MILLIMAN REPORT

UK motor insurance profitability: Analysing 2024 market financial results

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Table of Contents

1. Introduction

In this report, we present the results of our analyses of the performance of the UK motor market for the year ending 31 December 2024, along with commentary on market issues up until the date of publication.

We have focused on the two Solvency II lines of business (LoBs) that cover motor insurance, these being Motor Vehicle Liability[1] and Other Motor[2] (together, Total Motor).

We have based the analyses that underlie this market view mainly on the quantitative information contained in the Quantitative Reporting Templates (QRTs) within the 2024 year-end Solvency and Financial Condition Reports (SFCRs) of UK motor insurers. We have also studied the text within the SFCRs 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 2024 year-end SFCRs with their counterparts as at the 2023 year-end (and at earlier year-ends, where relevant). We have analysed the SFCRs for 36 solo companies. Of these 36 companies, 29 were also included in our 2022 report. These 29 companies make up 88% of the total gross written premiums (GWP) of the companies in this year's report. While the sample this year does not precisely mirror that of previous years, we believe that the overlap is sufficient for year-on-year comparisons to be meaningful.

We have listed the 36 companies in Appendix A, together with shorter versions of the names of those insurers to which we have referred explicitly within this market view.

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

The data for year-end 2024 has been taken from the new Solvency UK QRTs. The data for year-end 2023 and prior has come from the Solvency II QRTs.

We have not audited or verified the data or other information within Solvency II Wire 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.

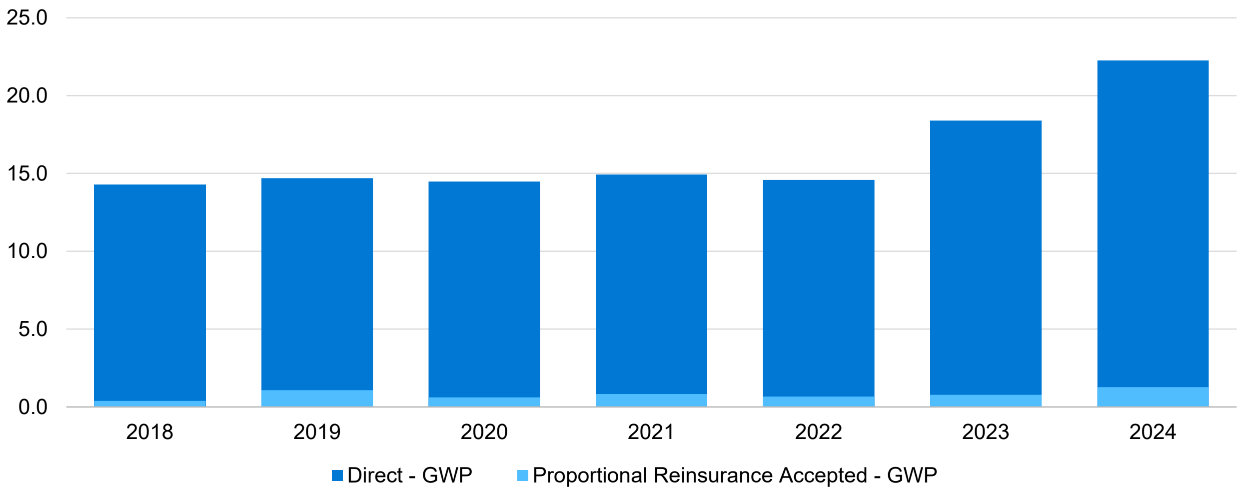
1. Motor Vehicle Liability Insurance comprises all insurance liabilities arising out of the use of motor vehicles operating on land (including carrier's liability).

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

2. Executive Summary

Based on our analysis of 36 solo companies that are regulated in either the UK or Gibraltar, we have observed that GWP increased from £18.4 billion in 2023 to £22.3 billion in 2024, as shown in Figure 2.1, below.

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



The £22.3 billion of GWP is split between £21.0 billion of direct motor insurance premiums and £1.3 billion of proportional reinsurance accepted business.

Premium levels are currently being influenced by two key factors.

- The motor insurance market has been significantly impacted by inflation over the last few years, leading to rate increases across the market.
- Regulatory scrutiny around fair value and pricing, including the ban on price walking, is reshaping how insurers set premiums and treat customers.

In Figure 2.2, below, we show the allocation of GWP between Motor Vehicle Liability and Other Motor for Solvency II purposes for the 36 companies in our sample. The split was broadly consistent between 2018 and 2020, followed by a pronounced reduction in the proportion allocated to Motor Vehicle Liability in the most recent four years. This change in allocation is likely driven by differing trends in claims inflation between Other Motor and Motor Vehicle Liability in the years since 2020. High inflation on the cost of vehicle repairs, spare parts, second-hand vehicles (and the knock-on impact on total loss claims) and replacement vehicles have led to high inflation for Other Motor, which is dominated by these sources of cost. Bodily injury (which dominates Motor Vehicle Liability) claims have not experienced such high inflation levels, in part due to the whiplash reforms, which have led to much reduced numbers of low-value bodily injury losses over the same period.

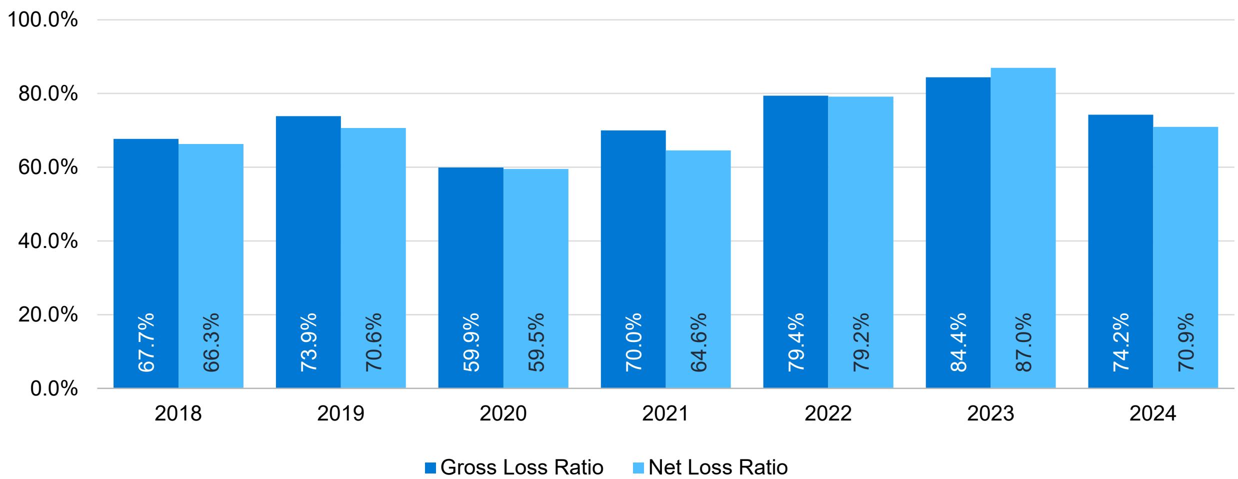
FIGURE 2.2: TOTAL MOTOR GROSS WRITTEN PREMIUM ALLOCATION SPLIT

	2018	2019	2020	2021	2022	2023	2024
Motor Vehicle Liability	73.5%	73.1%	72.8%	70.9%	69.0%	70.4%	66.8%
Other Motor	26.5%	26.9%	27.2%	29.1%	31.0%	29.6%	33.2%

In Figure 2.3, below, we observe that the gross loss ratio for the 36 companies in our sample was 74.2% in 2024, 10 percentage points lower than the gross loss ratio from 2023. 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.

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. We note that the loss ratios in Figure 2.3 are on a Solvency II basis and therefore they may differ from the equivalent loss ratios on a UK GAAP basis.

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



The 2024 calendar year loss ratio can be rationalised by the following considerations:

- The heightened inflationary environment reduced in 2024 compared to 2022 and 2023, although the cost of vehicle parts remains high.
- A reduction in claims frequency was observed across the market in 2024.
- Insurers commented on favourable movement in prior year reserves.
- Benign weather also contributed to improved performance.

The premium and claims analytics throughout this report are set against a backdrop of evolving market conditions and regulatory changes. Key market issues at the time of publication include:

- The personal injury discount rate (PIDR) moved from -0.25% to +0.5% in England and Wales effective January 2025, in line with the PIDRs previously announced in Northern Ireland and Scotland.
- The 17th edition of the Judicial College Guidelines (JCG) was published in April 2024, with compensation figures increased by 22% compared to the 16th edition, reflecting changes in the Retail Price Index (RPI) from September 2021 to August 2023.
- The tariffs used to value damages for whiplash claims, which are based on the duration of the injury, were uplifted by 14%–15% by May 2025.
- Two big mergers and acquisitions occurred in 2025. Aviva bought Direct Line, and Ageas bought esure.

3. Market Issues

MOTOR INSURANCE CLAIMS

Understanding claims using ABI data

Figures from the Association of British Insurers (ABI) reveal that, over the course of 2024, motor insurance payouts totalled £11.7 billion.[3] Key points highlighted by the ABI include:

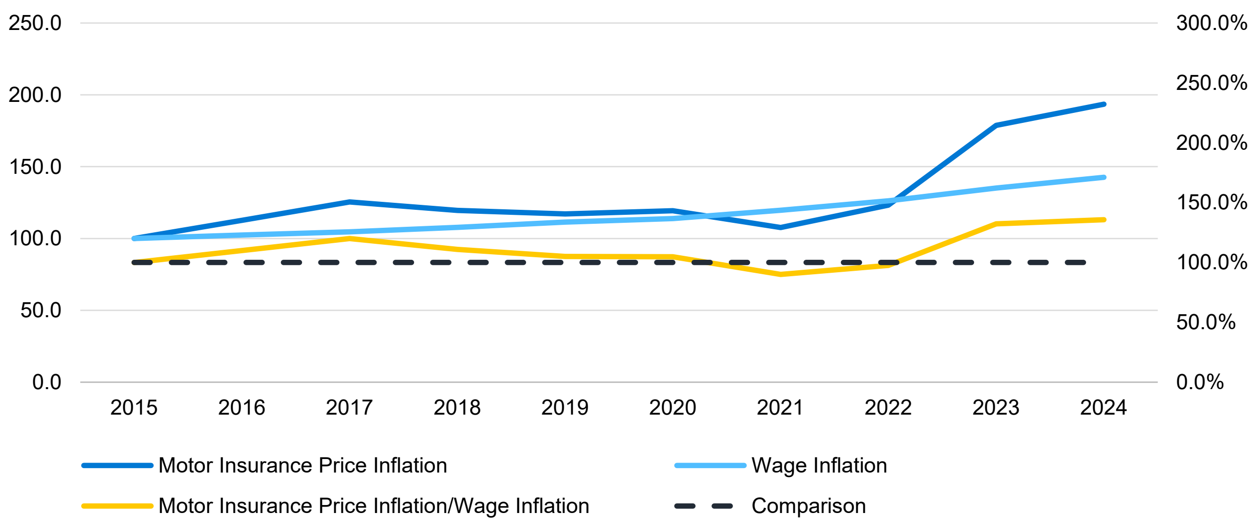
- Insurers dealt with 2.4 million motor insurance claims during 2024.
- Vehicle repairs totalled £7.7 billion over 2024, £1.5 billion higher than the equivalent figure from 2023.
- The average claim for theft of a vehicle, and theft from a vehicle, was £11k in the final quarter of 2024.

