MILLIMAN REPORT

Analysis of non-life insurers' Solvency and Financial Condition Reports

United Kingdom and Gibraltar non-life insurers

Year-end 2021

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Derek Newton, FIA
Ian Penfold, FIA
Vidyut Vardhan

Table of Contents

Executive Summary

Based on our analysis of 89 solo companies that are both pursuing primarily non-life business in the UK and are regulated in either the UK or Gibraltar, we have found that financial resilience has increased in 2021, as the UK emerged from the COVID-19 restrictions.

1. **Across all Solvency II lines of business, the operating margin[1] grew by 0.9% in 2021**, driven predominantly by fire and general liability. The operating margin was 1.5% as at year-end 2020, increasing to 2.4% as at year-end 2021.
2. **Gross written premiums (GWP) increased from £48 billion as at year-end 2020 to £52 billion as at year-end 2021.** The majority of the Solvency II lines of business experienced premium growth, but the largest increases were observed in the fire and general liability lines of business, with growth of £1.6 billion and £1.3 billion, respectively. The largest decrease was observed in motor vehicle liability, with GWP reducing by £0.4 billion. Behavioural changes following the COVID-19 restrictions may explain much of the reduction in GWP for the motor lines of business.
3. **The ratio of eligible own funds to the solvency capital requirements (SCR) has increased** from 172% as at year-end 2020 to 177% as at year-end 2021. This is also higher than the equivalent figure as at year-end 2019. For two of the top 30 companies in our sample (in terms of GWP), the solvency coverage ratio increased by over 60%.
4. **The ratio of eligible own funds to the minimum capital requirement (MCR) has increased** from 504% as at year-end 2020 to 511% as at year-end 2021. This is also higher than the equivalent figure as at year-end 2019.
5. **The majority of Solvency II lines of business experienced favourable movement in the loss ratios**, both gross and net of reinsurance. Credit and suretyship experienced the largest decrease (gross of reinsurance, the loss ratios were 56% as at year-end 2020 and 21% as at year 2021; net of reinsurance, the loss ratios were 52% as at year-end 2020 and 33% as at year-end 2021), driven by a significant decrease in the incurred claims. Fire and general liability, two of the largest classes in terms of GWP, had favourable movements of 12% and 10% in their gross loss ratios, and 7% and 8% in their net of reinsurance loss ratios.
6. **Motor vehicle liability and other motor were two of the lines of business that experienced less favourable movement in their gross loss ratios in 2021**. For motor vehicle liability, the gross loss ratio increased from 58% as at year-end 2020 to 66% as at year-end 2021. For other motor, the gross loss ratio increased from 63% as at year-end 2020 to 71% as at year-end 2021. Both lines of business were impacted by an increase in incurred claims, driven by an increase in claim frequency, as 'lockdown' measures were removed in the UK, leading to more vehicles on the road.
7. **Overall, gross technical provisions (excluding the risk margin) remained broadly similar between year-end 2020 and year-end 2021**, totalling just under £62 billion, gross of reinsurance, and just over £37 billion net of reinsurance. This implies that the overall market is neither growing nor contracting.

[1] The operating margin is defined as (net earned premium – net claims incurred – expenses incurred) / (gross earned premium).

Introduction

In 2022, (re)insurance undertakings across the European Union (EU) published their sixth annual set of Solvency and Financial Condition Reports (SFCRs). In this report, we summarise and discuss key metrics from those SFCRs as they relate to non-life insurers regulated in the UK or in Gibraltar, comparing the figures in the 2021 year-end SFCRs with their counterparts as at the 2020 year-end (and at earlier year-ends, where relevant).

The analyses underlying this report focus on the quantitative information contained in the Quantitative Reporting Templates (QRTs) within the SFCRs, but 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 focus has been on solo entities rather than groups.

In this report we consider:

- The solvency position of the market as a whole, before taking a closer look at the top 30 players by GWP
- The components of the SCR, for the market as a whole and individually for the top 30, and the quality of the components of the own funds
- The main Solvency II balance sheet items, including invested assets and technical provisions
- Key underwriting performance indicators, such as loss ratios and operating margins, split by Solvency II lines of business

UNITED KINGDOM MARKET COVERAGE

Our analyses are based upon the SFCRs for 89 solo companies that are both pursuing primarily non-life business in the UK and are regulated in either the UK or Gibraltar. 74 of the 89 companies were also included in last year's sample. The GWP and the SCR of the companies in both samples comprise 95% and 94% of the total sample this year. While the sample this year does not precisely mirror that of last year, we believe that the overlap is sufficient for year-on-year comparisons to be meaningful.

The Society of Lloyd's produces a single publicly available SFCR, covering in aggregate all of its syndicates. We have excluded it from our study because of its size compared with the rest of the market, because much of its activities relate to insurance coverage outside of the UK, and because it contains significant reinsurance and retrocessional business. The Society of Lloyd's represents £41 billion of GWP and £65 billion of gross technical provisions (compared with a total £52 billion of GWP and £62 billion of gross technical provisions for the 89 solo companies that we analysed), and exhibits a solvency coverage ratio of 177% (made up of £35 billion of eligible own funds and £20 billion of SCR).

Our analysis of the **UK and Gibraltar non-life insurance market** covers:

89 COMPANIES

£52 BILLION
in gross written premiums

£62 BILLION
of gross technical provisions

Appendix A contains a list of all of the companies that were included in our analysis. It also sets out shortened versions of those insurers' names; we have used these shortened names when referring to the insurers within this report.

Appendix B contains a list of all of the Solvency II lines of business. It also sets out the shorter versions of the names of those lines of business that we use within this report when stating relevant figures.

Appendix C contains the solvency coverage ratios for the 30 largest companies (in terms of GWP) as at year-ends 2019, 2020, and 2021.

UNDERLYING DATA

In carrying out our analysis and producing this research report, we relied on the data and information provided in the SFCRs and QRTs of our sample companies, as obtained from Solvency II Wire Data. The database tool is available via subscription from: https://solvencyiiwiredata.com/about/. 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.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. We have not made any changes to the data to reflect additional information or changes following the reporting date.

This research report 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 research report is not intended to guide or determine any specific individual situation, and readers should consult qualified professionals before taking specific actions.

COVID-19

The data in this report reflects the published data from the SFCRs as at year-end 2021, which in turn reflects the effects of the COVID-19 pandemic on firms' balance sheets and results. The COVID-19 pandemic has affected some lines of business more than others. We expect the COVID-19 pandemic to continue to affect firms' balance sheets and results for some years to come, as it continues to influence changes in consumer behaviour as insurers and markets adjust their valuations of its impact on businesses and reappraise their risk appetites.

RUSSIA UKRAINE CONFLICT

On 24 February 2022, Russia invaded Ukraine. As at the date of this report, Ukrainian forces continue to resist the Russian offensive. The conflict has resulted in financial and trade sanctions being imposed on Russia, which has led to further upward pressure on inflation and to disruptions in the supply chains. Those insurers who have material direct exposure to Russia or Ukraine are likely to experience significant claims, particularly in lines of business such as marine, aviation, transport, fire, political violence, and trade credit.

We observe that insurers have included information on the conflict in their SFCRs, along with high-level descriptions of the potential effects. The publication deadlines for the SFCRs meant that most insurers had to base those assessments upon limited information, and were unable to take account of more recent developments.

We have not commented further on any company's disclosures relating to the Ukraine conflict.

WORKERS' COMPENSATION

Our sample of 89 insurers contained no premiums prior to 2021 for workers' compensation, as well as no expenses prior to 2020, and negligible amounts for 2020 and 2021. Therefore, we have not included this line of business in some of the figures in the report.

United Kingdom (and Gibraltar) non-life undertakings

SOLVENCY COVERAGE RATIOS: HOW DID THE MARKET DO? HOW FINANCIALLY SECURE IS THE MARKET?

FIGURE 1: UK SOLVENCY COVERAGE RATIOS AS AT THE 2019, 2020, AND 2021 YEAR-ENDS

	YEAR-END 2019	YEAR-END 2020	YEAR-END 2021
RATIO OF ELIGIBLE OWN FUNDS TO SCR	169%	172%	177%
RATIO OF ELIGIBLE OWN FUNDS TO MCR	496%	504%	511%
MCR AS A % OF THE SCR	34%	34%	35%

In aggregate, the UK non-life insurers that comprise our sample are more than sufficiently capitalised, with an average solvency coverage ratio of 177% (weighted by SCR). This is higher than the equivalent figure reported in the previous set of SFCRs as at year-end 2020. The MCR coverage ratio has increased from 504% to 511%.

Similarly to previous year-ends, there are a wide range of solvency coverage ratios as at the 2021 year-end. Several insurers are very well capitalised (with solvency coverage ratios well over 250%) but two insurers have solvency coverage ratios below 100% (FGIC and Municipal Mutual).

UK non-life insurers have an

Average Solvency Coverage Ratio of

177%

We note that these two insurers were also in breach of their solvency coverage ratios as at the 2020 year-end and have failed to restore their solvency coverage ratios to over 100% as at the 2021 year-end. Municipal Mutual expects to remain in capital deficit until the business has completely run-off. FGIC's non-compliance with the SCR is driven by a substantial risk margin in its estimated Solvency II Balance Sheet and its catastrophe risk charge, which includes an amount for catastrophe risk based on its largest two exposures. FGIC has ceased writing new business.

Ambac had a solvency coverage ratio of 72% as at year-end 2020. This has now increased to 101% as at year-end 2021. This is due to the run-off of the insured portfolio and the increase in risk-free interest rates. Ambac has stated in its SFCR that it aims to strengthen its financial position further in the future whilst it remains in run-off.

Three companies have eligible own funds that are more than 10 times their regulatory capital requirements. Two of these are small entities within major insurance groups, such as The Marine (part of the Royal & Sun Alliance Group) and The Ocean Marine (part of the Aviva Group). The third company, Wausau, has been in run-off since 1991.

The Standard Formula (SF) remains the preferred means of calculating capital requirements for most insurers (69 of the 89 insurers included in our sample), although only 29% of the aggregated value of all of the SCRs in our sample were generated using the SF. Of those that did not use the SF, 12 have used a full internal model (FIM) and 8 have used a partial internal model (PIM). As in previous years, those insurers using a PIM have used it predominantly to model the underwriting risk, although British Gas also uses the PIM to model its operational and counterparty risk, while NFU Mutual also uses a PIM for market, liquidity, and counterparty risk. As at the 2021 year-end, 32% of the total value of the aggregated SCRs were generated using a FIM and 39% using a PIM (compared with 35% for a PIM and 41% for a FIM as at year-end 2020). This, along with the company count on model use, highlights the fact that FIM and PIM are primarily used by large companies and large groups.

Of our sample of **UK Non-Life Firms:**

69 use the **STANDARD FORMULA**

8 use a **PARTIAL INTERNAL MODEL**

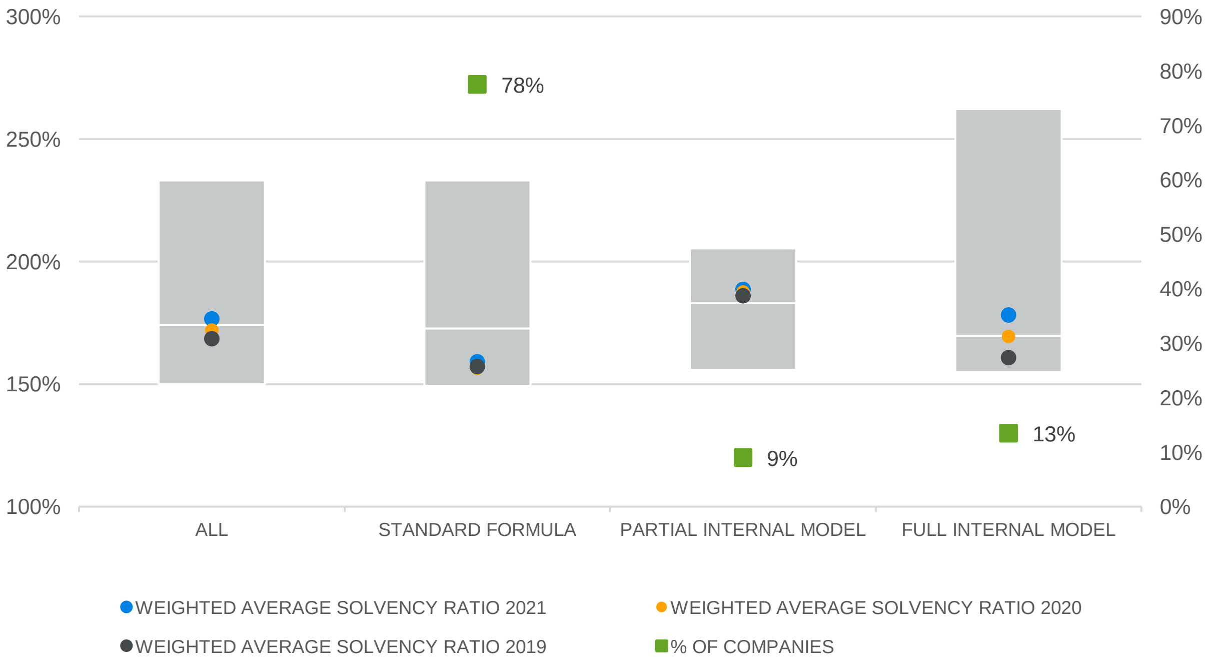
12 use a **FULL INTERNAL MODEL**

These findings are illustrated in Figure 2, below, in which the green squares show the proportions of the 89 insurers using SF, FIM, and PIM to evaluate their solvency requirements. Figure 2 also shows how the solvency coverage ratios are distributed among the insurers whose SFCRs we analysed. It sets out the median 25^{th} and 75^{th} percentiles and weighted average of the distribution of the solvency coverage ratios as at the 2021 year-end, for the market as a whole and then separately for insurers using the SF, PIM, or FIM. Figure 2 also shows, for comparison purposes, the weighted average of the solvency coverage ratios as at the preceding two year-ends. Overall, we see the following:

- For insurers using the SF, their (weighted) average solvency coverage ratio has increased (relative to that as at the 2020 year-end) by about 3%, from 156% to 159%. This is well below the median as at 2021 year-end (173%), which implies that smaller insurers have, in general, higher solvency coverage ratios.
- For insurers using PIMs, their (weighted) average solvency coverage ratio has increased by 1% (from 188% to 189%).
- For companies using FIMs, their (weighted) average solvency coverage ratio has increased by 9% from 169% to 178%.

The under-capitalised companies mentioned above are all using the SF to derive their capital requirements. With these two companies removed, the weighted average solvency ratio, for insurers using the SF, would be slightly higher at 164% (and 178% across all insurers).

FIGURE 2: DISTRIBUTION OF SOLVENCY COVERAGE RATIOS AS AT YEAR-END 2021



By design, the MCR as set out in Solvency II, is 'calibrated' to be the 85^{th} percentile of the distribution of own funds over a one-year period. It means that, in theory, for each insurer, there is a 15% likelihood that, over the following 12-month period, it would suffer deterioration in its own funds of a magnitude equal to or greater than the amount of the MCR.[2] 13% of the firms within our sample would see their solvency coverage ratios (against the SCR) falling to levels below 100% should they suffer such deterioration.

[2] The theory is slightly distorted for some insurers by the constraints on the size of the MCR (i.e., that it is between 25% and 45% of the SCR, subject to the absolute floor value).

Figure 3, below, shows the solvency coverage ratios for the 30 largest companies (in terms of GWP) and the impact on those ratios of a deterioration in the eligible own funds equal to the size of those companies' MCRs. The companies are ranked based on their solvency coverage ratios. We have highlighted in orange those solvency coverage ratios that would be below 100% were eligible own funds to deteriorate by the size of the relevant company's MCR.

