

**Deloitte.**

# 33rd Annual Motor Insurance Seminar

Thursday 20<sup>th</sup> July 2023





**Welcome to our 33<sup>rd</sup> Annual Motor Insurance Seminar**

# Agenda

 Introduction	James Rakow
 Past Performance	Krushmi Gandhi
 Inflation Actual vs Expected	Apoorv Joshi
 The three Rs: Reviews, Reform & RPI	Alistair Kinley, Clyde & Co
 Pricing – Past, Present & Future	Steve Pattie
 Consumer Duty and the Motor Market	Ian Hughes, Consumer Intelligence
 Consumer Duty Benchmarking	Chris Jamieson
 Future Performance	Mario Medina
 Conclusion	James Rakow
 Appendix	All

# Introduction



## James Rakow

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Partner

Actuarial, Insurance & Banking

Mobile Number: +44 7711 782223

Direct: +44 (0) 20 7303 5941

Email: [jrakow@deloitte.co.uk](mailto:jrakow@deloitte.co.uk)



# Introduction

The Motor Insurance Industry in one word – the survey says...



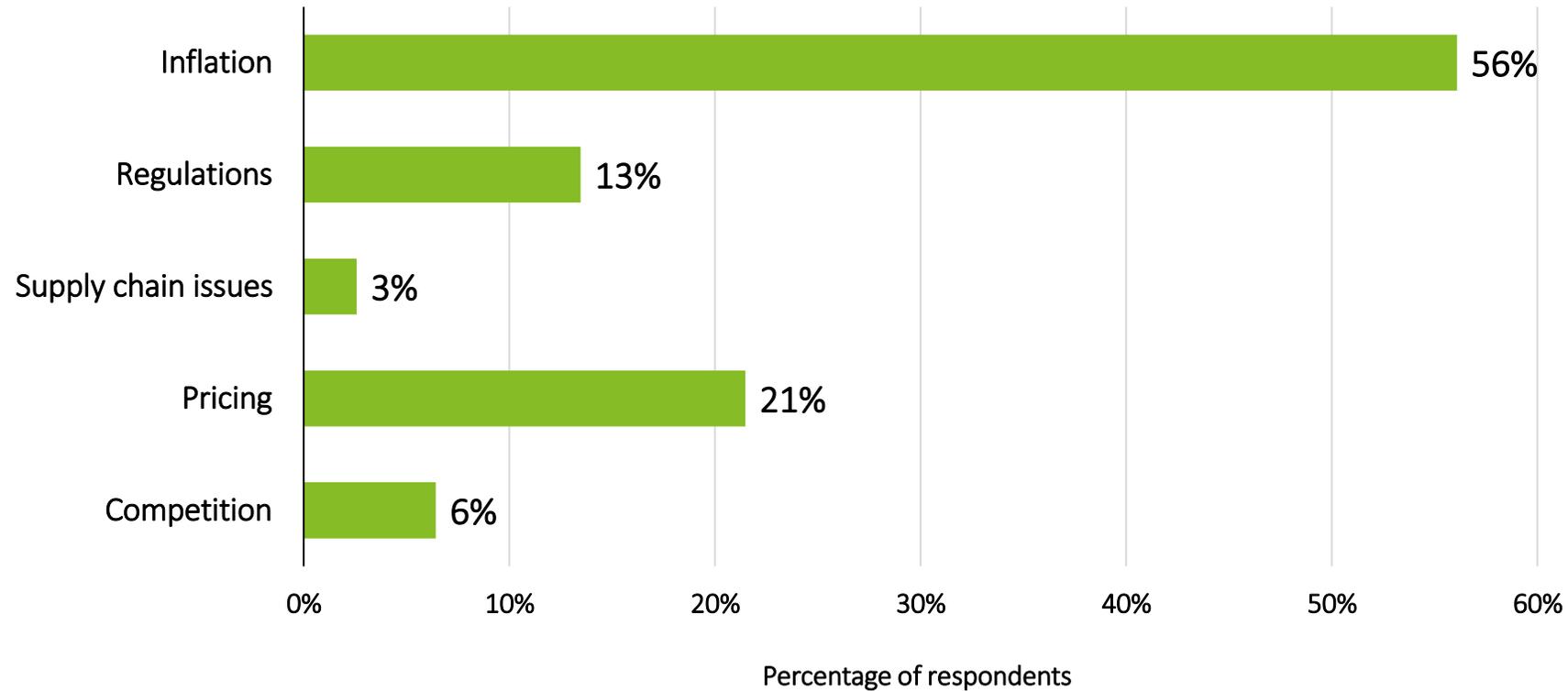
Source: 2023 Deloitte Motor Insurance Seminar Survey



# Introduction

Live poll – 20 July 2023

In your role, which of these issues keeps you awake at night the most?



Source: 2023 Deloitte Motor Insurance Seminar live poll



# Introduction

Top 3 Issues Facing the Motor Insurance Industry – the survey says...



Source: 2023 Deloitte Motor Insurance Seminar Survey



# Introduction

The Next Big Change – the survey says...



Source: 2023 Deloitte Motor Insurance Seminar Survey

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# Past Performance



## Krushmi Gandhi

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Consultant

Actuarial, Insurance & Banking

Mobile Number: +44 7767 941217

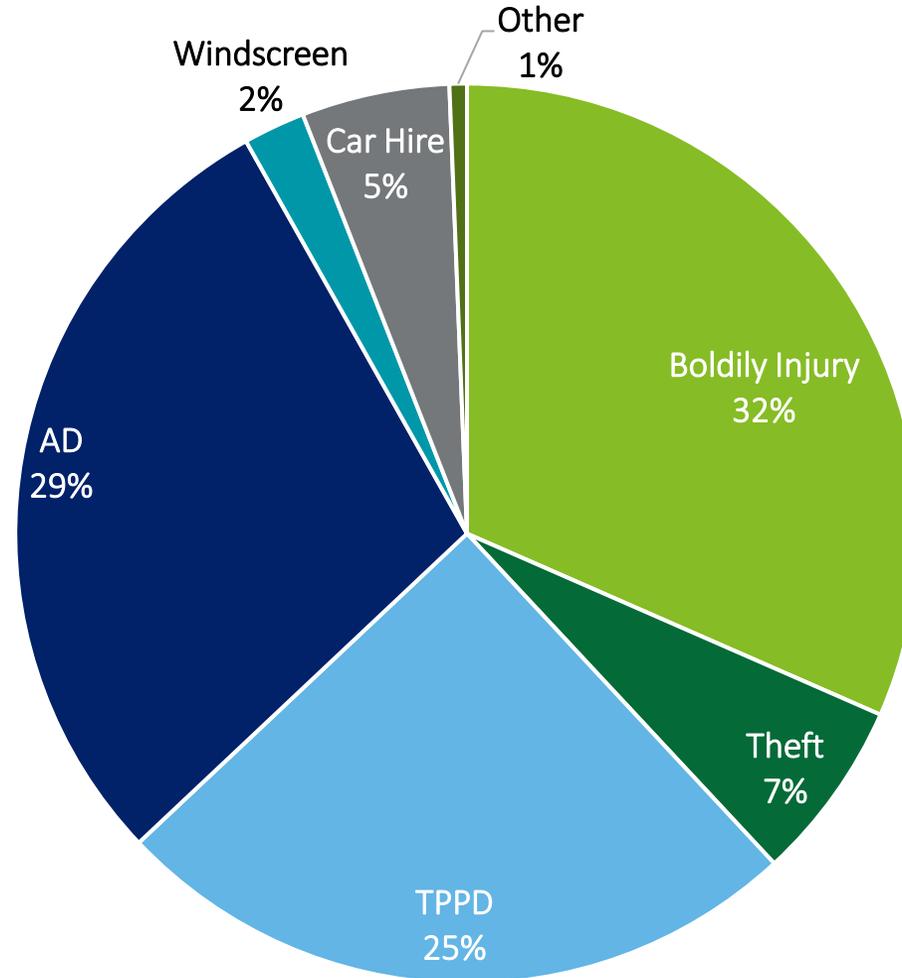
Direct: +44 (0) 20 7303 2044

Email: [kkgandhi@deloitte.co.uk](mailto:kkgandhi@deloitte.co.uk)



# Past Performance

2022 Gross Claims Paid (£m)

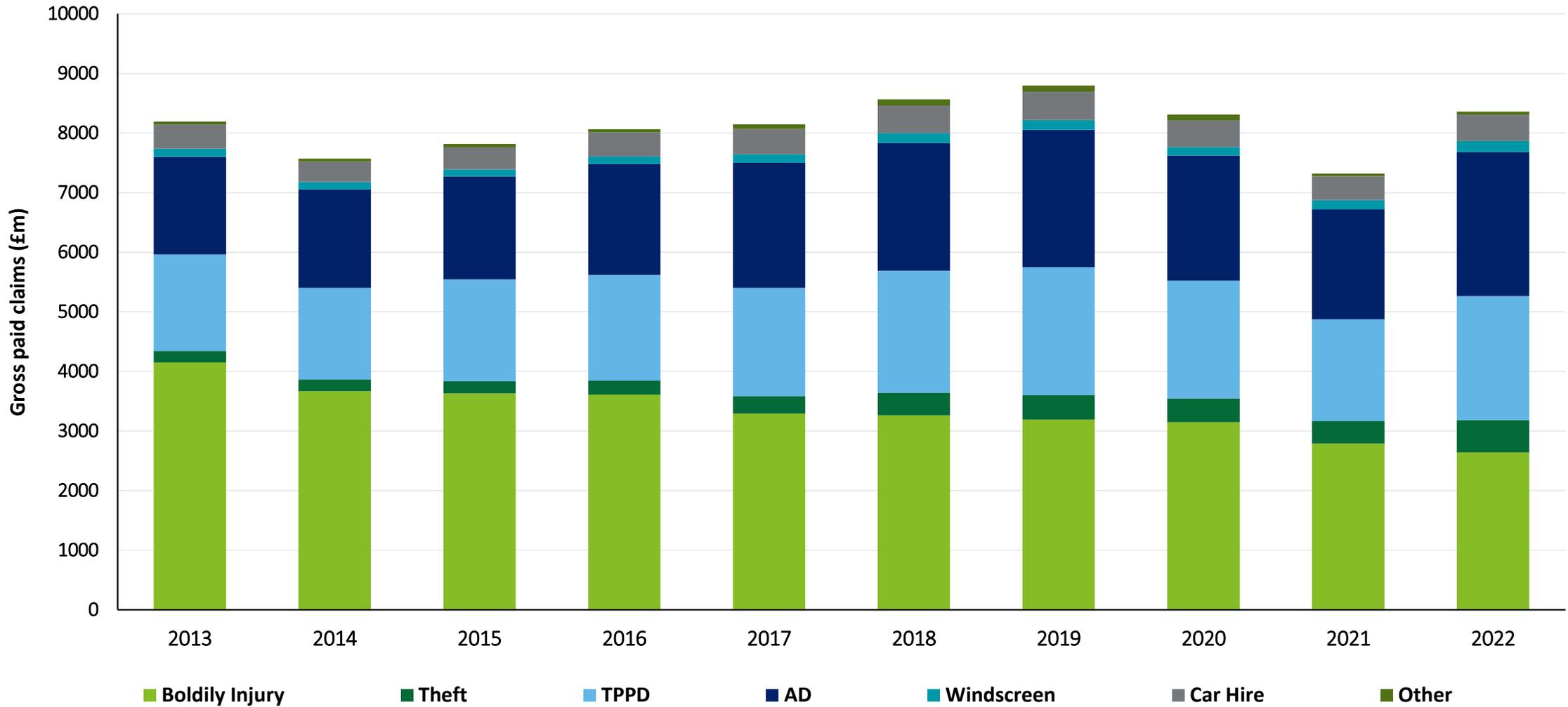


Source: Deloitte Analytics based on ABI data for settled claims



# Past Performance

Gross Claims Paid (£m)

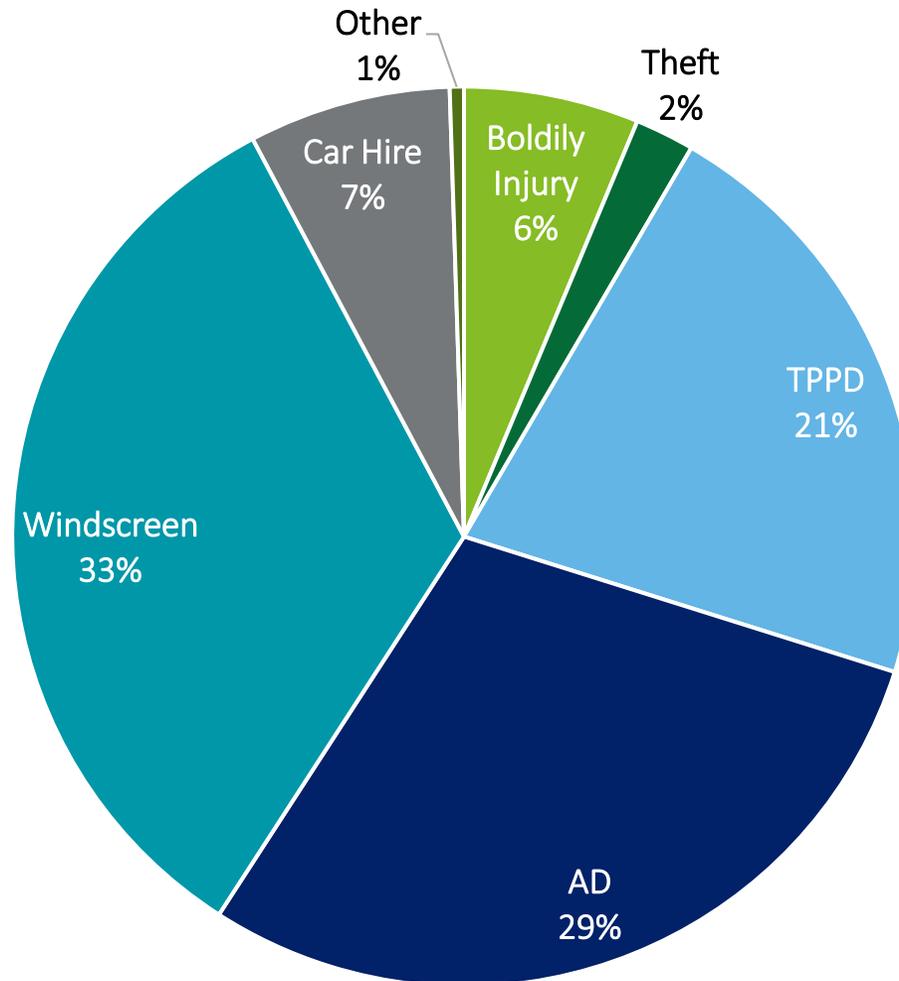


Source: Deloitte Analytics based on ABI data for settled claims



# Past Performance

2022 Number of Claims Settled ('000s)

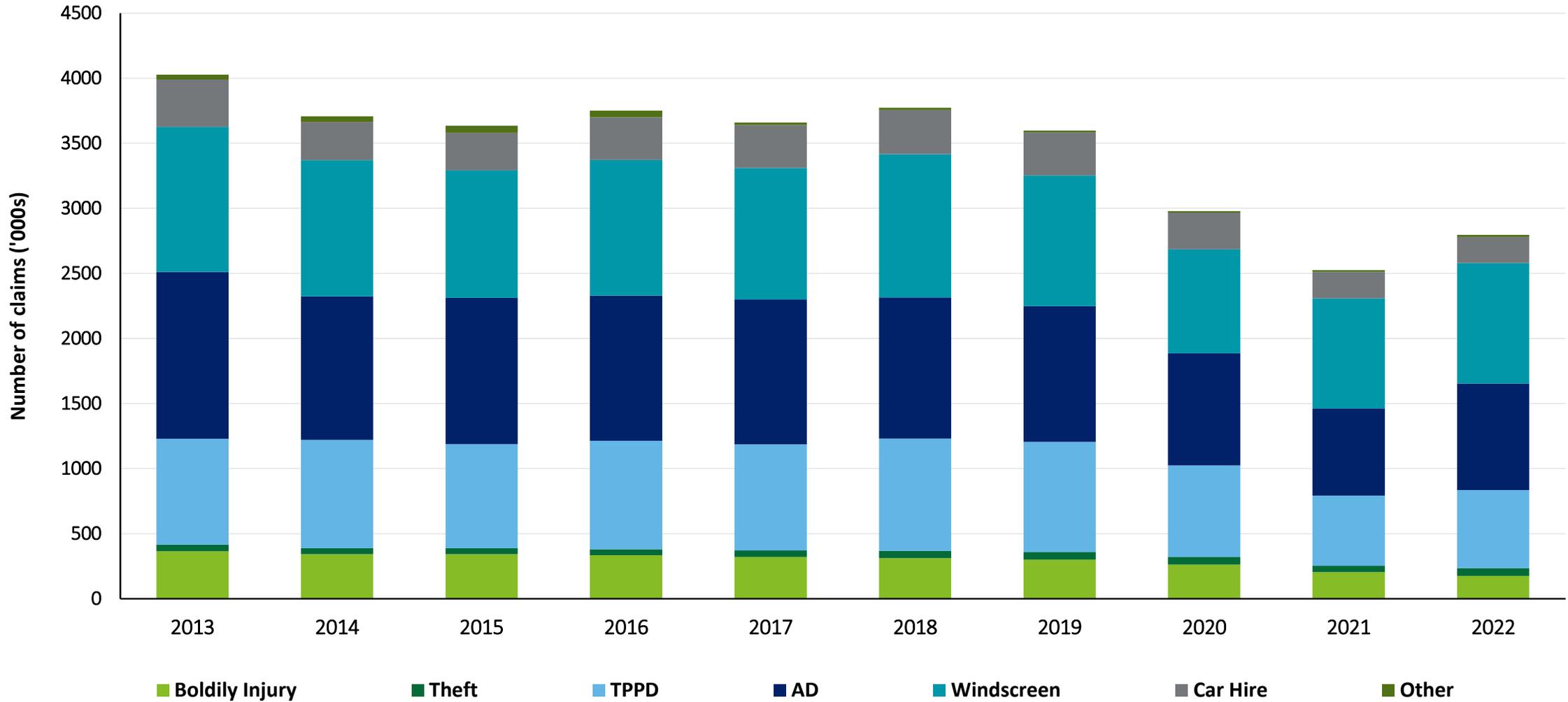


Source: Deloitte Analytics based on ABI data for settled claims



# Past Performance

Number of Claims Settled ('000s)

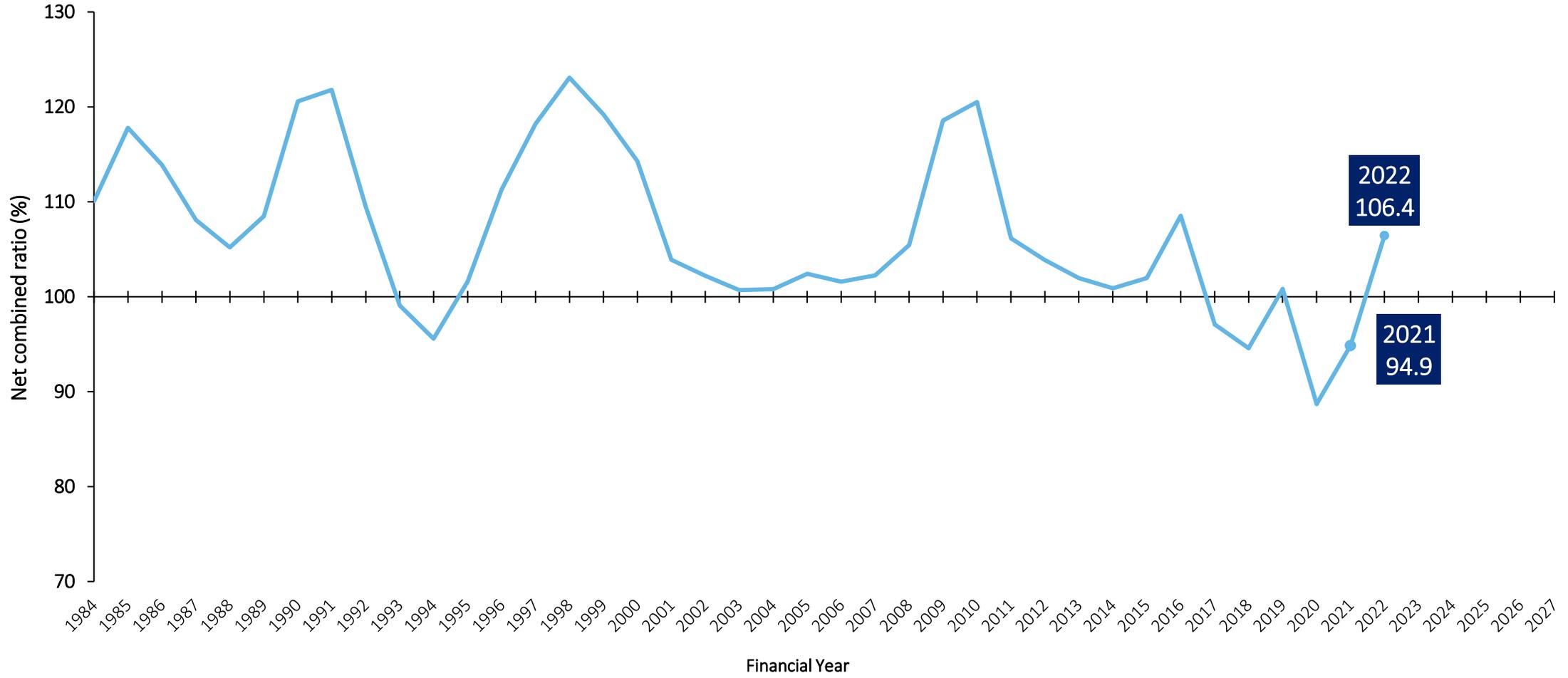


Source: Deloitte Analytics based on ABI data for settled claims



# Past Performance

## Net Combined Ratios



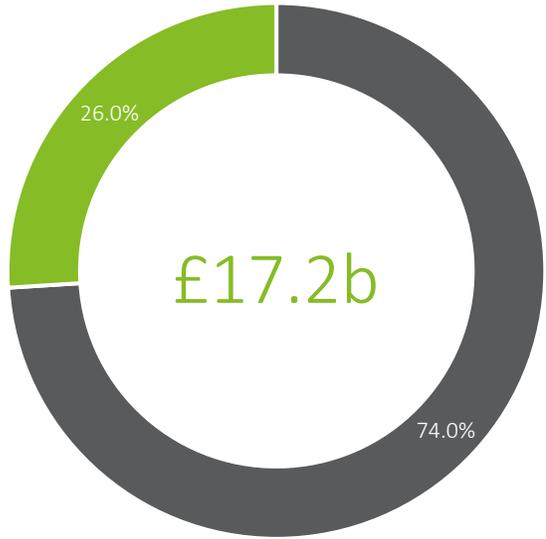
Source: Deloitte Analytics based on AM Best data and SFCRs