The impact of inflation on motor insurance in 2024

Economic inflation, as measured by reference to the UK consumer price index (CPI), was 2.5%[4] across the 12 months to December 2024 (and subsequently rose to 3.4% by the end of May 2025[5]). This is lower than the very high inflationary environment experienced during 2022 and 2023. The 3.4% figure in the 12 months to May 2025 is in line with previous forecasts by the Bank of England (BoE), which anticipated CPI to rise to around 3.7%[6] during 2025 with a reduction to 2% thereafter. The future long-term level remains uncertain, and that uncertainty is exacerbated by ongoing geopolitical tensions and broader global political instability.

The motor insurance sector has been especially sensitive to rising costs in the UK. Figure 3.1, below, compares wage inflation (as per the average weekly earnings index for UK whole economy) with CPI specific to motor insurance prices. Motor insurance price inflation is closely linked to claims cost inflation, as insurers adjust premiums to reflect the rising costs of settling claims.

FIGURE 3.1: COMPARISON OF WAGE INFLATION AND MOTOR INSURANCE PRICE INFLATION



3. ABI. (14 February 2025). Motor claims hit record £11.7 billion in 2024. Retrieved September 13, 2025, from https://www.abi.org.uk/news/news-articles/2025/2/motor-claims-hit-record-11.7-billion-in-2024/.

4. Office for National Statistics. (15 January 2025). Consumer price inflation, UK: December 2024. Retrieved September 13, 2025, from https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2024.

5. Office for National Statistics. (18 June 2025). Consumer price inflation, UK: May 2025. Retrieved September 13, 2025, from https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2025.

6. Bank of England. (8 May 2025). Monetary Policy Report - May 2025. Retrieved September 13, 2025, from https://www.bankofengland.co.uk/monetary-policy-report/2025/may-2025.

Until 2022, wage and motor insurance inflation kept pace with each other, increasing by 26% and 23% respectively since 2015. However, in 2024, motor insurance prices surged by 8.3%, outpacing the 5.6% increase in wages over the same period. This acceleration has been driven by inflation in parts, replacement vehicles and used car prices, all of which pushed up damage costs and are unrelated to labour costs.

Impact of fraudulent claims in the UK motor market

Data obtained from the ABI in September 2024 shows that there were 45,800 fraudulent motor insurance claims in 2023, which totalled £501 million.[7] This figure was 8% higher than the equivalent figure from 2022.

In October 2024, a new insurance fraud charter was announced at the Joint Fraud Taskforce meeting.[8] The aims of the new charter are to:

- Enhance collaboration;
- Enhance criminal justice outcomes;
- Identify and address loopholes in the insurance market; and
- Improve victim support.

As part of this new charter, the National Crime Agency's National Assessment Centre will aim to:

- Strengthen data security;
- Review the role of professional enablers within the insurance industry;
- Identify individuals who are selling fake policies; and
- Review the tactics used by individuals to sell fake policies.

Some insurers have commented on the growth in fraudulent activity within their motor insurance book of business. Aviva, for example, highlighted that motor insurance fraud makes up the majority of its fraudulent claims, with a 24% increase in bogus claims in 2024.[9] Aviva also noted a 275% increase in credit hire and motor damage fraud since 2021.

A recent industry report, in which 200 claim handlers were surveyed, revealed that 65% of claim handlers have noticed an increase in fraudulent claims, while 94% of claim handlers thought that at least 5% of claims were fraudulent.[10,11] The increase in fraudulent claims has coincided with the rise and development of artificial intelligence. Allianz and Zurich UK have commented that they are seeing more claims coming in with images that had been distorted within apps or within editing software.[12] Allianz noted that the number of incidents had increased by 300% between 2021–22 and 2022–23.

The high inflation and interest rate environment that the UK has experienced in recent years has affected consumers through higher living costs. In the past, similar cost pressures have triggered an increase in fraudulent claims, especially when combined with higher insurance costs.

7. ABI. (25 September 2024). Industry detects £1 bn in fraudulent claims amid crackdown on insurance fraud. Retrieved September 13, 2025, from https://www.abi.org.uk/news/news-articles/2024/9/no-let-up-in-crack-down-on-insurance-cheats-as-industry-detects-1-billion-worth-of-fraudulent-claims/.
8. Home Office. (25 October 2024). Major new crackdown on insurance fraud. Retrieved September 13, 2025, from https://www.gov.uk/government/news/major-new-crackdown-on-insurance-fraud.
9. Aviva. (8 April 2025). Aviva detected 14% more claims fraud in 2024. Retrieved September 13, 2025, from https://www.aviva.com/newsroom/news-releases/2025/04/aviva-detected-14-more-claims-fraud-in-2024/.
10. Sprout AI. Friend or foe: Is AI the only solution to rising insurance fraud? Retrieved September 13, 2025, from https://sprout.ai/research-reports/friend-or-foe-is-ai-the-only-solution-to-rising-insurance-fraud/.
11. Fintech Times. (20 September 2024). Insurance claims handlers wary of AI being used to alter documents reveals Sprout.ai. Retrieved September 13, 2025, from https://thefintechtimes.com/insurance-claims-handlers-wary-of-ai-being-used-to-alter-documents-reveals-sprout-ai/.
12. Jones, R. (2 May 2024). Fraudsters editing vehicle photos to add fake damage in UK insurance scam. The Guardian. Retrieved September 13, 2025, from https://www.theguardian.com/business/article/2024/may/02/car-insurance-scam-fake-damaged-added-photos-manipulated.

Personal injury discount rate

In December 2024 the Lord Chancellor announced that the PIDR, the rate that is used to calculate the amount of lump sum compensation paid to claimants with serious personal injury, would move from -0.25% to +0.5% in England and Wales.[13] This was in line with the PIDR change in Scotland and Northern Ireland, which were both announced in September 2024. The rate in Northern Ireland moved from -1.5% to +0.5%, while the rate in Scotland moved from -0.75% to +0.5%.[14]

An increase in the PIDR means that, all else equal, lump sum settlements will reduce in value, but it could also trigger an increase in the propensity of Periodical Payment Order (PPO) settlements if they are viewed in court as better value for claimants than the reduced lump sums. The opposite effect was seen previously in 2017, where a downward step change in PPO propensity accompanied the PIDR reduction from +2.5% to -0.75%, according to the Institute and Faculty of Actuaries (IFoA) PPO Working Party's industry survey.[15] We discuss PPOs further in Section 6.

The PIDR changes are also expected to contribute to motor premium reductions as insurers recalibrate their loss ratios and recognise the reduced liabilities.

The magnitude of the PIDR-driven reduction in ultimate losses for large bodily injury claims will depend on factors such as:

- Claimant age and gender mix;
- Claim type (e.g., pecuniary loss for life, loss of earnings, initial damages, medical expenses);
- Timing of lump sum and discounted annual payments;
- Claim size;
- Propensity for PPO settlements; and
- The PIDR that insurers were basing their ultimate estimates on (in anticipation of the 2024 review).

The PIDR changes may also have implications for capital requirements and reinsurance strategies.

Whiplash tariff update

In our previous analysis of the UK motor market, we discussed the regulations that came into force in May 2021 relating to soft tissue injuries (the whiplash reforms). Damages for these claims are now valued using a tariff stipulating damages for claims of different durations. The UK Lord Chancellor announced in November 2024 plans to uplift the whiplash tariff damages by 14%–15%.[16] These plans were subsequently approved by Parliament and came into effect on 31 May 2025. The uplift may not only increase claim severities, but also influence claims frequency, claimant behaviour and fraud risk as the value of whiplash claims rises.

Judicial College Guidelines update

In 2024 the 17th edition of the JCG for the assessment of general damages in personal injury cases was published. The key difference between the 16th and 17th editions of the guidelines is that the figures have been uplifted by 22% in line with RPI over the period September 2021 to August 2023. The JCG apply to injury cases outside the scope of the fixed whiplash tariffs, and the uplift is expected to increase the value of non-tariff personal injury claims.

13. Ministry of Justice. (2 December 2024). Information about the personal injury discount rate review 2024. Retrieved September 13, 2025, from https://www.gov.uk/guidance/personal-injury-discount-rate.

14. Government Actuary's Office. (26 September 2024). Personal injury discount rates in Scotland & Northern Ireland. Retrieved September 13, 2025, from https://www.gov.uk/government/news/personal-injury-discount-rates-in-scotland-northern-ireland.

15. Institute and Faculty of Actuaries. (8 September 2023). Periodical Payment Orders Working Party update. Retrieved September 13, 2025, from https://vle.actuaries.org.uk/pluginfile.php/144442/mod_resource/content/1/PPOWP%202022%20Report%20Final%2020230911V2.pdf.

16. Ministry of Justice. (21 November 2024). Statutory review of the whiplash injury regulations 2021: Lord Chancellor's report and recommendations. Retrieved September 13, 2025, from https://assets.publishing.service.gov.uk/media/673dbcb97e8a3c98a090ff1f/statutory-review-whiplash-injury-regulations-2021.pdf.

MOTOR INSURANCE PREMIUMS [PERSONAL LINES ONLY]

Understanding premiums using ABI data

According to data from the ABI, in the final quarter of 2024 the average premium for motorists was £621,[17] which was 2% lower than it had been at the start of the year. Across the whole year, the average cost of cover was £622, higher than the £544 average cost of cover in 2023 (a £78 increase).

In February 2024, the ABI launched a road map to tackle the rising costs in motor insurance.[18] The road map highlighted steps that could be taken to confront the affordability of motor insurance. The main points considered by the ABI were:

- Helping consumers make informed decisions;
- Combating vehicle theft;
- Tackling fraud and uninsured driving;
- Improving road safety and road infrastructure;
- Supporting new and novice drivers;
- Reducing the impact of the PIDR;
- Continuing whiplash reforms;
- Advocating for safety-focused vehicle technology;
- Lowering insurance premium tax; and
- Supporting the repair sector.

The ABI published a follow-up report in 2025 as a one-year update[19] which highlights the work done to address the affordability of motor insurance by the ABI, its members and the wider insurance industry.

Motor Insurance Taskforce

In October 2024, the UK government established the new Motor Insurance Taskforce following the Labour manifesto to act on the high cost of insurance.[20] The taskforce set out to bring together industry experts, consumer groups and government ministers to identify the main drivers behind increasing motor insurance prices, such as inflation, theft and poor road conditions. It is committed to assessing consumer value for money and focusing on groups disproportionately affected by high premiums such as young drivers and citizens on lower incomes. According to the ABI, which is part of a stakeholder panel the taskforce stated it would consult, the taskforce aims to conclude its work in spring 2026.