FIGURE 3: SOLVENCY COVERAGE RATIOS BOTH BEFORE AND AFTER A LOSS EQUAL TO THE MCR, GWP TOP 30

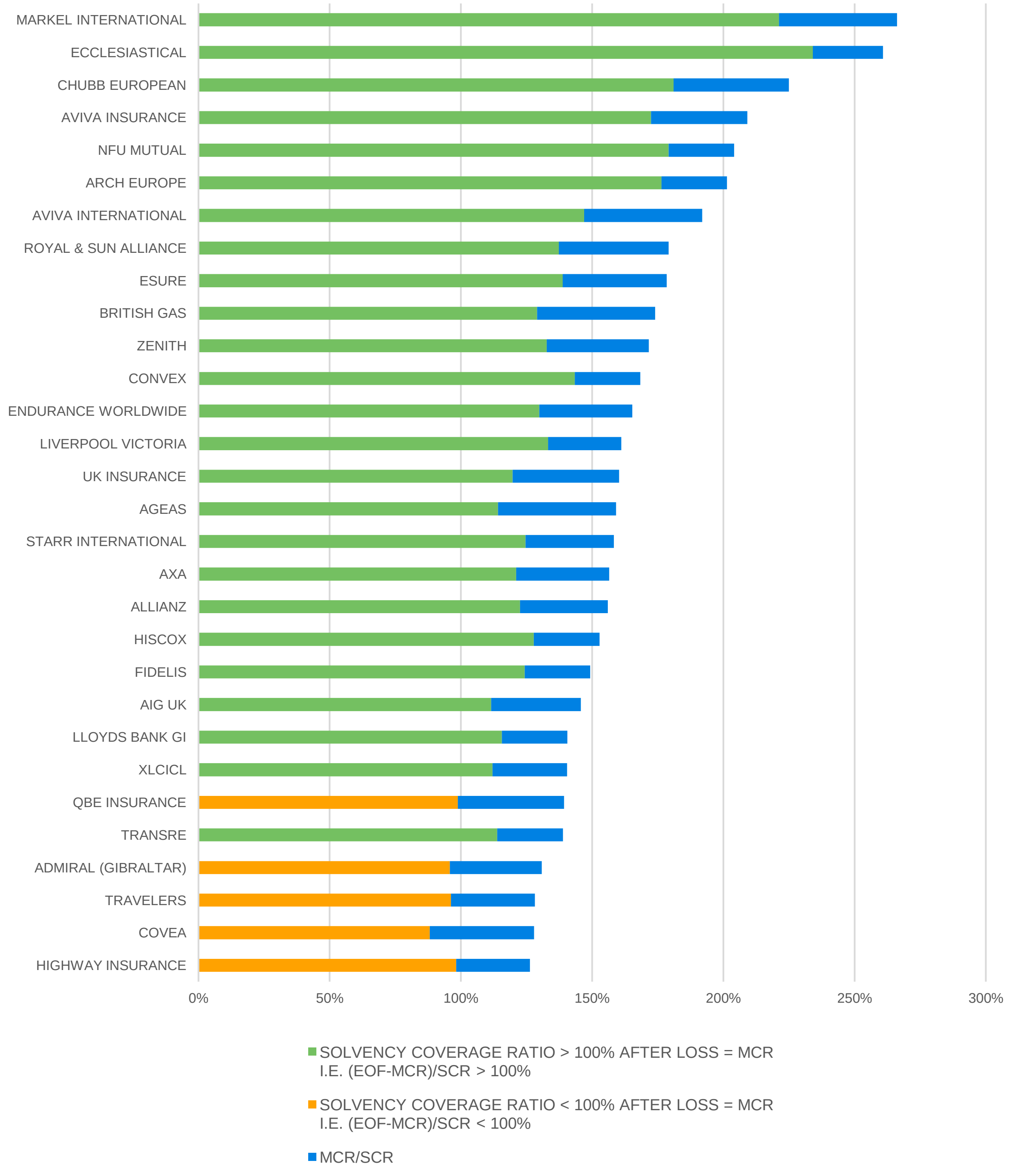
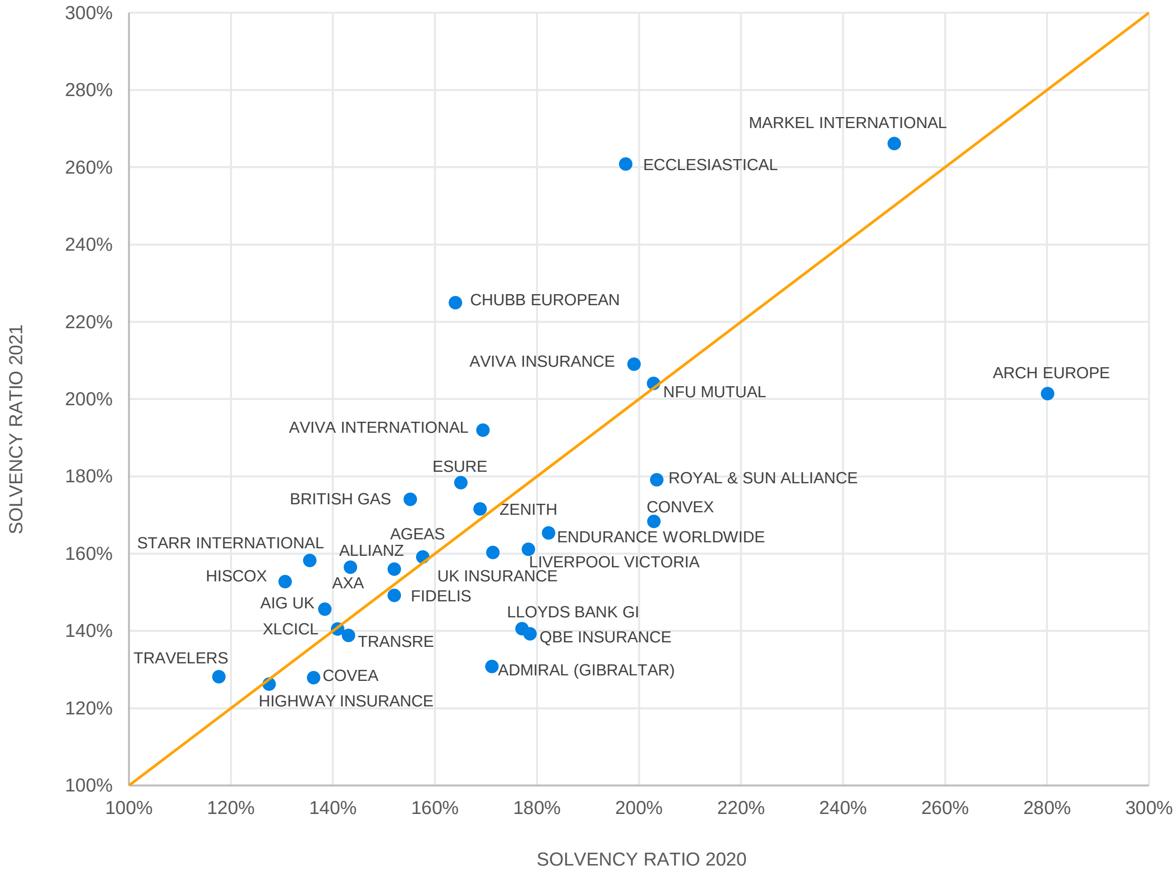


Figure 4, below, shows how the solvency coverage ratios have changed between the 2020 and 2021 year-ends for the top 30 companies (defined in terms of GWP) that we have included in our sample.

FIGURE 4: SOLVENCY COVERAGE RATIOS AS AT YEAR-ENDS 2020 AND 2021, GWP TOP 30[3]



The companies shown above the diagonal line have strengthened their solvency coverage ratios between the 2020 and 2021 year-ends, whereas the solvency coverage ratios for those companies below the line have weakened over the 12-month period.

We note that most of the top 30 firms exhibit a solvency coverage ratio between 120% and 190%. The solvency coverage ratios for the top 30 firms, as at year-ends 2019 to 2021, can be found in Appendix C.

The solvency coverage ratios for two of the top 30 companies increased by over 60% (those are the companies shown furthest above the line).

- **Chubb European**: The solvency coverage ratio increased from 164% as at the 2020 year-end to 225% as at year-end 2021, driven by a combination of a reduction in the SCR from £1,437 million to £1,152 million, and an increase in eligible own funds from £2,358 million to £2,593 million. The SCR reduction is explained by growth in the planned business over the next 12 months combined with loss ratio improvements, which have led to a higher than expected profit position and hence a reduction in the insurance risk. The growth in premium volumes is not expected to drive an overall increase to the premium risk plus profit, as positive rate change forecasts will mean that more premium is received for the same level of risk. The movement in eligible own funds is due to an increase in the reconciliation reserve, and hence an increase in the Tier 1 unrestricted own funds.

[3] Chubb European Group was initially incorporated in the UK, although it redomiciled to France in January 2019. Chubb European operates in the UK as a third-party country branch and the UK business comprises approximately 40% of the GWP (and approximately 50% of the GWP when considering the top six countries only) of Chubb Europe Group's GWP. It has therefore been included in Figure 4.

In Figure 4, the solvency coverage ratio for Lloyds Bank GI is 177% for year-end 2020 and 141% for year-end 2021, while for QBE Insurance, the solvency coverage ratio is 179% for year-end 2020 and 139% for year-end 2021. Due to the close proximity of these two ratios, the relevant dots in Figure 4, above, overlap each other.

- **Ecclesiastical**: The solvency coverage ratio increased from 197% as at the 2020 year end to 261% as at year-end 2021. This was attributable primarily to own funds increasing by £98.3 million, mainly reflecting profits booked in the year and the issuance of €30 million Tier 2 subordinated debt in February 2021 to support future profitable growth opportunities. The SCR decreased in the year by £26.2 million, predominantly due to higher Loss Absorbing Capacity of Deferred Taxes (LACDT) resulting from higher taxable profits in 2021 and an increase in the UK tax rate in 2023 from 19% to 25%, increasing both the deferred tax and the associated absorbency.

The solvency coverage ratios for five of the top 30 firms reduced by more than 35%:

- **Arch Europe:** The solvency coverage ratio reduced from 280% as at year-end 2020 to 201% as at year-end 2021. This was due to an increase in the SCR from £38 million to £59 million, driven by the non-life underwriting risk charge growing from £23 million to £38 million over the year. Arch Europe had a more aggressive underwriting straetgy in 2021, driven by the strengthened rating environment, which led them actively seeking to increase the business that they wrote in their regional and specialty lines of business. Underwriting risk is the largest risk category for Arch Europe, with the prime driver being large losses relating to the casualty classes.
- **Admiral (Gibraltar):** The solvency coverage ratio reduced from 171% as at year-end 2020 to 131% as at year-end 2021, driven by a combination of an increase in the SCR from £377 million to £404 million and an decrease in eligible own funds from £646 million to £528 million. The increase in the SCR is explained by a growing allocation of assets to private debt, with the market risk charge moving from £94 million as at year-end 2020 to £106 million as at year-end 2021. The eligible own funds decreased from £646 million as at year-end 2020 to £528 million as at year-end 2021, due to a reduction in the Tier 1 own funds, driven by payment of dividends.
- **Convex:** The solvency coverage ratio reduced from 203% as at year-end 2020 to 168% as at year-end 2021, driven by the eligible own funds increasing by more than the SCR. The increase in eligible own funds is mainly driven by an increase in the share premium account. The increase in the SCR is primarily driven by an increase in the non-life underwriting risk charge as a result of significantly increased business volumes in 2021, causing an increase in both premium and reserve risk.
- **Lloyds Bank GI:** The solvency coverage ratio reduced from 177% as at year-end 2020 to 141% as at year-end 2021, mainly driven by an increase in the SCR from £205 million as at year-end 2020 to £256 million as at year-end 2021. This is attributable to the migration of renewing policies from St Andrew's to Lloyds Bank GI and lower profitability being assumed as a result of the FCA Pricing Practices review, which is expected to have a significant impact on the general insurance entities.
- **QBE Insurance:** The solvency coverage ratio reduced from 179% as at year-end 2020 to 139% as at year-end 2021, driven by a combination of an increase in the SCR from £606 million to £647 million and an decrease in eligible own funds from £1,082 million to £902 million. The eligible own funds for QBE Insurance include forseeable dividends that have been approved by the Board but not yet distributed. QBE Insurance has a foreseeable dividend of £168 million in 2022. The increase in the SCR was mainly attributable to the movements in the market risk change (£152 million as at year-end 2020, increasing to £174 million as at year-end 2021) and the default risk charge (£37 million as at year-end 2020, increasing to £56 million as at year-end 2021). As at year-end 2021, QBE Insurance held £400 million of letters of credit as collateral against credit risk, down from £425 million as at year-end 2021.

ANALYSIS OF SCR AND MCR: WHERE IS THE RISK?

When conducting their SCR calculations, insurers have to cover all the risks that may affect their balance sheets and, consequently, their solvency positions. Figure 5, below, shows, on an aggregated basis, the breakdown of the SCR for firms using the SF. As expected, underwriting risk is the most material of the standard risks for UK non-life insurers, comprising, on average, 72% of the overall SCR (before the application of any diversification benefits).

FIGURE 5: SCR BREAKDOWN BY RISK MODULE AS AT YEAR-END 2021: FIRMS USING STANDARD FORMULA ONLY[4]

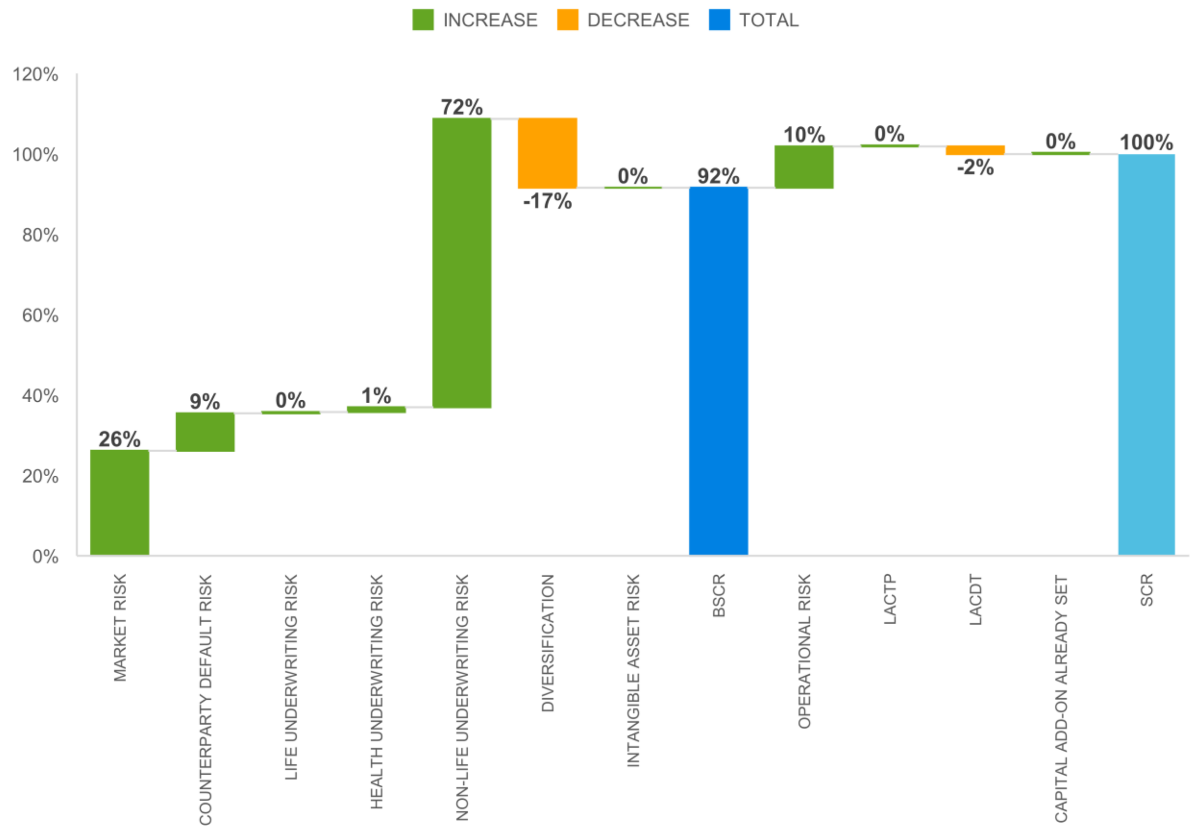
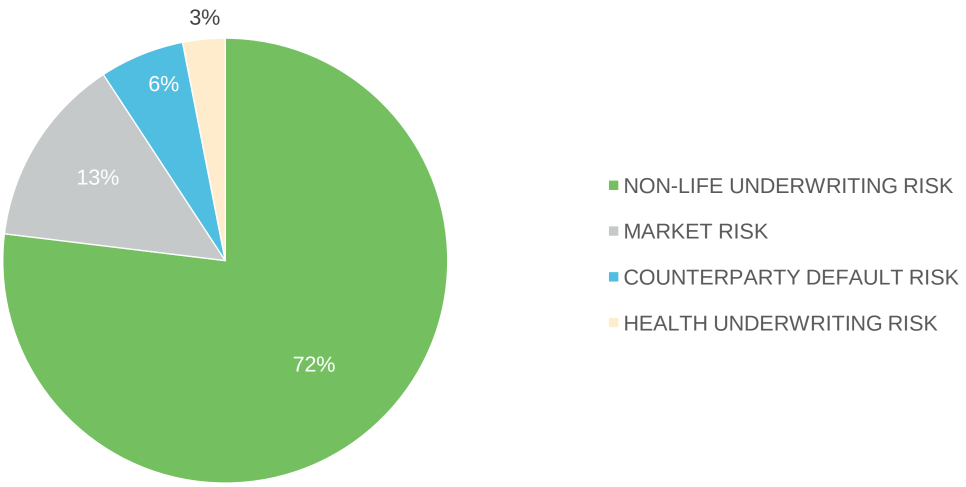


Figure 6, below, shows that underwriting risk is the major absorber of capital for about 72% of the companies in our sample which use SF only, with market risk or counterparty default risk being the main contributor to the SCR for a further 19% of the companies. These percentages are unchanged from those as at the 2020 year end.