# Past Performance

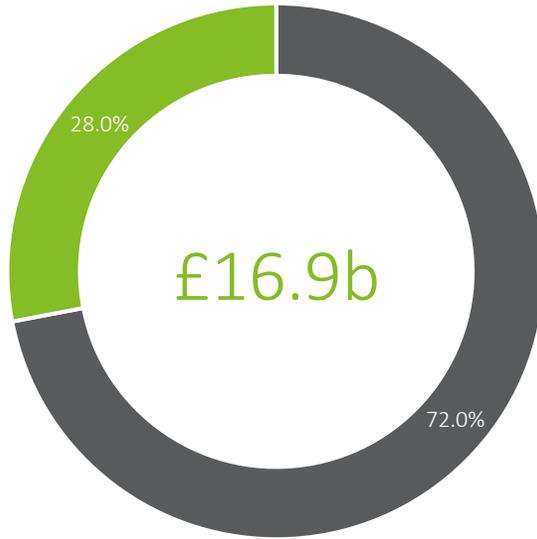
## Market Share

2019



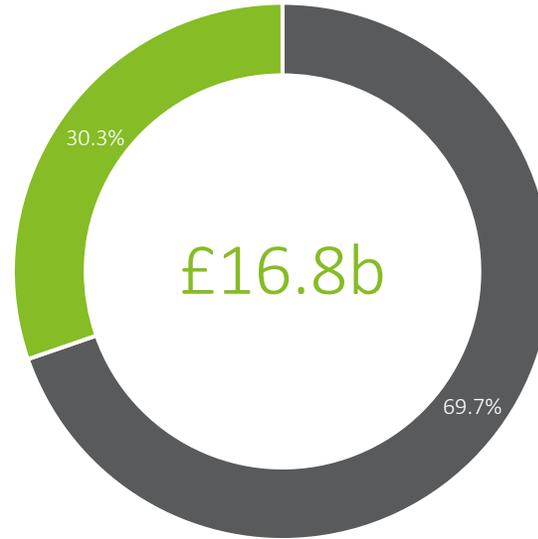
■ UK share ■ Gib share

2020



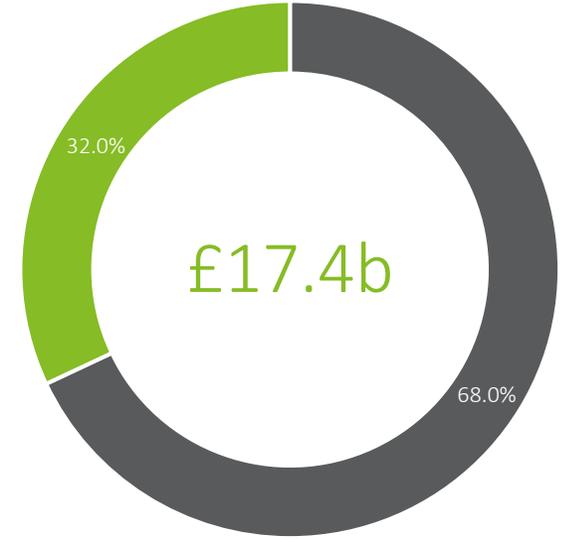
■ UK share ■ Gib share

2021



■ UK share ■ Gib share

2022



■ UK share ■ Gib share

Source: Deloitte Analytics based on AM Best data and SFCRs



# Past Performance

2022 Performance - UK

## Sources

Solvency and Financial Condition Report (SFCR)

AM Best Data

## Companies

Admiral

Ageas

AIG

AIOI

Allianz

Aviva

AXA

Covea

DLG

Esure

Highway

Hastings

Liverpool Victoria

NFU Mutual

QBE

RSA

Sabre

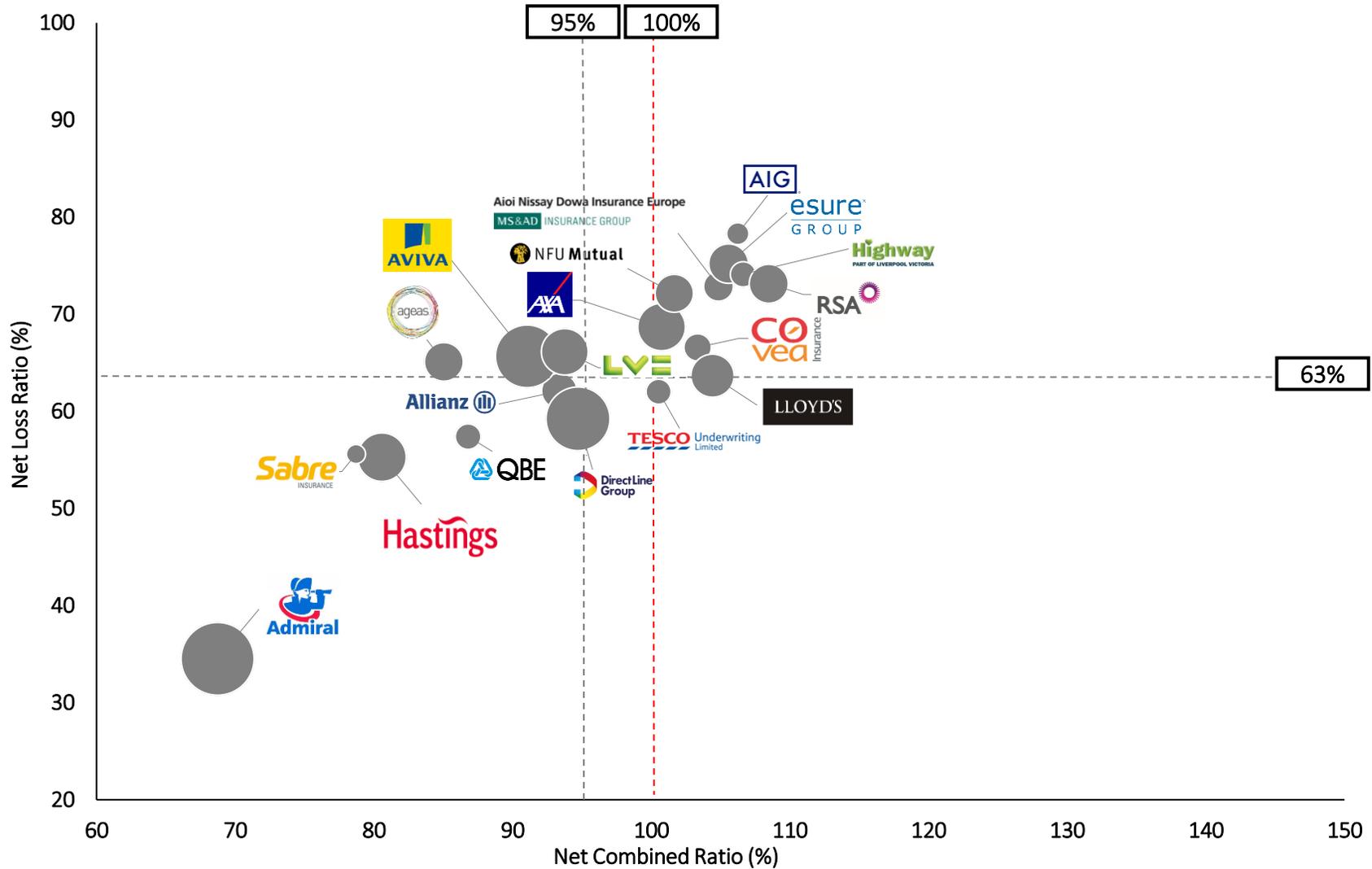
Tesco Underwriting

Lloyd's (Not included in Peer Group)



# Past Performance

2021 Performance - UK

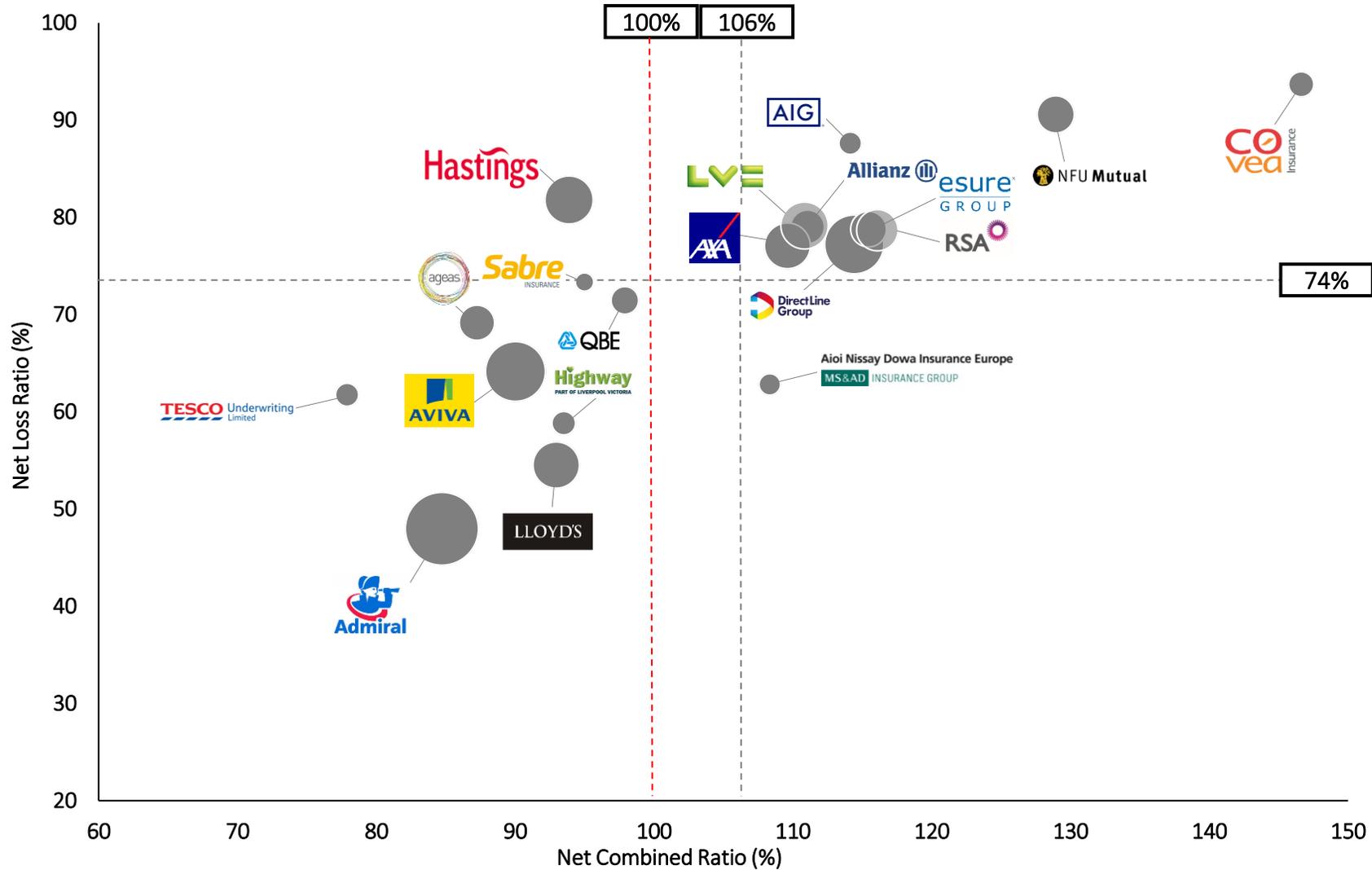


Source: Deloitte Analytics based on Solvency & Financial Condition Reports



# Past Performance

2022 Performance - UK



Source: Deloitte Analytics based on Solvency & Financial Condition Reports



# Past Performance

2022 Performance - Gibraltar

## Sources

Solvency and Financial Condition Report (SFCR)

AM Best Data

## Companies

AA

Acromas

Admiral GIB

Alwyn

Argus

Calpe

Carraig

Collingwood

Haven

Hastings (Advantage)

Markestudy

Mulsanne

Premier

Red Sands

Skyfire

Southern Rock

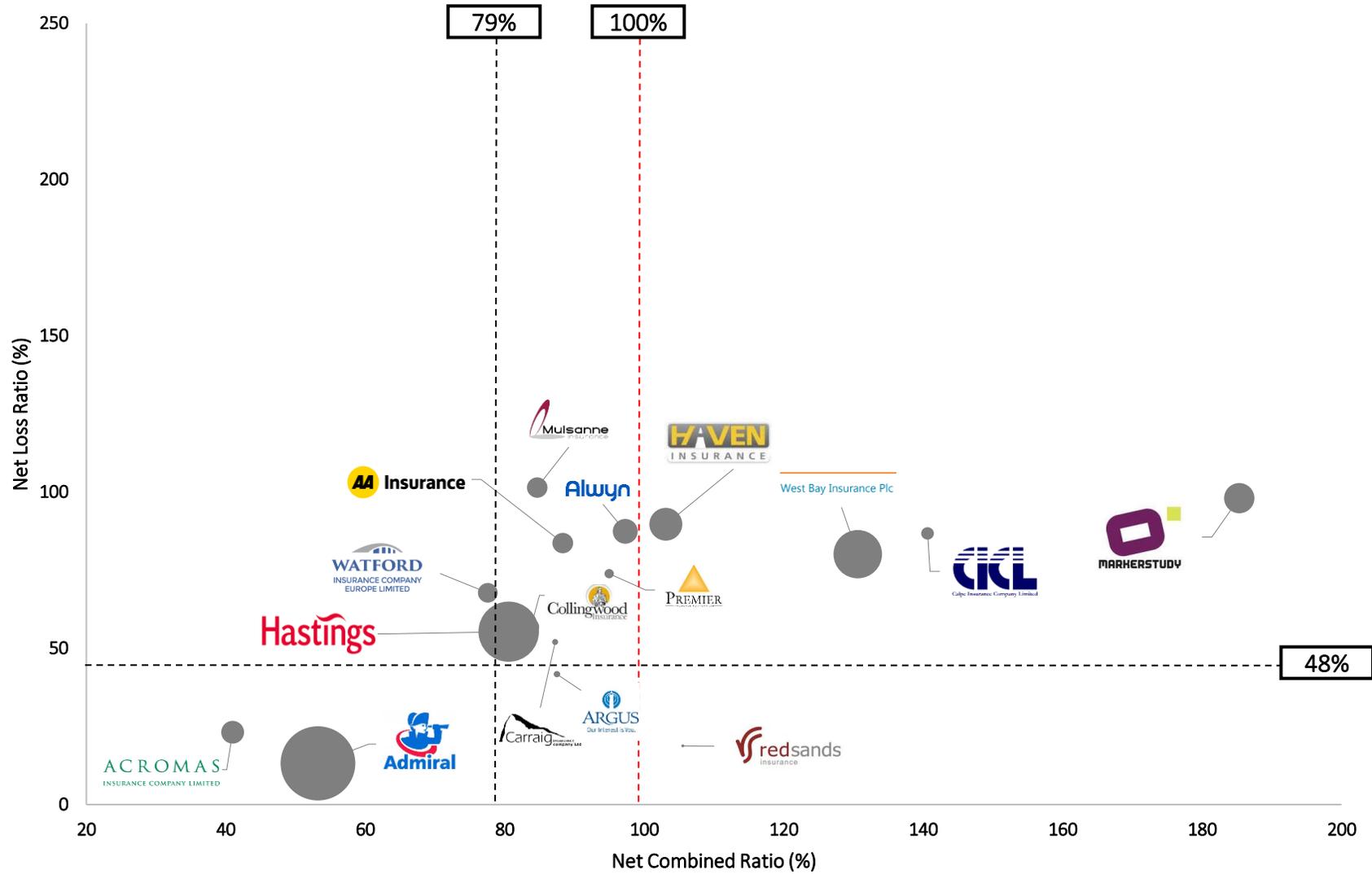
Watford

West Bay



# Past Performance

## 2021 Performance - Gibraltar

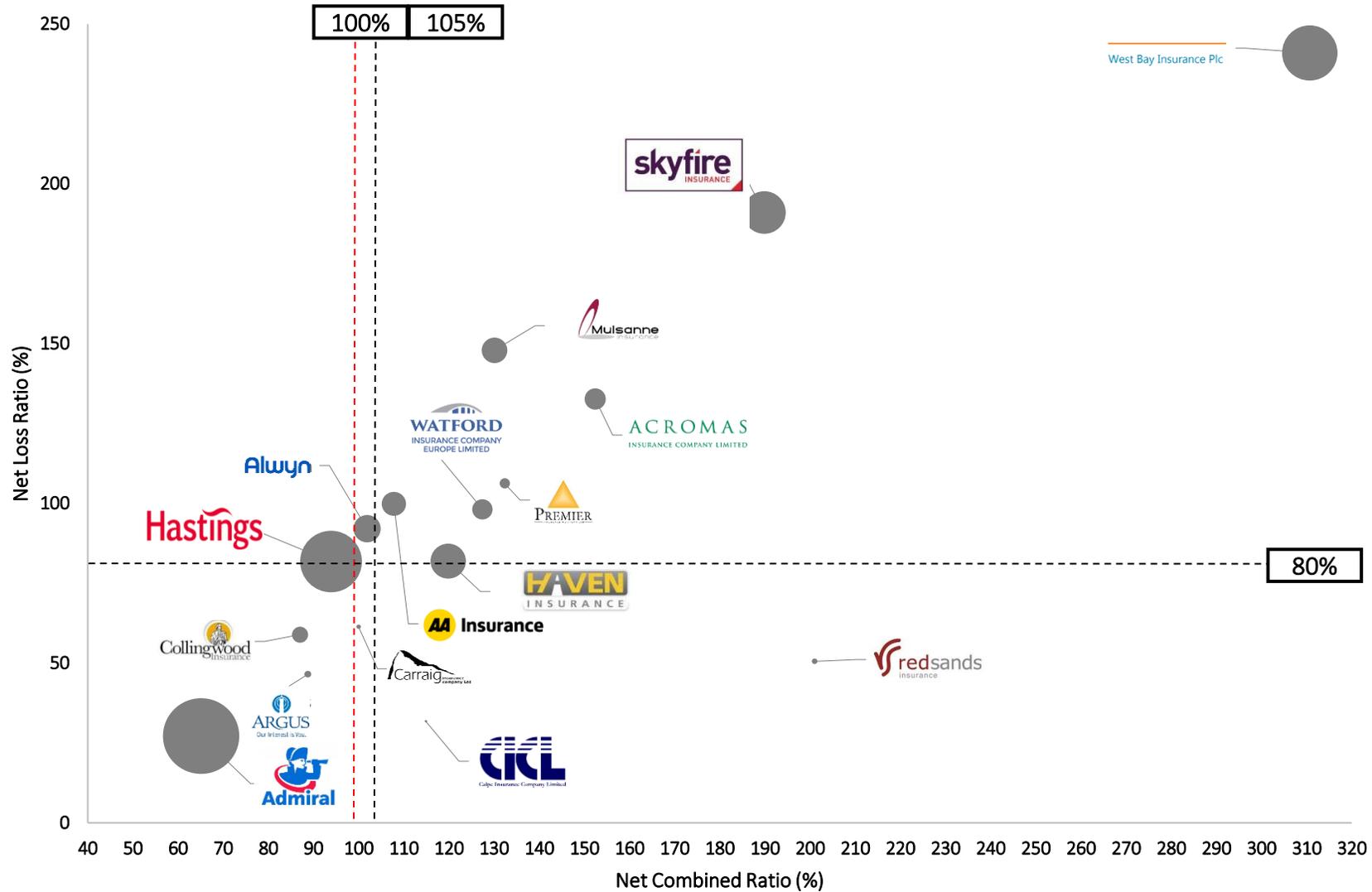


Source: Deloitte Analytics based on Solvency & Financial Condition Reports



# Past Performance

## 2022 Performance - Gibraltar

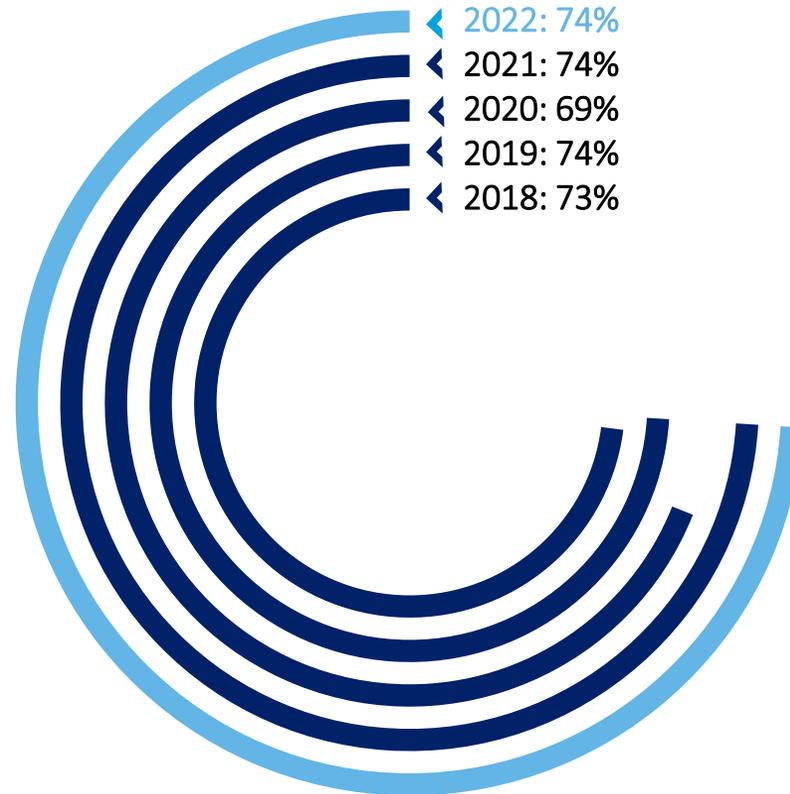


Source: Deloitte Analytics based on Solvency & Financial Condition Reports



# Gibraltar Performance

Use of Reinsurance



Source: Deloitte Analytics based on Solvency & Financial Condition Reports

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# Inflation - Actual vs Expected



**Apoorv Joshi**

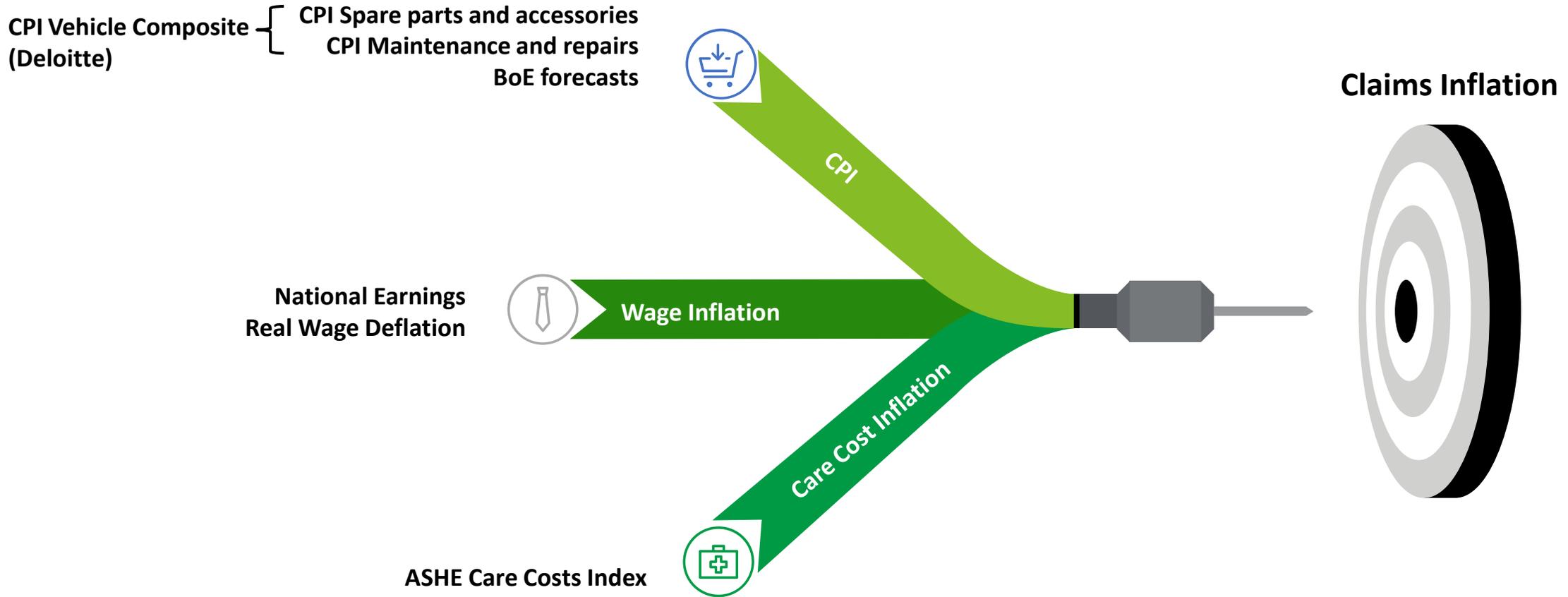
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Senior Consultant  
Actuarial, Insurance & Banking