Fraudulent policies

The Insurance Fraud Bureau (IFB) has warned younger drivers to watch out for fake car insurance policies that are being sold online by ‘ghost brokers.’[21] Data from the IFB shows that ghost broking has increased by 50% over the past two years. Figures from the IFB show that there were 115,000 fraudulent motor insurance policies detected between 2023 and 2024. Younger drivers tend to be targeted because they face higher premiums.

17. ABI. (14 February 2025). Motor claims hit record £11.7 billion in 2024. Retrieved September 13, 2025, from https://www.abi.org.uk/news/news-articles/2025/2/motor-claims-hit-record-11.7-billion-in-2024/.

18. ABI. (February 2024). Roadmap to tackle insurance costs. Retrieved September 13, 2025, from https://www.abi.org.uk/globalassets/files/subject/public/motor/2024/motor-insurance-affordability-roadmap.pdf.

19. ABI. (25 February 2025). 10-point roadmap to tackle motor insurance costs: One-year update. Retrieved September 13, 2025, from https://www.abi.org.uk/globalassets/files/subject/public/motor/2025/abimotorinsuranceaffordabilityroadmaponeyearupdatefeb2025.pdf.

20. Department for Transport. (16 October 2024). Ministers bring together industry experts and consumer champions to tackle spiralling costs for drivers. Retrieved September 13, 2025, from https://www.gov.uk/government/news/ministers-bring-together-industry-experts-and-consumer-champions-to-tackle-spiralling-costs-for-drivers.

21. Insurance Fraud Bureau. (2025). Don't get it ghosted! New drivers warned of rise in fake car insurance deals on social media. Retrieved September 13, 2025, from https://www.insurancefraudbureau.org/media-centre/ifb-news/2025/don-t-get-it-ghosted-new-drivers-warned-of-rise-in-fake-car-insurance-deals-on-social-media.

Aviva reported that from its research of more than 2,000 drivers between 17 and 25 years old, one in six of these drivers admitted to 'fronting.'[22] Fronting is when someone who is not the main driver is deliberately identified on the policy application as the main driver in order to reduce insurance costs.[23] Fronting is a crime and would invalidate any insurance policy. The research from Aviva also found that 49% of young drivers didn't realise that a driving ban could be imposed on them if they don't have adequate insurance, while 35% of young drivers thought it was a victimless crime to lie on their car insurance application.

Consumer fairness and potential AI regulation

Regulatory scrutiny around fair value and pricing, including the ban on price walking, is reshaping how insurers set premiums and treat customers. The increasing use of AI and data-driven pricing brings opportunities for personalisation but also requires careful governance to meet transparency and ethical standards as new regulations emerge.

In 2024, the Financial Conduct Authority (FCA) called on insurers to ensure that they demonstrate fair value and good customer outcomes.[24] The FCA stated that 'progress is being made, but we are still seeing too many examples of insurers and brokers lacking the right information, governance, or oversight to ensure their customers get consistently good outcomes.'

MERGERS, ACQUISITIONS AND PARTNERSHIPS

The UK personal lines motor market has observed some significant mergers, acquisitions and partnerships over the past year, some of which occurred in 2025 and will therefore impact our 2025 year-end report.

- In April 2025, Ageas announced that it had reached an agreement to acquire esure.[25] Under the terms of the acquisition, Ageas will pay £1.295 billion to Bain Capital.
- In July 2025, Aviva completed the acquisition of Direct Line.[26] Under the terms of the acquisition, Aviva paid £3.7 billion.[27]
- In September 2024, Cinven, a private equity firm, agreed to acquire a 50% share of Policy Expert, a home and motor managing general agent (MGA).[28] Cinven noted that Policy Expert was an attractive investment opportunity due to its growth over the years and its market position.
- In September 2024, Specialist Risk Group (SRG) acquired Capulus, a specialist motor fleet MGA.[29] Capulus joined SRG's MGA pillar, MX. The acquisition complemented SRG's existing motor fleet expertise.
- In April 2024, Zurich announced a partnership with the MGA Freedom Services.[30] The partnership will help drive growth in the commercial van and telematics sector.

22. Aviva. (24 December 2024). One in six young drivers admit to 'fronting.' Retrieved September 13, 2025, from https://www.aviva.com/newsroom/news-releases/2024/12/one-in-six-young-drivers-admit-to-fronting/.

23. RAC. (5 March 2020). Fronting and car insurance – why you should avoid it. Retrieved September 13, 2025, from https://www.rac.co.uk/drive/advice/legal/fronting-and-car-insurance/.

24. Financial Conduct Authority. (21 August 2024). FCA calls on insurers to ensure they demonstrate fair value and good customer outcomes. Retrieved September 13, 2025, from https://www.fca.org.uk/news/press-releases/fca-calls-insurers-demonstrate-fair-value-good-customer-outcomes.

25. Ageas. (14 April 2025). Ageas reaches agreement with Bain Capital to acquire esure and establish a top-3 UK personal lines platform. Retrieved September 13, 2025, from https://www.ageas.co.uk/press-releases/2025/ageas-reaches-agreement-with-bain-capital-to-acquire-esure-and-establish-a-top-3-uk-personal-lines-platform/.

26. Aviva. (2 July 2025). Aviva completes acquisition of Direct Line. Retrieved September 13, 2025, from https://www.aviva.com/newsroom/news-releases/2025/07/aviva-completes-acquisition-of-direct-line/.

27. Kirchfeld, A. (23 December 2024). Aviva agrees to buy UK insurer Direct Line for £3.7 billion. Insurance Journal. Retrieved September 13, 2025, from https://www.insurancejournal.com/news/international/2024/12/23/805748.htm.

28. Cinven. (11 September 2024). Policy expert positioned for growth as Cinven acquires 50% shareholding. Retrieved September 13, 2025, from https://www.cinven.com/news-insights/policy-expert-positioned-for-growth-as-cinven-acquires-50-shareholding/

29. Specialist Risk Group. (September 2024). Specialist Risk Group acquires Capulus to strengthen MGA offering. Retrieved September 13, 2025, from https://specialistrisk.com/specialist-risk-group-acquires-capulus-to-strengthen-mga-offering/.

30. Zurich. (22 April 2024). Zurich UK and Freedom Services announce joint partnership in commercial van and telematics sectors. Retrieved September 13, 2025, from https://www.zurich.co.uk/media-centre/zurich-uk-and-freedom-services-joint-partnership.

VEHICLE AND ROAD USAGE

Self-driving vehicles

The UK government has stated that fully autonomous vehicles are unlikely to be operational before the second half of 2027.[31] The previous government had stated in December 2023 that driverless cars could be on some UK roads by 2026.[32]

The UK government launched a consultation in July 2025[33] to obtain opinions on the proposed Automated Passenger Services (APS) permitting scheme. The APS will be introduced through the Automated Vehicles Act and will provide a clear legal route to deploying commercial passenger services with no human driver. Insurers have backed the consultation, but they have also said that additional detail is required on liability. For example, AXA Retail stated that 'the introduction of automated vehicles must be accompanied by robust legislation.'[34] They also highlighted that 'liability will also change depending on the type of self-driving vehicle – whether it is user in charge or no user in charge.'

Some insurers have started to think about the insurance implications of autonomous vehicles. Zurich Insurance[35] highlighted some key factors to consider, including balancing technology risk and compliance, business model disruption and addressing new and traditional risks.

Electric vehicles

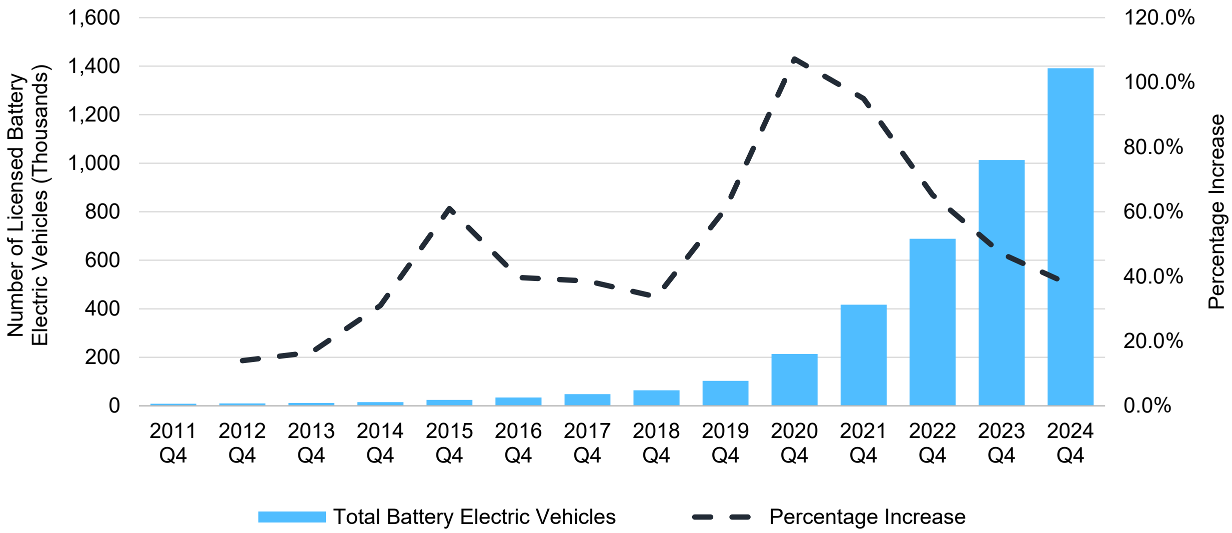
In July 2025, the UK government announced a £63 million package which will help to support at-home charging for households without driveways.[36]

In August 2025, the UK government announced that six additional electric vehicle models would be added to the electric car grant (ECG) scheme, enabling drivers to save up to £3,750 on eligible electric cars.[37]

The bars in Figure 3.2 show the total number of licensed battery electric vehicles[38] in the UK in each of the last 14 years, and the dotted line shows the year-on-year increases in those numbers.

31. Kleinman, Z. (18 May 2025). UK driverless cars coming in 2027 - but Uber says it's ready now. BBC News. Retrieved September 13, 2025, from https://www.bbc.co.uk/news/articles/c8jg80j771zo.
32. Kleinman, Z. (27 December 2023). Driverless cars: Tech possible for UK motorways by 2026, transport secretary says. BBC News. Retrieved September 13, 2025, from https://www.bbc.co.uk/news/technology-67825617.
33. Department for Transport. (21 July 2025). Automated passenger services (APS) permitting scheme consultation. Retrieved September 13, 2025, from https://www.gov.uk/government/consultations/automated-passenger-services-permitting-scheme/automated-passenger-services-aps-permitting-scheme-consultation.
34. McNeil, H. (12 August 2025). Insurance sector urges detail on liability in self-driving vehicle rollout. Insurance Times. Retrieved September 13, 2025, from https://www.insurancetimes.co.uk/news/insurance-sector-urges-detail-on-liability-in-self-driving-vehicle-rollout/1455907.article.
35. Nolan, S. (8 January 2025). Zurich explores motor insurance for autonomous vehicles. EV Magazine. Retrieved September 13, 2025, from https://evmagazine.com/self-drive/zurich-how-driverless-vehicles-will-impact-motor-insurance.
36. Department for Transport. (13 July 2025). New £63 million boost for Britain's electric vehicle revolution. Retrieved September 13, 2025, from https://www.gov.uk/government/news/new-63-million-boost-for-britains-electric-vehicle-revolution.
37. Department for Transport. (28 August 2025). Drivers to save up to £3,750 as 6 electric car models added to government grant scheme. Retrieved September 13, 2025, from https://www.gov.uk/government/news/drivers-to-save-up-to-3750-as-6-electric-car-models-added-to-government-grant-scheme.
38. Based on quarterly vehicle licensing statistics produced by the Department for Transport. Note that figures for the United Kingdom do include data relating to Northern Ireland.

