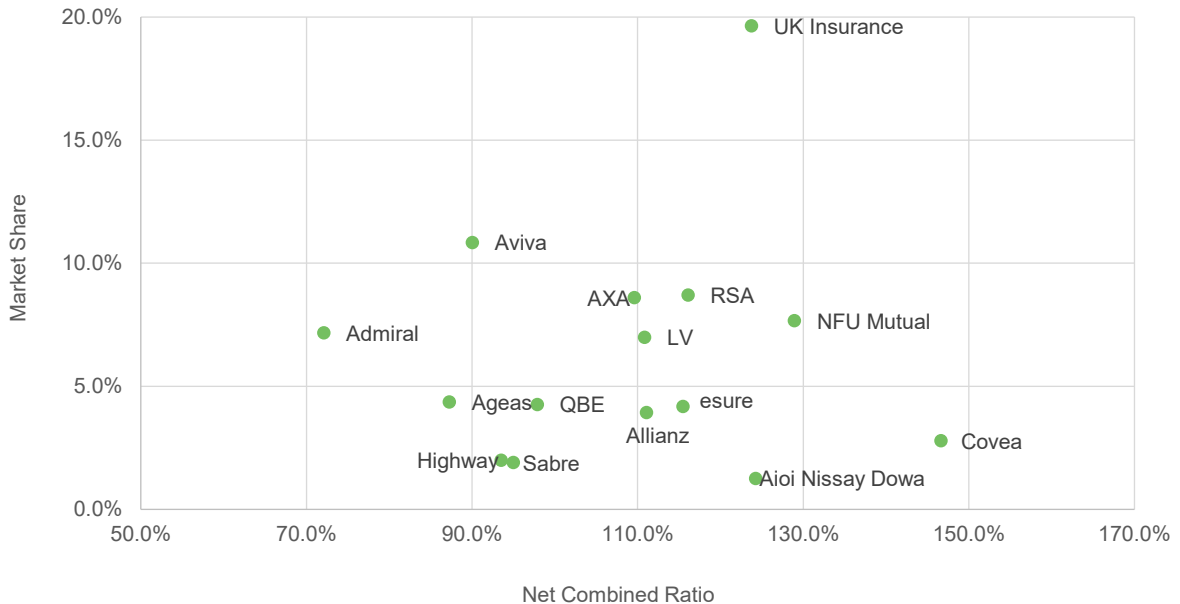
Figure G.3, below, we show the net loss ratios for each of the top 15 companies (based on NEP, as shown in Figure G.2, above) as at both the 2022 year-end and the 2021 year-end. For those companies above the line, the net loss ratio as at the 2022 year-end is greater than that as at the 2021 year-end, and vice versa for those below the line.

FIGURE G.3: TOTAL MOTOR – CHANGE IN NET LOSS RATIO BETWEEN THE 2021 AND 2022 YEAR-ENDS⁵⁰



In Figure G.4, below, we show, for the top 15 companies the net combined ratios and market shares (based on NEP, as shown in Figure G.2, above), for Total Motor, for the 2022 financial year.

FIGURE G.4: TOTAL MOTOR – NET OPERATING PROFIT VERSUS MARKET SHARE AS AT YEAR-END 2022



⁵⁰ Admiral is not shown in Figure G.3. The net loss ratio as at year-end 2021 is 23.4% and the net loss ratio as at year-end 2022 is 37.9%.

In Figure G.5 and Figure G.6, below, we show the net of reinsurance loss ratios and operating margins for the top eight companies over the last five years, for Total Motor. The companies are ordered by market share, as shown in Figure G.1, above. We define the operating margin as (net earned premium – net claims costs – expenses incurred) / (gross earned premium). We note that the operating margin as defined includes movements in prior year reserves (part of the net claims costs) but does not include investment income.