Direct: +44 (0) 20 7303 6914  
Email: [apoorvjoshi@deloitte.co.uk](mailto:apoorvjoshi@deloitte.co.uk)

# Claims Inflation – Last Year's Forecast

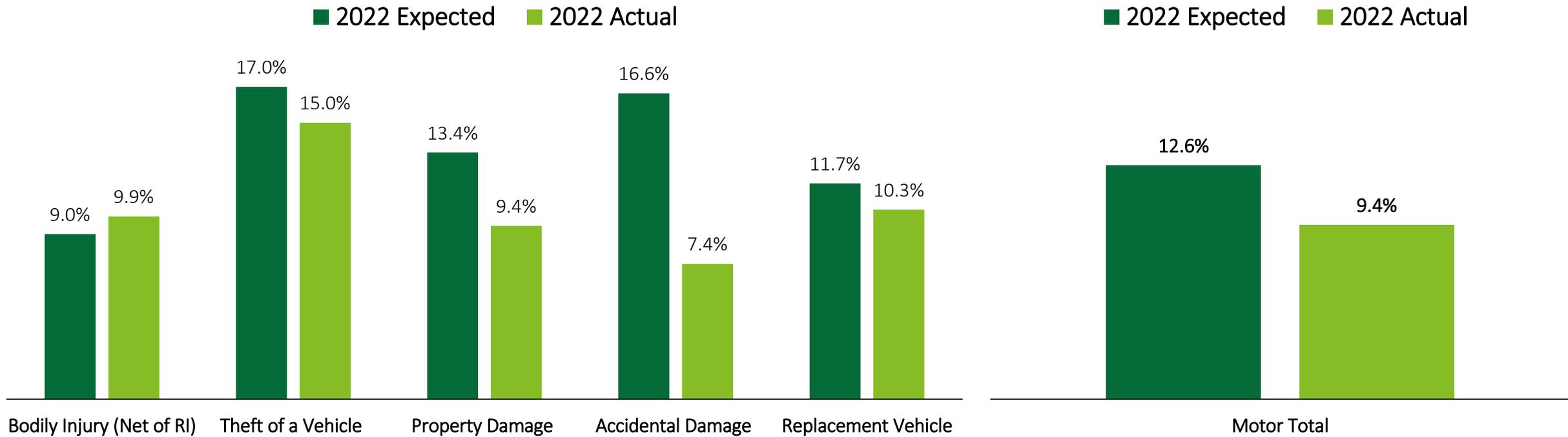
Average Cost of Claims - Assumptions





# Claims Inflation – Actual vs Expected

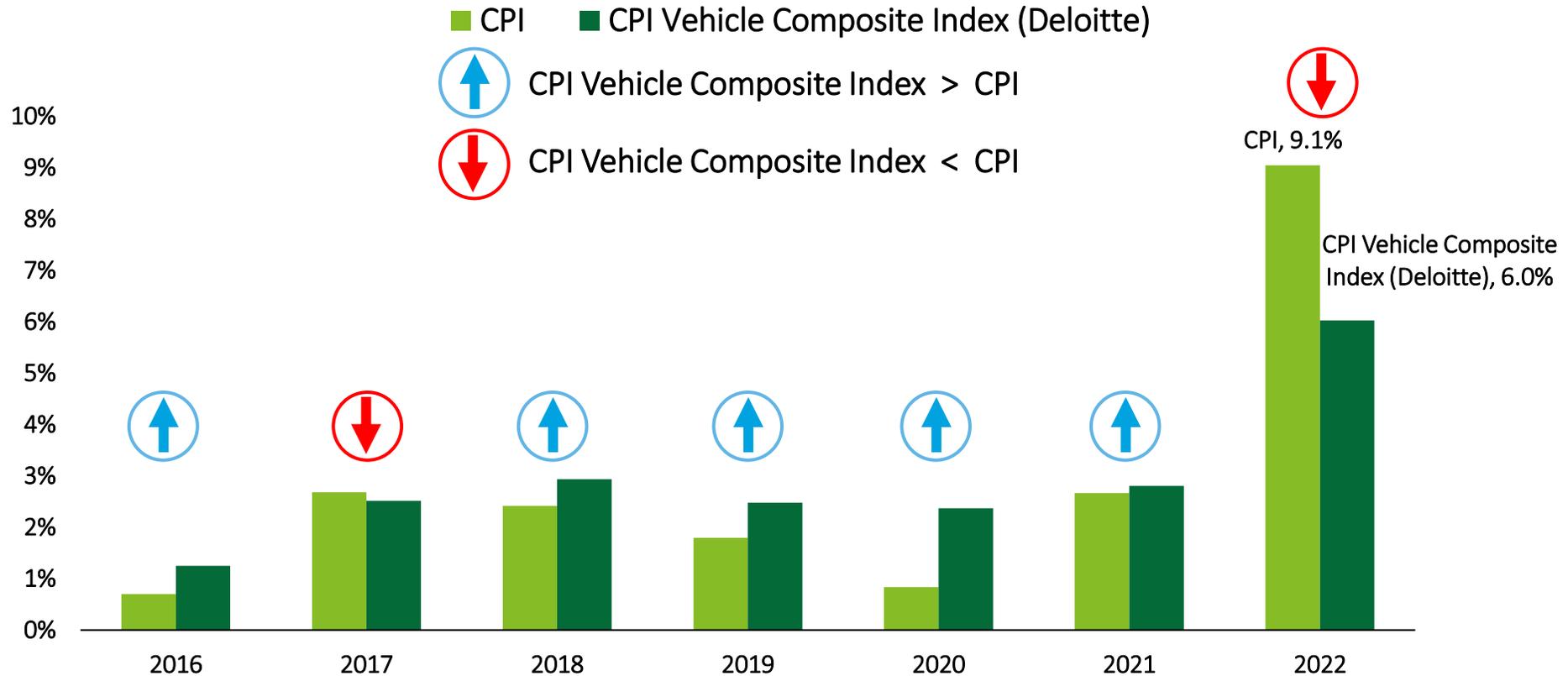
## 2022 Average Cost of Settled Claims



Source: Deloitte Analytics based on ABI Claims data

# CPI and CPI Vehicle Composite Index Inflation

CPI Vehicle Index Trend



Source: Deloitte Analytics based on ONS CPI data

# Agenda



Introduction

James Rakow



Past Performance

Krushmi Gandhi



Inflation Actual vs Expected

Apoorv Joshi



The three Rs: Reviews, Reform & RPI

Alistair Kinley, Clyde & Co



Pricing – Past, Present & Future

Steve Pattie



Consumer Duty and the Motor Market

Ian Hughes, Consumer Intelligence



Consumer Duty Benchmarking

Chris Jamieson



Future Performance

Mario Medina



Conclusion

James Rakow



Q&A

All

# The three Rs: Reviews, Reform & RPI



## Alistair Kinley

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Head of Policy Development  
Clyde & Co  
Mobile Number: +44 7970 452109  
Direct: +44 (0) 20 7865 3350  
Email: [Alistair.Kinley@clydeco.com](mailto:Alistair.Kinley@clydeco.com)



CLYDE&CO

# The three Rs: reviews, reform & RPI

Deloitte Motor Insurance webinar

Alistair Kinley, Director of Policy & Government affairs  
[alistair.kinley@clydeco.com](mailto:alistair.kinley@clydeco.com)

July 2023

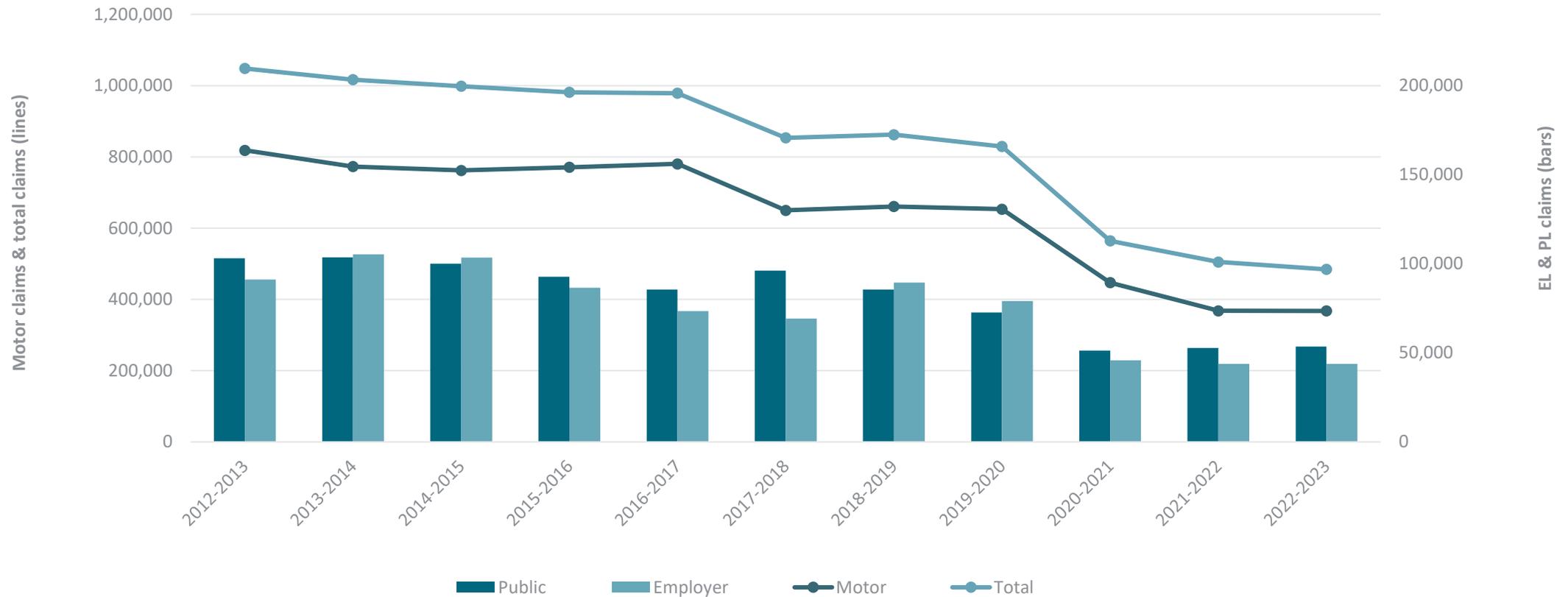
# The three Rs: reviews, reforms and RPI

## Damages, costs and inflation

- Whiplash & small claims: two years on (Civil Liability Act 2018, part 1)
- Personal Injury Discount Rate (Civil Liability Act 2018, part 2)
- Extending Fixed Recoverable Costs
- General damages and inflation

# Annual motor & liability injury claims notified

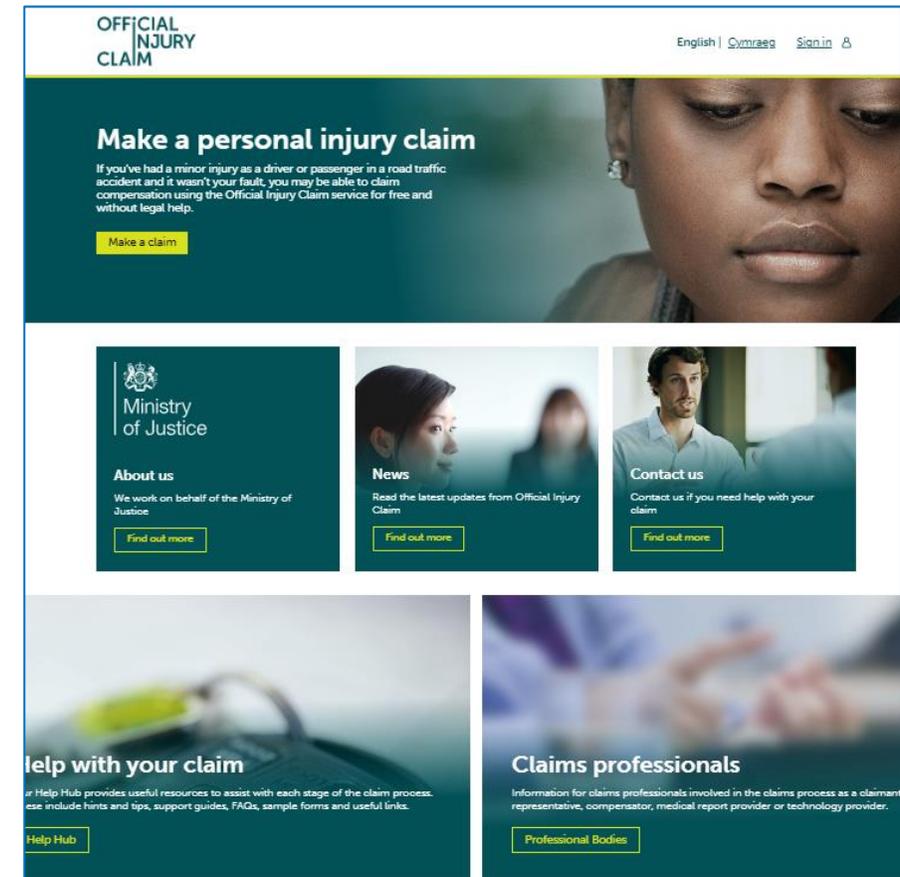
(source: CRU)



# The three Rs: reviews, reforms and RPI

## Reforms to whiplash cases and small claims were introduced on 31 May 2021

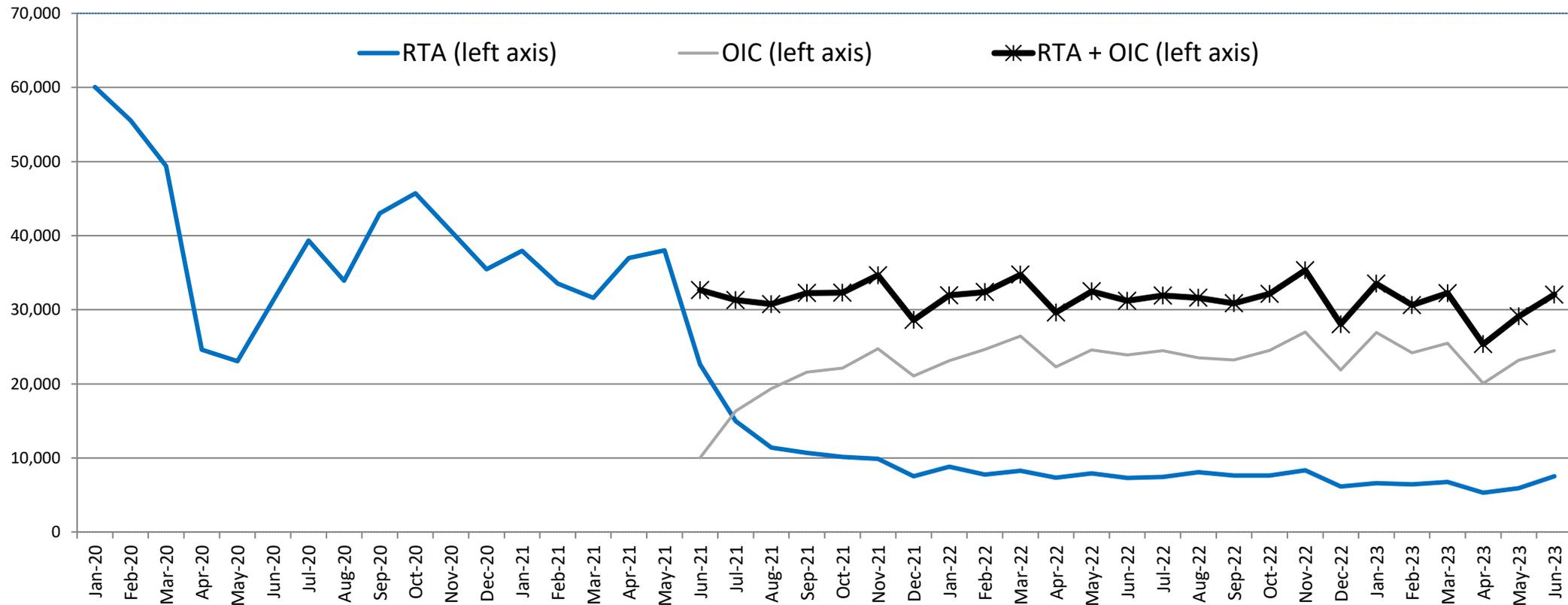
- Damages for whiplash injuries (<2 years) were reduced significantly by a statutory tariff (by regulations made under the [Civil Liability Act 2018](#))
- Legal costs for small claims (under £5,000) were no longer recoverable, and
- The [Official Injury Claims \(OIC\)](#) service was set up in order to process these claims



# Whiplash reforms

## Second anniversary: CNFs in fast track RTA & small track claims

(sources: Claims Portal Co & OIC)



# Whiplash reforms

## Third anniversary: Mid-2024 will bring further scrutiny

- A **narrow review** of the whiplash tariff (section 4)
- A **broad review** of the whole CLA package (i.e. plus the PIDR, section 11)
- “...***the Civil Liability Act 2018*** includes a statutory requirement on insurers to provide information to the Financial Conduct Authority (FCA) on how they have passed on savings. Insurers must provide this information by **1 October 2023**. The government will then, with the assistance of the FCA, assess whether the industry has passed on the benefits of the reforms to consumers, and a report will be made to Parliament, as soon as is **practically possible, after April 2024.**”
- And, two test cases in the Supreme Court:
  - tariff + minor injury = ???

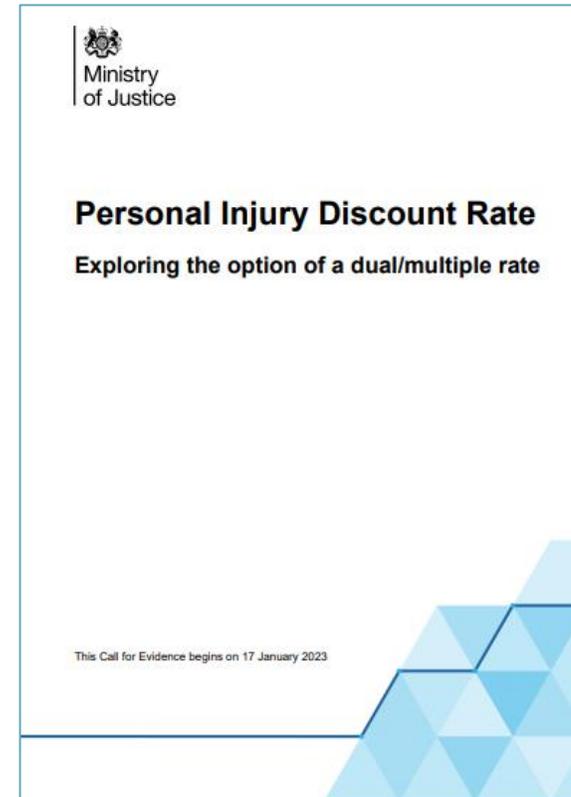
The screenshot shows the homepage of the Official Injury Claim website. At the top, the logo 'OFFICIAL INJURY CLAIM' is on the left, and 'English | Cymraeg | Sign in' is on the right. The main heading is 'Make a personal injury claim', followed by a sub-heading: 'If you've had a minor injury as a driver or passenger in a road traffic accident and it wasn't your fault, you may be able to claim compensation using the Official Injury Claim service for free and without legal help.' Below this is a yellow 'Make a claim' button. The page is divided into several sections: 'Ministry of Justice' with an 'About us' section (We work on behalf of the Ministry of Justice, Find out more); 'News' (Read the latest updates from Official Injury Claim, Find out more); 'Contact us' (Contact us if you need help with your claim, Find out more); 'Help with your claim' (Our Help Hub provides useful resources to assist with each stage of the claim process. These include hints and tips, support guides, FAQs, sample forms and useful links. Help Hub); and 'Claims professionals' (Information for claims professionals involved in the claims process as a claimant representative, compensator, medical report provider or technology provider. Professional Bodies).