FIGURE 3.2: NUMBER OF LICENSED BATTERY ELECTRIC VEHICLES IN THE UK



At the end of 2024, battery electric vehicles were approximately 4% of all registered cars. While this is currently a relatively small share of the market, this is expected to continue to rise over time, with battery electric vehicles comprising almost 20% of new car registrations in the year.

Department of Transport data also shows continuing maturity and competition within the electric vehicle market, with a greater number of manufacturers entering the UK market. This includes established players bringing their first electric offering to the UK market, as well as specialist electric vehicle manufacturers, resulting in greater choice and variation.

Government incentives have played and continue to play a role in encouraging the uptake of electric vehicles. Zero-emission vehicles receive favourable benefit-in-kind tax rates, which appears to be influencing the uptake of vehicles in this segment; 82% of all new battery electric vehicle car registrations were for companies.

The pace of continued electrification will depend on several key factors, including:

- Improvements in affordability due to increased competition, including the entry of new manufacturers into the electric vehicle market;
- Government policy settings and incentives encouraging the uptake of electric vehicles; and
- Continued investment in public charging infrastructure.

New vehicle registrations

In the 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 3.3, below, show the number of new private car registrations[39] in Great Britain in each of the last 24 years, and the dotted line shows the year-on-year increases in those numbers. Figure 3.4, below, shows the same, but for commercial vehicles.[40]

FIGURE 3.3: NUMBER OF PRIVATE CAR NEW REGISTRATIONS IN GREAT BRITAIN

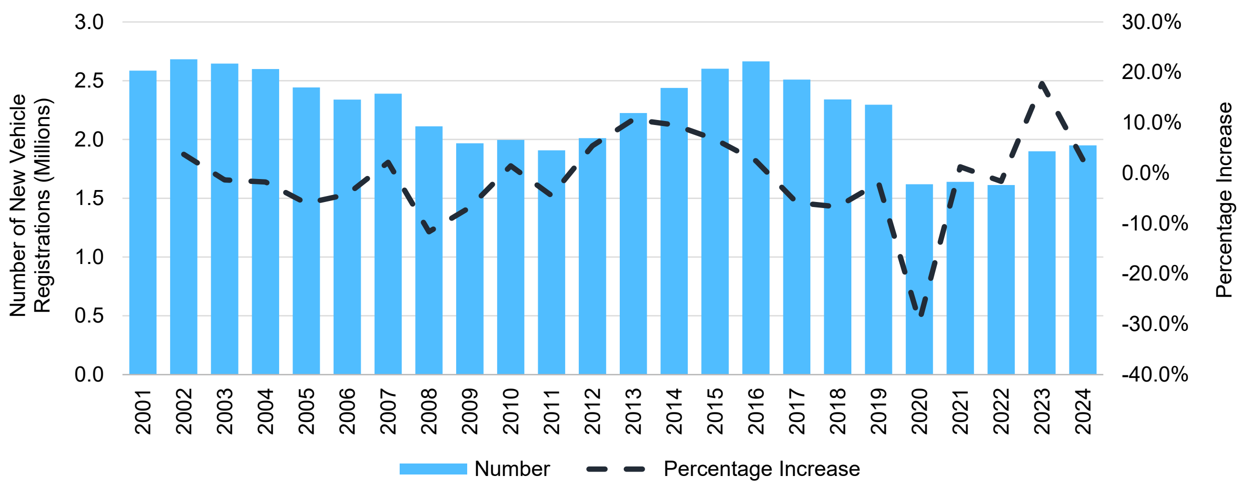
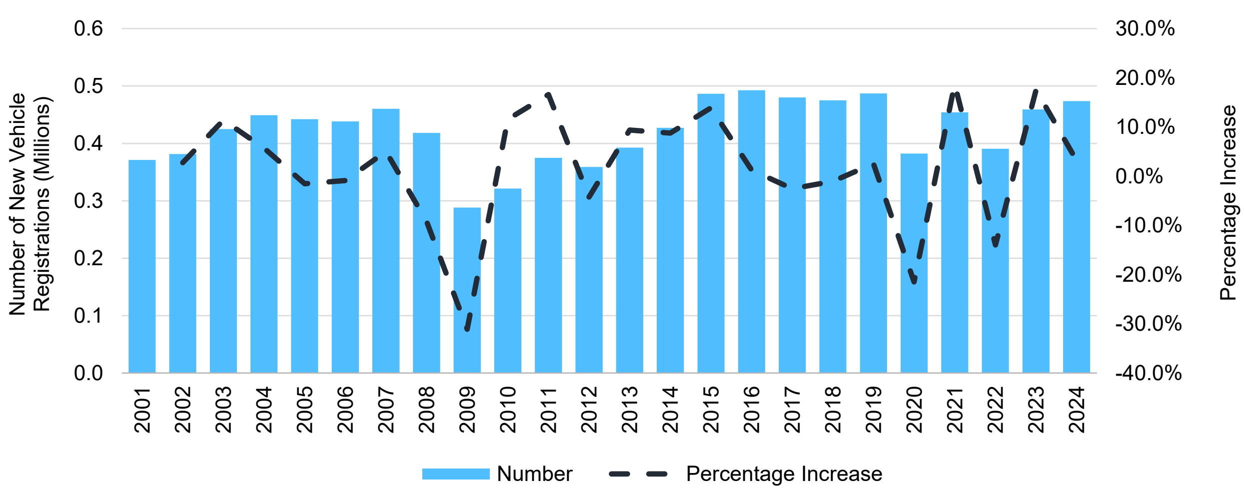


FIGURE 3.4: NUMBER OF COMMERCIAL VEHICLE NEW REGISTRATIONS IN GREAT BRITAIN



39. 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.

40. Commercial vehicles are defined as light and heavy goods vehicles, buses and coaches, and other commercial vehicles.

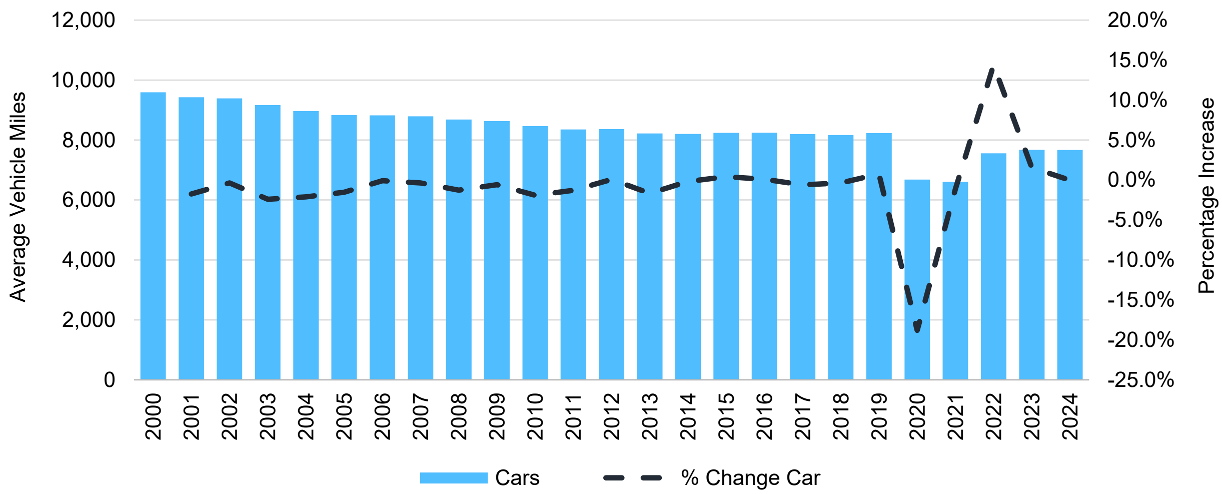
The trends in Figures 3.3 and 3.4 are very similar, with the number of new vehicle registrations generally reducing each year from 2017 through 2022, except for 2021, which experienced a 1.3% increase in new private car registrations and an 18.7% increase in new commercial vehicle registrations, a bounce back from the exceptionally low level of new registrations in 2020. As at the end of 2024, there were approximately 2.0 million new private car registrations, a 2.7% increase from the end of 2023, and around 0.5 million new commercial vehicle registrations, a 3.1% increase from the end of 2023.

Vehicle miles as a proportion of licensed vehicles

In the following charts, we show vehicle miles as a proportion of the number of licensed vehicles in Great Britain[41] over several years, looking separately at different types of vehicles.

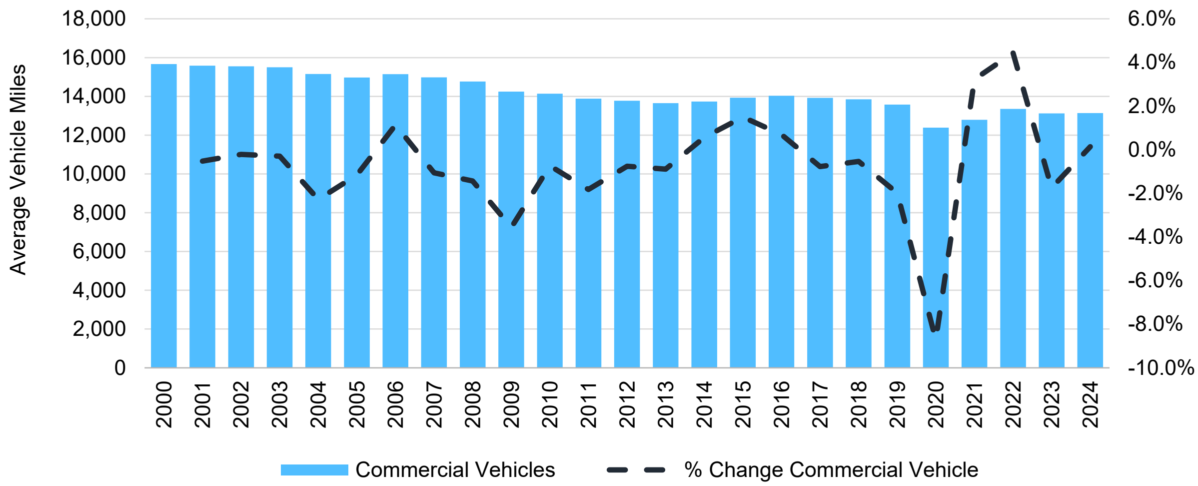
The bars in Figure 3.5, below, show the data for private cars in Great Britain over the last 25 years. Figure 3.6, below, shows the same, but for commercial vehicles.[42]

FIGURE 3.5: AVERAGE VEHICLE MILES FOR PRIVATE CARS IN GREAT BRITAIN



41. 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. The figures for each year are as at Q3.
42. Commercial vehicles are defined as light and heavy goods vehicles, buses and coaches, and other commercial vehicles.