[4] LACTP refers to Loss Absorbing Capacity of Technical Provisions. LACDT refers to Loss Absorbing Capacity of Deferred Taxes. BSCR refers to Basic Solvency Capital Requirement

FIGURE 6: BREAKDOWN OF LARGEST RISK AREAS AS AT YEAR-END 2021: FIRMS USING STANDARD FORMULA ONLY



NON-LIFE UNDERWRITING RISK is the largest risk to UK non-life insurers using the standard formula, **contributing 72%** of the undiversified SCR

We note that the Prudential Regulation Authority (PRA) has the power (under Section 55M of the Financial Services Market Act 2000) to apply a capital add-on in cases where it deems there to be a significant risk issue or governance deviation from Solvency II requirements. In most cases where a company requires a capital add-on, it is because the SF does not capture, fully and/or appropriately, some of the risks to which the company is exposed. Currently, none of the companies in our analysis, as at year-end 2021, have a capital add-on applied. As at year-end 2020, one insurer in our sample was required to include a significant capital add-on, contributing materially to its SCR. CISGIL had a £40 million capital add-on (24% of its overall SCR), as the PRA deemed that the SF did not adequately reflect CISGIL's risk profile in respect of operational risk. This capital add-on was removed in December 2021.

We note that, across Europe, operational risk is often flagged in regards to the non-appropriateness of the SF and is therefore more likely to attract capital add-ons than other risk modules. We believe that, with emerging risks (such as cyber or climate change) being increasingly scrutinised by the regulators, there will be a need in the future for more tailored calculations in order to better reflect companies' risk profiles.

We note that, as of December 2020, it has been obligatory for information on capital add-ons to be communicated by entities on an annual and public basis.

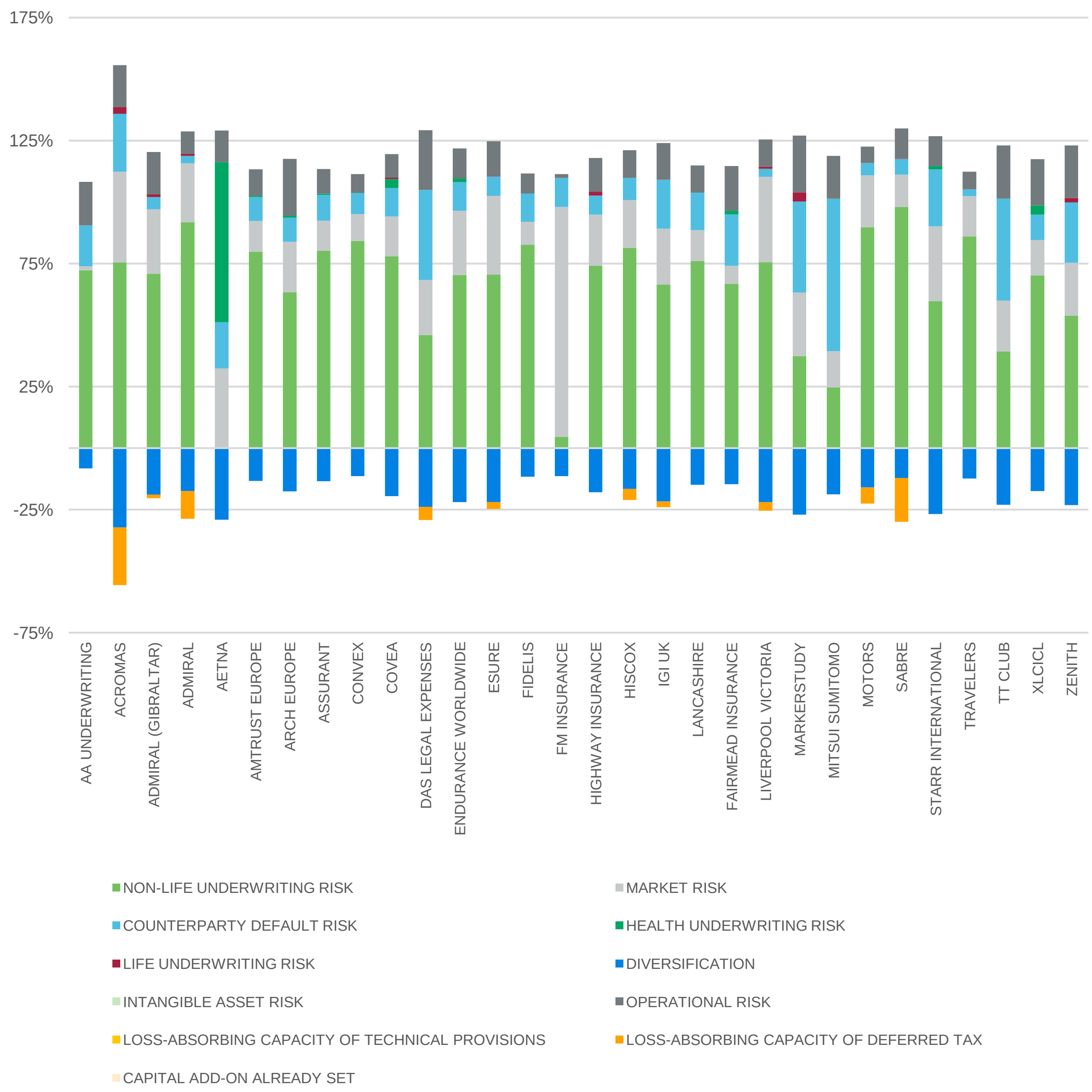
We also note that adjustments for LACDT, which reduce the SCRs, totalled £1,152 million as at year-end 2021 (compared to £848 million as at year-end 2020), of which £122 million relates to companies using the SF (£124 million as at year-end 2020). The Solvency II balance sheets indicate that the net deferred tax liabilities[5] for the whole market were £863 million, an increase from £557 million as at year-end 2020. Therefore, at least £289 million of the LACDT arose either from tax rules that allow companies to carry back the 1-in-200-year instantaneous loss against taxable profit in the prior 12-month tax period or from expected tax payable on future profits not already recognised in the best estimate of liabilities (following a 1-in-200-year instantaneous loss) over a reasonable timeframe.

[5] We define net deferred tax liabilities, for each company, as the maximum of zero and the deferred tax liabilities less the deferred tax assets.

In Figure 7, below, we show the breakdown of SCRs for the 30 largest companies (in terms of GWP) within our sample that use the SF. Underwriting risk is the predominant risk for most of the biggest firms.

The counterparty default risk remains a low risk for UK non-life insurers, most of them having secured the bulk of their outwards reinsurance from well-rated carriers and most having few, if any, bad debts.

FIGURE 7: SCR BREAKDOWN BY RISK MODULE AND BY COMPANY AS AT YEAR-END 2021 (TOP 30 BY GWP - SF ONLY)



ANALYSIS OF OWN FUNDS

Own funds are divided into three tiers based on quality: Tier 1 capital is the highest ranking with the greatest loss-absorbing capacity, such as retained earnings and share capital; Tier 2 funds are typically composed of hybrid debt; and Tier 3 typically comprises deferred tax assets and other permitted intangible assets. As shown in Figure 8, below, insurers' eligible own funds are considered to be of good quality, with 92.4% classified in Tier 1. There was no material change to the tiering of own funds, to meet both the SCR and the MCR, when compared to the 2020 year end, with the largest change being the movement in proportion of Tier 1 unrestricted (decrease of 0.7%).

FIGURE 8: TIERING OF OWN FUNDS AS AT YEAR-ENDS 2020 AND 2021

ELIGIBLE OWN FUNDS TO MEET THE SCR	YEAR-END 2020	YEAR-END 2021
TIER 1 UNRESTRICTED	93.1%	92.4%
TIER 1 RESTRICTED	0.3%	0.5%
TIER 2	5.1%	5.2%
TIER 3	1.6%	1.9%
ELIGIBLE OWN FUNDS TO MEET THE MCR		
TIER 1 UNRESTRICTED	98.6%	98.4%
TIER 1 RESTRICTED	0.3%	0.5%
TIER 2	1.0%	1.1%

92.4% of own funds

for UK non-life insurers is held in

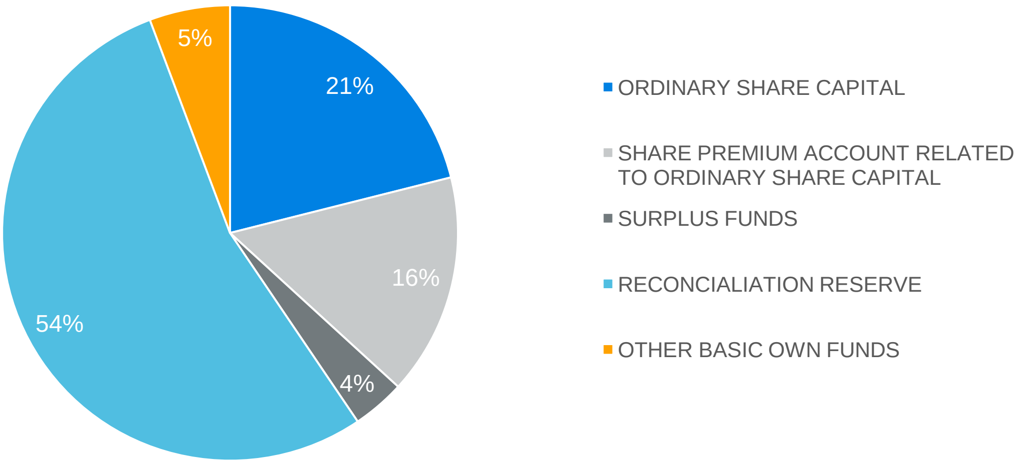
Tier 1 Unrestricted Capital

We also note that Tier 2 eligible own funds are slightly more common for larger insurers (in terms of GWP), with 5.7% of own funds for the 30 largest companies being classified as Tier 2 against 5.2% for the whole market.

For 91% of the companies that we analysed, the available own funds were 100% eligible to cover the SCR, similar to the proportion as at year-end 2020 (93%).

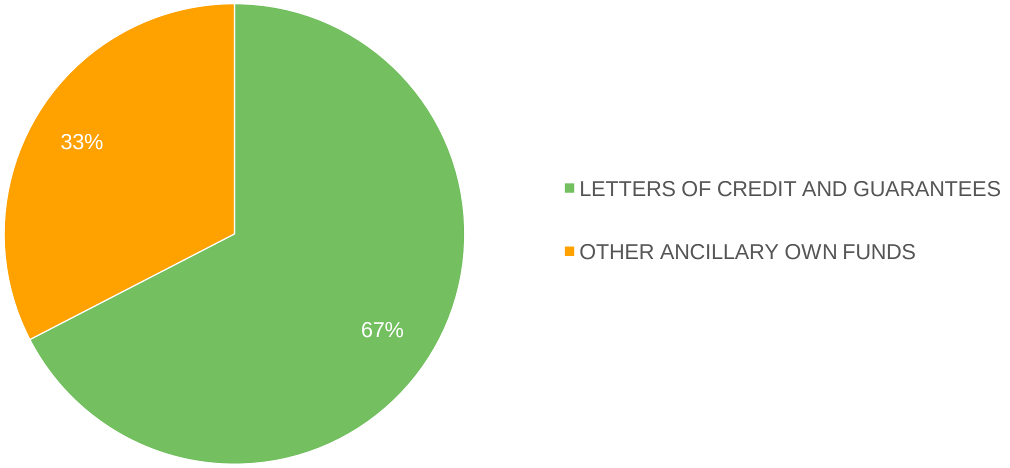
In Figure 9, below, we look at the split of basic own funds by type as at year-end 2021. It appears that basic own funds primarily comprise the reconciliation reserve, which makes up 54%, and share capital (both ordinary share capital and share premium account) making up approximately 37%. Own funds in subordinated liabilities, deferred tax assets, and other basic own funds are all very small, making up less than 6% of the entire own funds when combined. The proportions, in Figure 9, below, are broadly similar to the values observed as at year-end 2020, although the proportion of share capital has reduced, with an offsetting increase in the reconciliation reserve.