# The Personal Injury Discount Rate (PIDR)

## Options for 2024?



a dual or multiple rate PIDR may produce better outcomes for claimants, we are also keen to hear views on whether such approaches would be more/too complex, make settling cases harder and whether it would lead to delay or additional disputes (including litigation)



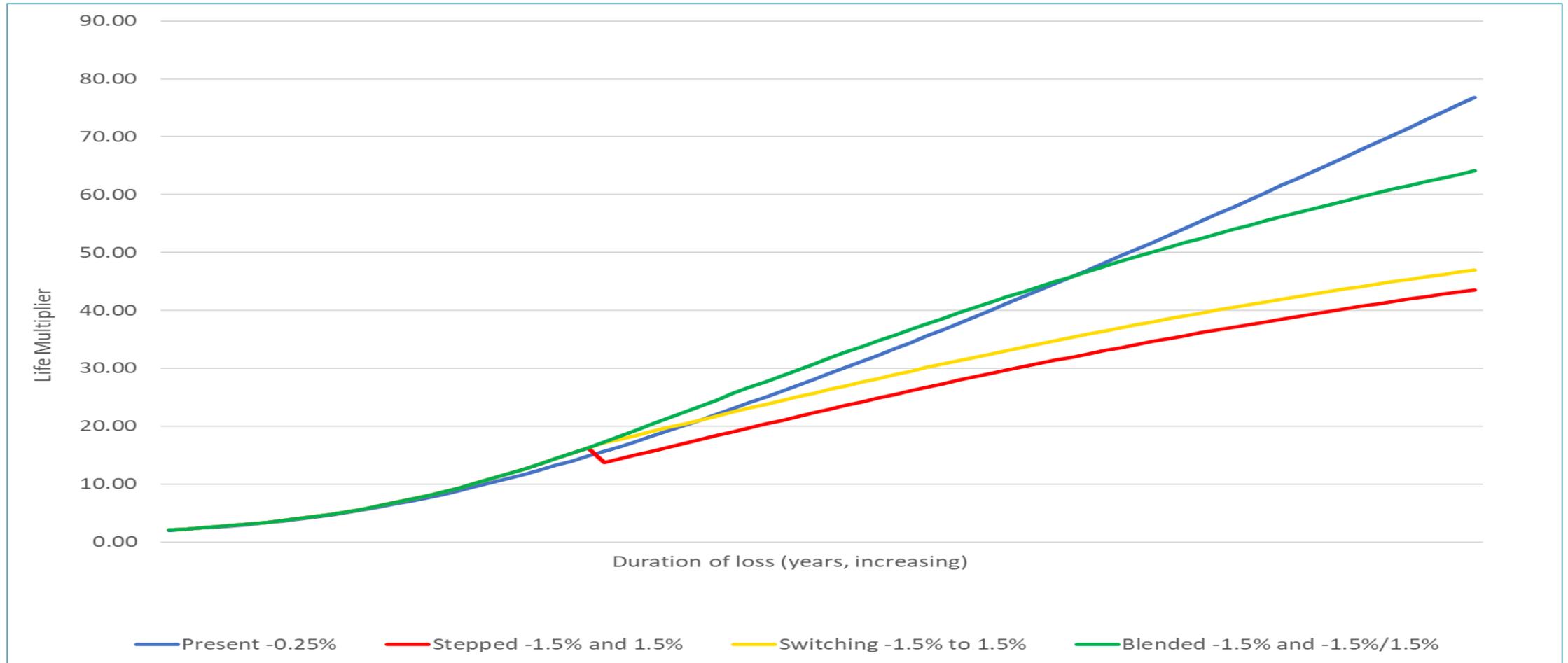
# The Personal Injury Discount Rate (**PIDR**)

## Options for 2024?

a single PIDR – all three UK jurisdictions (currently -0.25%, -0.75% and -1.5%)	by head of loss (Ireland)	
		‘stepped’ (Hong Kong, Jersey)
	dual or multiple PIDRs	‘switched’
	by duration of loss (e.g. before & after 15 years)	‘blended’ (GAD 2019, Ontario)

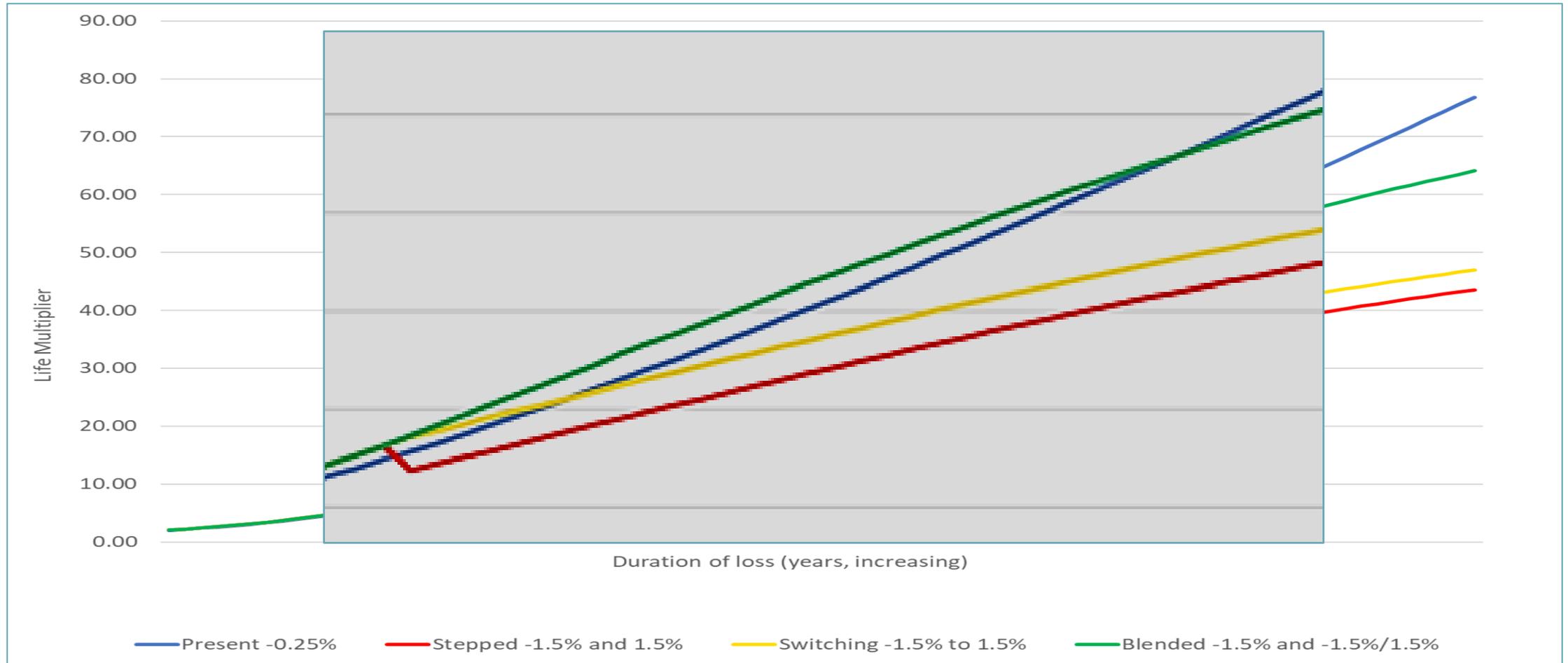
# The Personal Injury Discount Rate (PIDR)

## Options for 2024?



# The Personal Injury Discount Rate (PIDR)

## Options for 2024?

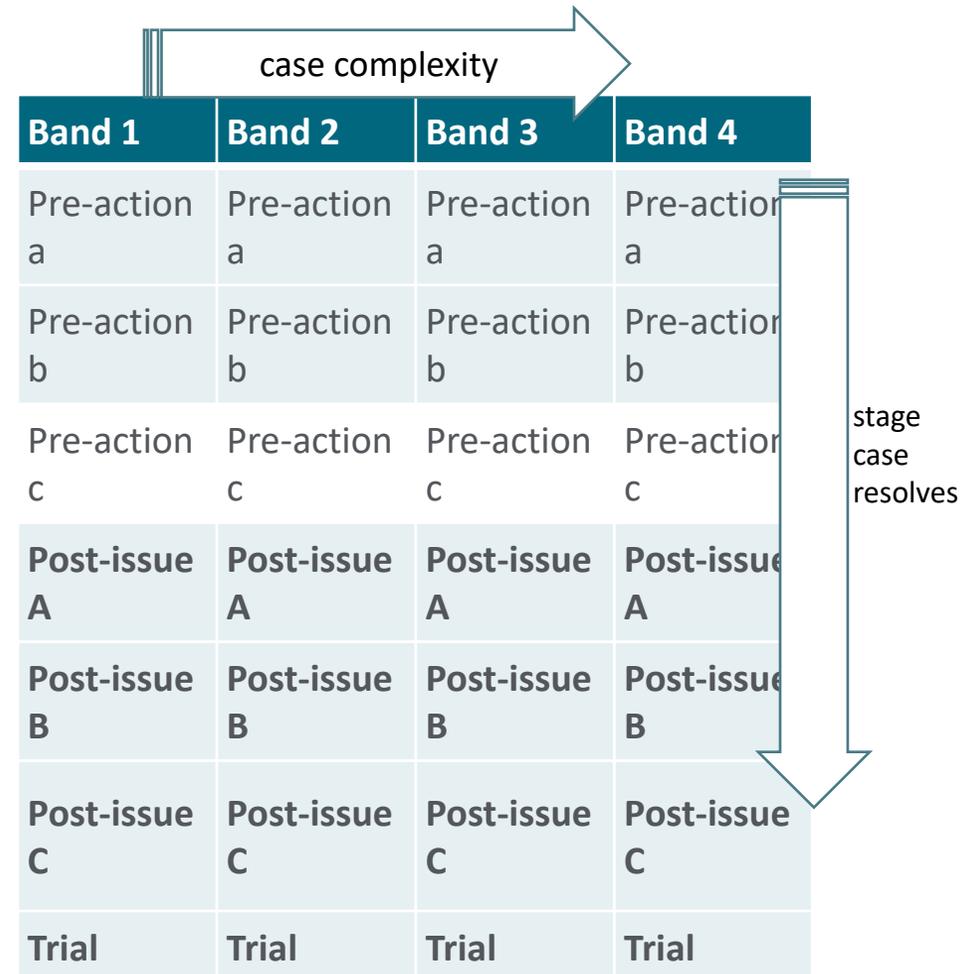


# The three Rs: reviews, reforms and RPI

## Fixed Recoverable Costs will be extended from 1st October 2023

### A major step change for all claims < £100,000:

- the recovery of legal costs will be based **on outputs, not inputs** (i.e. no hourly rates) from 1st October 2023
- efficient claims triage and early resolutions or offers will drive efficiencies and savings
- ‘swings & roundabouts’ vs ‘snakes and ladders’
- all parts of the claims supply chain need to prepare for these changes
- there will be market disruption and an inevitable outbreak of test litigation



# Inflation: RPI All Items, percentage change over 12 months

(source: ONS)



# Inflation: RPI All Items, percentage change over 12 months

(source: ONS)



# The three Rs: reviews, reforms and RPI

**Medium term horizon: to end 2024**

**Whiplash at 3, PIDR at 5**

– monitor the 2024 reviews of  
CLA 2018 and their  
conclusions

**FRCs will be a ‘big bang’ on 1<sup>st</sup>  
October 2023**

- prepare now and prepare  
carefully

*“Inflation, inflation, inflation”*

?

# The three Rs: reviews, reform & RPI

## Deloitte Motor Insurance webinar, July 2023

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Alistair Kinley, Director of Policy & Government Affairs

[alistair.kinley@clydeco.com](mailto:alistair.kinley@clydeco.com)

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# Pricing – Past, Present & Future



**Steve Pattie**

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Senior Manager

Actuarial, Insurance & Banking

Mobile Number: +44 7721 520775

Email: [spattie@deloitte.co.uk](mailto:spattie@deloitte.co.uk)



# The FCA's Dec 2022 GIPP Market Review Still Resonates

1. Larger firms in the market, mainly insurers, were generally able to show that they had taken appropriate actions to comply with our pricing rules, including putting in place an appropriate governance framework for ongoing monitoring and compliance with our pricing rules. When working with the firms we found that records were compiled. However, not all the information that was reported to the person responsible for the attestation was made available to us, in line with the requirements of ICOBS 6B.2.57R.
2. Many of the smaller firms in the market had **few or no records to show how they had complied with our pricing rules.** These firms mainly set the price of additional products sold with home or motor insurance, set fees, or give incentives.
3. Some firms provided a statement or limited information asserting that their pricing model, before our pricing rules came into effect, did not differentiate between new and renewing customers. **However, in most cases no evidence or records were provided to substantiate how these firms had satisfied themselves that they were and are on an ongoing basis complying with our pricing rules.**
4. We did not identify any issues regarding these firms':
  1. compliance with the incentives' rules
  2. judgements regarding potentially reportable breaches of our pricing rules, where firms had identified instances where the price for consumers renewing their home or motor insurance policies was higher than the equivalent price for a new customer, using the same distribution channel.

[General insurance pricing attestation multi-firm review | FCA](#)

# Reflecting on the original purpose of GIPP

## Purposes of GIPP according to ICOBS 6.1

01

Promote competition through ensuring *consumers* have a realistic picture of the long-term cost of their chosen product when purchasing it and incentivising *firms* to compete for *consumer* business on this basis;

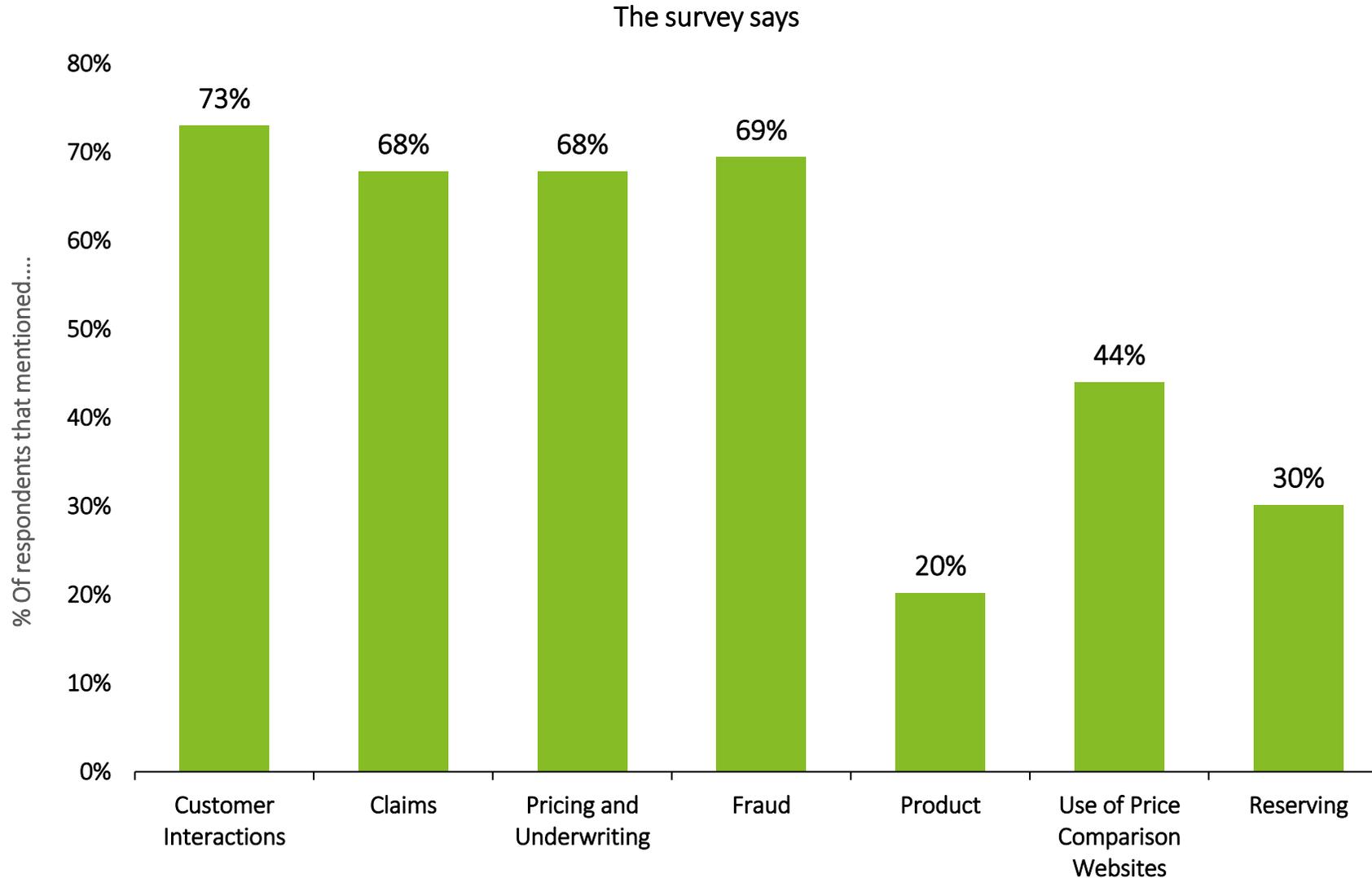
02

Protect *consumers* through ensuring that they are placed in a position where they can understand the long-term cost of their product.

[ICOBS 6B.1 Application and purpose - FCA Handbook](#)



# Which of the following operations will materially change due to AI over the next 5 years?



Note this survey question allowed for multiple responses  
Source: 2023 Deloitte Motor Insurance Seminar Survey

Deloitte Motor Insurance Seminar July 2023

# Deciding a path for implementing AI-driven processes

## 1 Enhancing processes within pricing structures



Faster set up and benefits.  
Prioritisation of deliverables.  
Retained pricing understanding and control.



How to identify customer journey changes?  
Decision on when to switch to new model?



Restrictive existing technology.  
Staff restricted by existing processes.  
Inability to clearly appraise success.

## 2 Rebuilding a new 'AI Insurance business' model from the ground-up



Removal of existing or legacy barriers.  
Live appraisal of a next-gen business structure.



Structure to allow pace of AI developments?  
Decision on access to existing data structures?  
Decision on scale of test case?



Time, Cost and Senior Engagement.  
Difficulty combining existing knowledge.  
Generative AI training on old processes.

pros

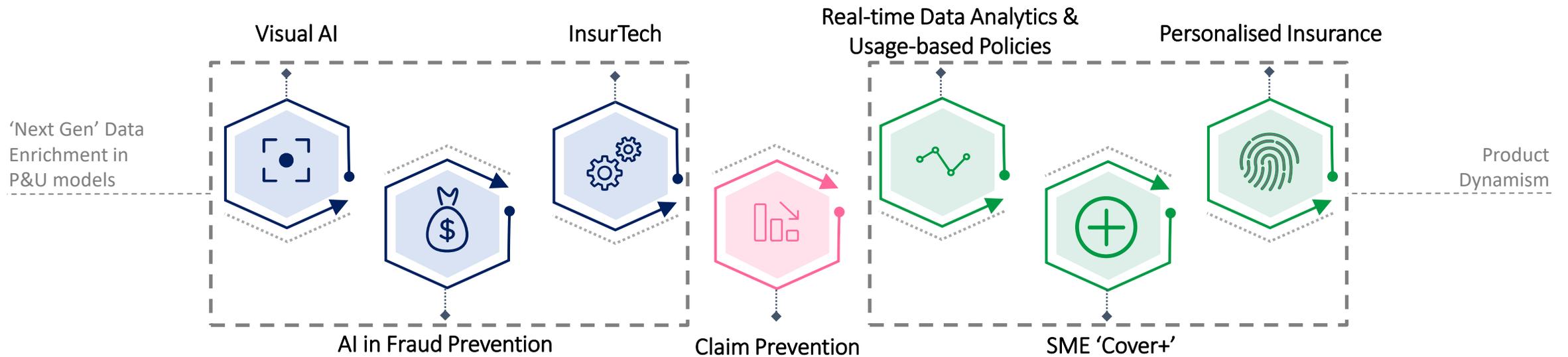


decisions



cons

# Future of Pricing and Underwriting in an AI-driven world





# Good Portfolio Management

Getting the right people (or AI!)....  
...using the right planning, MI and models...  
...working in an agile and cohesive manner...  
...with the right data, technology and governance

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# Consumer Duty and the Motor Market



Ian Hughes

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CEO  
Consumer Intelligence

Direct: 01173 178181  
Email: [Ian.Hughes@consumerintelligence.com](mailto:Ian.Hughes@consumerintelligence.com)

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# Consumer Duty and the Motor Market