FIGURE 3.6: AVERAGE VEHICLE MILES FOR COMMERCIAL VEHICLES IN GREAT BRITAIN



From Figure 3.5 we observe that the vehicle miles per licensed private car have remained at around 7,500 over the past three years, lower than observed historically. This could be driven by the change in driving habits post COVID-19 and the result of inflation in motoring costs reducing the amount of discretionary motoring. From Figure 3.6 we observe that the vehicle miles per licensed commercial vehicle have remained at around 13,100 over the past three years, also lower than observed historically.

OTHER REGULATORY ISSUES

FCA consultation on motor finance redress scheme

In January 2024, the FCA launched an investigation into potential overcharging of motor finance customers through discretionary commission arrangements (DCAs) that were in place between April 2007 and January 2021.[43] This investigation has been running alongside a series of legal challenges brought by individuals against their motor finance lenders, including a significant Supreme Court decision in August 2025.[44] The Supreme Court ruled that, whilst lenders did not have a fiduciary duty to act in the best interest of consumers, for one of the three examined individual consumer cases, there was an 'unfair relationship' between the consumer and the lender. Following this judgment, the FCA has confirmed it will proceed with a consultation on an industry-wide compensation scheme for affected motor finance customers, with full details expected to be published by early October 2025.[45]

FCA claims handling action

In July 2025, the FCA announced it is taking 'action against specific firms where necessary' following the discovery of 'concerning evidence of poor claims handling practices.'[46] This included examples of insufficient oversight of outsourced claims management, which led to settlement delays and large numbers of customer complaints. In addition, it noted inadequate management information had prevented the quick identification and resolution of claims handling issues.

43. Financial Conduct Authority. (11 January 2024). FCA to undertake work in the motor finance market. Retrieved September 13, 2025, from https://www.fca.org.uk/news/statements/fca-undertake-work-motor-finance-market.

44. Supreme Court. (1 August 2025). Judgment: Hopcraft and another (Respondents) *v* Close Brothers Limited (Appellant); Johnson (Respondent) *v* FirstRand Bank Limited (London Branch) t/a MotoNovo Finance (Appellant); Wrench (Respondent) *v* FirstRand Bank Limited (London Branch) t/a MotoNovo Finance (Appellant) ([2025] UKSC 33). Retrieved September 13, 2025, from https://supremecourt.uk/uploads/uksc_2024_0157_0158_0159_judgment_2bb00f4f49.pdf.

45. Financial Conduct Authority. (3 August 2025). FCA to consult on a compensation scheme for motor finance customers. Retrieved September 13, 2025, from https://www.fca.org.uk/news/statements/fca-consult-compensation-scheme-motor-finance-customers.

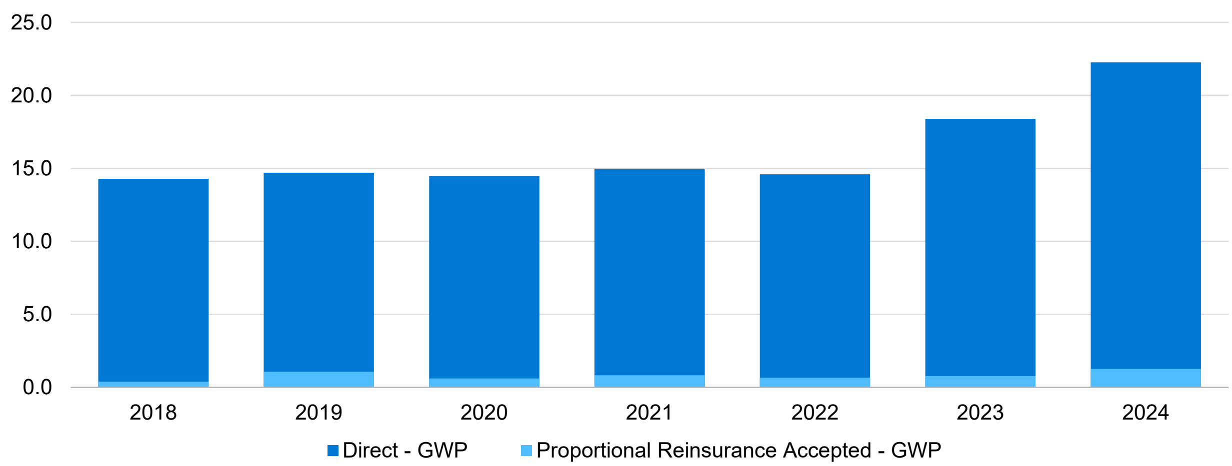
46. Cowen, J. (22 July 2025). FCA taking action against firms after finding evidence of 'poor' handling of insurance claims. Insurance Times. Retrieved September 13, 2025, from https://www.insurancetimes.co.uk/news/fca-taking-action-against-firms-after-finding-evidence-of-poor-handling-of-insurance-claims/1455849.article.

4. Market Profitability of the UK motor market

In this section, we look at the profitability of the UK motor insurance market in aggregate. We also consider the aggregate premiums, this being the main revenue inflow, and the aggregate loss for the market, this being the main revenue outflow.

In Figure 4.1, below, we show the Total Motor GWP 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 but most of this is intragroup reinsurance, with the majority of the ceded proportional insurance being taken by international reinsurers.

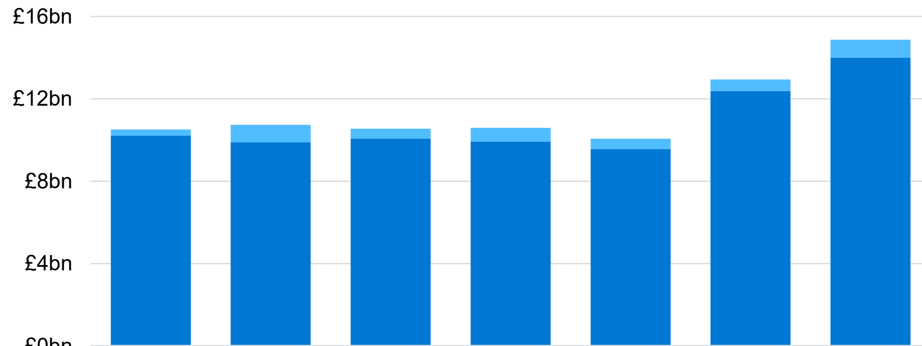
FIGURE 4.1: TOTAL MOTOR – GROSS WRITTEN PREMIUMS (£ BILLIONS)



In 2024, our sample of 36 UK non-life insurers wrote £22.3 billion of motor premiums, up from £18.4 billion in the prior year. The £22.3 billion of GWP is split between £21.0 billion of direct motor insurance premiums and £1.3 billion of proportional reinsurance accepted business. The motor insurance market has been significantly impacted by inflation over the last few years, as highlighted in many of the SFCRs, which has resulted in rate increases. Admiral noted that the impact of inflation in 2022 and 2023 had been reflected in its motor insurance premiums, leading to higher average premiums. Some insurers commented on the softening market in 2024, with LV noting that rate increases were marginal as a result. Others, like QBE, stated that their premium growth was driven by a positive rating environment with growth in their direct insurance operations. There has also been regulatory scrutiny around fair value and pricing, including the ban on price walking, and this is reshaping how insurers set premiums and treat customers.

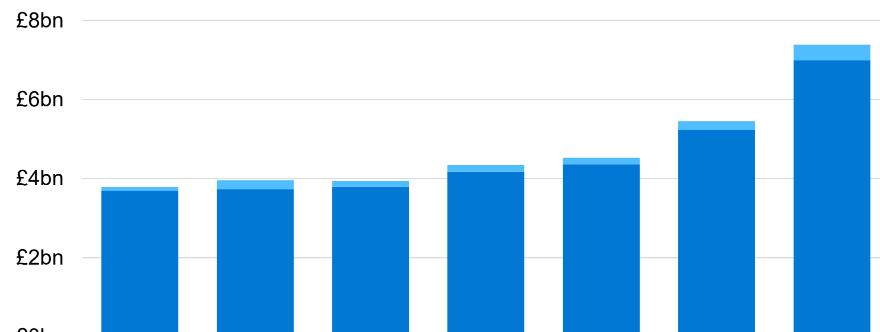
In Figures 4.2 and 4.3, below, we show the GWP for Motor Vehicle Liability and Other Motor over the last seven years, split out between direct business and proportional reinsurance accepted business.

FIGURE 4.2: MOTOR VEHICLE LIABILITY – GROSS WRITTEN PREMIUMS (£ BILLIONS)



	2018	2019	2020	2021	2022	2023	2024
Motor vehicle liability - Proportional reinsurance accepted	0.3	0.8	0.5	0.7	0.5	0.6	0.9
Motor vehicle liability - Direct	10.2	9.9	10.1	9.9	9.6	12.4	14.0

FIGURE 4.3: OTHER MOTOR – GROSS WRITTEN PREMIUMS (£ BILLIONS)



	2018	2019	2020	2021	2022	2023	2024
Other motor - Proportional reinsurance accepted	0.1	0.2	0.1	0.2	0.2	0.2	0.4
Other motor - Direct	3.7	3.7	3.8	4.2	4.4	5.2	7.0

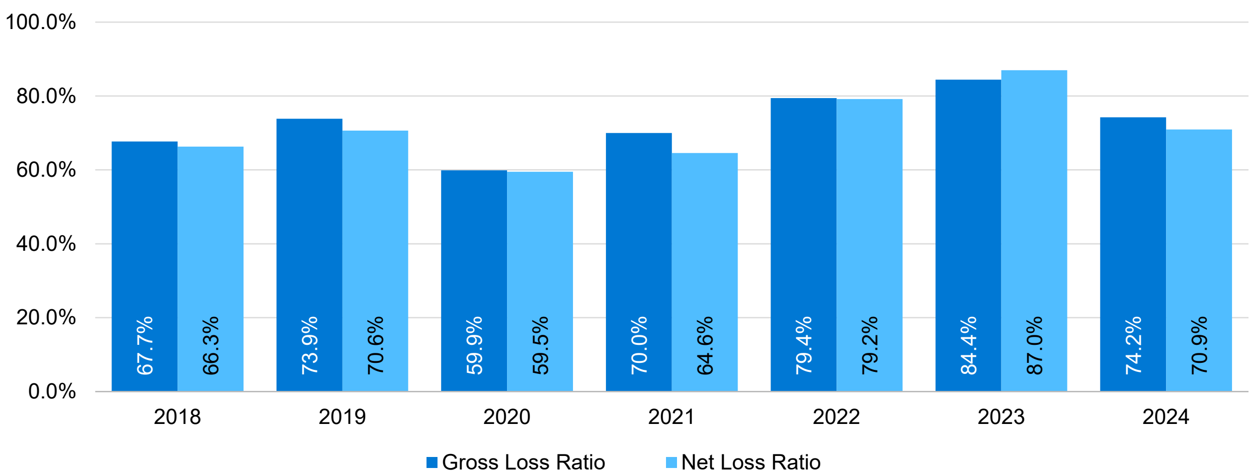
In Figure 4.4, below, we show how the allocation of GWP between Motor Vehicle Liability and Other Motor, for Solvency II purposes, has changed over the last seven years. Figure 4.4 is essentially the ratio of Figure 4.2 to Figure 4.3. Figure 4.4 shows that the allocation of premiums was broadly consistent between 2018 and 2020, with a pronounced reduction in the proportion allocated to Motor Vehicle Liability in the most recent four years. This change in allocation is likely driven by differing trends in claims inflation between Other Motor and Motor Vehicle Liability in the years since 2020. High inflation on the cost of vehicle repairs, spare parts, second-hand vehicles (and the knock-on impact on total loss claims) and replacement vehicles has led to high inflation for Other Motor, which is dominated by these sources of cost. Bodily injury (which dominates Motor Vehicle Liability) claims inflation has not experienced such high increases, in part due to the whiplash reforms, which have led to much reduced numbers of low-value bodily injury losses over the same period.