FIGURE G.5: TOTAL MOTOR – NET OF REINSURANCE LOSS RATIOS FOR YEAR-ENDS 2018-2022

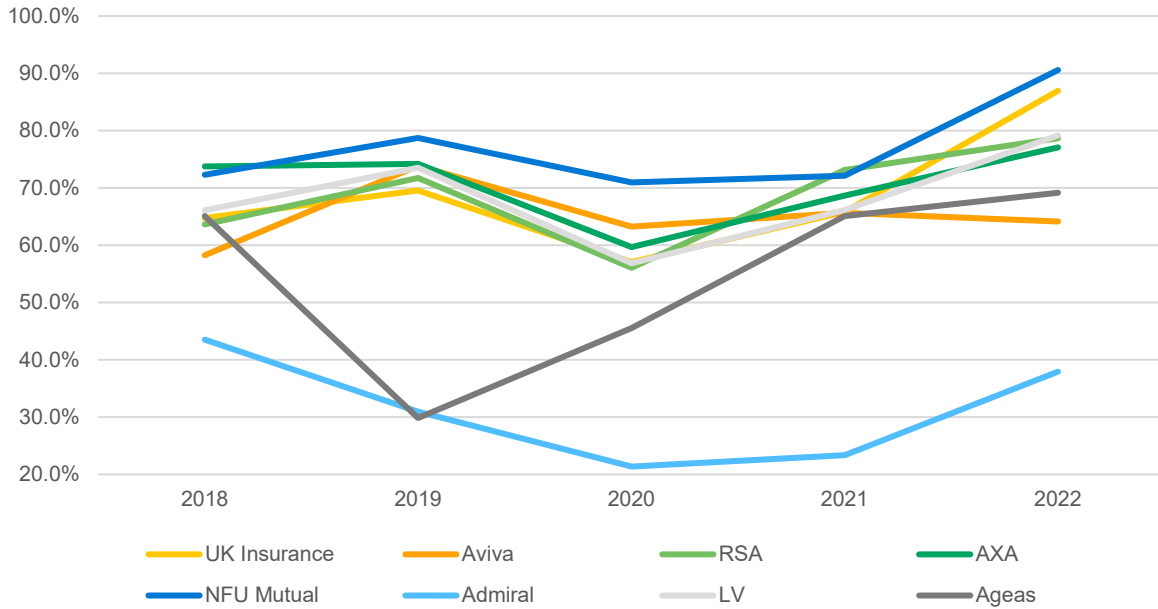
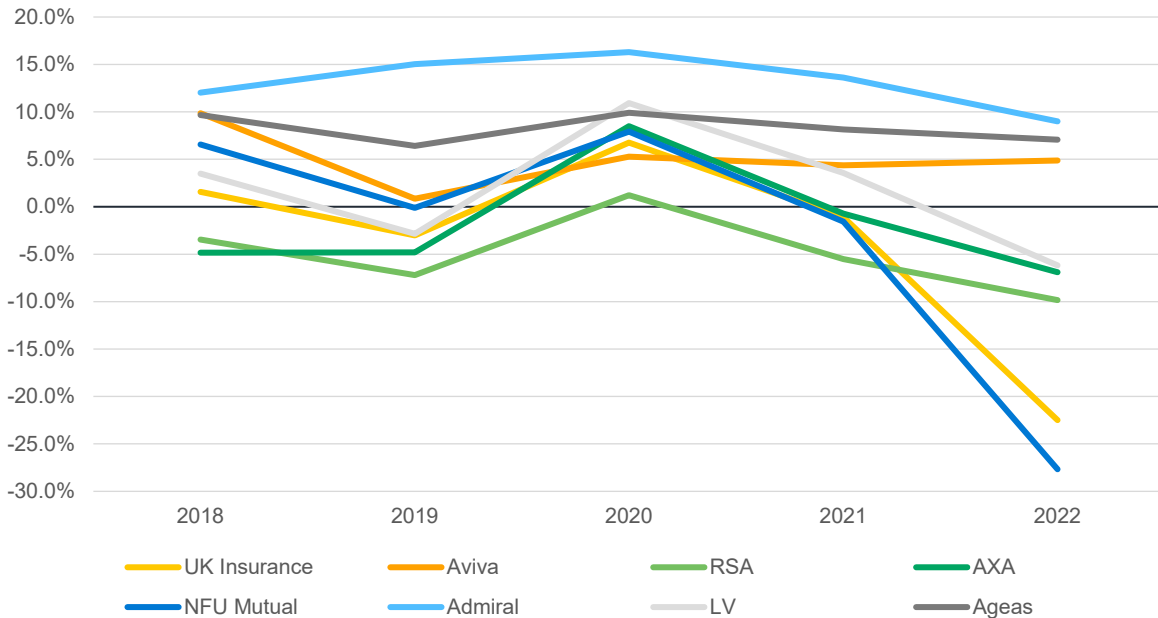


FIGURE G.6: TOTAL MOTOR – OPERATING MARGINS FOR YEAR-ENDS 2018-2022



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