Ian Hughes CEO

Consumer Intelligence

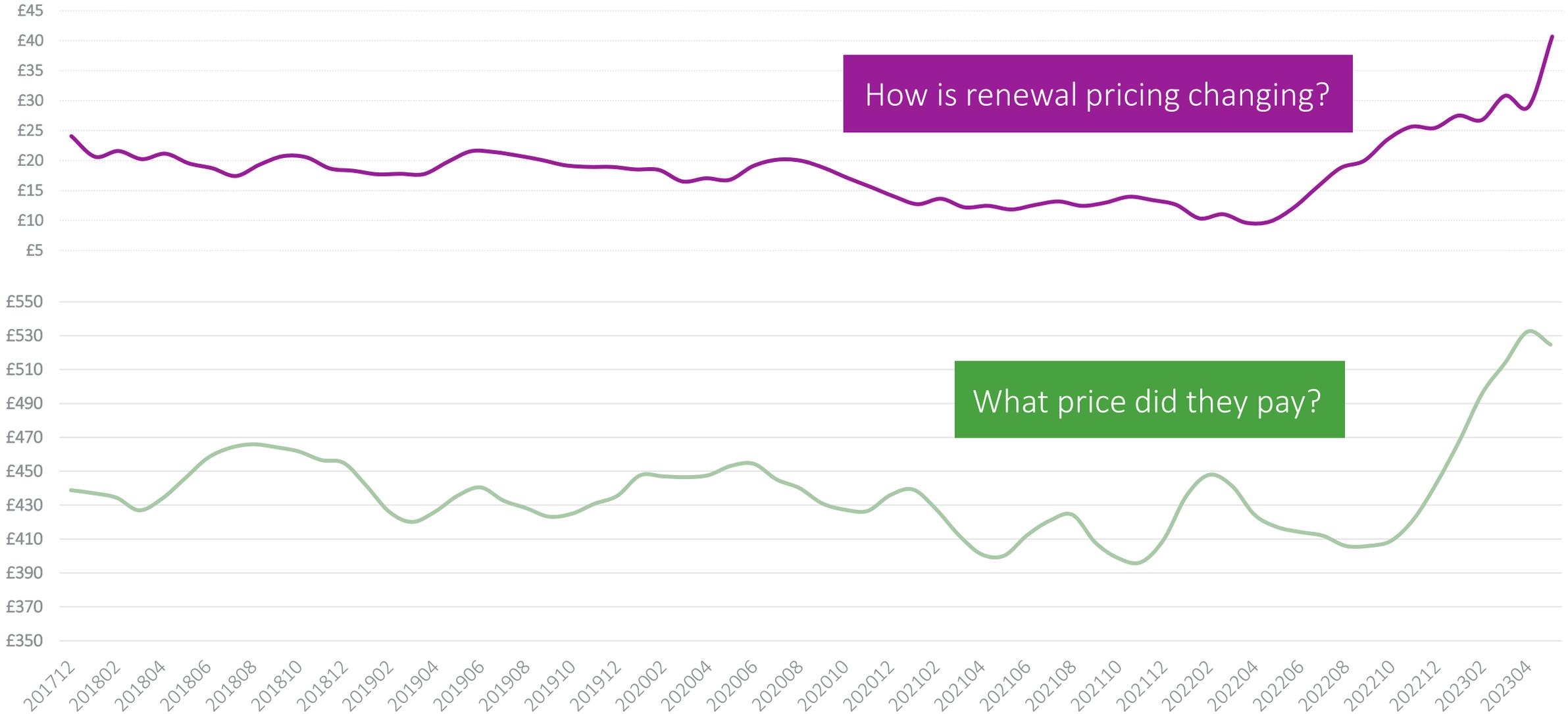
20<sup>th</sup> July 2023

## The 3 lenses

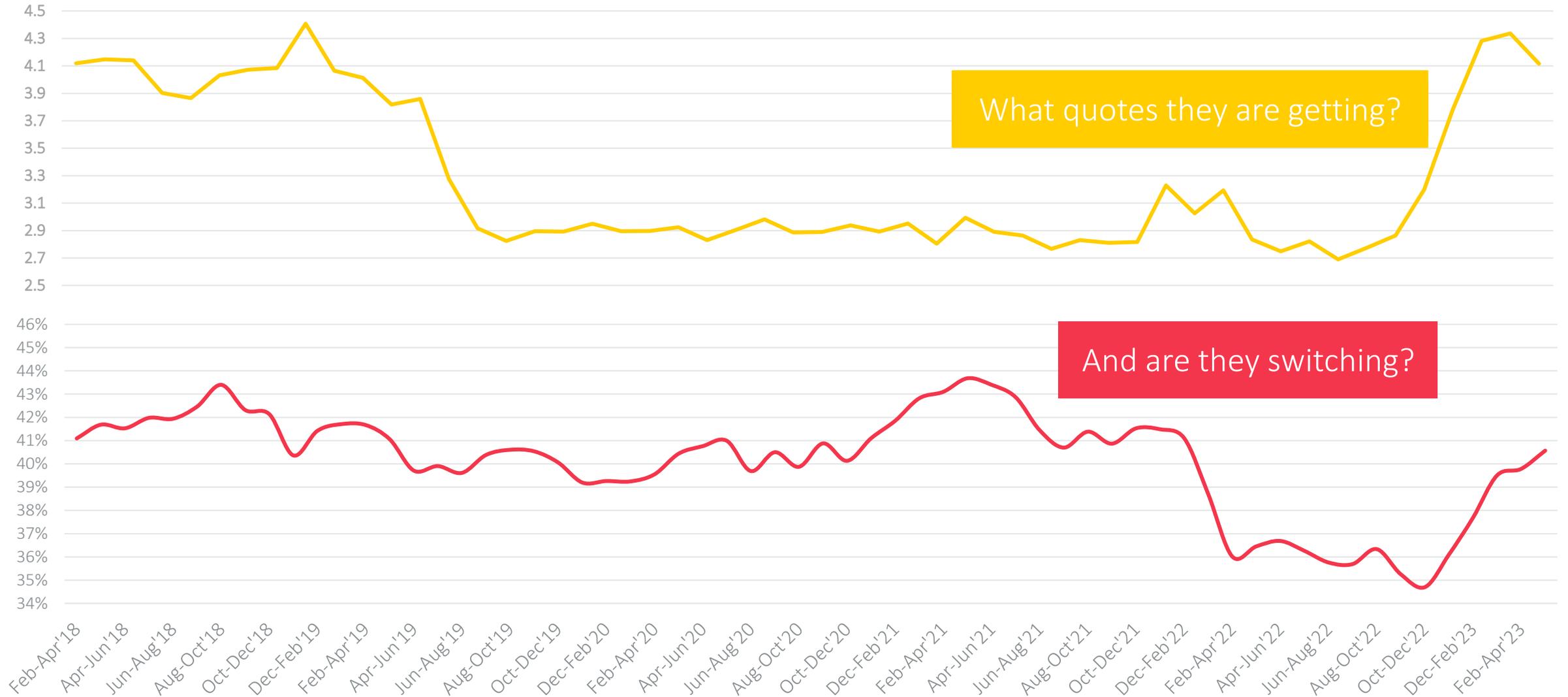
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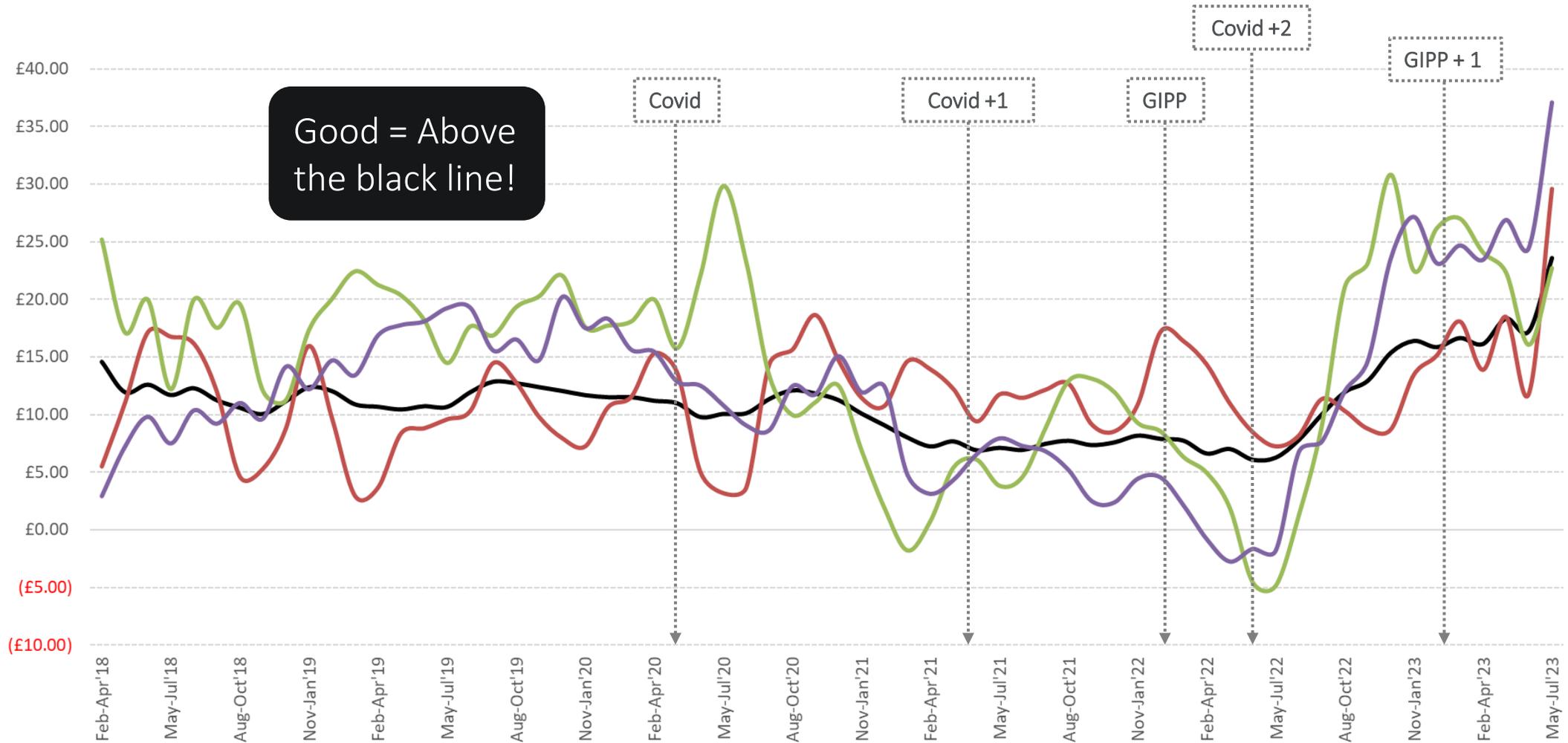
# What consumers say is happening with Motor insurance Prices



# What consumers are doing about it



# Retention Revenue Index



# Consumer Duty

*What is it?*

*And what does it mean (to customers)?*

## Consumer Duty – What is it?

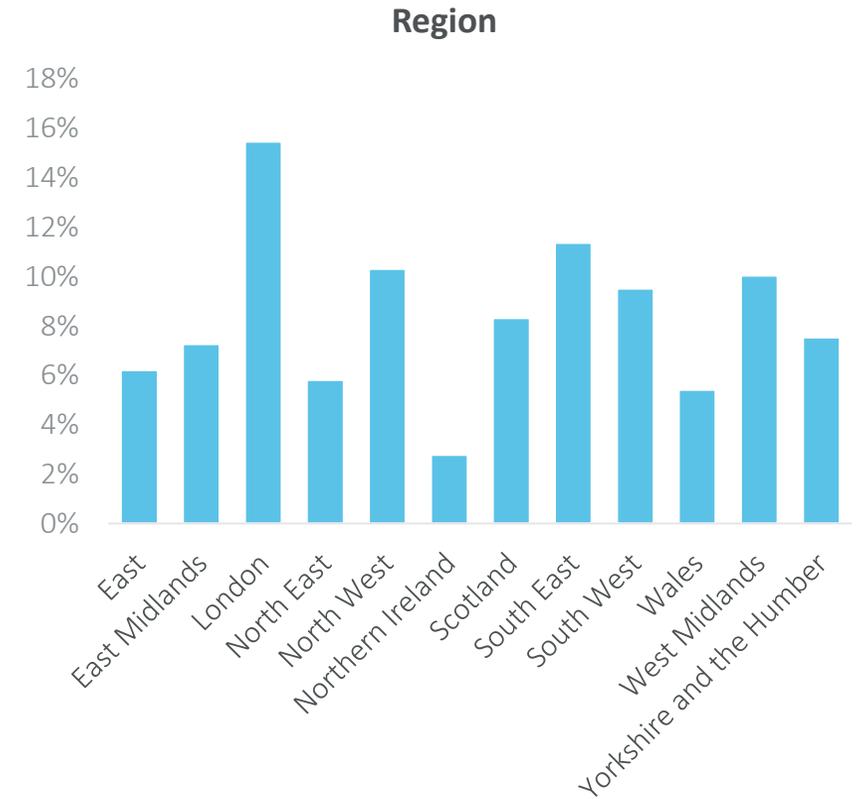
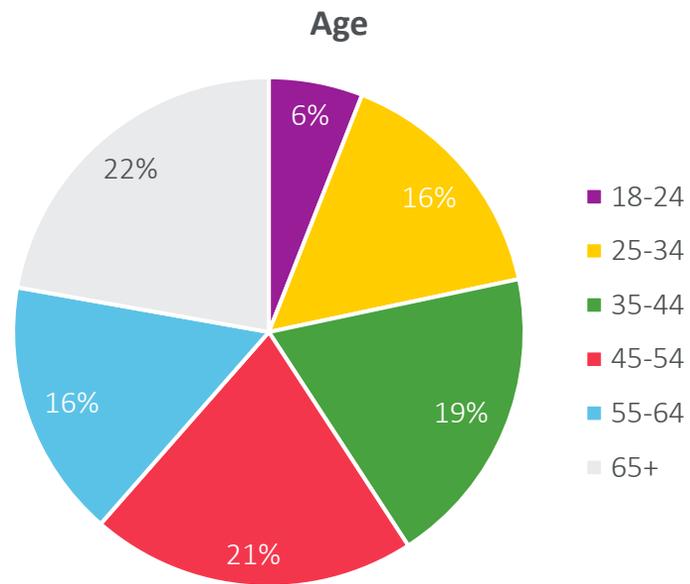
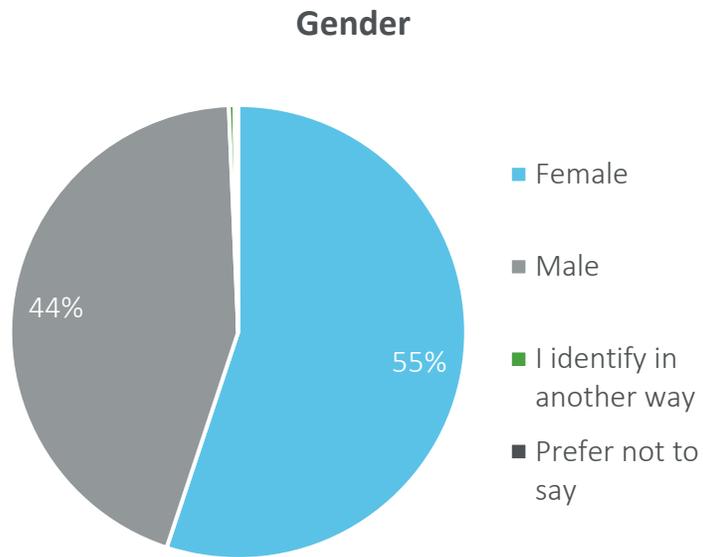
The new legislation rules developed by the Financial Conduct Authority (FCA) has the intention of creating a higher standard of consumer protection in retail markets, with the primary goal of reducing the level of harm experienced by retail Consumers.



Outcomes 1 & 2 are captured as part of the implementation of General insurance Pricing Practices (GIPP) which came into effect 1<sup>st</sup> January 2022. Outcomes 3 & 4, specifically designed to address Consumer Understanding and Support, come into force 31<sup>st</sup> July 2023.

## Self-identified vulnerable

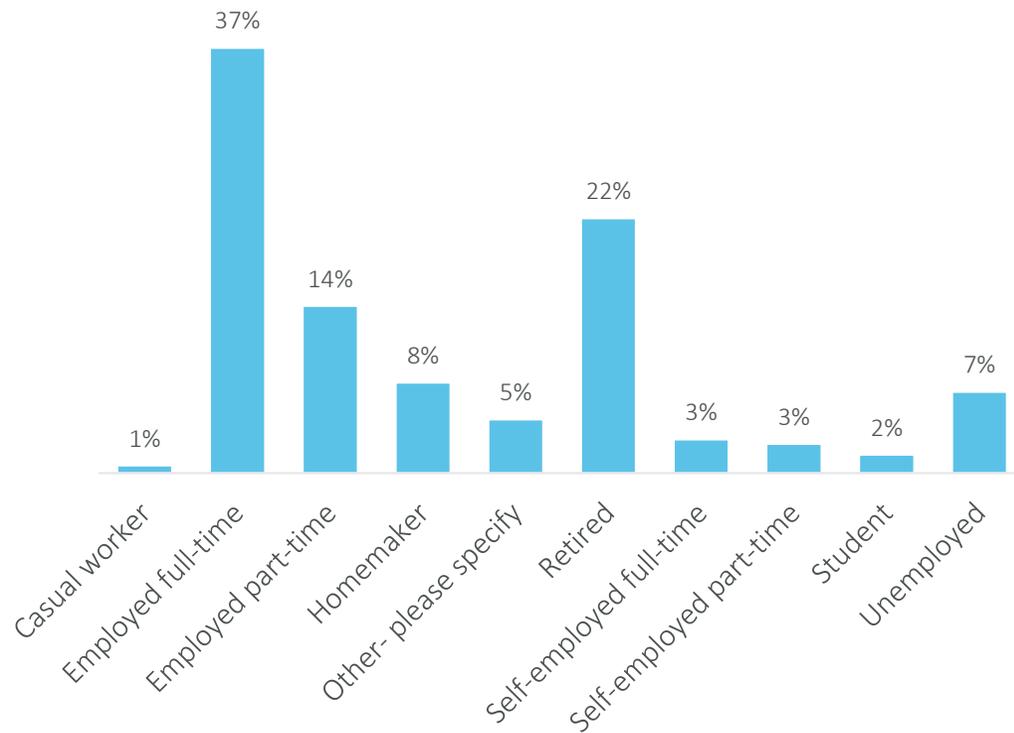
Demographic breakdown (gender, age, region)



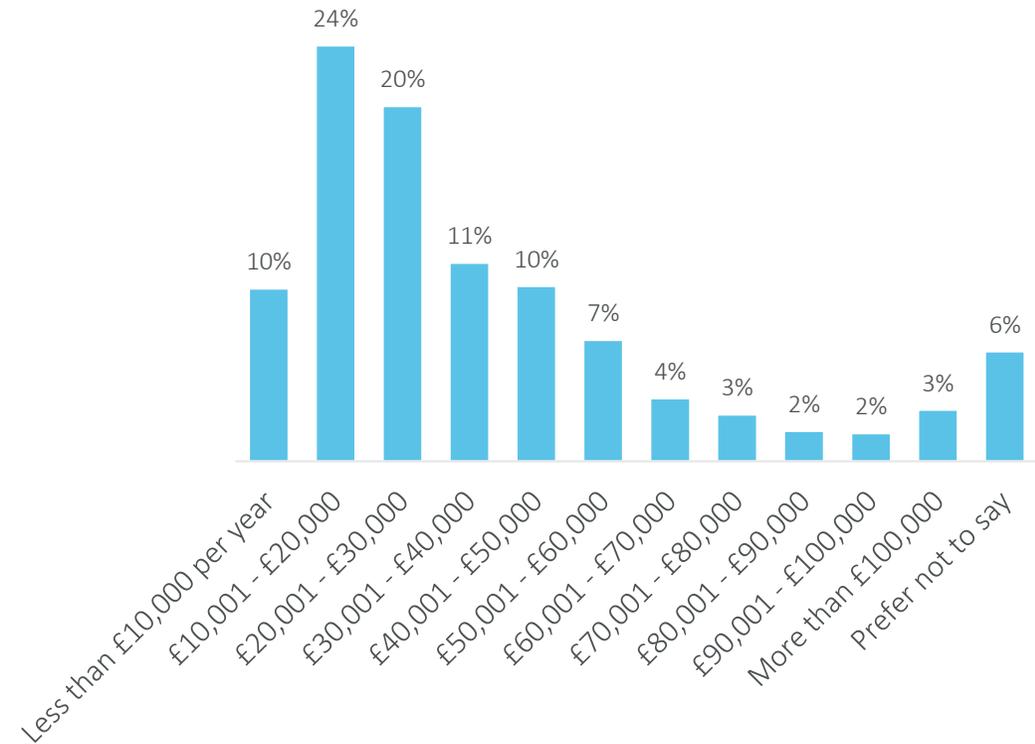
## Self-identified vulnerable

Demographic breakdown (employment status, household income)

**Employment**

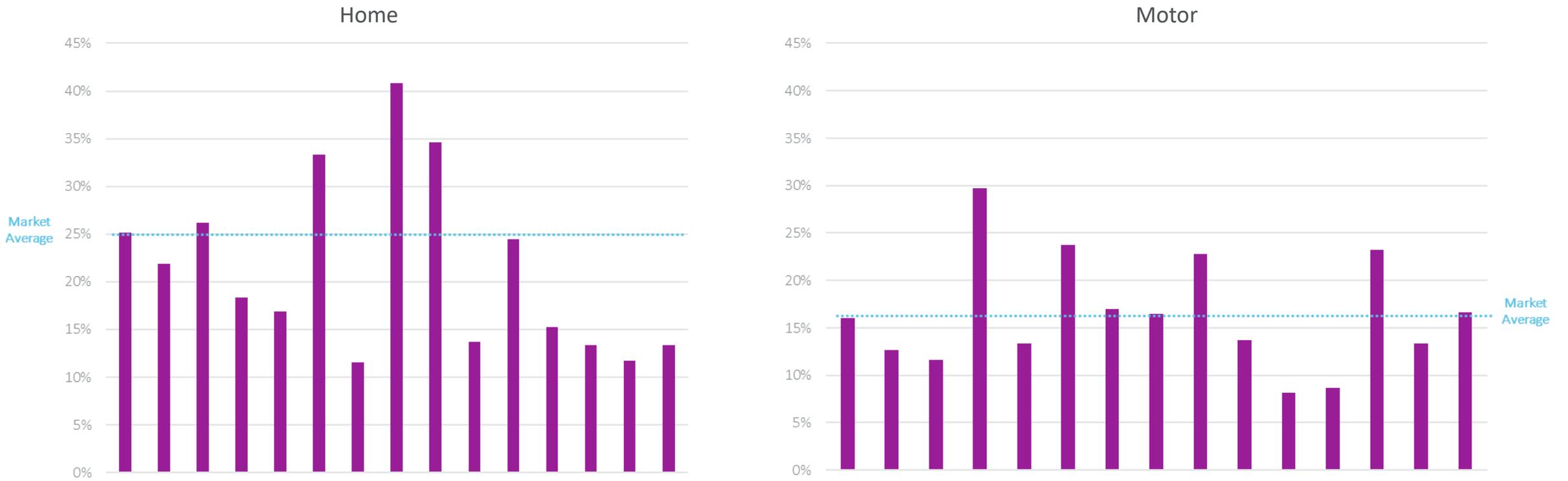


**Annual household income**



## Customer Vulnerability in Home & Motor Sectors

% of self identified vulnerable customers by sector and company



## How trusted are Insurers?

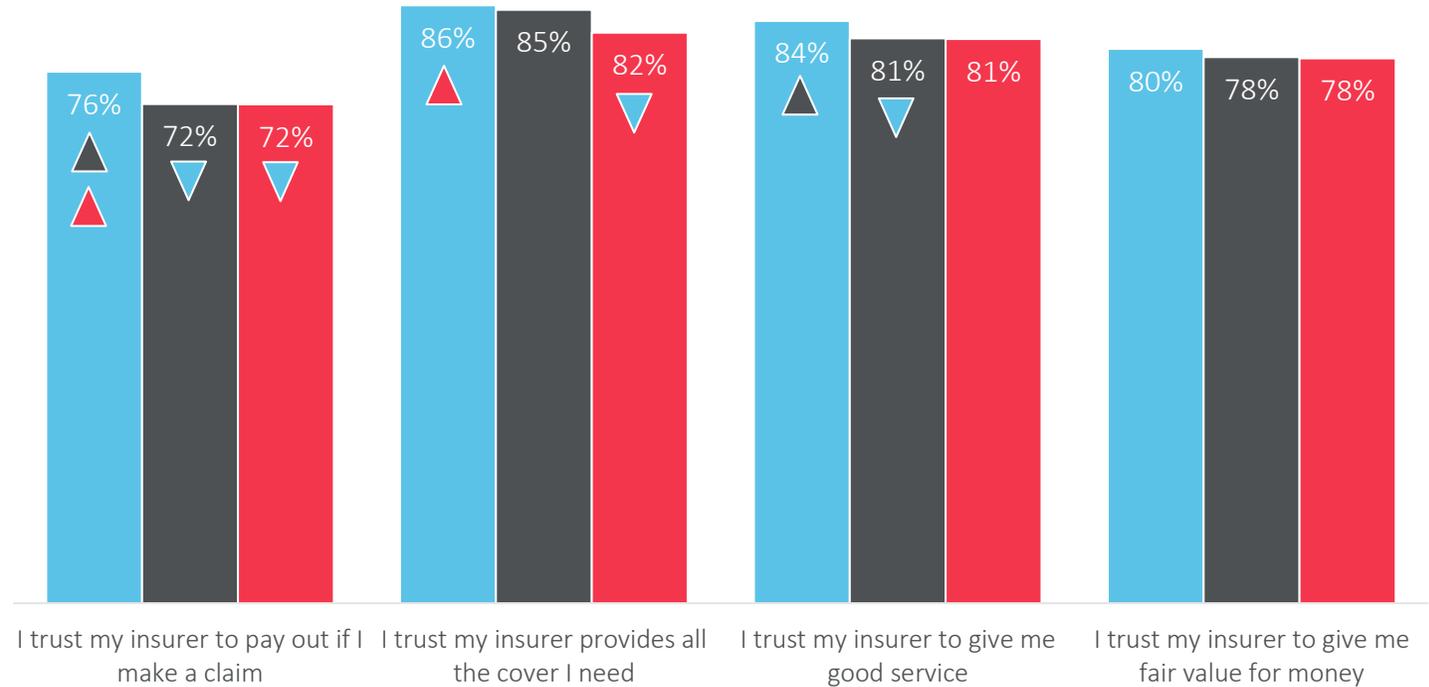
△▽ = significant difference to market (p<.05)

### Agreement with statement (agree + strongly agree)

■ Market ■ PCW purchase ■ Vulnerable customers (self-identified)

The level of trust consumers have in insurers is generally high. However, there is a lower level of trust that insurers will pay out.

PCW customers display a lower level of trust than the overall market for both paying out and service.



Q2a. Thinking about [PIPE INSURER], how much do you agree with the following statements?

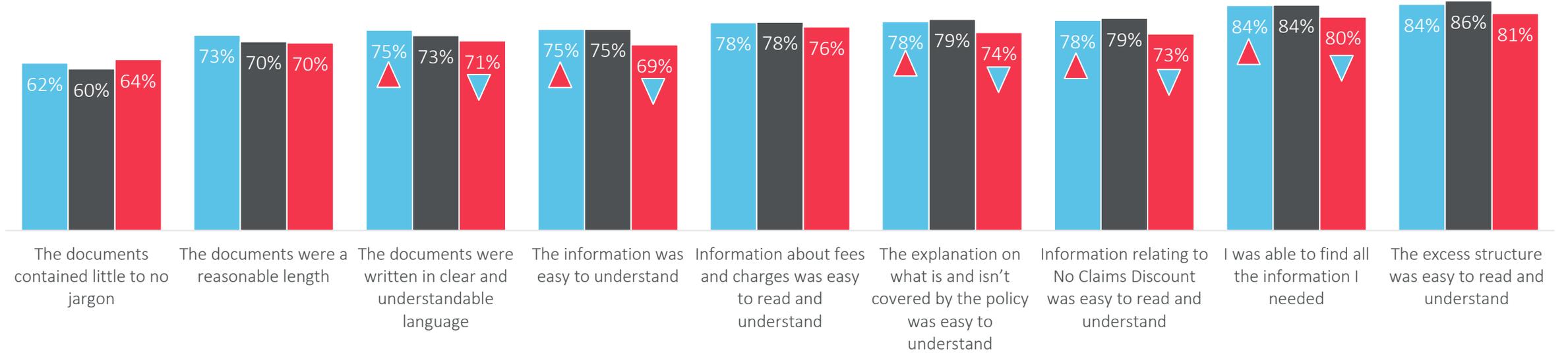
## Are policy documents clear and understandable?

△▽ = significant difference to market (p<.05)

For those that read their policy documents, they rated them less favourably for the use of jargon which presents a barrier to understanding. The industry is still failing those who identify as vulnerable by the FCA definition compared to the overall market.

### Agreement with statement (agree + strongly agree)

■ Market ■ PCW purchase ■ Vulnerable customers (self-identified)



Q9. After reading part or all of your [PIPE INSURER] policy documentation, to what extent do you agree with the following statements?