FIGURE 4.4: TOTAL MOTOR GROSS WRITTEN PREMIUM ALLOCATION SPLIT

	2018	2019	2020	2021	2022	2023	2024
Motor Vehicle Liability	73.5%	73.1%	72.8%	70.9%	69.0%	70.4%	66.8%
Other Motor	26.5%	26.9%	27.2%	29.1%	31.0%	29.6%	33.2%

In Figure 4.5, 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. We note that the loss ratios in Figure 4.5 are on a Solvency II basis and therefore they may differ from the equivalent loss ratios on a UK GAAP basis.

FIGURE 4.5: TOTAL MOTOR – GROSS AND NET OF REINSURANCE LOSS RATIOS



We observe that the gross and net of reinsurance loss ratios vary from year to year (with 2020, affected by COVID-19, being an obvious outlier), but that the loss ratios for 2022–2023 are noticeably higher than the preceding years.

As mentioned above, the motor insurance market was significantly impacted by inflation during 2022–2023. The levels of inflation in the motor insurance market have reduced in 2024, as the level of economic inflation reduced to a level broadly consistent with the long-term target rate of the BoE. Advantage highlighted that claims inflation has reduced from double digits in 2023 to high single figures in 2024. There is still significant uncertainty over the direction of inflation in 2025. AA Underwriting highlighted that this is driven by the uncertainty surrounding American tariff changes and their global impact on supply chains.

The downward movement in the loss ratios from 2023 to 2024 could be partly driven by a reduction in claim frequency across the market, as noted by some insurers. AA Underwriting commented that motor claims frequency reduced across the market, which led to faster repair times and substantially lower credit hire durations. First Central attributed the lower claim frequency to benign weather, lower speed limits and customers' behaviours. Others, such as Tradex, have highlighted that rating discipline and mix improvements helped to achieve improved results in their motor book of business.

The increases in loss ratios observed over the past few years could also highlight that insurance companies were surprised by the speed of cost increases and failed to pass on the equivalent price increases fast enough to customers.

Finally, the volatility in loss ratios reflects a competitive marketplace, where insurers may deliberately seek to undercut competitors and attract new customers. This competitive pricing strategy can lead to temporary spikes in loss ratios, especially when claims costs rise faster than anticipated.

In Figures 4.6 and 4.7, below, we show loss ratios over the last seven years, both gross and net of reinsurance, separately for Motor Vehicle Liability and Other Motor. We observe that the gross and net of reinsurance loss ratio for 2024 has decreased for both Motor Vehicle Liability and for Other Motor.

FIGURE 4.6: MOTOR VEHICLE LIABILITY – GROSS AND NET OF REINSURANCE LOSS RATIOS

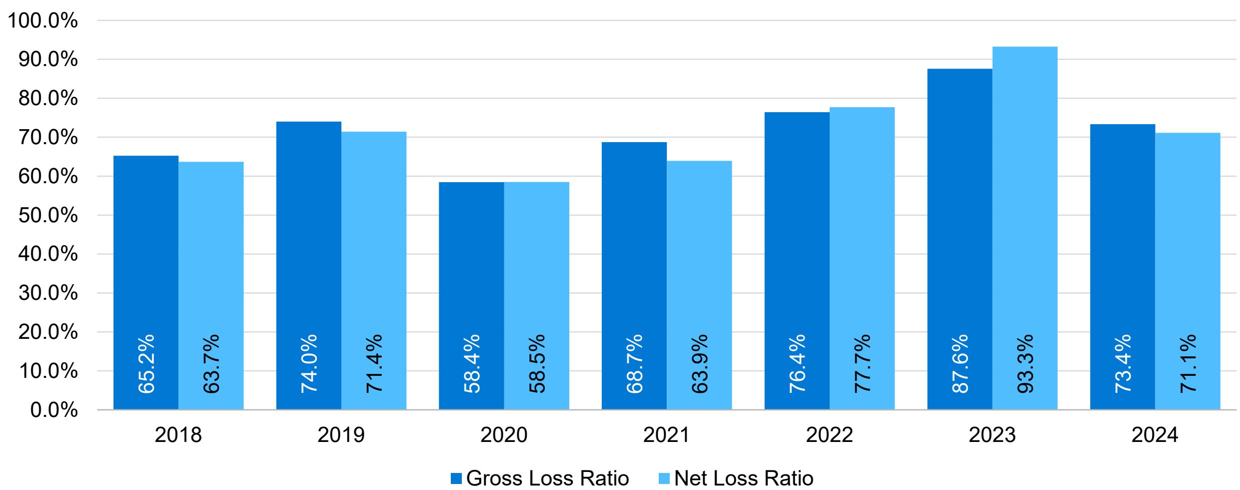


FIGURE 4.7: OTHER MOTOR – GROSS AND NET OF REINSURANCE LOSS RATIOS

5. Performance Comparisons – Gross of Reinsurance

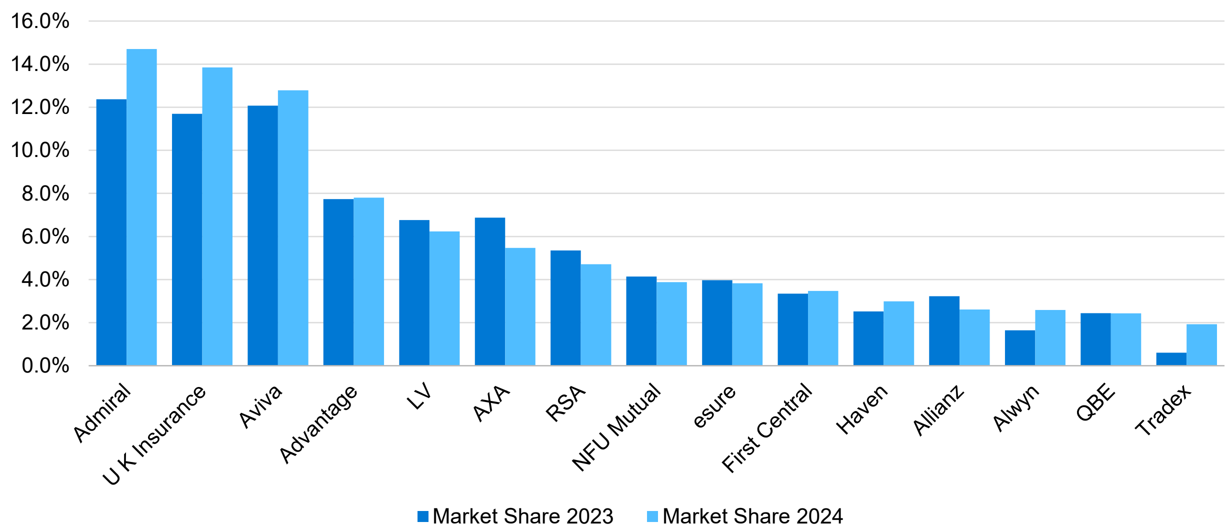
In this section, we look at the performance of the top 15 participants in our sample of 36 companies, as measured by gross earned premium (GEP) income for Total Motor. The majority of the commentary on movements in loss ratios, below, is related to Motor Vehicle Liability, as generally we have found less commentary related to Other Motor in SFCRs of those insurers within our sample. As shown in Figure 4.4, above, the majority of the premiums are allocated to Motor Vehicle Liability.

MARKET SHARE AND OVERALL PERFORMANCE[47]

During 2024, the top 15 participants accounted for approximately 90% of our sample of 36 companies by GEP. Furthermore, approximately 70% of the market was spread among just seven insurance groups: Admiral, Advantage, Allianz (including both LV and Highway), Aviva, AXA, RSA and U K Insurance.[48] Admiral holds the largest market share, at 14.7% as at year-end 2024, which is higher than its market share as at year-end 2023 (12.4%) and as at year-end 2022 (12.6%). U K Insurance, which had the second-largest market share as at year-end 2022, experienced a 2.2% increase in its market share as at year-end 2024 (11.7% up to 13.9%). Admiral and U K Insurance experienced the largest increases in the top 15 participants.

Figure 5.1, below, shows the comparison in market share for the top 15 participants for Total Motor, as measured by GEP, for 2024. For comparison purposes, we also display the market shares as at year-end 2023.

FIGURE 5.1: TOTAL MOTOR – MARKET SHARE BASED ON GROSS EARNED PREMIUMS AS AT YEAR-ENDS 2023 AND 2024



Note: Admiral is made up of Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL).

From Figure 5.1, we note that AXA is the company with the largest reduction in market share over the past year (6.9% as at year-end 2023 falling to 5.5% as at year-end 2024).

In Figure 5.2, below, we have extracted the gross performance of the top 15 participants for Total Motor for the 2024 financial year, ordered as in Figure 5.1. The expenses shown in Figure 5.2 are acquisition costs, commission and claims management.

[47] Market share is defined as the share of GEP of the 36 sample companies.

[48] U K Insurance is a subsidiary of Direct Line Insurance Group plc.

FIGURE 5.2: TOTAL MOTOR – COMPARISON OF GROSS PERFORMANCE OF THE TOP PARTICIPANTS IN THE UK MOTOR MARKET AS AT YEAR-END 2024 (£ MILLIONS)

COMPANY (1)	MARKET SHARE (2)	GROSS EARNED PREMIUM (3)	GROSS INCURRED CLAIMS (4)	ACQUISITION EXPENSES (5)	GROSS LOSS RATIO (6) = (4)/(3)	ACQUISITION EXPENSE RATIO (7) (5)/(3)	COMBINED RATIO (8) = (6) + (7)
Admiral	14.7%	3,128	1,916	223	61.3%	7.1%	68.4%
UK Insurance	13.9%	2,946	2,668	224	90.5%	7.6%	98.2%
Aviva	12.8%	2,720	2,013	171	74.0%	6.3%	80.3%
Advantage	7.8%	1,659	1,259		75.9%		75.9%
LV	6.2%	1,326	1,019	78	76.9%	5.9%	82.8%
AXA	5.5%	1,164	973	136	83.6%	11.7%	95.3%
RSA	4.7%	1,002	626	239	62.5%	23.8%	86.3%
NFU Mutual	3.9%	825	528	165	63.9%	20.0%	83.9%
esure	3.8%	814	592	62	72.7%	7.6%	80.3%
First Central	3.5%	739	666	-18	90.1%	-2.5%	87.6%
Haven	3.0%	637	465		73.1%		73.1%
Allianz	2.6%	555	375	52	67.6%	9.4%	77.0%
Alwyn	2.6%	551	443	-3	80.4%	-0.6%	79.8%
QBE	2.4%	517	352	107	68.2%	20.7%	88.8%
Tradex	1.9%	410	333	-8	81.1%	-1.9%	79.2%
The Rest	10.7%	2,278	1,562	115	68.6%	5.0%	73.6%
Total	**100%**	**21,271**	**15,790**	**1,542**	**74.2%**	**7.2%**	**81.5%**

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 5.2 are expressed net of these point-of-sale expenses. This means that the loss ratios and expense ratios in Figure 5.2 are not wholly comparable across all the insurers.

