

# UK Non-Life Company Market Insurance Dashboard: 2020 Results

## UK Non-Life Insurers Results Improve in 2020

Most of the UK non-life insurers monitored by Fitch Ratings reported an improvement in underwriting results for 2020. However, individual results varied by business mix. Although motor-focused insurers such as Admiral Group plc reported substantial improvements in combined ratios, insurers with exposure to commercial and household insurance risk were exposed to higher pandemic-related losses on business interruption and travel claims, and losses from adverse weather events.

## Claim Frequency Reduction Supported Strong Motor Performance

Motor insurers benefitted from significant reductions in claims frequency as a result of the lockdowns. Admiral reported a 11.5pp improvement in its 2020 motor loss ratio compared to 2019. However, declines in frequency were partially offset by the higher costs of repair centres due to social distancing measures, longer repair times and consequently higher credit hire costs. There was also a rise in bodily injury claims severity.

## Weather Losses Affect Household Results

A number of insurers reported a deterioration in household insurance results in 2020 as storms Ciara, Dennis, Jorge and Bella led to higher weather losses, mainly from flood damage. The combined ratios of Direct Line Insurance Group plc and the UK branch of the Ageas group (Ageas UK) increased by 6.8pp and 12.5pp, respectively, from 2019. The increase in weather-related claims costs was partly offset by lower claims costs for theft and escape of water as a result of the lockdown measures.

## Pandemic Impact and Regulatory Reforms Complicate Pricing

Fitch believes that the FCA fair-pricing rules, uncertainty of future claims patterns as a result of the pandemic, and the implementation of whiplash reforms in May 2021 will complicate motor and household pricing for insurers in 2021. Fitch expects motor pricing to remain weak, despite some insurers increasing rates. We believe claim frequency benefits attained from lockdowns, along with whiplash reforms, will help to keep motor premiums low. We expect household insurance premium rates to remain under pressure following FCA fair-pricing rules.

## Outlook Worsening

Our sector outlook for the UK non-life company insurance market is worsening. We believe the new fair pricing rules proposed by the FCA could lead to short-term pricing volatility in the household and motor insurance markets in 2021. Motor claims inflation remains high, while premium rates continue to fall. This, together with ultra-low yields, may lead to significant pressure on earnings.



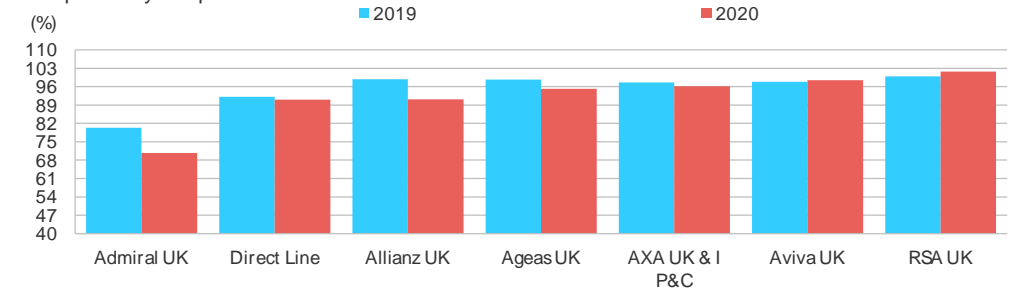
**Roisin O'Reilly-Smyth**  
+44 20 3530 1548  
roisin.oreilly-smyth@fitchratings.com



**Ekaterina Ishchenko**  
+34 91 793 67 98  
ekaterina.ishchenko@fitchratings.com

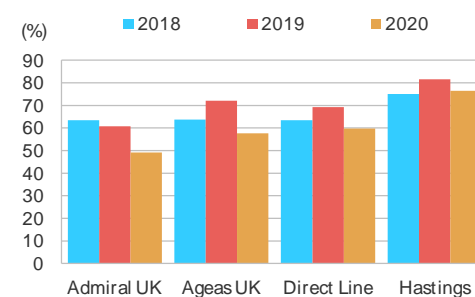
## UK Non-Life Combined Ratios

As reported by companies



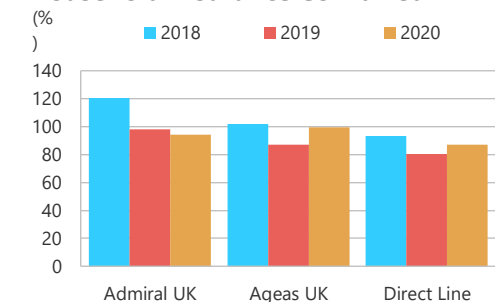
Source: Fitch Ratings, Companies' Reports

## Motor Insurance Loss Ratios



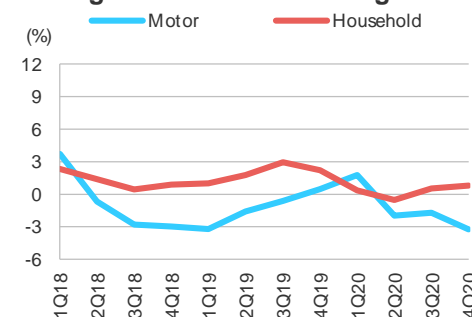
Source: Fitch Ratings, Companies' Reports

## Household Insurance Combined



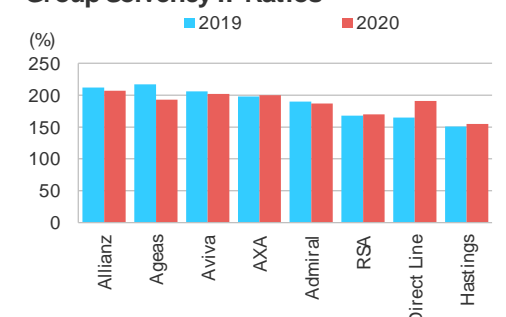
Source: Fitch Ratings, Companies' Reports

## Average Premium – YoY Change



Source: Fitch Ratings, ABI

## Group Solvency II Ratios



Source: Fitch Ratings, Companies' Reports

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

Copyright © 2021 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.