## Does cover match expectation in the event of a claim?

△▽ = significant difference between sectors ( $p < .05$ )

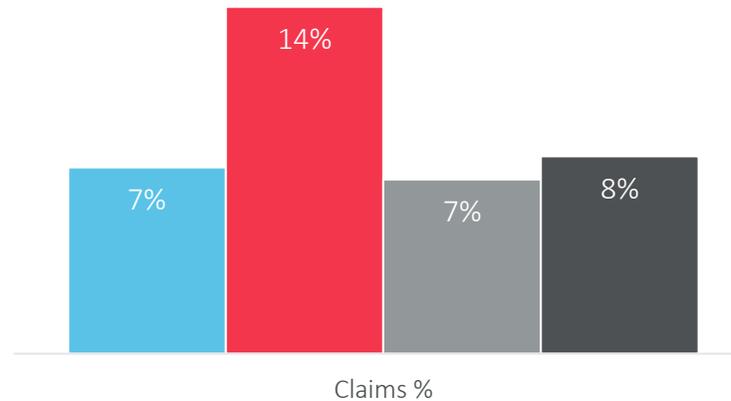
For those that made a claim, most were covered for everything they thought they'd be. However, 1 in 4 weren't. This may in part explain the drop in trust around this area.

Claims levels are low, with only 7% of respondents having made a claim within the last 2 years.

*Self-identified vulnerable customers are twice as likely (14%) to have made a claim in the last 2 years.*

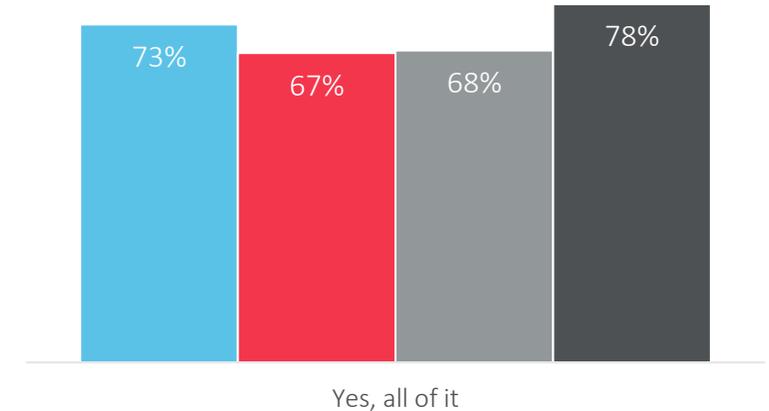
### Claims % (within last 2 years)

- Market
- Vulnerable customers (self-identified)
- Home
- Motor



### ...were you covered for what you thought you were?

- Market
- Vulnerable customers (self-identified)
- Home
- Motor



Q17. In last two years, have you had to contact [PIPE INSURER] to do any of the following? (Make a claim)

Q18. When you contacted [PIPE INSURER] to make a claim, were you covered for what you thought you were?

## The requirement – a different way of thinking

---

- ▶ Understanding your target market
- ▶ Price Variations and Comparisons
- ▶ Service Levels
- ▶ Customer Group Discrepancies
- ▶ Cost and Profit Margins
- ▶ Responsiveness to Cost changes

## Next?

---

- ▶ The bottom on the nadir for companies?
- ▶ The beginning of the nadir for consumers!
- ▶ A regulator with much work and a big stick

# Agenda

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 Past Performance	Krushmi Gandhi
 Inflation Actual vs Expected	Apoorv Joshi
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 Consumer Duty and the Motor Market	Ian Hughes, Consumer Intelligence
 <b>Consumer Duty Benchmarking</b>	<b>Chris Jamieson</b>
 Future Performance	Mario Medina
 Conclusion	James Rakow
 Appendix	All

# Consumer Duty Benchmarking



**Chris Jamieson**

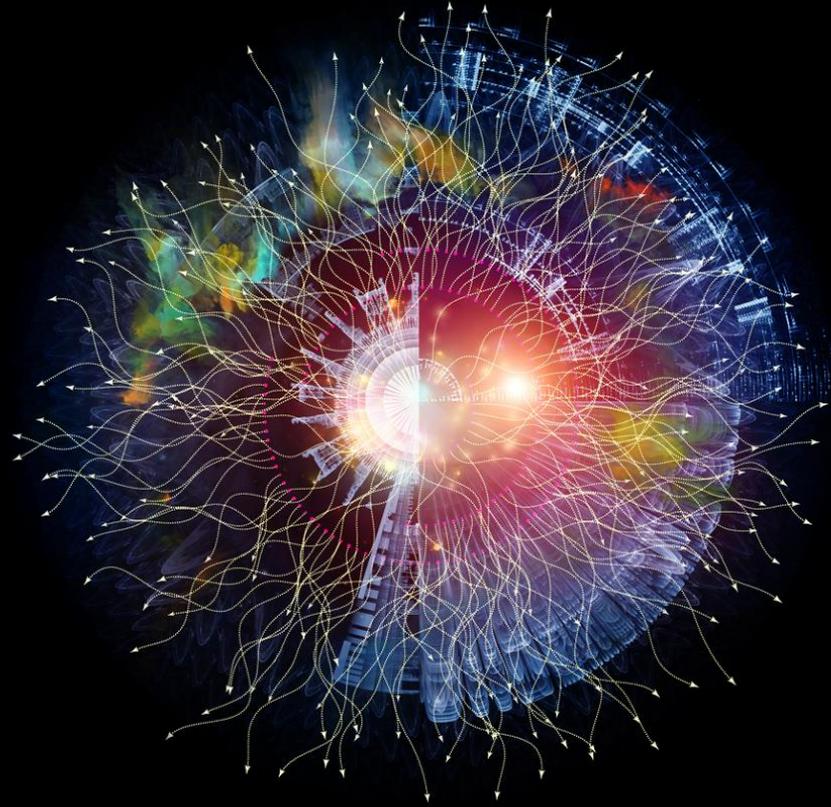
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Partner

Insurance, Risk & Regulation

Mobile Number: +44 7500 052942

Email: [cjamieson@deloitte.co.uk](mailto:cjamieson@deloitte.co.uk)



July 2023

# Consumer Duty Benchmarking: Progress and Priorities General Insurance Market

## Consumer Duty: GI Market Benchmarking

### Introduction

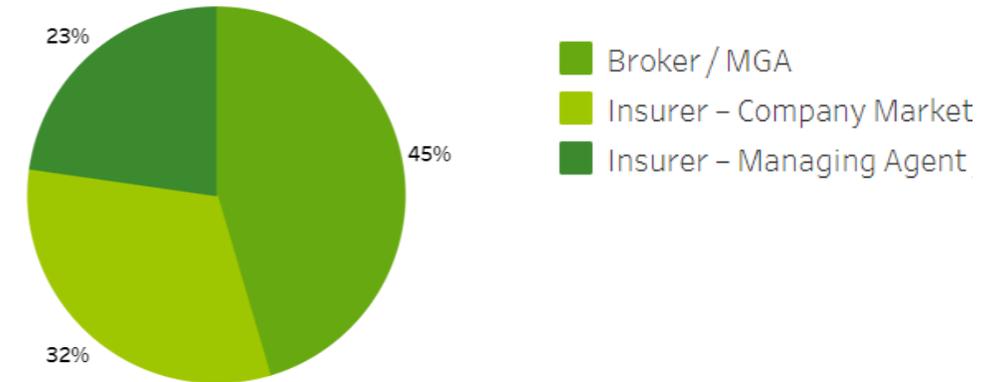
During June 2023, we undertook a benchmarking exercise of the General Insurance (GI) market on the progress and priorities of firms in respect of Consumer Duty implementation.

40 firms from the GI market participated in the benchmarking survey, comprising brokers, Managing General Agents (MGAs), company market insurers and Lloyd's managing agents.

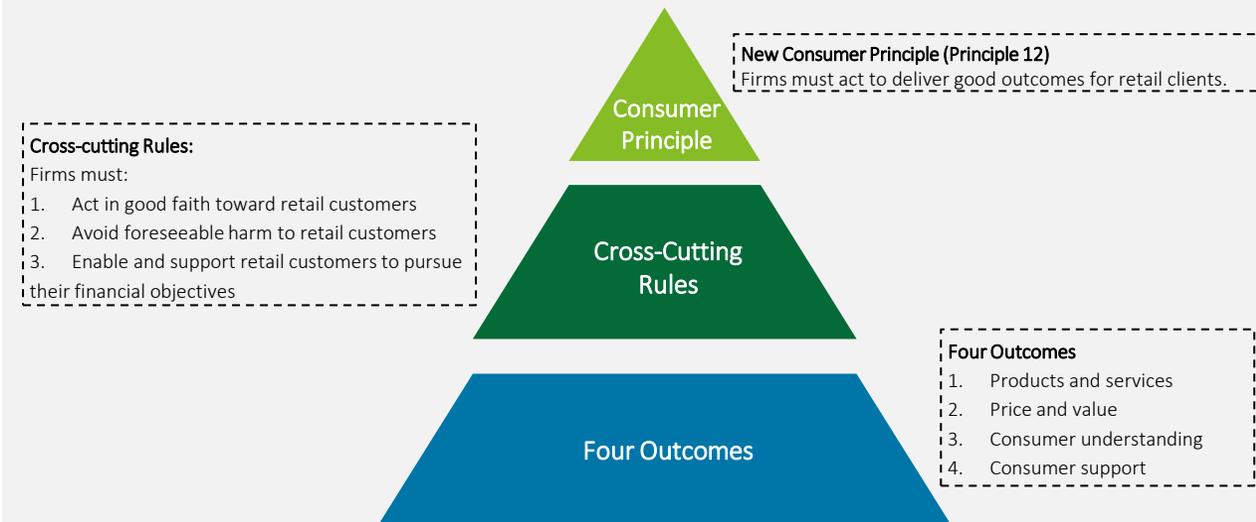
The topics included in this benchmarking are:

- Compliance with the Duty
- Post-July enhancements
- Culture & Governance
- Customer Outcomes
- Communications Testing
- Customer Outcome Testing
- Product Value Assessments
- Technology Solutions
- Assurance
- Board Assessments
- Resource and recruitment
- Greenwashing
- Further Clarity & Guidance

We set out below the split of the benchmarking participants.



### Structure of the Consumer Duty



## Consumer Duty: GI Market Benchmarking

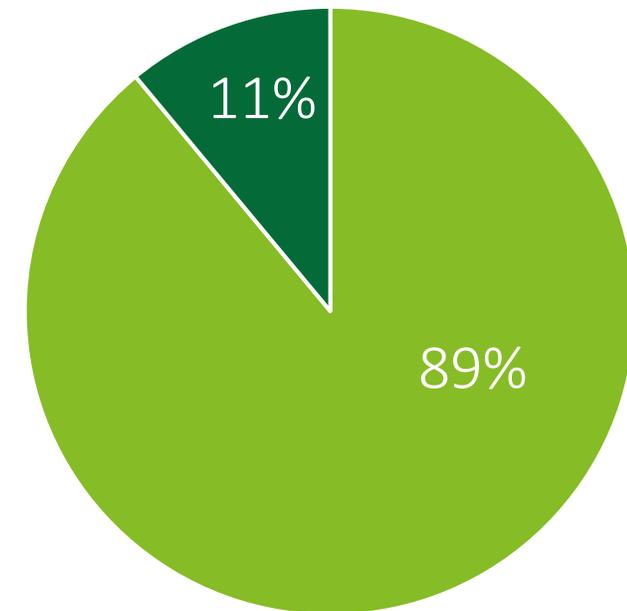
### Examples of insight

It is clear from the level of benchmarking participation and responses that the Consumer Duty is a focus for the GI market, with work being undertaken to address the requirements and indicators of this resulting in increased focus on customer outcomes.

It is also clear from the benchmarking that the work does not stop at the 31 July 2023 deadline. There is a big “Day 2” focus in the market, which will require ongoing enhancements, embedding and evolution.

### Progress so far

The concept of “substantive compliance” has been acted on by the market 89% of firms responded to say they have achieved “substantive” compliance with the Duty, with 11% of firms saying they will achieve “complete compliance” with the Duty.



■ "Substantive compliance" ■ "Complete compliance"

## Consumer Duty: GI Market Benchmarking

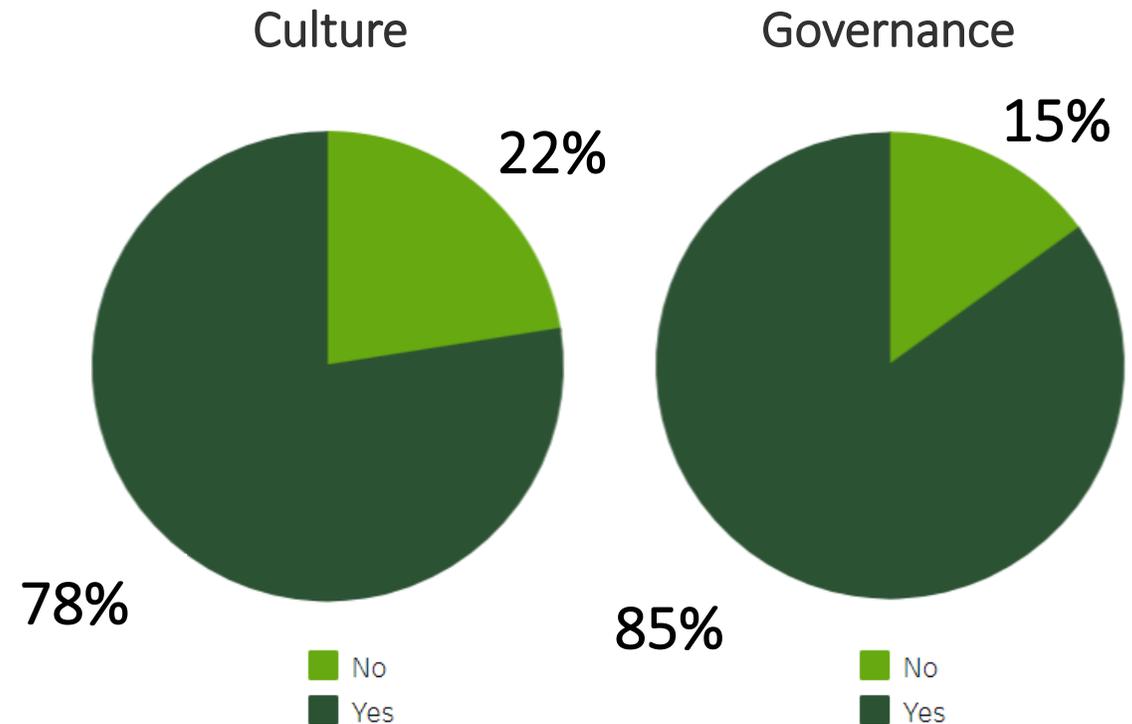
### Examples of insight

#### Progress so far

Firms have already seen this result in improvements to customer-centric culture and governance

78% of firms believe their customer-centric culture has improved, linked to the Consumer Duty.

85% of firms believe there has been an increase in governance challenge around customer outcomes, linked to the Consumer Duty.



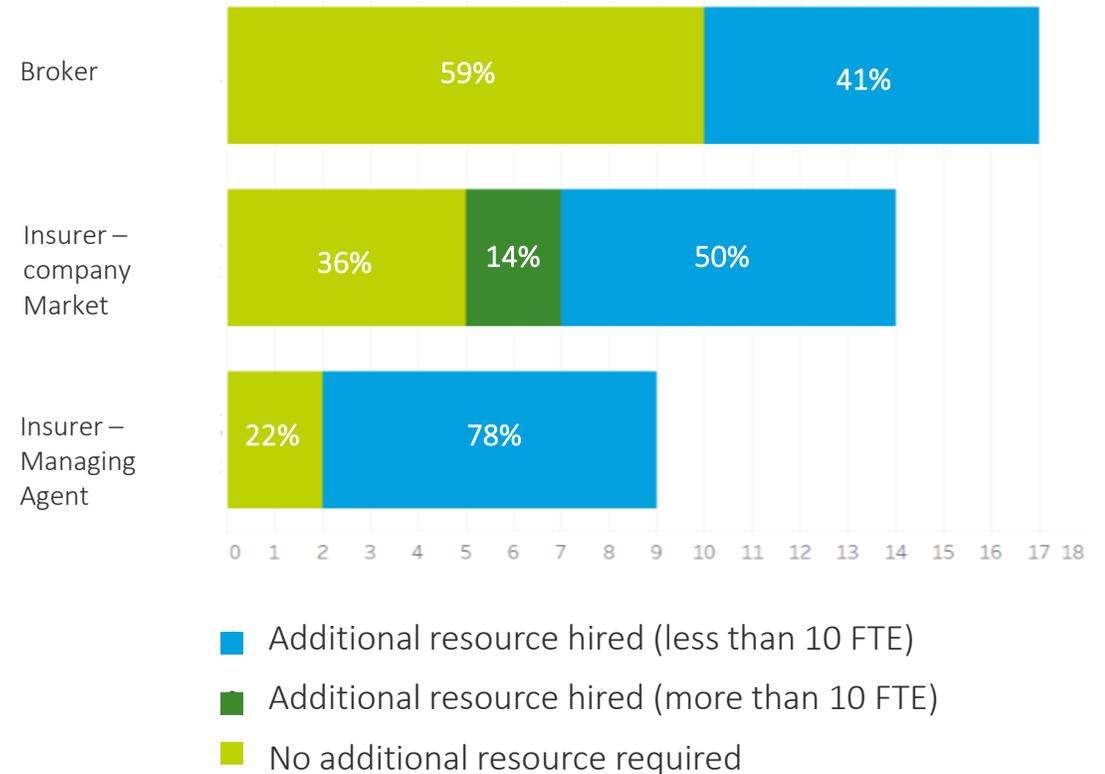
# Consumer Duty: GI Market Benchmarking

## Examples of insight

### Progress so far

Achieving this so far has required additional headcount for the majority of firms

57% of firms have recruited additional resource to meet the Consumer Duty requirements. In our experience, firms are focussing on refining Consumer Duty operating models.

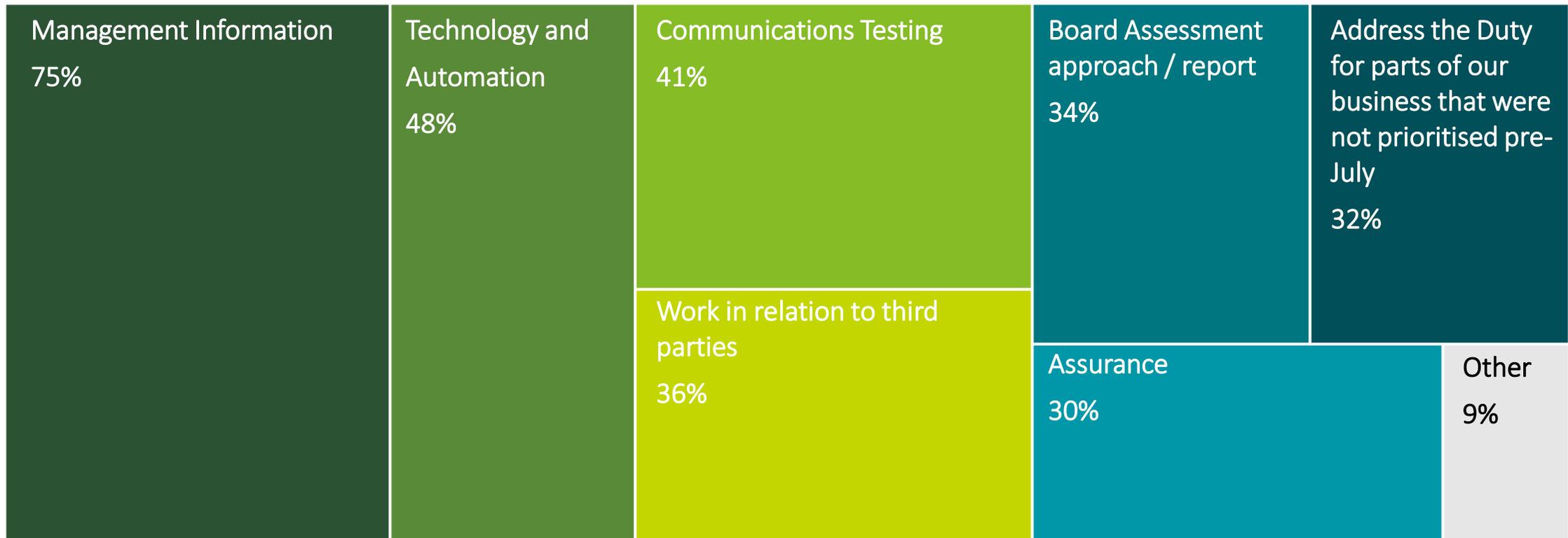


## Consumer Duty: GI Market Benchmarking

### Examples of insight

#### “Day 2” priorities

What are the key areas where you need to do more / enhance post-July? Management Information is the main area where firms feel they need to enhance post the July 2023 deadline, followed by better use of technology and communications testing. We are seeing firms focussing on getting more insight and sustainability from their frameworks. *(Percentage of firms selecting each option)*

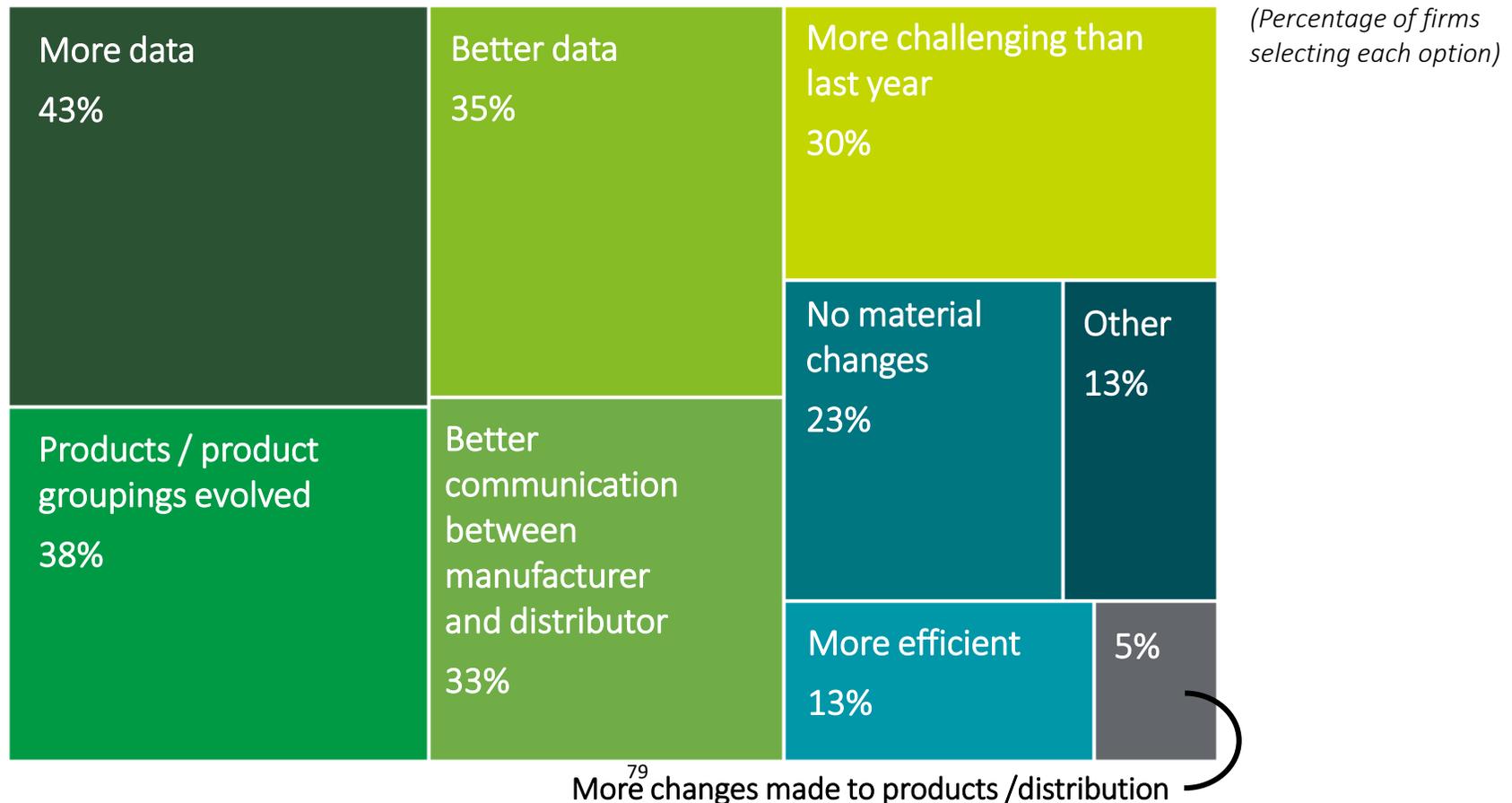


## Consumer Duty: GI Market Benchmarking

### Examples of insight

#### “Day 2” priorities

How has the product value assessment process changed between year 1 and year 2? Focus is still required on product governance and fair value assessments. 30% of firms say it is more challenging than last year and only 13% of firms say it is more efficient. The main differences are data related, with 43% saying there is now more data and 35% saying there is now better data.