FIGURE 9: COMPONENTS OF BASIC OWN FUNDS AS AT YEAR-END 2021



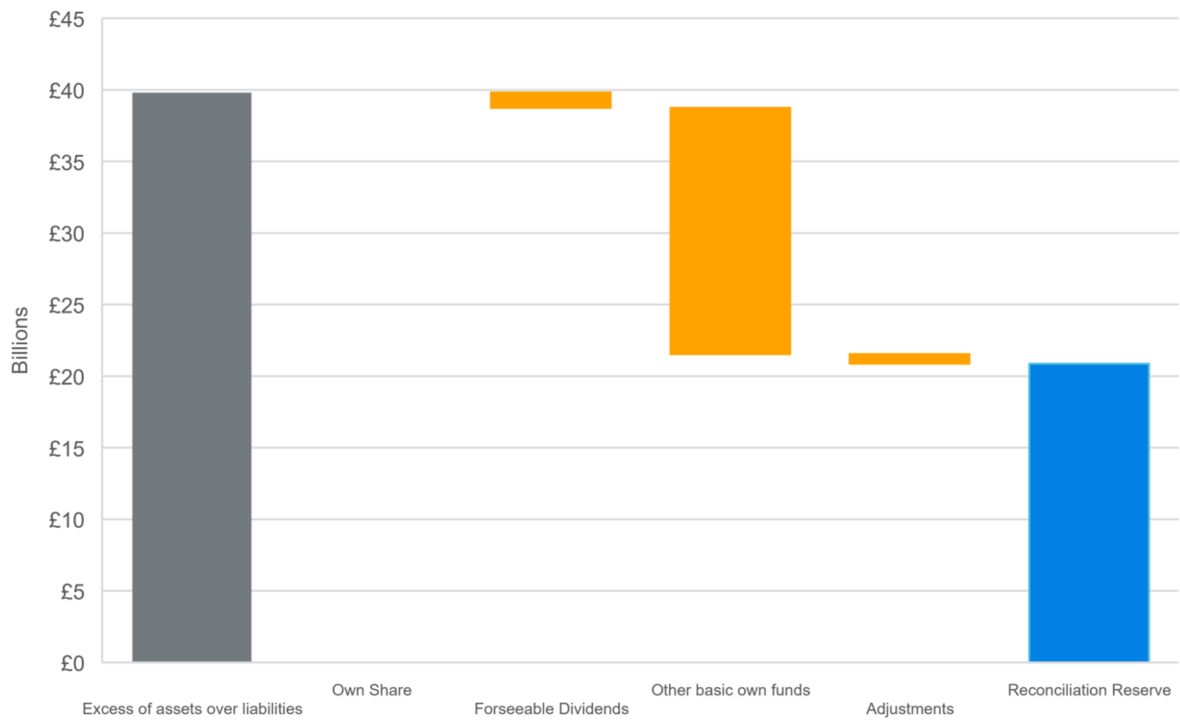
In Figure 10, below, we look at the split of ancillary own funds by type. We observe that ancillary own funds primarily comprise of letters of credit and guarantees (67.4%), with other ancillary own funds making up the rest. As at year-end 2020, 90.7% of ancillary own funds were comprised of letters of credit and guarantees. The movement in 2021 is driven by Royal & Sun Alliance, which was given approval by the PRA in July 2021 for an ancillary own funds item for a period of two years. This comprises £250 million of nil-paid uncalled share capital, which counts as Tier 2 capital in the solvency calculations, subject to eligibility rules. For the companies included in our sample, ancillary own funds were far less common than basic own funds, with 98% of total eligible own funds comprising basic own funds.

FIGURE 10: COMPONENTS OF ANCILLARY OWN FUNDS AS AT YEAR-END 2021



The breakdown of the reconciliation reserve is also available from the SFCRs and is shown in Figure 11, below. The reconciliation reserve is constructed from the excess of assets over liabilities, with deductions made for own shares, foreseeable dividends, other basic own fund items and adjustments (for restricted own funds items in respect of matching adjustment portfolios, and ring-fenced funds).

FIGURE 11: BREAKDOWN OF THE RECONCILIATION RESERVE AS AT YEAR-END 2021



The breakdown of the reconciliation reserve is very similar to that observed as at the 2020-year-end, including no impact for own shares. Foreseeable dividends and adjustments act to decrease the reconciliation reserve more so than at year-end 2020, and vice versa for other basic own funds.

We note in passing that the expected profits included in future premiums represent 18.1% of the overall reconciliation reserve. This is lower than the equivalent figure as at the 2020 year end (19.4%).

ANALYSIS OF MAIN BALANCE SHEET ITEMS

Assets

Investments in corporate and government bonds dominate the assets of the companies that we analysed, accounting for 58% of total investments. Beyond their attractive nature—regular payments allowing non-life insurers to match the future claims payments—such bonds are also less expensive in terms of capital than more volatile assets such as equities. The remainder of investments is concentrated in collective investment undertakings (15%) and holdings in related undertakings (10%).

GOVERNMENT AND CORPORATE BONDS account for **58%** of **the top 30 companies' financial investments**

Figure 12, below, shows how the split of assets, by asset class, has changed between the 2020 and 2021 year ends for the top 30 companies (defined in terms of GWP) included in our sample. Figure 13, below, shows the equivalent, but for companies excluding the top 30 companies.

FIGURE 12: SPLIT OF INVESTMENTS BY ASSET CLASS AS AT YEAR-ENDS 2020 AND 2021 (TOP 30 BY GWP)

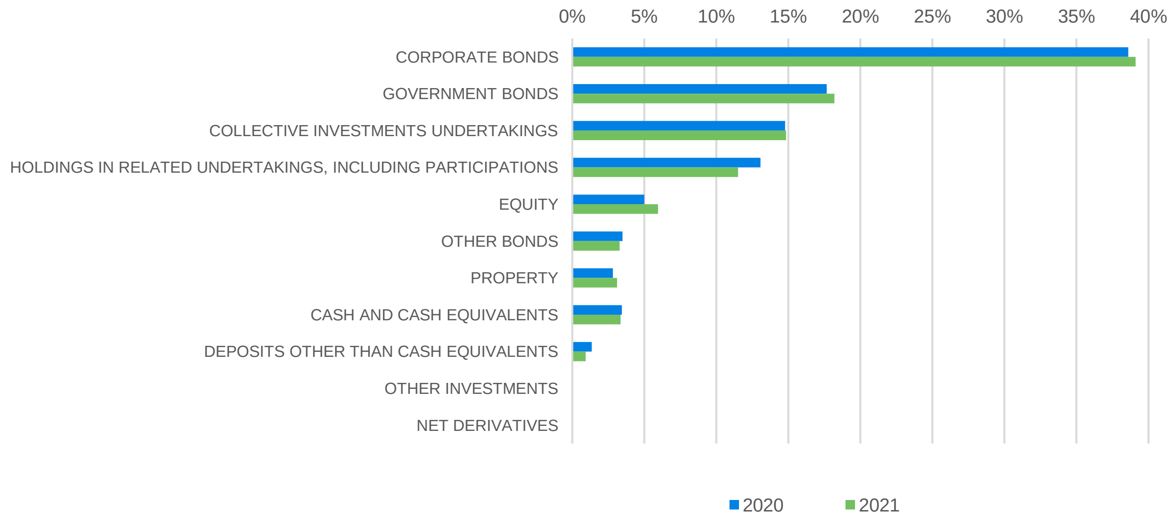
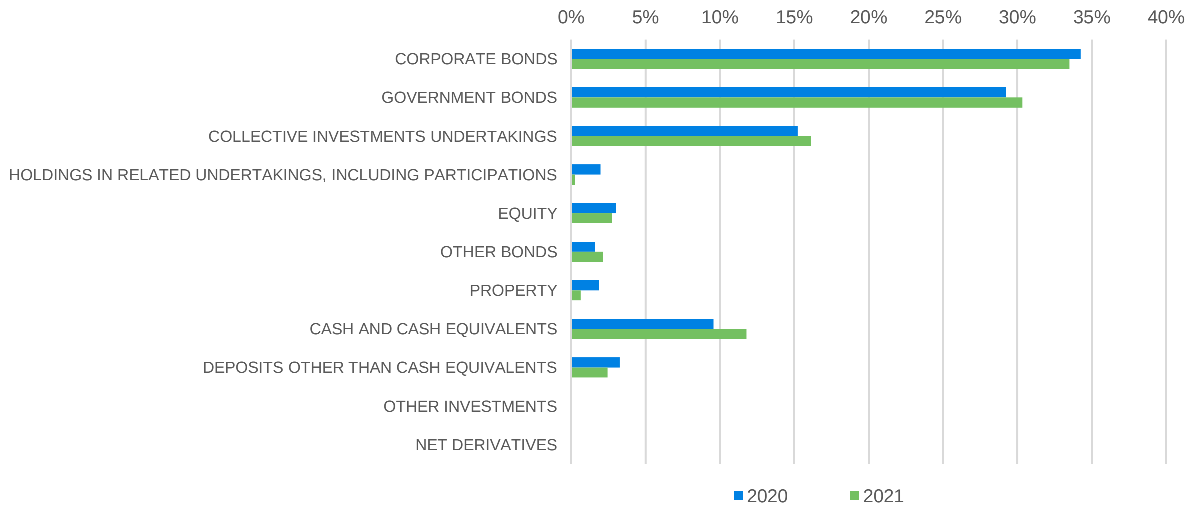


FIGURE 13: SPLIT OF INVESTMENTS BY ASSET CLASS AS AT YEAR-ENDS 2020 AND 2021 (EXCLUDING TOP 30 BY GWP)



We can see from Figures 12 and 13, above, that the mix of assets varies by the size of the company. As one would expect, larger firms hold a higher share of their invested assets in participations than do smaller firms. On the other hand, smaller insurers hold higher proportions of their assets in cash and deposits (such assets are more liquid and less risky, but provide lower returns).

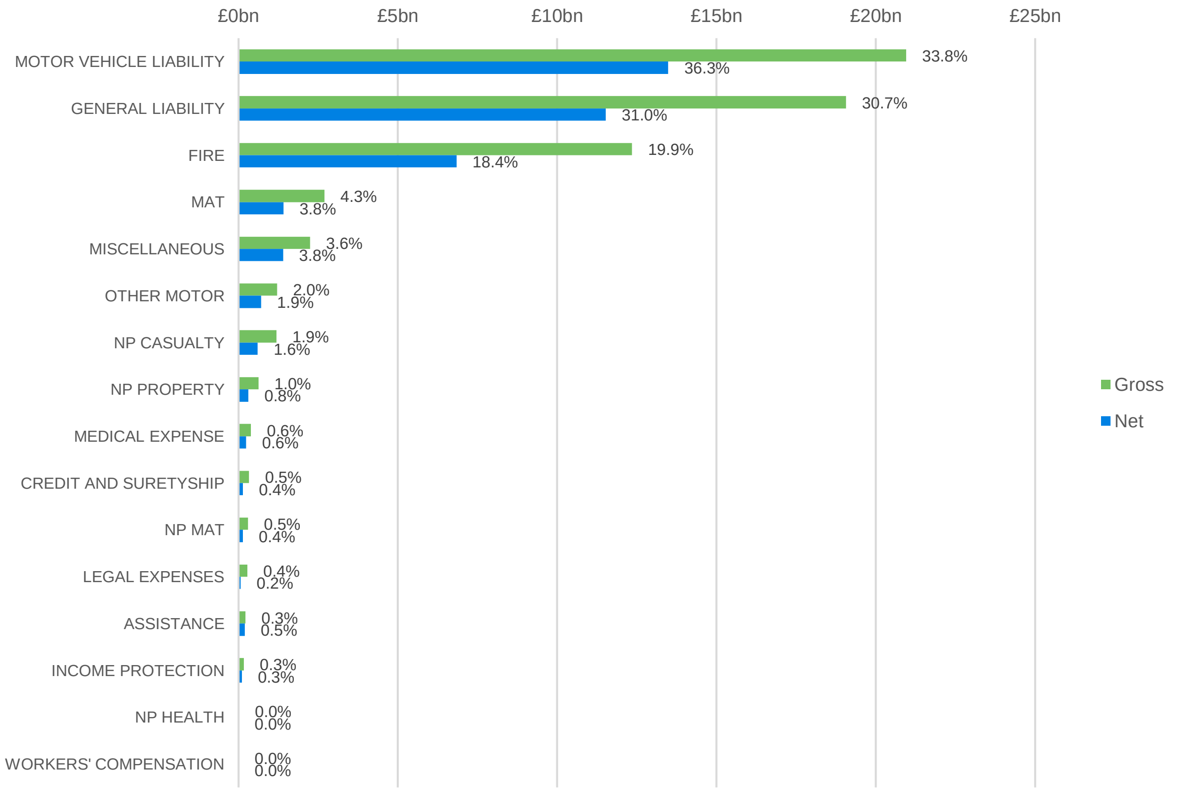
We note from Figure 12, in general, that, over the year, larger insurers have increased the proportions of their assets invested in bonds (both government and corporate) and equities, while smaller insurers have increased their proportions invested in cash and government bonds from their level at year-end 2020, with both groups reducing their proportions invested in holdings in related undertakings.

In general, as expected and as demonstrated by Figures 12 and 13, above, larger firms tend to hold a higher share of their invested assets in equities than do smaller firms. However, there are examples of smaller firms which have material proportions of their assets invested in equities, such as FM Insurance and Methodist Insurance, with 26.6% and 54.3%, respectively, of their assets invested in equities as at year-end 2021 (although FM Insurance have reduced their proportion by 5.5% since year-end 2020). From year-end 2018 to year-end 2020, we had observed a decreasing trend in the proportion of equities held by larger firms. We also note that the difference between larger and smaller firms in the proportions invested in equities increased during 2021 (6% invested for larger firms and 3% invested for smaller firms, compared with 5% and 3% as at year-end 2020). Some larger firms, such as Markel International, have increased the proportion of their assets invested in equities over the course of 2021 (25.9% as at year-end 2021, up from 19.7% as at year-end 2020).

Technical provisions

Figure 14, below, shows the composition of technical provisions across non-life lines of business (as categorised under Solvency II) as at the 2021 year end.

FIGURE 14: TECHNICAL PROVISIONS (EXCLUDING THE RISK MARGIN) AS AT YEAR-END 2021, SPLIT BY SOLVENCY II LINE OF BUSINESS[6]



The 89 insurers included in our sample have technical provisions (excluding the risk margin) totalling just under £62 billion, gross of reinsurance, and over £37 billion net of reinsurance. These figures are very similar to those as at the 2020 year end. 65% of the gross technical provisions and 67% of the net technical provisions are in respect of the long-tail business lines of business, i.e., general liability and motor vehicle liability. These percentages are also similar to those as at the 2020 year end.

As at the 2021 year end, the technical provisions in respect of annuities stemming from non-life insurance contracts (these have not been included in Figure 14, above) were £3.7 billion, gross of reinsurance, and £1.2 billion, net of reinsurance. These annuities mainly relate to Periodic Payment Order (PPOs) liabilities and are a key component of UK non-life firms' liabilities (ranking fourth in terms of gross technical provisions). Figure 15, below, shows the technical provisions 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, and how this has changed relative to the 2019 and 2020 year ends.

[6] 'NP' refers to non-proportional reinsurance. 'MAT' refers to marine, aviation and transport insurance.