GROSS LOSS RATIO

In Figures 5.3, 5.4 and 5.5, below, we show the gross loss ratios for each of the top 15 participants as at both the year-end 2024 and the year-end 2023 for Total Motor, Motor Vehicle Liability and Other Motor respectively. For those companies above the line, the gross loss ratio as at the 2024 year-end is greater than that as at the 2023 year-end, and vice versa for those below the line.

FIGURE 5.3: TOTAL MOTOR – CHANGE IN GROSS LOSS RATIO BETWEEN THE 2023 AND 2024 YEAR-ENDS

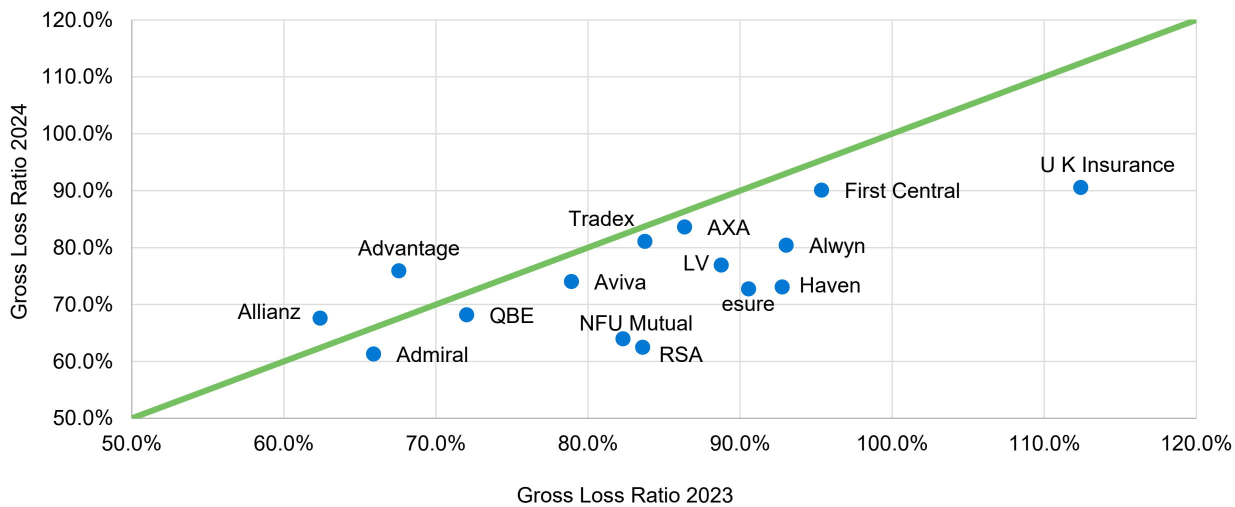


FIGURE 5.4: MOTOR VEHICLE LIABILITY – CHANGE IN GROSS LOSS RATIO BETWEEN THE 2023 AND 2024 YEAR-ENDS

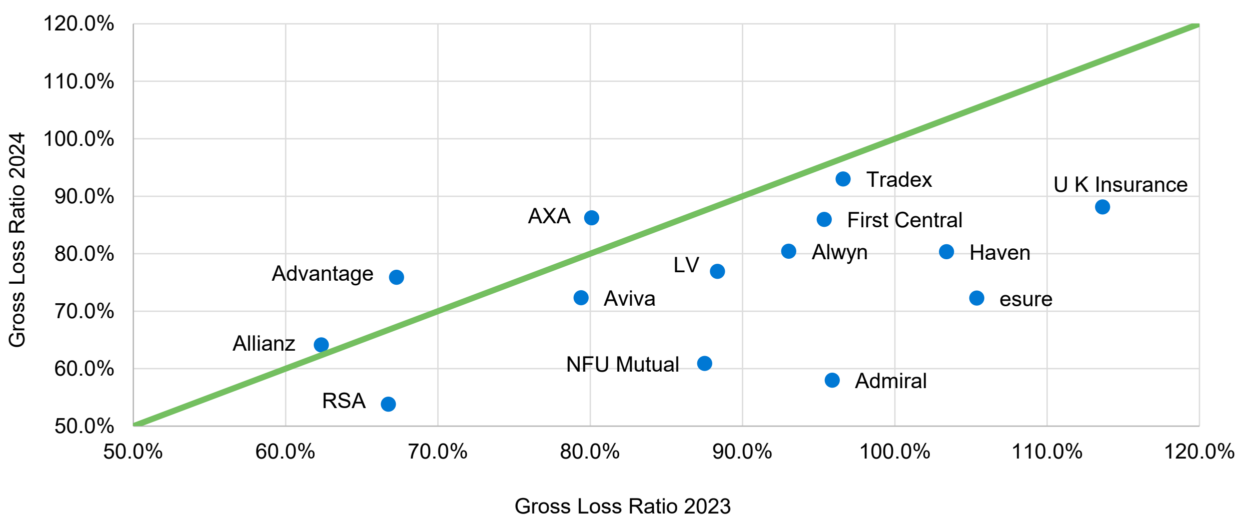
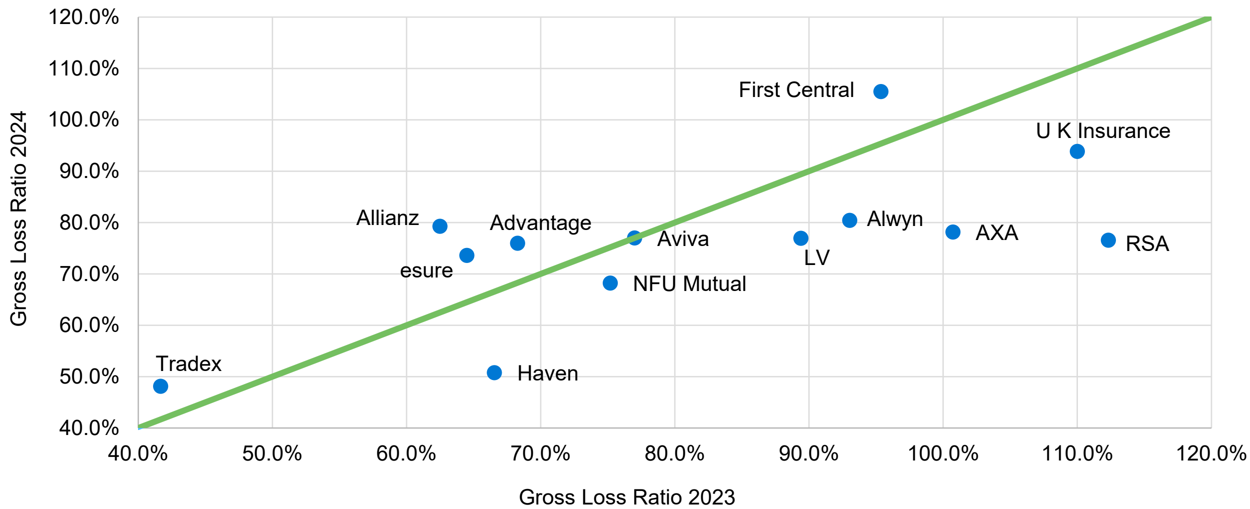


FIGURE 5.5: OTHER MOTOR – CHANGE IN GROSS LOSS RATIO BETWEEN THE 2023 AND 2024 YEAR-ENDS



Note: QBE UK and Admiral are not shown in Figure 5.5. The gross loss ratios for QBE UK for other motor were 99.5% in 2023 and 143.9% in 2024. The gross loss ratios for Admiral for other motor were 6.1% in 2023 and 68.2% in 2024.

For the majority of insurers, their 2024 gross loss ratios are better than their 2023 gross loss ratios. This is mainly driven by decreases in Motor Vehicle Liability, as shown in Figure 5.4. As noted above, the high inflationary environment impacted the UK motor insurance market throughout 2023, with high claims inflation leading to higher gross incurred losses, which had a negative impact on the gross loss ratios. In 2024 the levels of inflation reduced. Some reasons for movements in the gross loss ratios include:

- The 2024 gross loss ratio for U K Insurance is 90.5%, down from 112.4% in 2023 (but up from 82.7% in 2022). The gross incurred claims grew from £2.2 billion to £2.7 billion, while the GEP increased by a larger amount from £2.0 billion to £2.9 billion. U K Insurance noted that in the second half of 2024 performance improved, primarily driven by repricing actions. U K Insurance also explained that changes to the Ogden discount rate for large bodily injury claims had resulted in a £41 million reserve release, of which £36 million related to ongoing operations. U K Insurance also observed improvements on the attritional claims ratio, driven by pricing actions and favourable movement in the prior year reserves.
- RSA experienced favourable movement, with its gross loss ratio decreasing from 83.6% in 2023 to 62.5% in 2024 (it had been 88.3% in 2022). The gross incurred claims reduced from £761 million to £626 million, while the GEP increased by a smaller amount from £911 million to £1.0 billion. RSA highlighted that the improvement in performance was driven by the acquisition of the NIG and Farmweb commercial lines broker business of Direct Line Insurance Group, as these policies were integrated onto their systems at renewal, which started in June 2024 and built over the remainder of the year. We note that in March 2023 RSA announced that it was exiting the UK personal lines motor market.
- The 2024 gross loss ratio for esure is 72.7%, lower than the 90.6% in 2023 (it was 74.4% in 2022). The gross incurred claims reduced from £611 million to £592 million, while the GEP increased from £675 million to £814 million. Esure noted that the softening pricing environment was offset by lower claims frequencies and a moderation in the previously heightened levels of severity inflation. Prior year reserve release was also favourable. Esure also noted that motor average written premiums had increased by 11%, allowing for growth at acceptable margins, and that the benefit of written rate increases during 2023 and 2024 had significantly influenced the reduction in the loss ratio.

- QBE experienced favourable movement, with its gross loss ratio decreasing from 72.0% in 2023 to 68.2% in 2024 (it had been 69.2% in 2022). The gross incurred claims increased from £299 million to £352 million, while the GEP increased by a larger amount from £415 million to £517 million. QBE commented that premiums had increased in 2024 driven by a positive rating environment and volume growth in direct insurance operations.