## Consumer Duty: GI Market Benchmarking

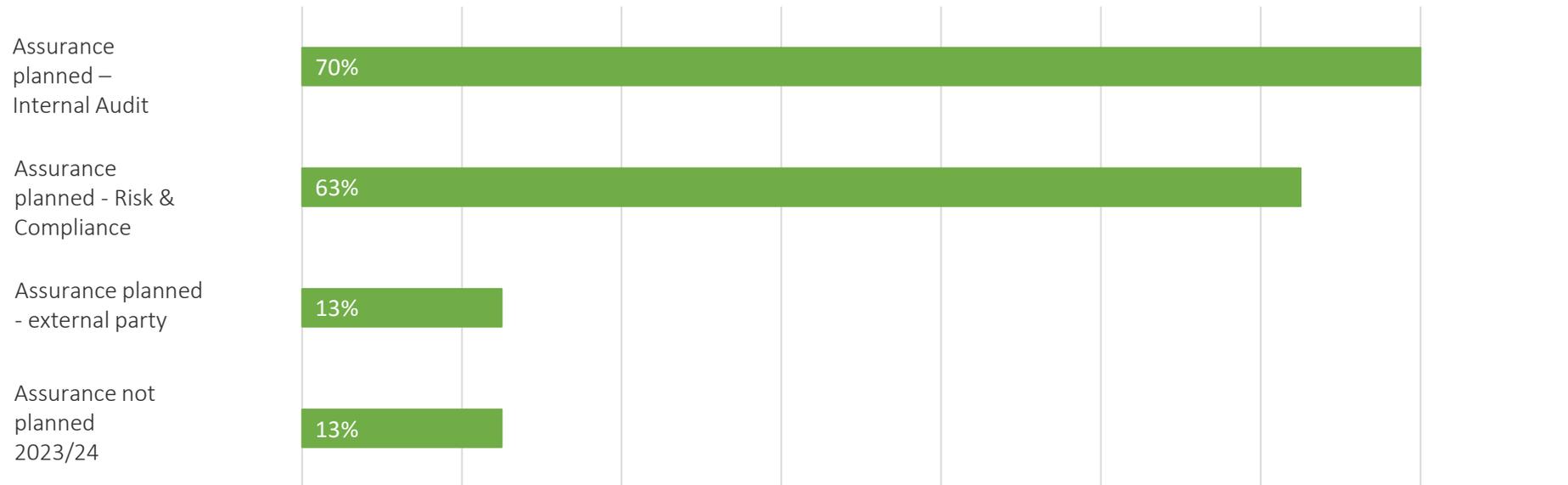
### Examples of insight

#### “Day 2” priorities

Firms are also getting assurance on the appropriateness and embedding of their frameworks.

80% of firms have gained assurance on the Duty in time for the July 2023 deadline. 87% of firms are planning to undertake assurance on the Consumer Duty in 2023/2024. This is likely contributed to by the judgement involved in reaching an approach and the outcomes that meet regulatory expectation and good market practice.

*Assurance on compliance with the Duty planned for 2023/2024*





**Chris Jamieson**  
Partner

cjamieson@deloitte.co.uk  
07500052942

**Adam Knight**

Partner  
aknight@deloitte.co.uk

**Matt Papasavva**

Director  
mpapasavva@deloitte.co.uk

**Charlie Morris**

Senior Manager  
charliemorris@deloitte.co.uk

**Poppy Jackman**

Senior Manager  
pjackman@deloitte.co.uk

**Charlotte Bygrave**

Assistant Manager  
charlottebygrave@deloitte.co.uk

**Hannah Morrison**

Assistant Manager  
hjmorrison@deloitte.co.uk

## Deloitte Technology Solutions to support the Consumer Duty

Deloitte has a suite of enterprise-grade Regulatory Technology solutions that are being used by firms to automate and streamline key elements of the Consumer Duty, bringing immediate insight, control and evidencing good customer outcomes. We set out three examples:

### OneView: Product Governance

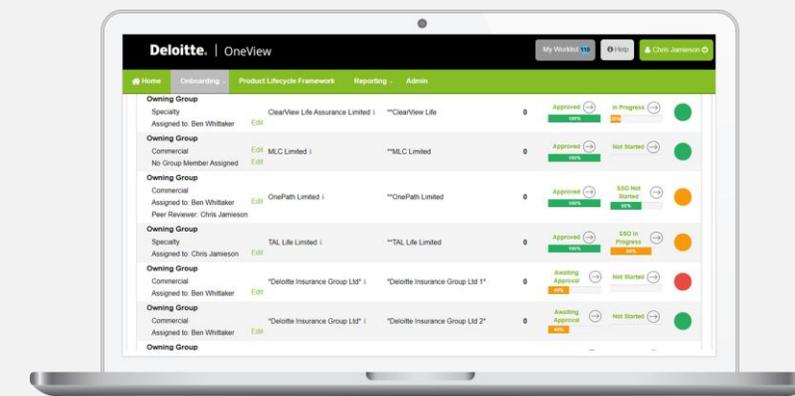
The solution for your Product Governance and Fair Value Assessment framework – used by firms to bring total visibility to their products; immediate Management Information (MI); risk-based reviews and fair value assessments; and clear accountability and workflow. For firms who are finding it challenging to stay on top of all of their products and fair value assessments.

### OneView: Third Party

The solution for your risk-based end-to-end oversight of third parties including distributors, MGAs/DAs, open market brokers and outsourced claims handlers. Includes the ability to request and receive value information from distributors, which automatically feeds into your fair value assessments for associated products.

### ConductHub

Our conduct analytics service that accelerates the automation of your Consumer Duty MI and reporting.



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# Future Performance



## Mario Medina

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Senior Consultant

Actuarial, Insurance & Banking

Mobile Number: +44 7721 473821

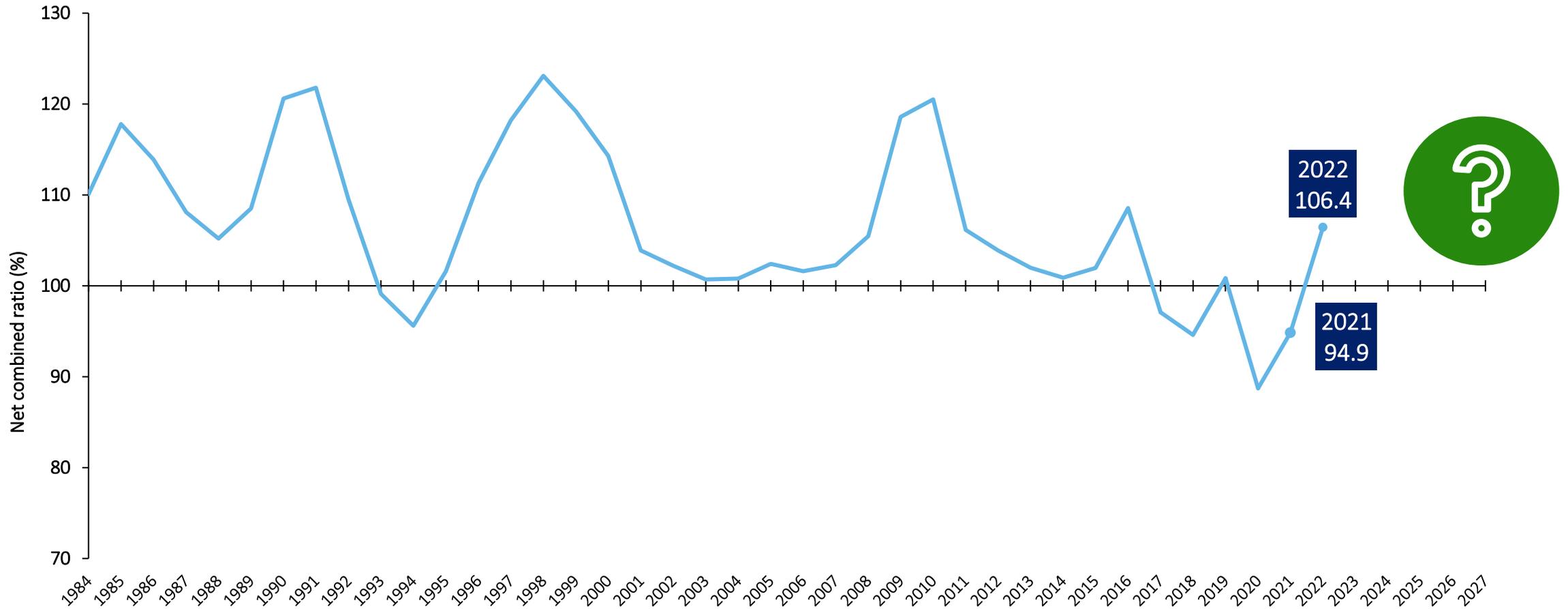
Direct: +44 (0) 20 8039 8143

Email: [mariomedina@deloitte.co.uk](mailto:mariomedina@deloitte.co.uk)



# Future Performance

## Net Combined Ratios – History



Source: Deloitte Analytics based on AM Best data and SFCRs



# Future Performance

Assumptions for our projection

## Premiums

- Earning of premium
- Underwriting cycle
- Insurance premium tax

## Ogden 2024

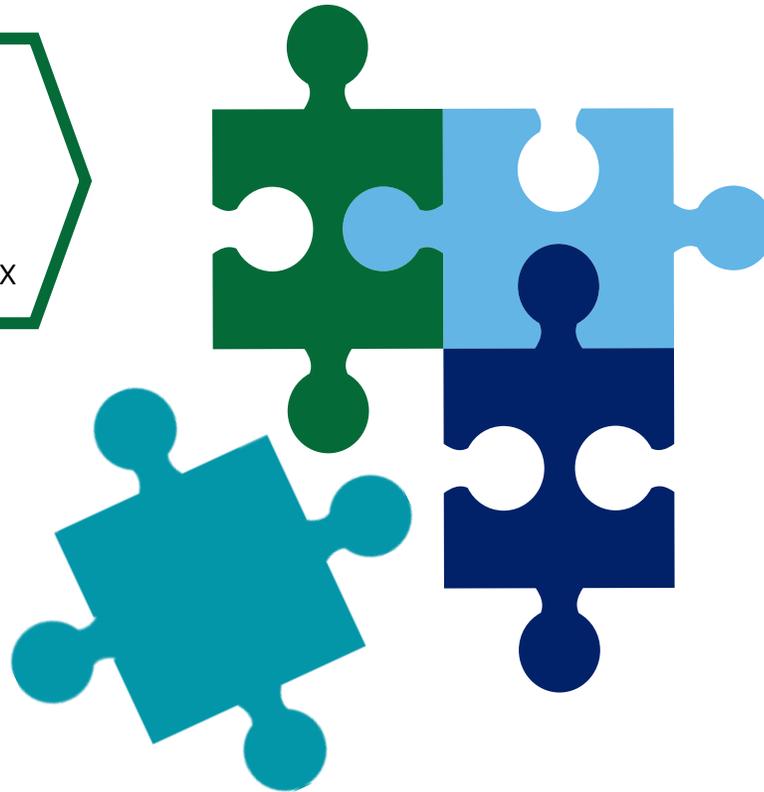
- Lord chancellor's decision
- Insurers' expectations
- Single vs multiple rates

## Claims

- Claims inflation
- Severity trends
- Frequency trends
- "New normal"

## Expenses

- Wage inflation
- Non-wage inflation





# Future Performance

Assumptions for our projection

## Premiums

- Earning of premium
- Underwriting cycle
- Insurance premium tax

## Ogden 2024

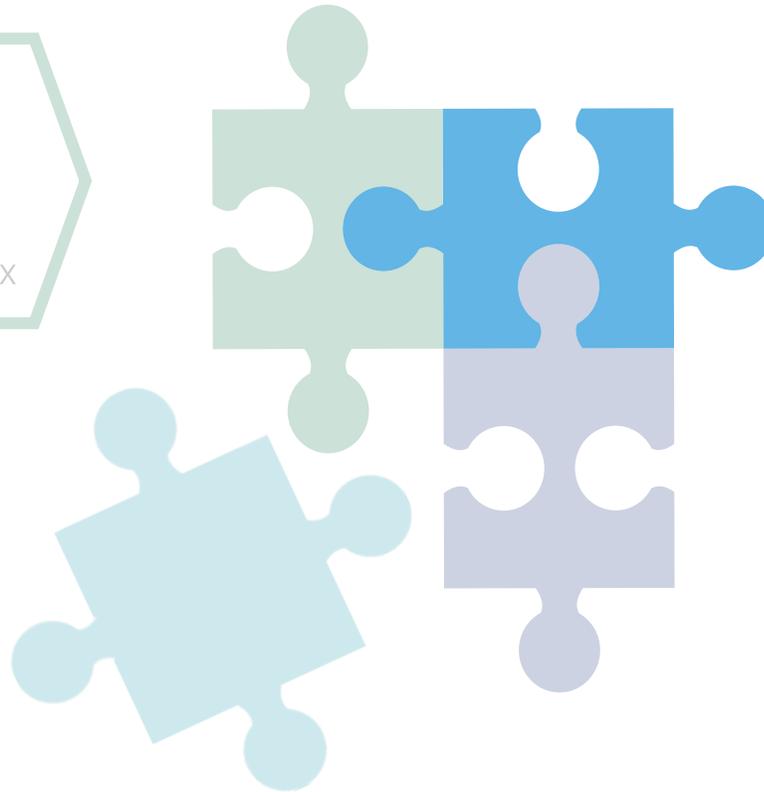
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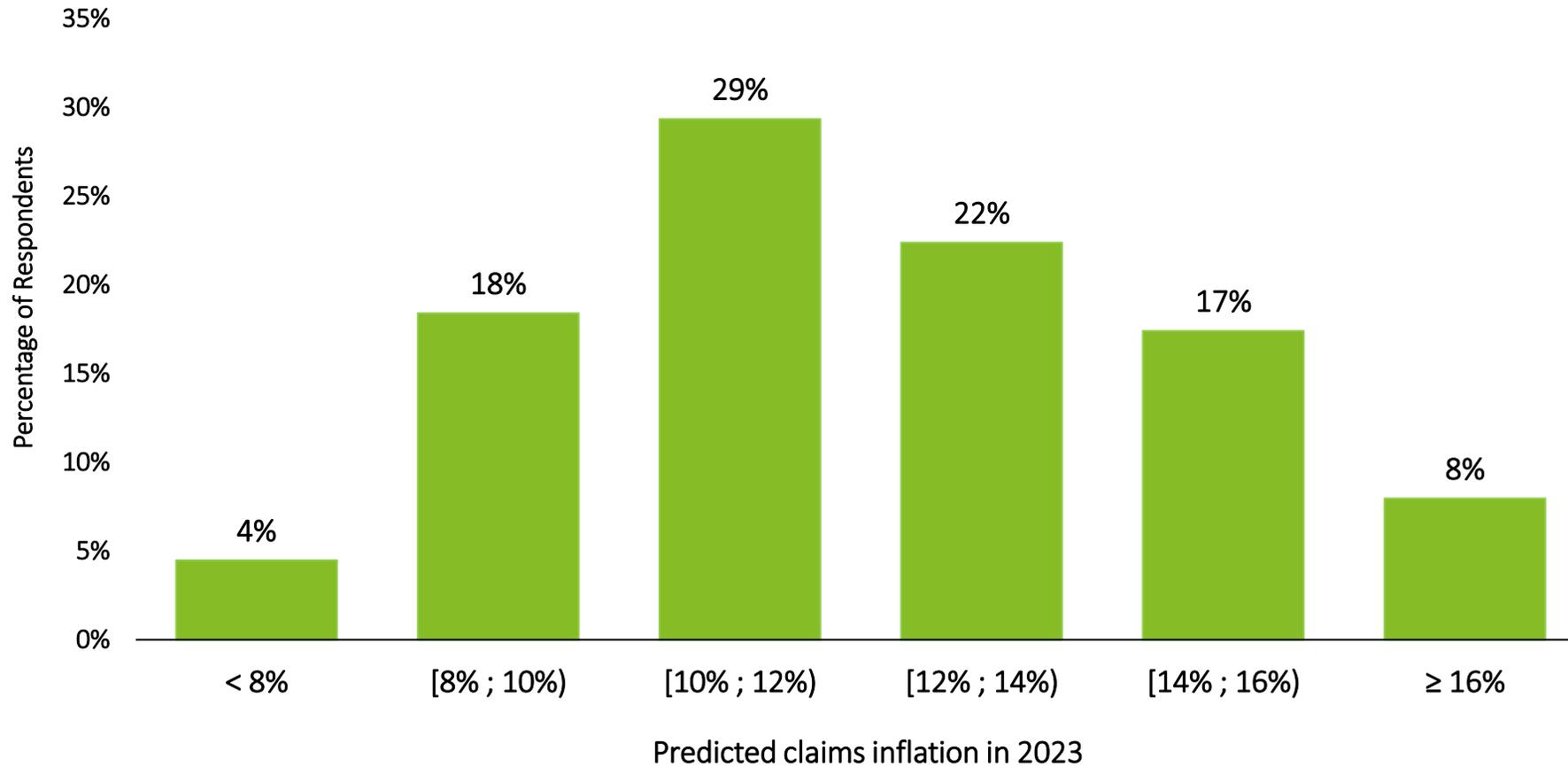




# Future Performance

2023 claims inflation predictions – the survey says...

What do you think the overall claims inflation will be in 2023?



Source: 2023 Deloitte Motor Insurance Seminar Survey



# Future Performance

Assumptions for our projection

## Premiums

- Earning of premium
- Underwriting cycle
- Insurance premium tax

## Ogden 2024

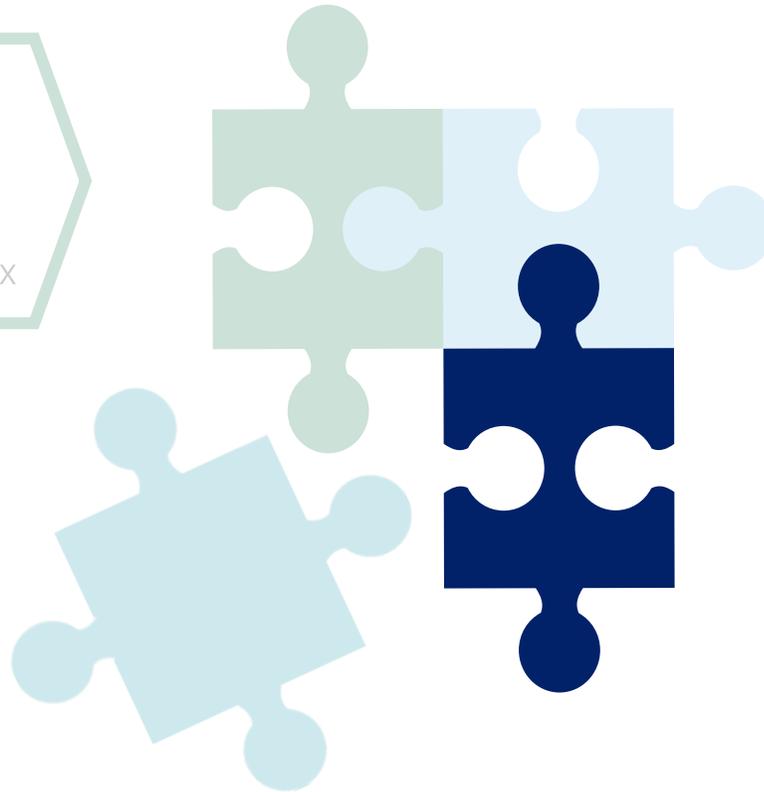
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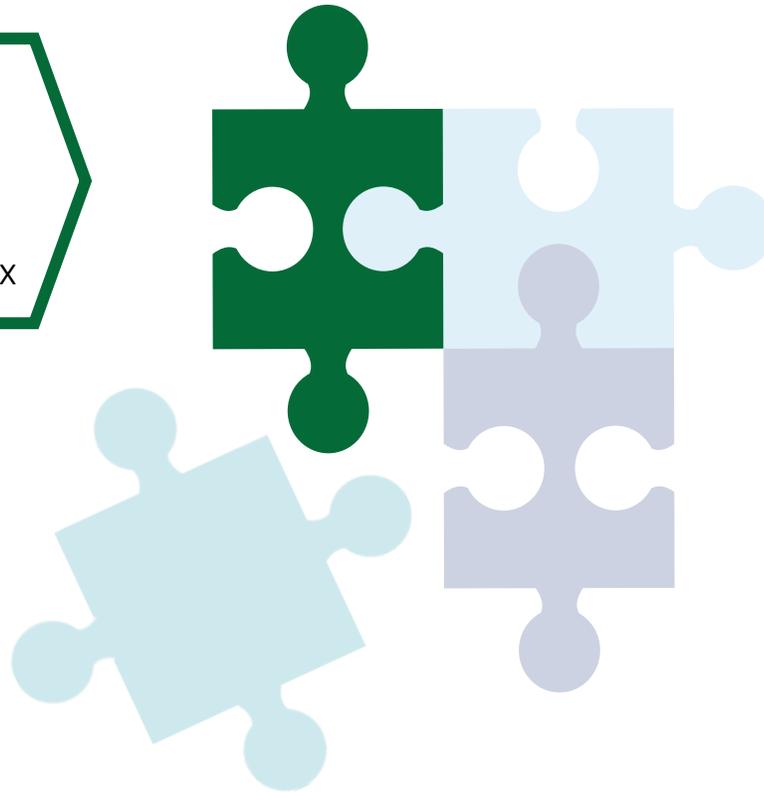
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- Severity trends
- Frequency trends
- "New normal"