FIGURE 15: PROPORTION OF TECHNICAL PROVISIONS FOR MOTOR VEHICLE LIABILITY BUSINESS IN RESPECT OF ANNUITIES AS AT YEAR-ENDS 2019, 2020, & 2021 (£MILLIONS)

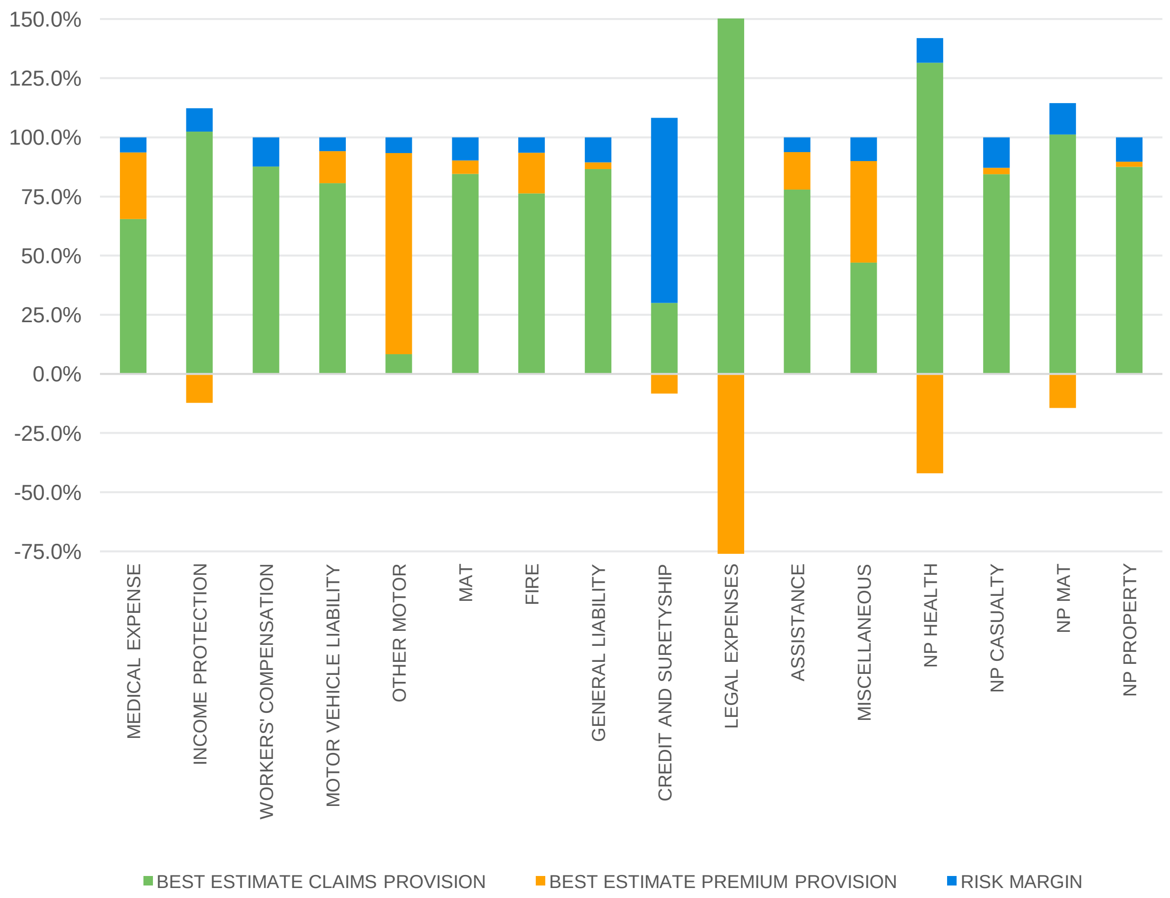
		MOTOR VEHICLE LIABILITY TECHNICAL PROVISIONS	TECHNICAL PROVISIONS IN RESPECT OF ANNUITIES	PROPORTION
GROSS	2019	21,565	3,023	14.0%
	2020	21,108	3,681	17.5%
	2021	20,948	3,668	17.5%
NET	2019	14,156	1,030	7.3%
	2020	13,728	1,185	8.6%
	2021	13,485	1,239	9.2%

Technical provisions in respect of annuities have increased over 2021 in absolute terms and as a proportion of motor vehicle liability technical provisions, net of reinsurance. One would have expected the proportion of annuity provisions to motor vehicle liability provisions to have increased, as PPOs as a claim type have not yet reached maturity. The number of claims being settled as a PPO has reduced since the material reduction in the Ogden Discount Rate in 2017, and hence the increase from year to year is less than it would have been otherwise.

Figure 16, below, sets out the component elements of the net technical provisions. It shows that, for most lines of business, the best estimate of claims provisions represents the biggest part of the Solvency II technical provisions.

The best estimates shown here include allowance for claims events not in the data (ENIDs) and are discounted at the appropriate rate.

FIGURE 16: COMPONENTS OF NET TECHNICAL PROVISIONS AS AT YEAR-END 2021

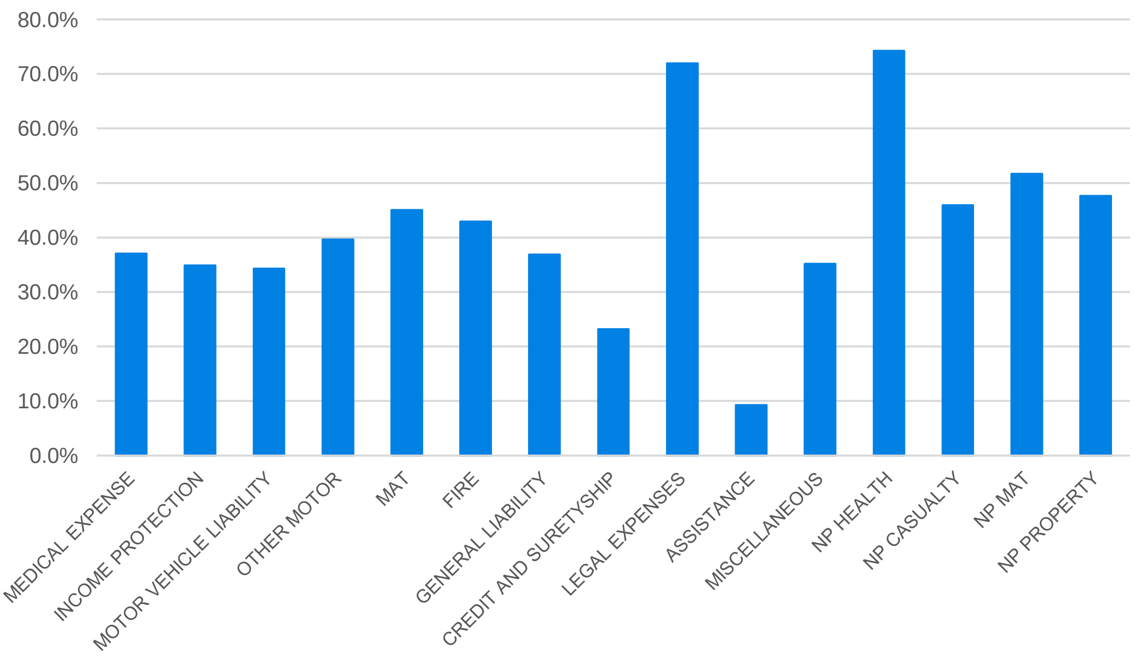


The following lines of business show negative best estimates of premium provisions: income protection, credit and suretyship, legal expenses, NP health, and NP MAT. We note that, for legal expenses, the premium provision component of the technical provisions reaches approximately -118%, while the claims provision component reaches approximately 200%[7], Figure 16, above, does not show the full values for this line of business. On the other hand, the best estimate of premium provisions for other motor is materially higher than the best estimate of claims provisions, which reflects the short-term nature of many of the outstanding claims liabilities within this category.

Reinsurance is widely used by UK non-life insurers, with reinsurance recoverables equal to 37.8% of the non-life technical provisions (gross of reinsurance) as at the 2021 year end, aggregated across the 89 non-life insurers. This is an increase of 0.8% on the proportion as at year-end 2020.

Figure 17, below, shows the reinsurance recoverables as a percentage of the gross technical provisions for each of the main Solvency II lines of business as at year-end 2021.

FIGURE 17: REINSURANCE RECOVERABLES AS PERCENTAGES OF GROSS TECHNICAL PROVISIONS AS AT YEAR-END 2021



The lines of business with the highest ceded level of reinsurance both at year-end 2021 and year-end 2020 were legal expenses (72% in 2021, 71% in 2020) and NP health (74% in 2021, 65% in 2020). The assistance line of business has the lowest ceded level of reinsurance as at both year-ends 2021 and 2020 (9% in 2021, 5% in 2020). The increase in the NP health proportion was mainly driven by QBE Insurance, while the increase in the assistance proportion was mainly driven by Aviva Insurance increasing their proportion ceded and Liverpool Victoria re-commencing writing this line of business in 2021. The largest decrease was observed in credit and suretyship (23% as at year-end 2021 and 32% as at year-end 2020), mainly driven by AIG UK and Endurance Worldwide reducing their ceded proportions.

[7] We note that Allianz and Markel International contribute a large proportion of both the aggregate premium and claims provisions. Were these two companies to be excluded from the data, the aggregate premium provision for legal expense cover across the remaining companies would have been -8.6% of the overall technical provision, and the claims provision would have been 99.7% of the total technical provision.

Figure 18, below, shows how the risk margin as a proportion of the net technical provisions for each Solvency II line of business has changed between the 2020 and 2021 year ends.

FIGURE 18: RATIO OF RISK MARGIN TO NET TECHNICAL PROVISIONS BY PRODUCT GROUP AS AT YEAR-ENDS 2020 AND 2021

SOLVENCY II LINE OF BUSINESS	RISK MARGIN / NET TECHNICAL PROVISIONS %	
	2021	2020
CREDIT AND SURETYSHIP	78.2%	67.9%
LEGAL EXPENSE	18.0%	15.7%
NP MAT	13.2%	10.9%
NP CASUALTY	12.8%	14.5%
WORKERS' COMPENSATION	12.3%	12.5%
GENERAL LIABILITY	10.6%	10.9%
NP HEALTH	10.4%	6.4%
NP PROPERTY	10.4%	9.7%
MISCELLANEOUS	10.0%	11.1%
INCOME PROTECTION	9.8%	8.0%
MAT	9.8%	9.0%
OTHER MOTOR	6.6%	7.7%
FIRE & OTHER DAMAGE	6.5%	6.0%
MEDICAL EXPENSE	6.4%	5.2%
ASSISTANCE	6.3%	4.2%
MOTOR VEHICLE LIABILITY	5.8%	6.0%
TOTAL	9.1%	9.3%

We note that, for more than half of the lines of business, the risk margin has increased from year-end 2020 to year-end 2021, with the largest increase seen in credit and suretyship.

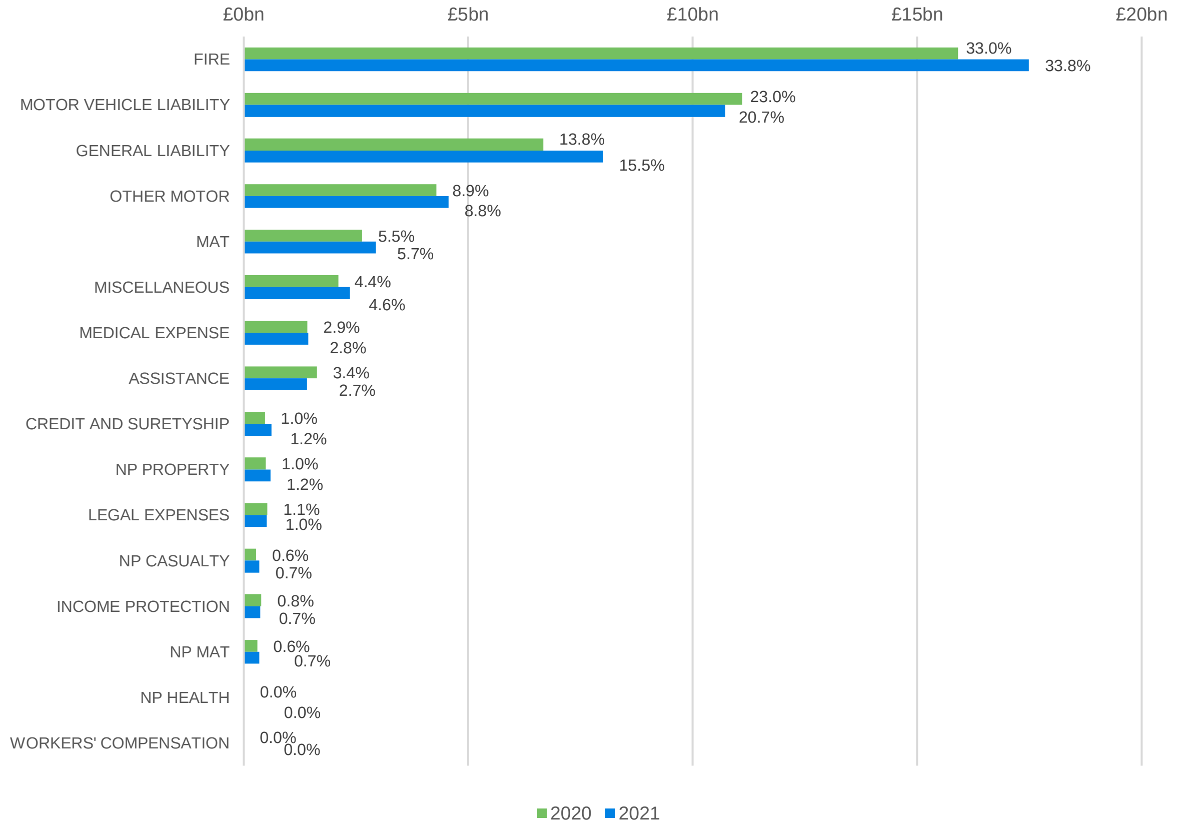
On an aggregated basis, the risk margin represents 9.1% of the net technical provisions. This is in line with the results as at year-end 2020 (9.3%).

ANALYSIS OF UNDERWRITING

In 2021, our sample of UK non-life insurers wrote over £52 billion of gross premiums, increasing from £48 billion in 2020. The increases were mainly observed in fire and general liability. The largest decrease was seen in motor vehicle liability, which could be a result of reduced road use during the year due to the COVID-19 restrictions and the behavioural changes that the restrictions have encouraged. 34% of the premium written relates to fire covers, with 21% relating to motor liability and 16% general liability, these last two lines being the main contributors of technical provisions. We illustrate the GWP by line of business in Figure 19, below.