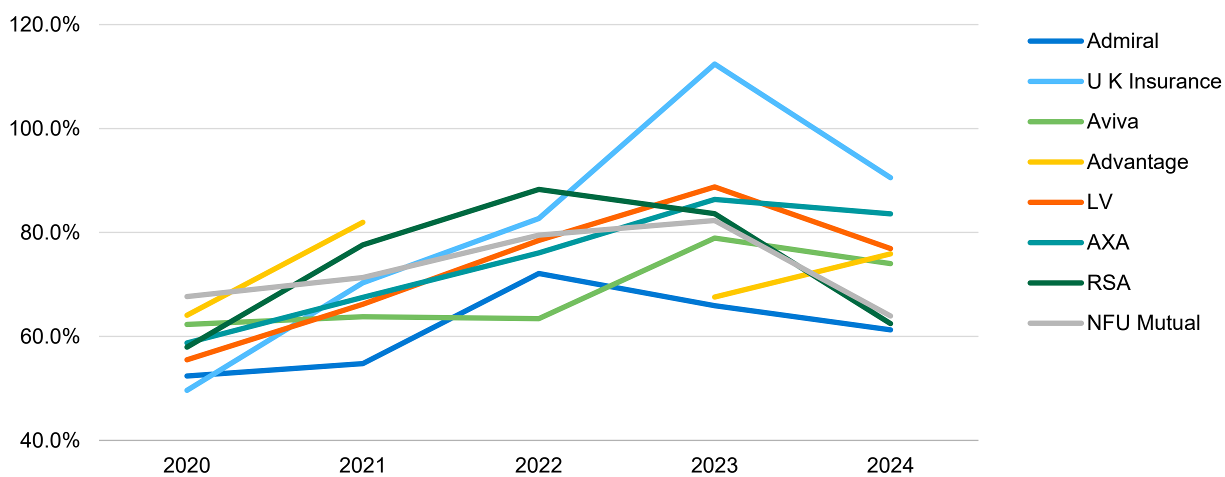
On the other hand, some insurers experienced unfavourable movement in their gross loss ratios over 2024. Although inflation rates have reduced, the cost of vehicle parts remains high, which impacts claim costs.

- Advantage's gross loss ratio grew from 67.6% in 2023 to 75.9% in 2024, with its gross cost of claims increasing from £889 million to £1.3 billion while its GEP grew from £1.3 billion to £1.7 billion. For Motor Vehicle Liability, the gross incurred claims increased from £638 million to £907 million.
- The 2024 gross loss ratio for Allianz is 67.6%, higher than the 62.4% in 2023 (but lower than the 77.3% that it had been in 2022), with its gross cost of claims increasing from £343 million to £375 million while its GEP remained broadly similar at £555 million. For Motor Vehicle Liability, the gross incurred claims increased from £246 million to £274 million. Allianz commented that the UK continued to experience difficult economic conditions with inflationary pressures and macroeconomic factors impacting the motor sector (for example, repairs and procurement).

TRENDS OVER TIME

In Figure 5.6, below, we show the gross loss ratios for the top eight companies (by market share, as shown in Figure 5.1, above) over the last five years, for Total Motor.

FIGURE 5.6: TOTAL MOTOR – GROSS LOSS RATIOS FOR YEAR-ENDS 2020–2024



Note: The 2022 gross loss ratio for Advantage is not shown in Figure 5.6 as the SFCR was not available.

We note from Figure 5.6 that, for Total Motor, the gross loss ratios have been volatile for the top eight companies over the last five years, with large movements in loss ratios observed. We note that COVID-19 drove the lower loss ratios in 2020. The ratios have diverged materially from one another over the last two years.

6. PPOs

Figure 6.1, below, shows the technical provisions in respect of annuities (PPOs) stemming from non-life insurance contracts as a proportion of the technical provisions for Motor Vehicle Liability, both gross and net. The numbers in Figure 6.1 exclude the risk margin. We show the technical provisions as at 2024 year-end, and, for comparison purposes, as at 2022 and 2023 year-ends. We note that PPOs related to non-motor business also exist (for example, in employers' liability), but it was not possible from the data in the SFCR reports to separate out these annuities.

FIGURE 6.1: TECHNICAL PROVISIONS IN RESPECT OF ANNUITIES AS A PROPORTION OF TECHNICAL PROVISIONS FOR MOTOR VEHICLE LIABILITY BUSINESS, AS AT YEAR-ENDS 2022, 2023 AND 2024 (£ MILLIONS)

		MOTOR VEHICLE LIABILITY TECHNICAL PROVISIONS	TECHNICAL PROVISIONS IN RESPECT OF ANNUITIES	PROPORTION
Gross	**2022**	17.745	2,374	13.4%
	2023	21,567	2,493	11.6%
	2024	21,919	2,238	10.2%
Net	**2022**	10,269	891	8.7%
	2023	12,002	913	7.6%
	2024	12,372	703	5.7%

Technical provisions in respect of annuities have broadly reduced from year-end 2023 to year-end 2024 in absolute terms, both gross and net of reinsurance, and have decreased as a proportion of Motor Vehicle Liability technical provisions.

We would broadly expect this reduction over time due to the lower propensity of PPO settlements in recent years compared to 2017 and prior, triggered by the material reduction in the PIDR in 2017. The most recent publication from the IFoA PPO Working Party indicated that around 12% of claims that settled in the period 2019 to 2023 for lump sum or present value amounts in excess of £1 million in 2011 terms were settled as PPOs.[49] This compares to propensities in the range of 15% to 35% in the period 2009 to 2016. As discussed in Section 3, it is possible that the PIDR increases announced in 2024 for the calculation of lump sum settlements in the UK will cause a bounce back in PPO propensity going forwards.

The reduction in technical provisions proportion in respect of annuities as at year-end 2024 could also be attributed to an increased PPO discount rate assumption where insurers have aligned their PPO calculation with the 2024 PIDR increases. The increased PIDRs suggest an expectation that claimants will be able to achieve returns above inflation in care costs.

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, with the majority of PPO payments indexed to the ASHE 6115 80th percentile.

We display the gross hourly pay index by calendar year in Figure 6.2, below. Note that the 2024 index is provisional and a revised version will be published in November 2025, although revisions are typically limited to 0.1%.[50]

[49] Institute and Faculty of Actuaries. (November 2024). IFoA GIRO Conference 2024, PPO Working Party. Retrieved September 13, 2025, from https://vle.actuaries.org.uk/pluginfile.php/156051/mod_resource/content/1/GIRO2024%20PPO%20WP.pdf.

[50] Office for National Statistics. (25 October 2018). Annual Survey of Hours and Earnings, Low pay and Annual Survey of Hours and Earnings pension results QMI. Retrieved September 13, 2025, from https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/methodologies/annualsurveyofhoursandearningslowpayandannualsurveyofhoursandearningspensionresultsqmi.

FIGURE 6.2: ASHE 6115 GROSS HOURLY PAY INDEX – 80TH PERCENTILE

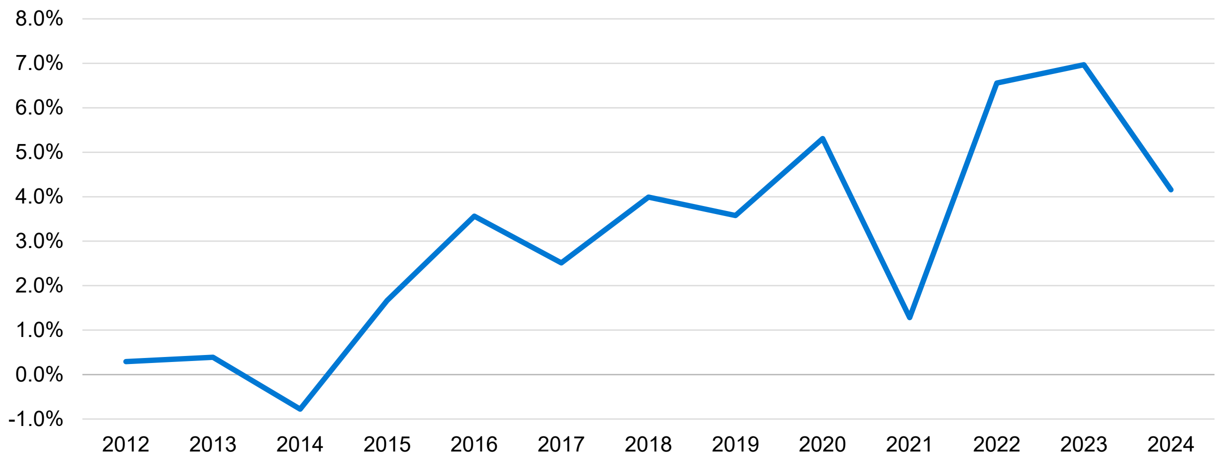


Figure 6.2 shows that 2024 ASHE inflation of 4.2% is at a similar level to the period 2018 to 2020, after spiking in 2022 and 2023. However, this inflation is still higher than the levels seen in 2017 and prior (no more than 3.6%). While most insurers still assume a return to stable, low rates of ASHE inflation in the long term in their PPO models (3.0% to 3.5%, according to the IFoA PPO Working Party 2024 survey[51]), it is possible that PPO liabilities will be higher than currently projected if high wage inflation is sustained.

[51] Institute and Faculty of Actuaries. (November 2024). IFoA GIRO Conference 2024, PPO Working Party. Retrieved September 13, 2025, from https://vle.actuaries.org.uk/pluginfile.php/156051/mod_resource/content/1/GIRO2024%20PPO%20WP.pdf.

Appendix A: Entities whose data was included within the analysis

FULL NAME	SHORT NAME USED IN THE REPORT
AA Underwriting Insurance Company Limited	AA Underwriting
Acromas Insurance Company Limited	
Admiral Insurance (Gibraltar) Limited and Admiral Insurance Company Limited	Admiral
Advantage Insurance Company Limited	Advantage
AIG UK Limited	
Aioi Nissay Dowa Insurance UK Limited	
Allianz Insurance plc	Allianz
Alwyn Insurance Company Limited	Alwyn
Arch Insurance (UK) Limited	
Astrenska Insurance Limited	
Aviva Insurance Limited	Aviva
AXA Insurance UK plc	AXA
AXA XL Insurance Company UK Limited	
Convex Insurance UK Limited	
Cornish Mutual Assurance Company Limited	
Covéa Insurance plc	
esure Insurance Limited	esure
Extracover Insurance Company Limited	
First Central Underwriting Limited	First Central
Haven Insurance Company Limited	Haven
Highway Insurance Company Limited	Highway
Hiscox Insurance Company Limited	
Liverpool Victoria Insurance Company Limited	LV
Markerstudy Insurance Company Limited	
Marshmallow Insurance Limited	
Motors Insurance Company Limited	
Premier Insurance Company Limited	
QBE UK Limited	QBE UK
Royal & Sun Alliance Insurance Limited	RSA
Sabre Insurance Company Limited	
The National Farmers Union Mutual Insurance Society Limited	NFU Mutual
Tradex Insurance Company plc	Tradex
TransRe London Limited	
U K Insurance Limited	UK Insurance
West Bay Insurance plc	

If you would like to discuss any of the issues arising from our analysis of the UK motor market, or would like further insights, please contact the authors or your usual Milliman consultant.

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