GROSS WRITTEN PREMIUMS
for non-life insurance have
INCREASED
over the year

FIGURE 19: GROSS WRITTEN PREMIUMS BY LINE OF BUSINESS

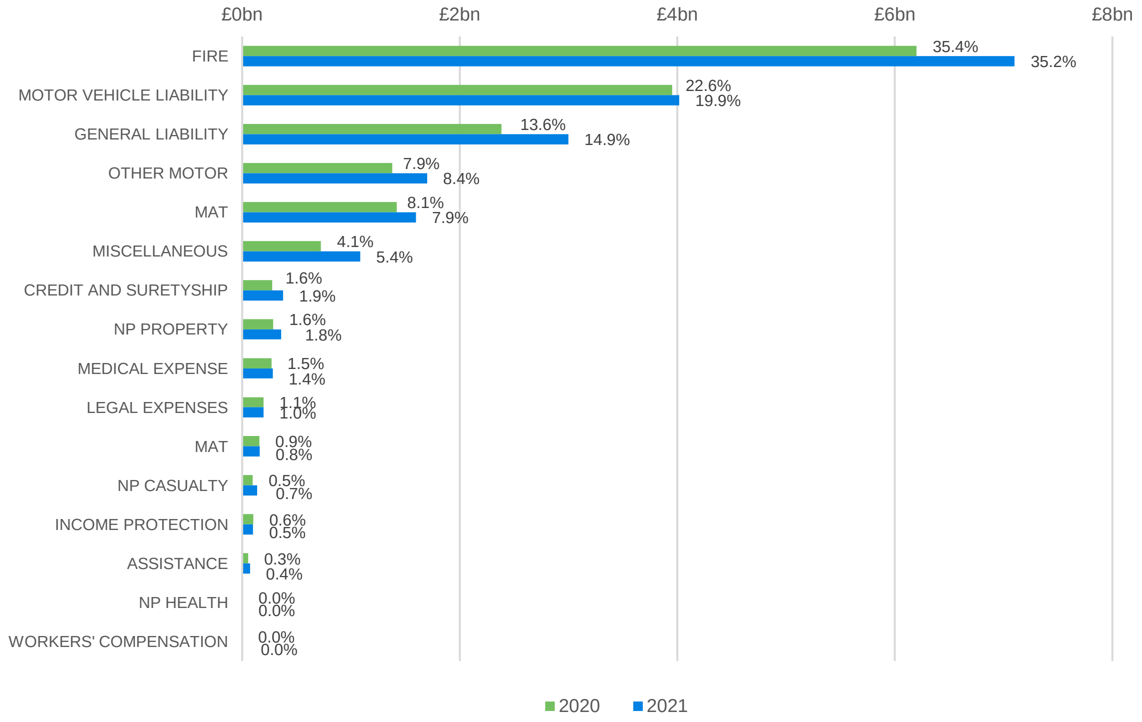


FIRE & OTHER DAMAGE TO PROPERTY AND MOTOR VEHICLE LIABILITY **55%**

account for the largest volume of ceded premiums

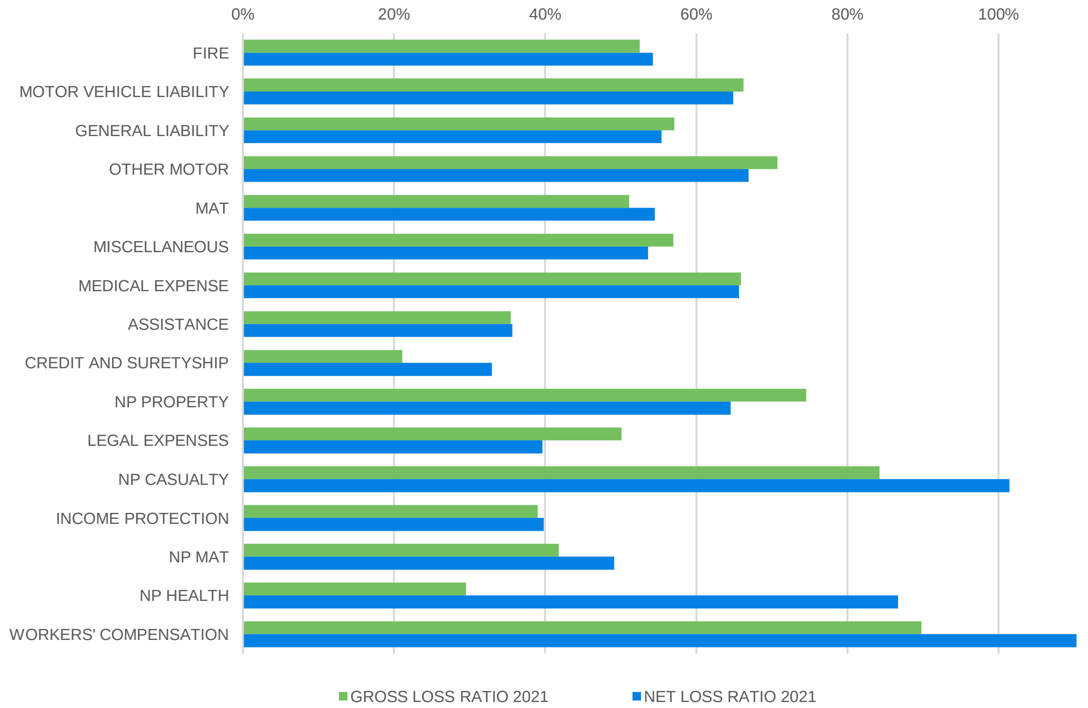
In 2021, our sample of UK non-life insurers ceded over £20 billion of reinsurance premiums, increasing from £18 billion in 2020. The greatest increase over the year was seen in fire and general liability. All lines of business experienced increases in their ceded reinsurance premiums with the exception of income protection and NP health. In our sample, 35% of the ceded premiums relate to fire covers, with 20% relating to motor vehicle liability and 15% to general liability. We illustrate this in Figure 20, below.

FIGURE 20: CEDED REINSURANCE PREMIUMS BY LINE OF BUSINESS



In Figure 21, below, we show the gross and net of reinsurance loss ratios by line of business (sorted by GWP volumes, as per Figure 19, above).

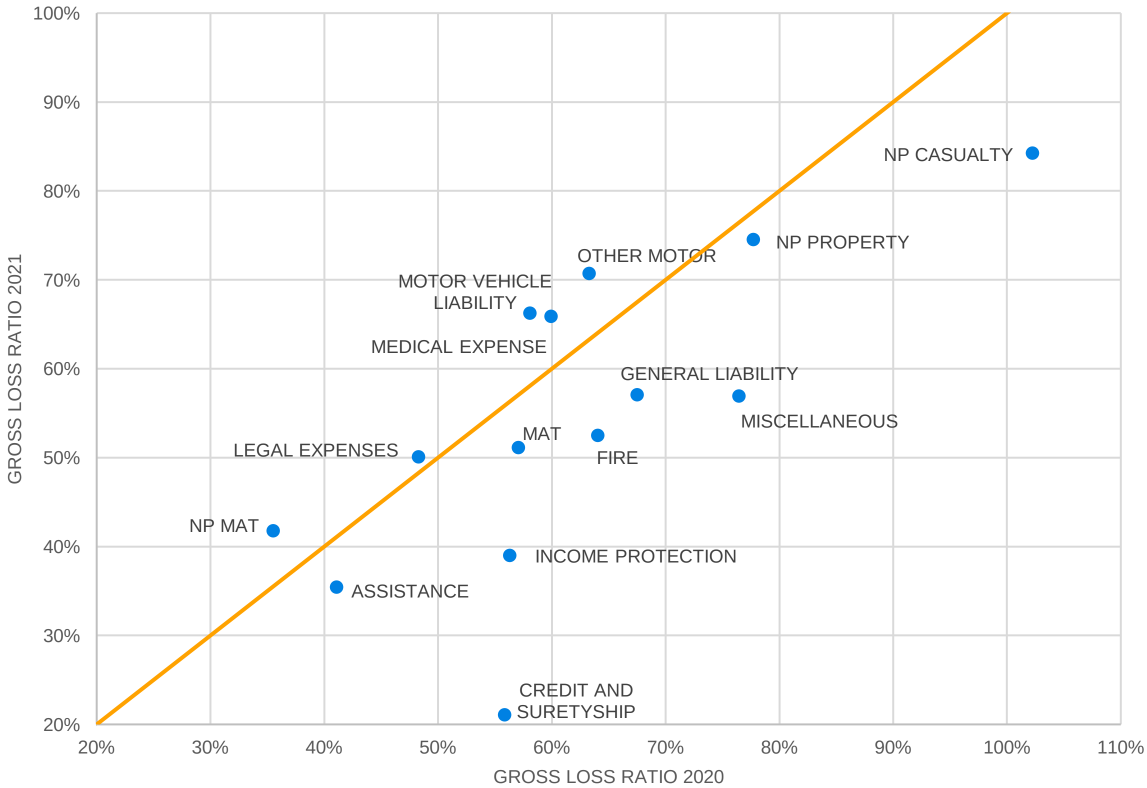
FIGURE 21: GROSS AND NET LOSS RATIOS BY LINE OF BUSINESS AS AT YEAR-END 2021[8]



[8] We note that workers' compensation has a particularly high net loss ratio, of 272%, which goes beyond the chart axes.

Figure 22, below, shows the changes in the gross loss ratios between year-end 2020 and year-end 2021. For those lines of business above the diagonal line, the gross loss ratios increased in 2021 relative to the equivalent gross loss ratios in 2020. Conversely, if a line of business lies below the line, its gross loss ratio reduced in 2021 relative to 2020. The loss ratios shown are on a calendar-year basis, and therefore reflect the gross loss ratio for the risks exposed during the calendar year, adjusted by any strengthening or weakening of the outstanding claims reserves relating to prior years' exposure.

FIGURE 22: GROSS LOSS RATIOS BY LINE OF BUSINESS, FOR CALENDAR YEARS 2020 AND 2021[9]



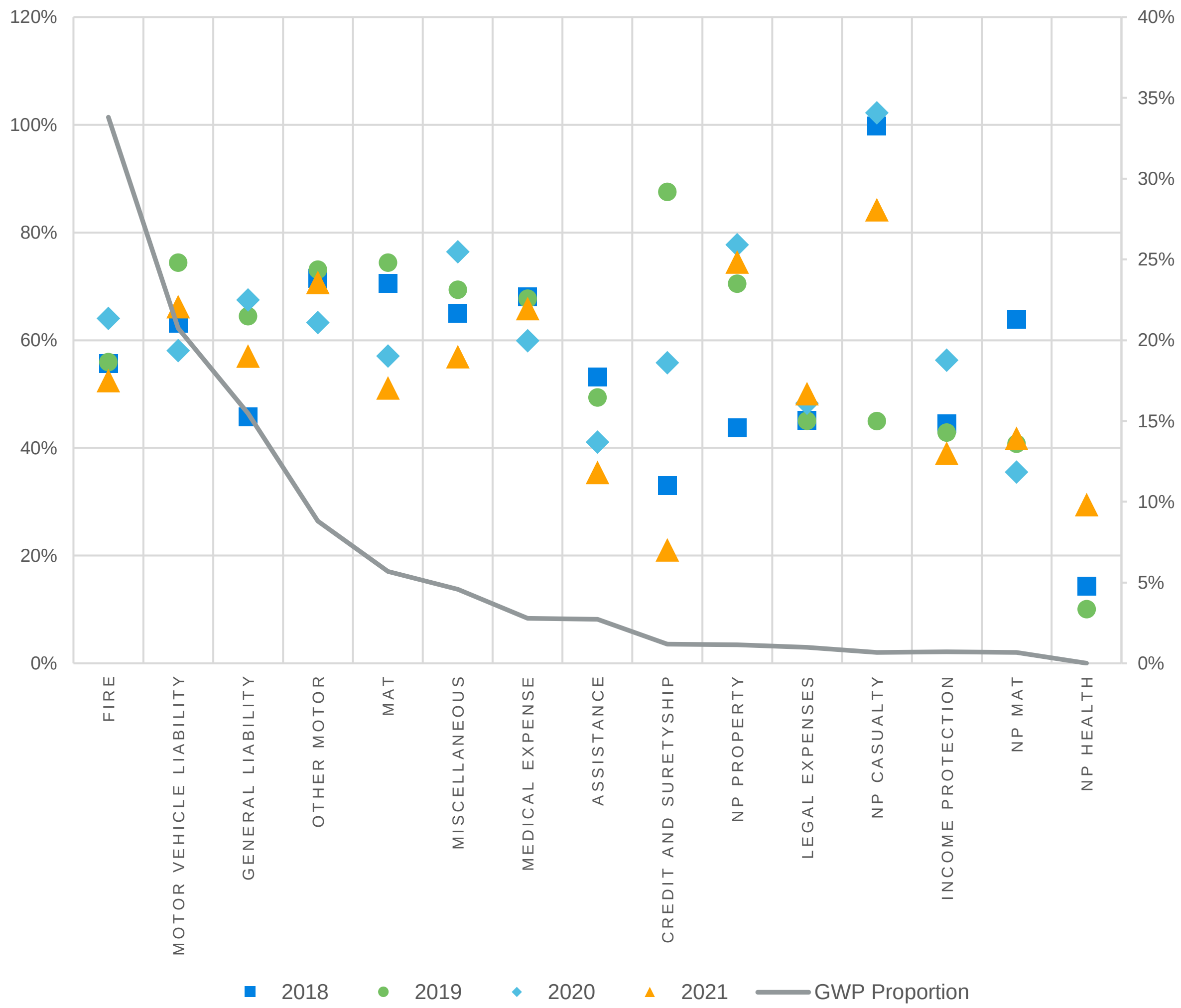
We note that the gross loss ratio for credit and suretyship has decreased materially between year-end 2020 and year-end 2021, from 56% to 21%, closer to the level seen in 2018 (33%). In 2021, the gross incurred losses reduced significantly from £349 million to £130 million (mainly driven by AIG UK, Chubb European and TransRe), while the gross earned premiums remained broadly stable. Conversely, the gross loss ratios for motor liability and other motor have increased between year-end 2020 and year-end 2021, from 58% to 66% and from 63% to 71%, respectively, both primarily driven by increases in incurred losses. Lockdown measures introduced in the UK during 2020, and in the first half of 2021 led to lower claim frequencies in motor, due to a reduction in the numbers of vehicles on the roads and some apparent changes in driving behaviour. With lockdown measures removed in the second half of 2021, road usage increased and claims experience has returned towards (although still lower than) pre-pandemic levels.

[9] For workers compensation, the 2021 gross loss ratio, based on the insurers in our sample, was 90%.

NP health is not included in Figure 22. The 2020 gross loss ratio, based on the insurers in our sample, was 212%, and the 2021 gross loss ratio was 30%. In our sample of insurers, the GWP for NP health is approximately £6 million, which is materially lower than the equivalent figures for the other lines of business, which leads to more volatility in the gross loss ratio.

We show in Figure 23, below, the development of the gross loss ratios for all lines of business over the last four years. The grey line indicates the GWP for the lines of business as a proportion of the total GWP.

FIGURE 23: MOVEMENT OF GROSS LOSS RATIOS BY CALENDAR YEAR AND BY LINE OF BUSINESS[10]



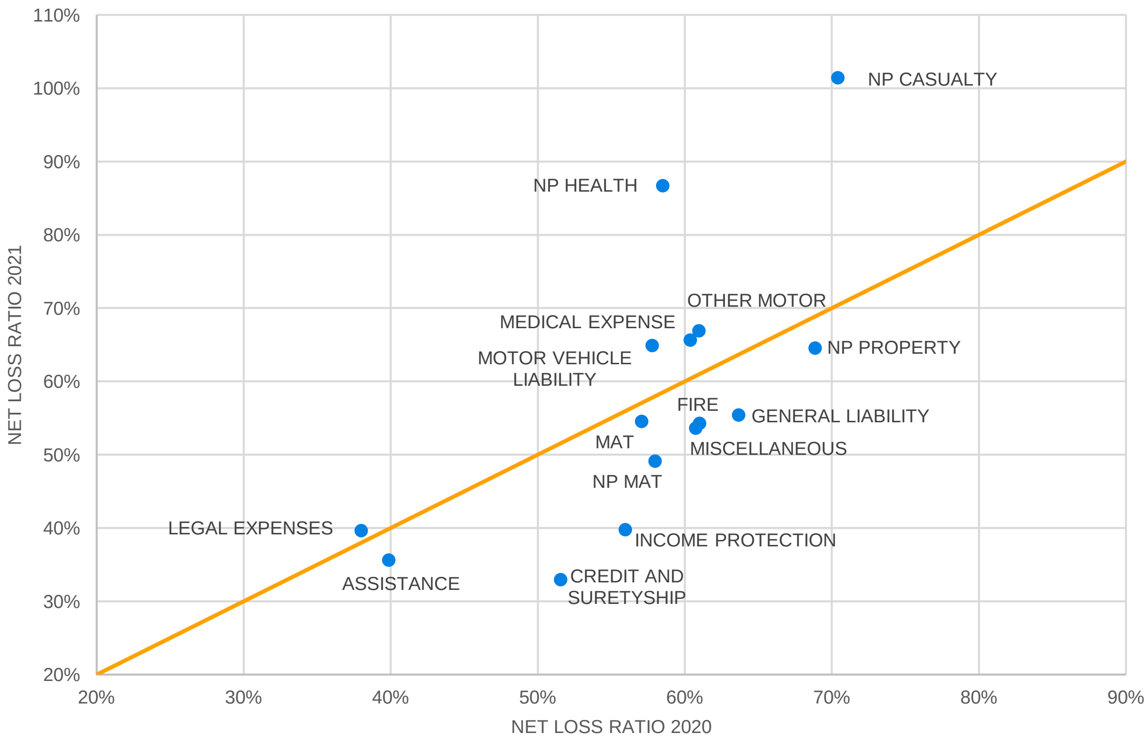
As one would expect, the lines of business that have the larger volumes of premiums have, in general, far less volatility in their gross loss ratios over the last four years.

We note that, for NP health, the gross loss ratio for year-end 2020 appears to be an outlier when compared to the prior three years. As can be observed in Figure 23, the premium volume for NP health is materially lower, leading to more volatility in the loss ratios.

[10] The gross loss ratio for NP health for 2020 has been excluded from the graph (212%). Therefore, we have not included this line of business in Figure 23. For workers compensation, the 2021 gross loss ratio, based on the insurers in our sample, was 90%.

Figure 24, below, shows the changes in the net loss ratios between year-end 2020 and year-end 2021. Similar to the gross loss ratios, the net loss ratios shown are on a calendar-year basis, and therefore reflect the net loss ratio for the risks exposed during the calendar year, adjusted by any strengthening or weakening of the outstanding claims reserves relating to prior years' exposure.

FIGURE 24: NET LOSS RATIOS BY LINE OF BUSINESS, FOR CALENDAR YEARS 2020 AND 2021[11]



In general, Figures 22 and 24 paint a similar picture in that, generally, the lines of business above the line in one figure are also above the line in the other, and similarly regarding those lines of business below the line. However, their positions differ between the two figures, reflecting the use and effectiveness of reinsurance within each line of business.

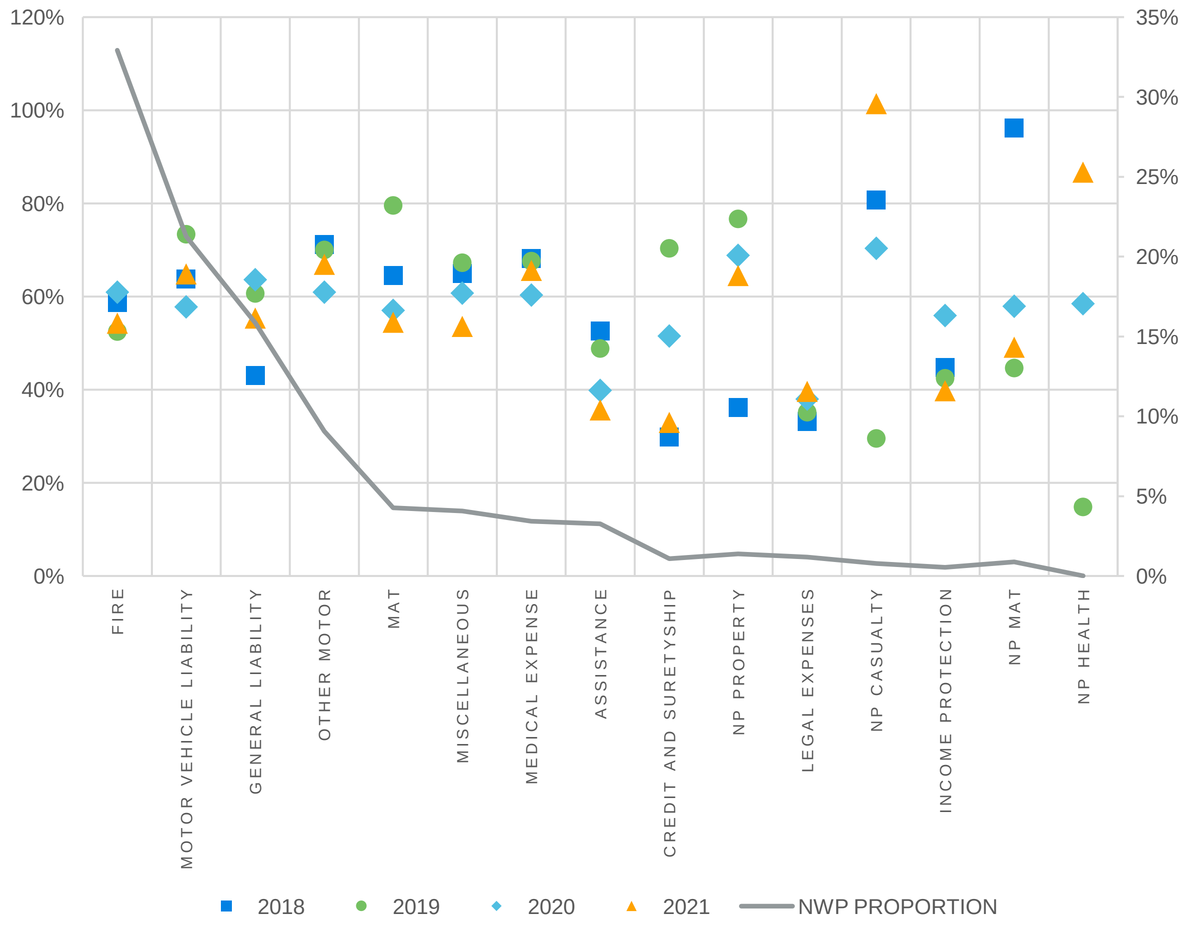
We observe that the largest increase in net loss ratios, between year-end 2020 and year-end 2021, were for NP health and NP casualty, with the loss ratios increasing from 58% to 87%, and from 70% to 101%, respectively. As noted above, the premium volume for NP health is materially lower than those for the other lines of business, leading to more volatility in the loss ratios. Conversely, the largest reduction is seen in credit and suretyship insurance, with the net loss ratio reducing from 52% to 33% over 2021, consistent with what we have observed in the gross loss ratios in Figure 22.

[11] For workers compensation, the 2021 net loss ratio, based on the insurers in our sample, was 272%.

In Figure 24, the net loss ratios for fire and miscellaneous are both 61% for 2020 and 54% for 2021 (when rounded). Due to the close proximity of these two ratios, the relevant dots in Figure 24, above, overlap each other. Similarly, the net loss ratio for medical expense is 60% for 2020 and 66% for 2021, while other motor has a net loss ratio of 61% for 2020 and 67% for 2021. Due to the close proximity of these two ratios, the relevant dots in Figure 24, above, overlap each other.

We show in Figure 25, below, the development of the net loss ratios for all lines of business over the last four years. The grey line indicates the net written premium (NWP) for the lines of business as a proportion of the total NWP.

FIGURE 25: DEVELOPMENT OF NET LOSS RATIOS BY LINE OF BUSINESS[12]

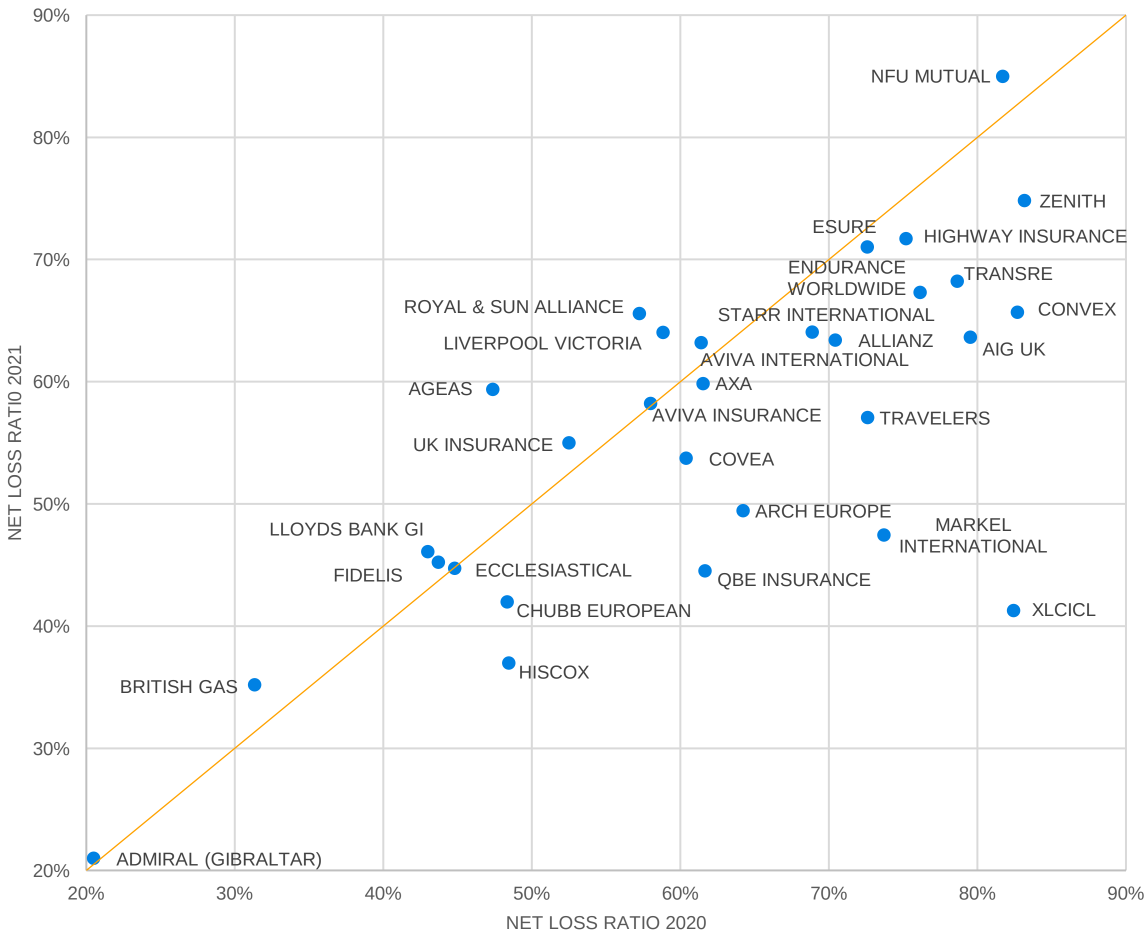


In general, Figure 23 and 25 paint a similar picture in that the lines of business with the larger volumes of premiums have, in general, far less volatility in their loss ratios over the last four years.

[12] The net loss ratio for NP health has been excluded from the graph for calendar year 2018 (-58%). For workers' compensation, the 2021 net loss ratio, based on the insurers in our sample, was 272%.

Figure 26, below, shows the movements in the net loss ratio between year-end 2020 and year-end 2021 for the top 30 insurers (by GWP).

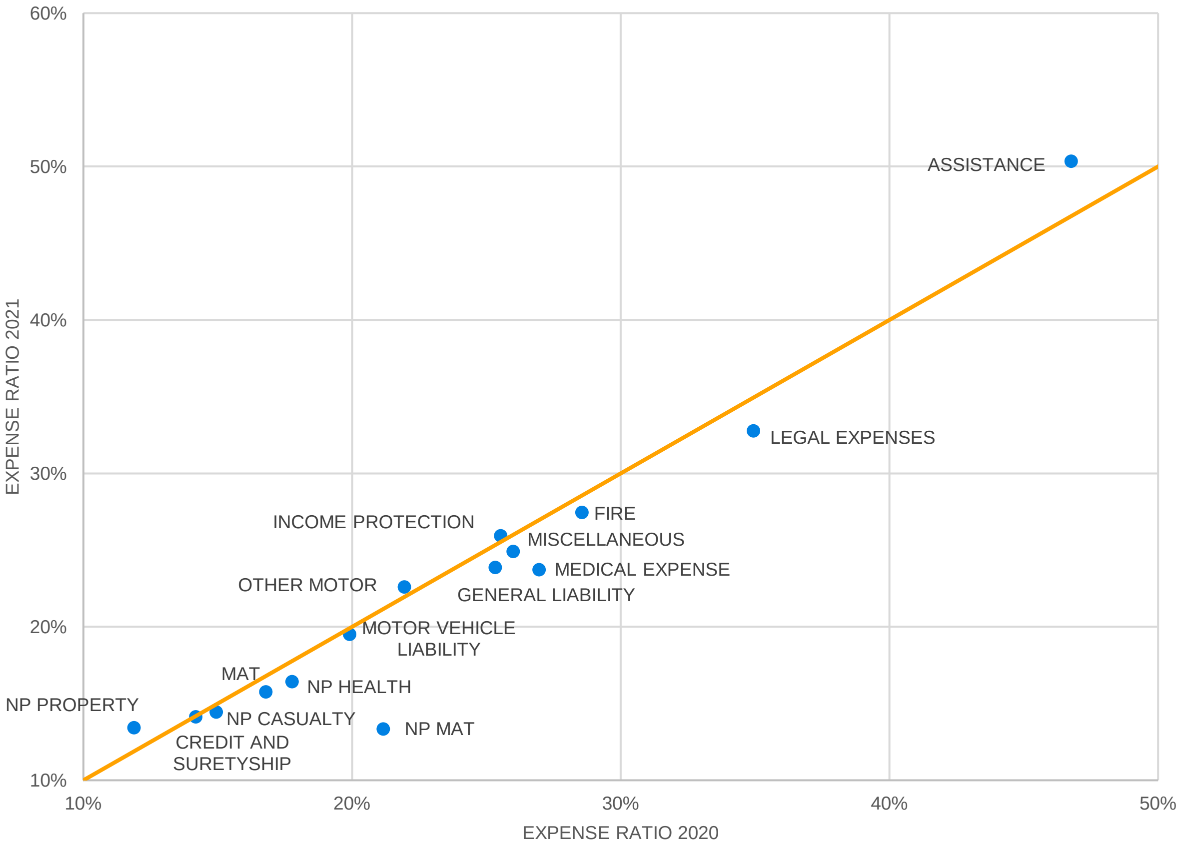
FIGURE 26: NET LOSS RATIOS FOR CALENDAR YEARS 2020 AND 2021, GWP TOP 30



As shown in Figure 26, the movements in the net loss ratios between 2020 and 2021 were not significant for roughly a quarter of the insurers comprising the top 30 (i.e., those close to the diagonal), although some insurers experienced significantly favourable movements in their net loss ratios, with six experiencing movements greater than +/- 15%.

Figure 27, below, shows the changes in the expense ratios between year-end 2020 and year-end 2021.

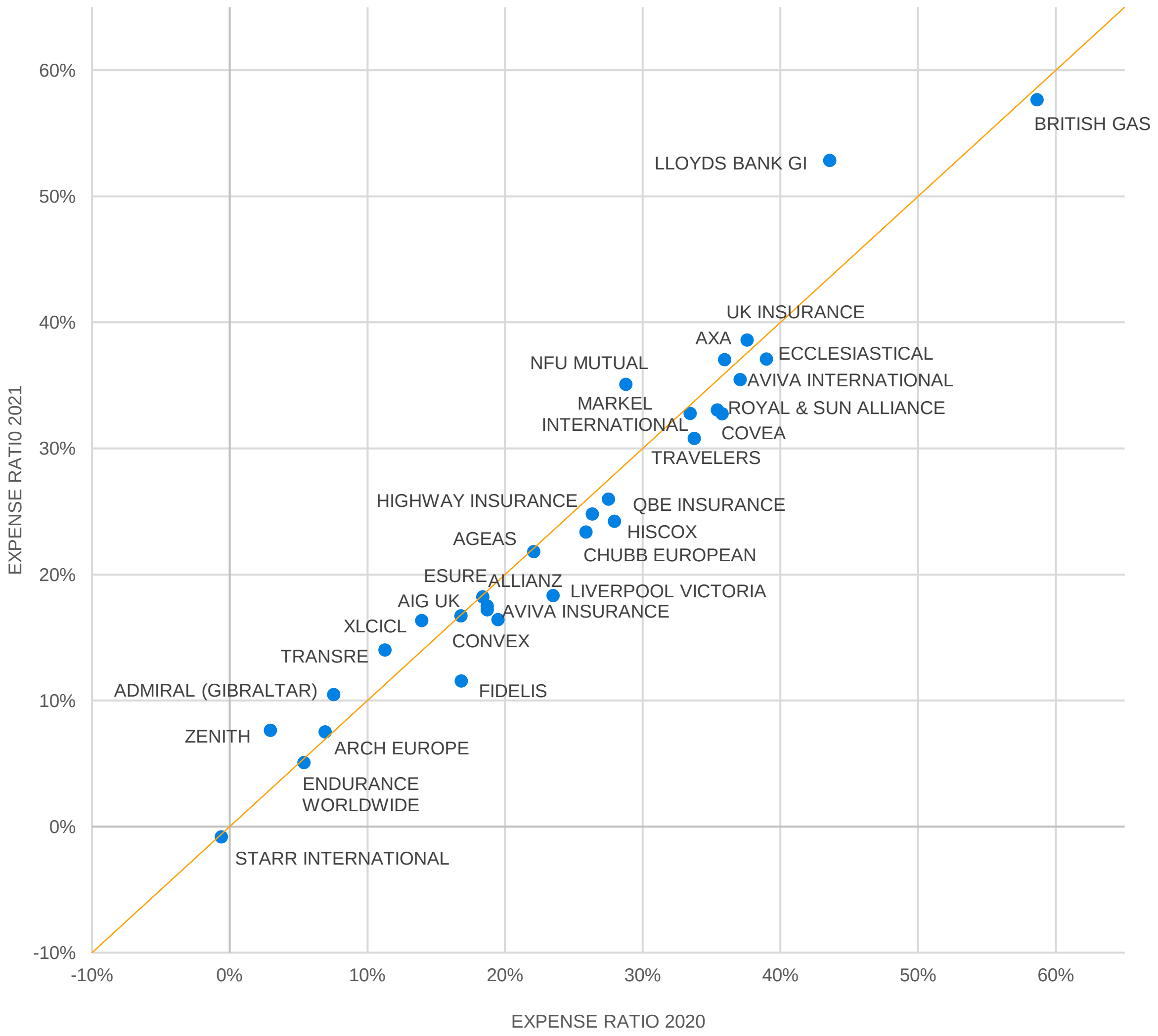
FIGURE 27: EXPENSE RATIOS FOR CALENDAR YEARS 2020 AND 2021



As shown in Figure 27, the movements in the expense ratio between 2020 and 2021 were not significant for the majority of the lines of business. NP MAT experienced the largest movement between year-end 2020 and year-end 2021, with the expense ratio reducing from 21% to 13%, driven by an increase in the premium volume and a reduction in the expenses.

Figure 28, below, shows the movements in the expense ratio between year-end 2020 and year-end 2021 for the top 30 insurers (by GWP).

FIGURE 28: EXPENSE RATIOS FOR CALENDAR YEARS 2020 AND 2021, GWP TOP 30[13]



As shown in Figure 28, the movements in the expense ratios between 2020 and 2021 were not significant for most insurers comprising the top 30 (i.e., those close to the diagonal). None of the top 30 insurers in our sample experienced a movement greater than +/-10% in 2021.

Lloyds Bank GI experienced the largest adverse movement over the year, with its expense ratios increasing from 44% to 53%, with expenses increasing from £233 million to £283 million. Fidelis and Liverpool Victoria experienced the most favourable movement over the year, with their expense ratios reducing from 17% to 12%, and from 23% to 18%, respectively. The movement for Fidelis was driven by the premium base increasing more than the expenses, as Fidelis utilised its increased capital base and capitalised on the significant hardening within the specialty market. The movement for Liverpool Victoria was driven by a reduction in the expense base, with the expenses decreasing by £67 million from £287 million in 2020 to £221 million in 2021[14].

[13] In Figure 28, the expense ratio for Royal & Sun Alliance is 35% for 2020 and 33% for 2021, while for Covea the expense ratio is 36% for 2020 and 33% for 2021. Due to the close proximity of these two ratios, the relevant dots in Figure 28, above, overlap each other. Similarly, the expense ratio for Allianz is 19% for 2020 and 18% for 2021; and the expense ratio for Esure is 18% in 2020 and 18% in 2021. Due to the close proximity of these two ratios, the relevant dots in Figure 28, above, overlap each other.

[14] The slight difference is due to rounding.

In Figure 29, below, we show the operating margin in 2021 for each line of business on an aggregated basis for the insurers included in our panel (sorted by GWP volumes, as per Figure 19, above). For comparison purposes, we also show the equivalent figure for 2020. We define the operating margin as (net earned premium – net claims incurred – expenses incurred) / gross earned premium). We note that the operating margin as defined includes movements in prior year reserves (part of the net claims incurred) but does not include investment income.

FIGURE 29: OPERATING MARGINS IN 2021 (AND IN 2020) BY LINE OF BUSINESS

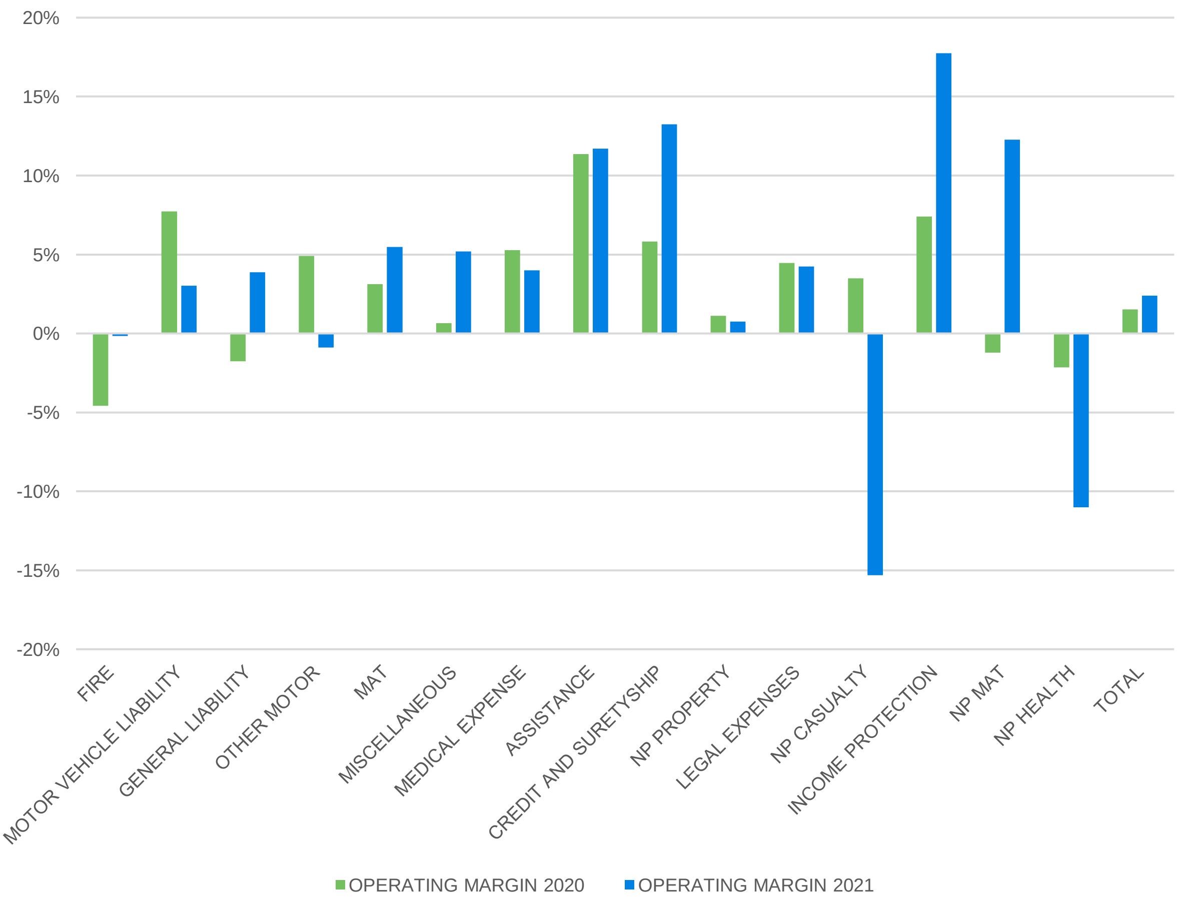


Figure 29, above, indicates that the following lines of business experienced negative operating margins in 2021: other motor, NP casualty, and NP health, with the NP lines of business experiencing the largest movements from 2020 to 2021, although these lines of business do have the smallest premium bases, and therefore would be expected to experience a greater amount of volatility in their operating margin. Overall, the operating margin in 2021 as reported in the SFCRs was 2.4%. This compares with 1.5% in 2020.

Figure 30, below, shows the change in operating margin between 2020 and 2021 for the top 30 insurers by GWP. The operating margin in Figure 30 includes 'Other Expenses,' which are not attributed to administrative, investment management, claims management, acquisition, or overhead expenses and thus are not allocated by line of business (i.e., they were excluded from the 'Operating Margin' ratios set out in Figure 29, above).

FIGURE 30: CHANGE IN OPERATING MARGIN BY YEAR, GWP TOP 30

Figure 30, above, shows that Allianz, Aviva Insurance, Chubb European, Covea, Hiscox, QBE Insurance, TransRe, Travelers, and XLCICL have seen an improvement in their operating margin resulting from significant decreases in their incurred claims. The impact of unfavourable claims experience for some other insurers (Aviva International, British Gas, and Liverpool Victoria) has been dampened by significantly lower expenses. As noted earlier in this report, incurred claim amounts include movements during the year in claims reserves relating to prior years' exposure.

On the same basis as in Figure 30, the operating margin in 2021 for all insurers included in our analysis was 1.8% (0.6% for 2020). As noted above, with 'Other Expenses' excluded, the operating margin in 2021 was 2.4% (1.5% for 2020).

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

FULL NAME[15]	SHORT NAME USED IN THE REPORT
AA Underwriting Insurance Company Limited*	
Acromas Insurance Company Limited*	
Admiral Insurance (Gibraltar) Limited	Admiral (Gibraltar)
Admiral Insurance Company Limited	Admiral
Aetna Insurance Company Limited	
Ageas Insurance Limited	Ageas
AIG UK Limited	AIG UK
Allianz Insurance plc	Allianz
Ambac Assurance UK Limited	Ambac
AmTrust Europe Limited	AmTrust Europe
Arch Insurance Company (Europe) Limited	Arch Europe
Assurant General Insurance Limited	
Assured Guaranty (Europe) plc	
Aviva Insurance Limited	Aviva Insurance
Aviva International Insurance Limited	Aviva International
Avon Insurance plc	
AXA Insurance UK plc	AXA
Bar Mutual Indemnity Fund Limited	
BHSF Limited*	
British Gas Insurance Limited	British Gas
Calpe Insurance Company Limited	
Chubb European Group Limited	Chubb European
CIS General Insurance Limited	CISGIL
Convex Insurance UK Limited*	Convex
Cornish Mutual Assurance Company Limited	
Covea Insurance PLC	Covea
DARAG Insurance UK Limited*	
DAS Legal Expenses Insurance Company Limited	
Douglas Insurance (Gibraltar) Limited*	
Ecclesiastical Insurance Office plc	Ecclesiastical
Endurance Worldwide Insurance Limited	Endurance Worldwide
esure Insurance Limited	Esure
Evolution Insurance Company Limited	
FGIC UK Ltd*	FGIC
Fidelis Underwriting Limited	Fidelis
Financial & Legal Insurance Company Ltd	
First Title Insurance Plc	
FM Insurance Company Limited	FM Insurance
Gresham Insurance Company Limited	
Guarantee Protection Insurance Limited	
Highway Insurance Company Limited	Highway Insurance

[15] *Companies that are in our sample as at year-end 2021 but were not in our sample as at year-end 2020.

FULL NAME[16]	SHORT NAME USED IN THE REPORT
Hiscox Insurance Company Limited	Hiscox
International General Insurance Company (UK) Limited	IGI UK
Lancashire Insurance Company (UK) Limited	
Legal & General Insurance Ltd	
Liverpool Victoria Insurance Company Limited	Liverpool Victoria
Lloyds Bank General Insurance Limited	Lloyds Bank GI
Markel International Insurance Company Limited	Markel International
Markerstudy Insurance Company Limited*	
Methodist Insurance Plc	Methodist Insurance
Millennium Insurance Company Limited*	
Mitsui Sumitomo Insurance Company (Europe) Limited	
Motors Insurance Company Limited	
Municipal Mutual Insurance Limited	Municipal Mutual
National House-Building Council*	
Newline Insurance Company Limited	
One Re Ltd*	
Pinnacle Insurance plc	
PREMIUM Insurance Company Limited*	
QBE Insurance (Europe) Limited	QBE Insurance
RAC Insurance Limited	
Royal & Sun Alliance Insurance plc	Royal & Sun Alliance
Royal & Sun Alliance Reinsurance Limited	
Sabre Insurance Company Limited	
Samsung Fire & Marine Insurance Company of Europe Limited	
SCOR UK Company Ltd	
St Julians Insurance Company Limited*	
St. Andrew's Insurance plc	St Andrew’s
Starr International (Europe) Limited	Starr International
StarStone Insurance SE	
Stewart Title Limited	
Stonebridge International Insurance	
The Baptist Insurance Company Plc	
The Equine and Livestock Insurance Company Limited	
The Griffin Insurance Association Limited	
The Marine Insurance Company Limited	The Marine
The National Farmers Union Mutual Insurance Society Limited	NFU Mutual
The Ocean Marine Insurance Company Limited	The Ocean Marine
The Wren Insurance Association Ltd	
Tradex Insurance Company Limited	
Trafalgar Insurance plc	
TransRe London Limited	TransRe
Travelers Insurance Company Limited	Travelers
TT Club Mutual Insurance Limited	
U K Insurance Limited	UK Insurance

[16] *Companies that are in our sample as at year-end 2021 but were not in our sample as at year-end 2020.

FULL NAME[17]	SHORT NAME USED IN THE REPORT
Wausau Insurance Company (U.K.) Limited	Wausau
White Rock Insurance (Gibraltar) PCC Limited*	
XL Catlin Insurance Company (UK) Ltd	XLCICL
Zenith Insurance Plc*	Zenith

The following companies were included in our sample as at year-end 2020, but are not included in our sample as at year-end 2021.

- Aioi Nissay Dowa Insurance Company of Europe plc
- AMT Mortgage Insurance Limited
- Aspen Insurance UK Limited
- Centrewrite Limited
- Euroguard Insurance Company PCC Limited
- Gringolet Company Limited
- HCC International Insurance Company plc
- HSB Engineering Insurance Limited
- Liberty Mutual Insurance Europe Limited
- London General Insurance Company Limited
- LV Protection Limited
- Mulsanne Insurance Company Limited
- Red Sands Insurance Company (Europe) Limited
- Teachers Assurance Company Limited
- Tesco Underwriting Limited
- The Veterinary Defence Society Limited
- Tokio Marine Kiln Insurance Limited
- UIA (Insurance) Limited
- XL Insurance Company SE

[17] *Companies that are in our sample as at year-end 2021 but were not in our sample as at year-end 2020.

Appendix B: List of Solvency II lines of business

FULL NAME	SHORT NAME USED IN THE REPORT
Assistance	Assistance
Credit and suretyship insurance	Credit and suretyship
Fire and other damage to property insurance	Fire
General liability insurance	General liability
Income protection insurance	Income protection
Legal expenses insurance	Legal expenses
Marine, aviation, and transport insurance	MAT
Medical expense insurance	Medical expense
Miscellaneous financial loss	Miscellaneous
Motor vehicle liability insurance	Motor vehicle liability
Non-proportional reinsurance accepted / Casualty	NP casualty
Non-proportional reinsurance accepted / Health	NP health
Non-proportional reinsurance accepted / Marine, aviation, transport	NP MAT
Non-proportional reinsurance accepted / Property	NP property
Other motor insurance	Other motor
Workers' compensation insurance	Workers' compensation

Appendix C:
Solvency Coverage Ratios for the top 30 insurers

SHORT NAME	SOLVENCY COVERAGE RATIO AS AT YEAR-END 2019	SOLVENCY COVERAGE RATIO AS AT YEAR-END 2020	SOLVENCY COVERAGE RATIO AS AT YEAR-END 2021
Admiral (Gibraltar)	154%	171%	131%
Ageas	165%	158%	159%
AIG UK	138%	138%	146%
Allianz	159%	152%	156%
Arch Europe	179%	280%	201%
Aviva Insurance	186%	199%	209%
Aviva International	172%	169%	192%
AXA	148%	143%	156%
British Gas	144%	155%	174%
Chubb European	139%	164%	225%
Convex	534%	203%	168%
Covea	133%	136%	128%
Ecclesiastical	216%	197%	261%
Endurance Worldwide	266%	182%	165%
Esure	152%	165%	178%
Fidelis	197%	152%	149%
Highway Insurance	142%	128%	126%
Hiscox	155%	131%	153%
Liverpool Victoria	157%	178%	161%
Lloyds Bank GI	142%	177%	141%
Markel International	241%	250%	266%
QBE Insurance	132%	179%	139%
Royal & Sun Alliance	188%	204%	179%
Starr International	122%	135%	158%
NFU Mutual	201%	203%	204%
TransRe	172%	143%	139%
Travelers	130%	118%	128%
U K Insurance	145%	171%	160%
XLCICL	156%	141%	141%
Zenith	115%	169%	172%

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milliman.com

CONTACT
Derek Newton
derek.newton@milliman.com

Ian Penfold
ian.penfold@milliman.com

Vidyut Vardhan
vidyut.vardhan@milliman.com