## Expenses

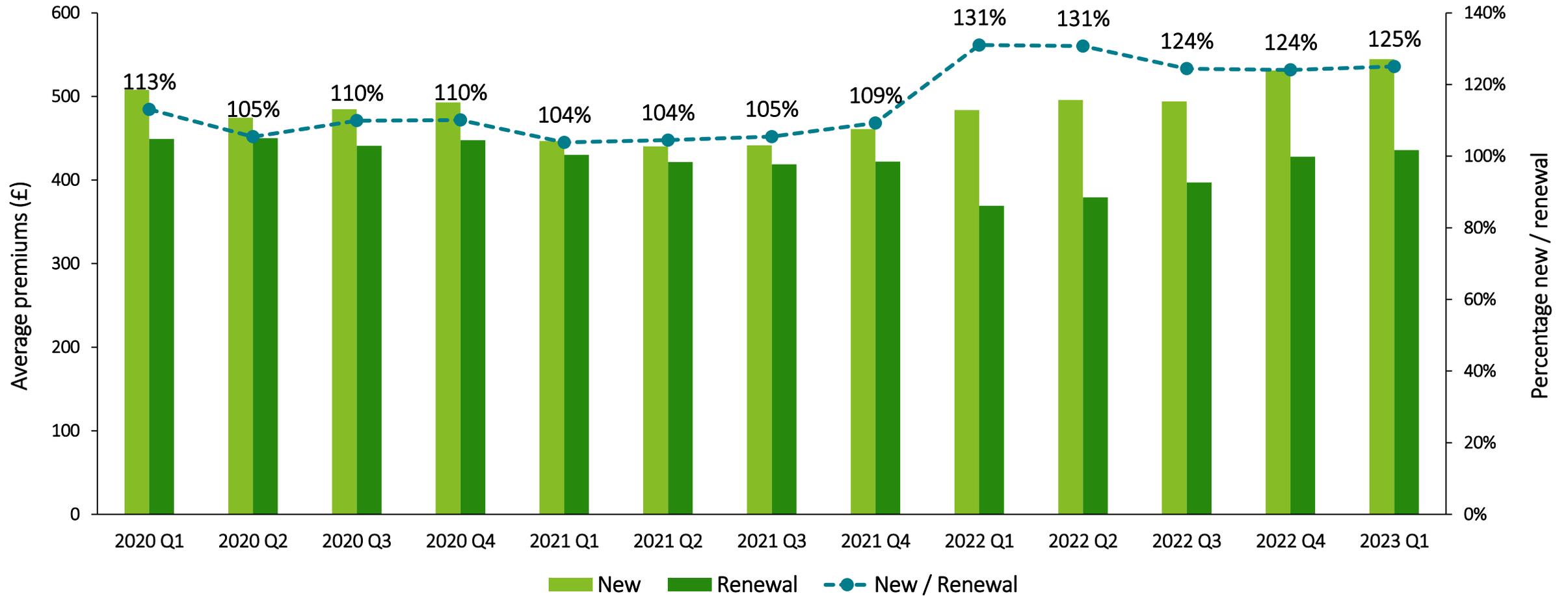
- Wage inflation
- Non-wage inflation





# Future Performance

New and renewal premiums post-GIPP



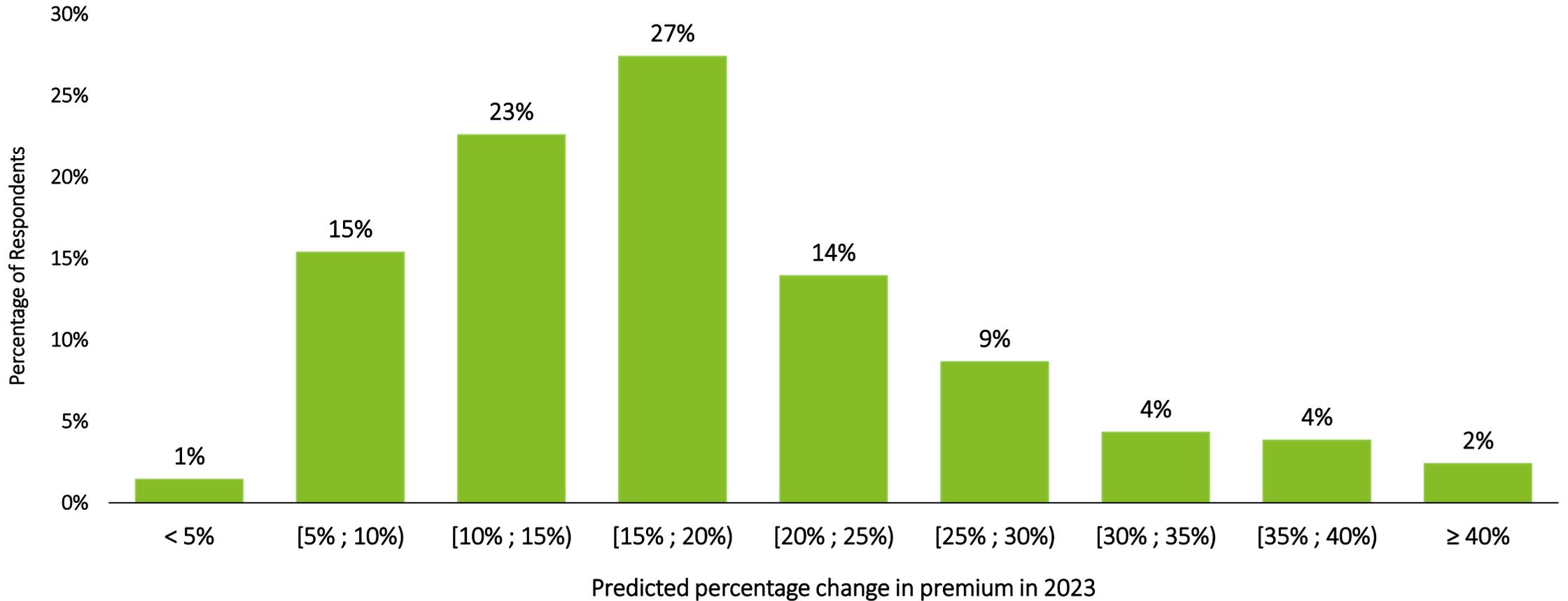
Source: Deloitte Analytics based on ABI Premium data



# Future Performance

2023 premium increase predictions – the survey says...

By what percentage do you think motor insurance premiums will change in 2023?



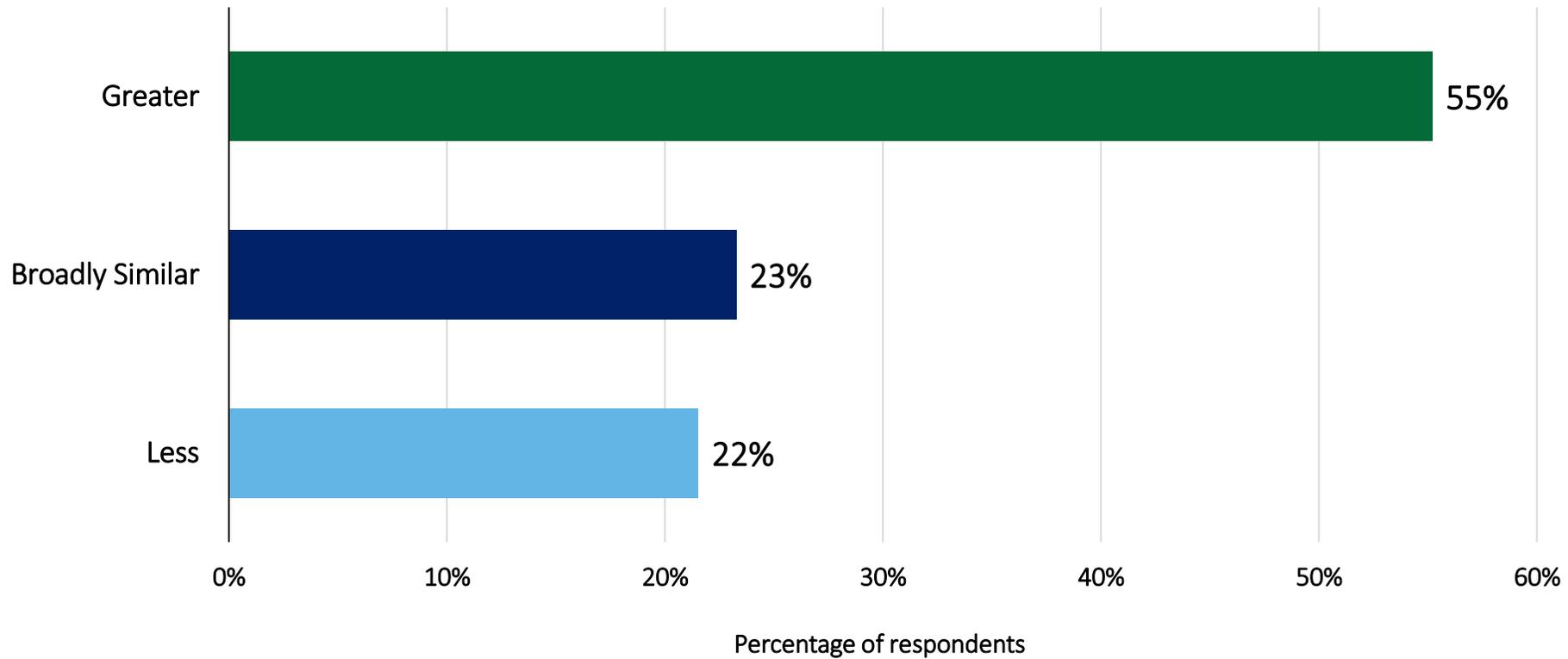
Source: 2023 Deloitte Motor Insurance Seminar Survey



# Future Performance

Live poll – 20 July 2023

Do you think the premium inflation will be greater or less than claims inflation in 2023?

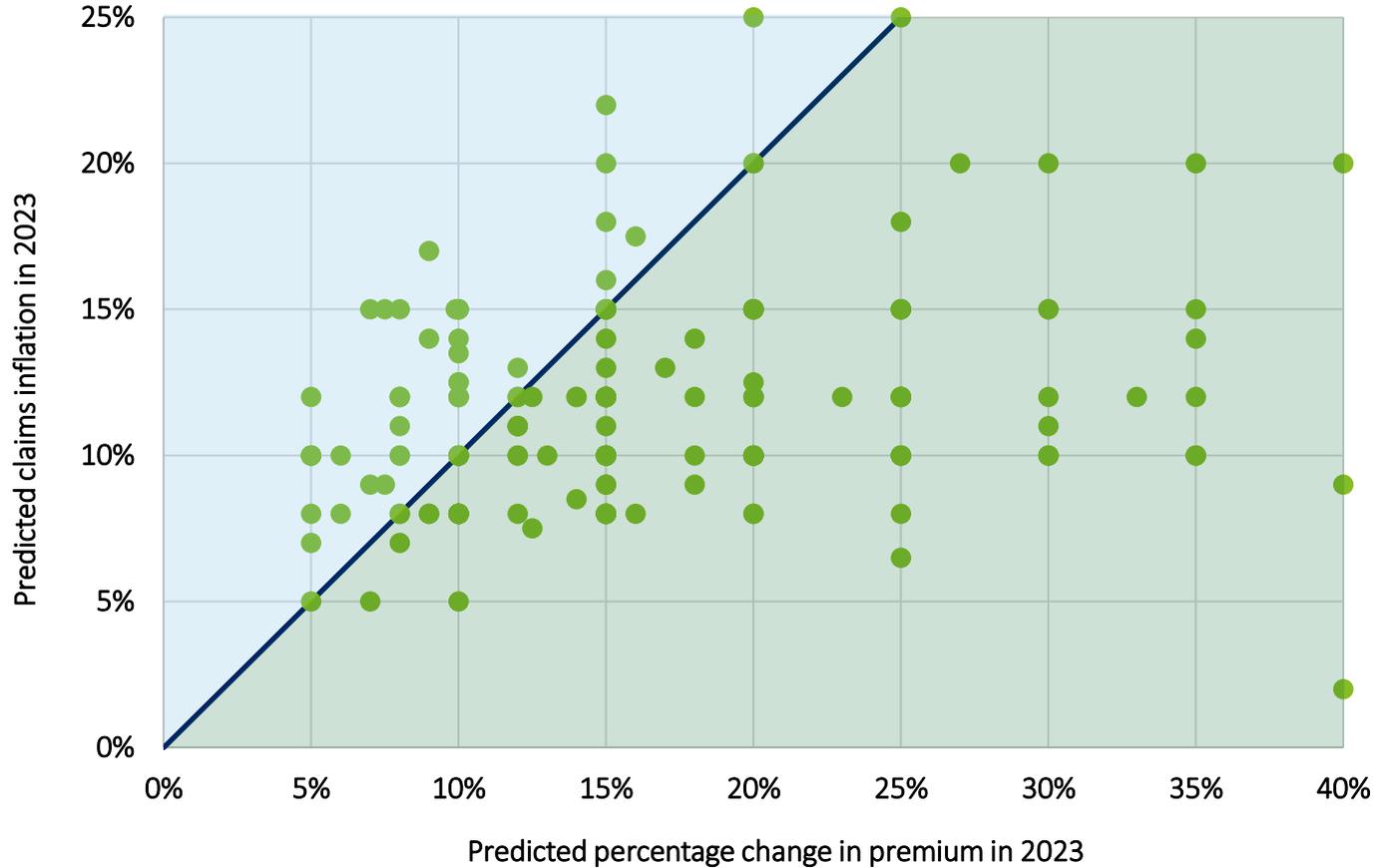


Source: 2023 Deloitte Motor Insurance Seminar live poll

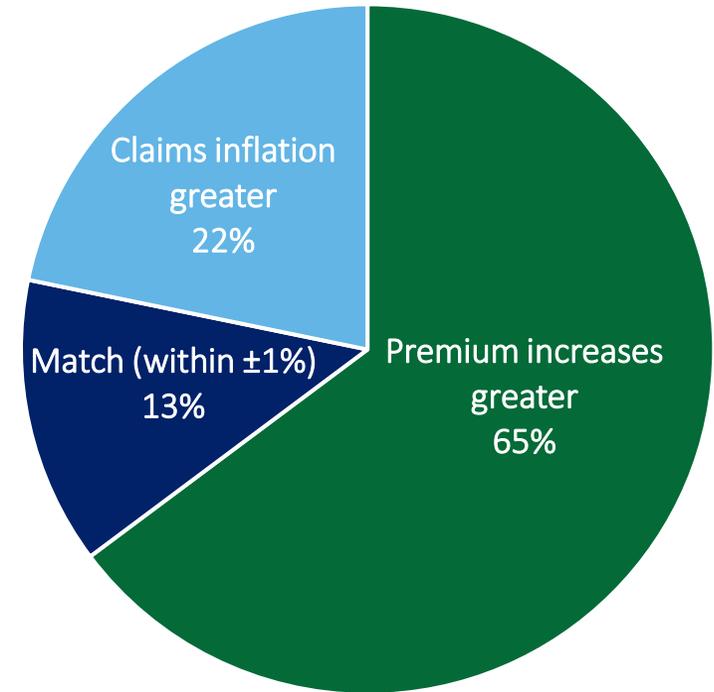


# Future Performance

2023 claims inflation and premium increase predictions – the survey says...



Each dot in this scatter plot represents (one or many) registration survey response(s) that predicted claims inflation and premium change in 2023. The blue line represents  $Y=X$ , above which respondents predicted greater claims inflation than premium increases. Respondents below the line predicted greater premium increases than claims inflation. The pie chart summarises the results.



Note: There can be multiple respondents associated with each dot  
Source: 2023 Deloitte Motor Insurance Seminar Survey



# Future Performance

Assumptions for our projection

## Premiums

- Earning of premium
- Underwriting cycle
- Insurance premium tax

## Ogden 2024

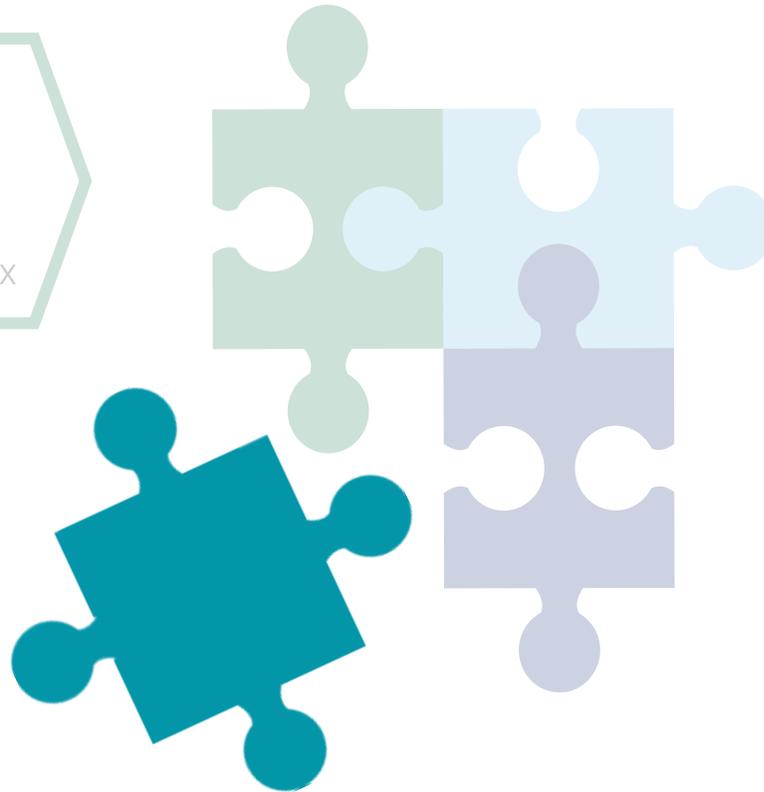
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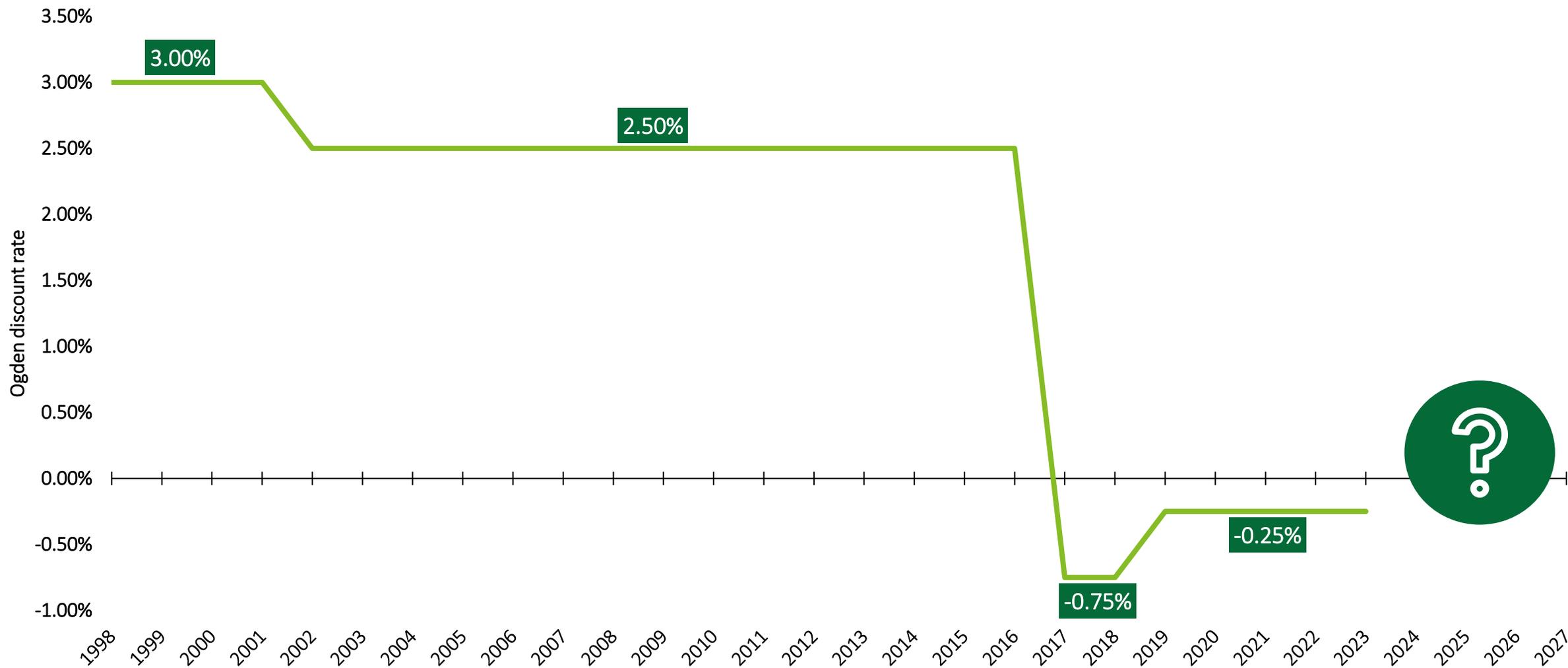
- Wage inflation
- Non-wage inflation





# Future Performance

Ogden discount rate history – England and Wales

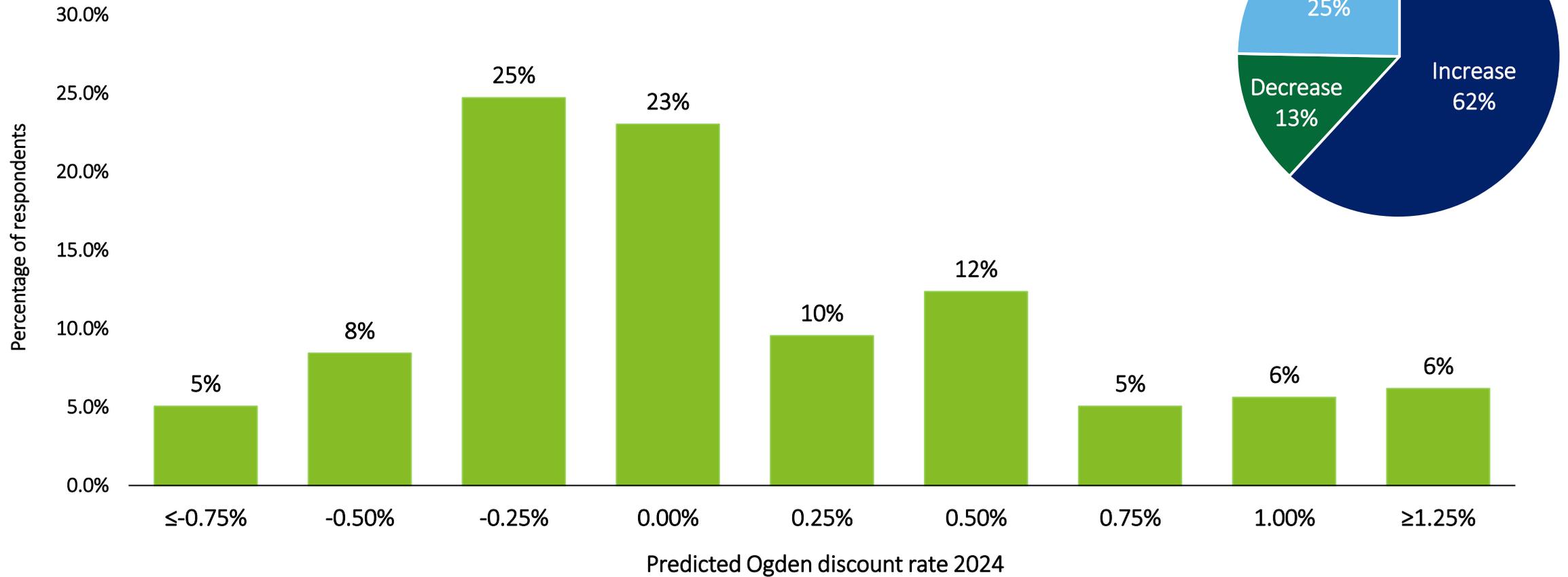




# Future Performance

Ogden discount rate predictions – the survey says...

What do you think the Ogden discount rate for England and Wales will be at the next review in 2024?

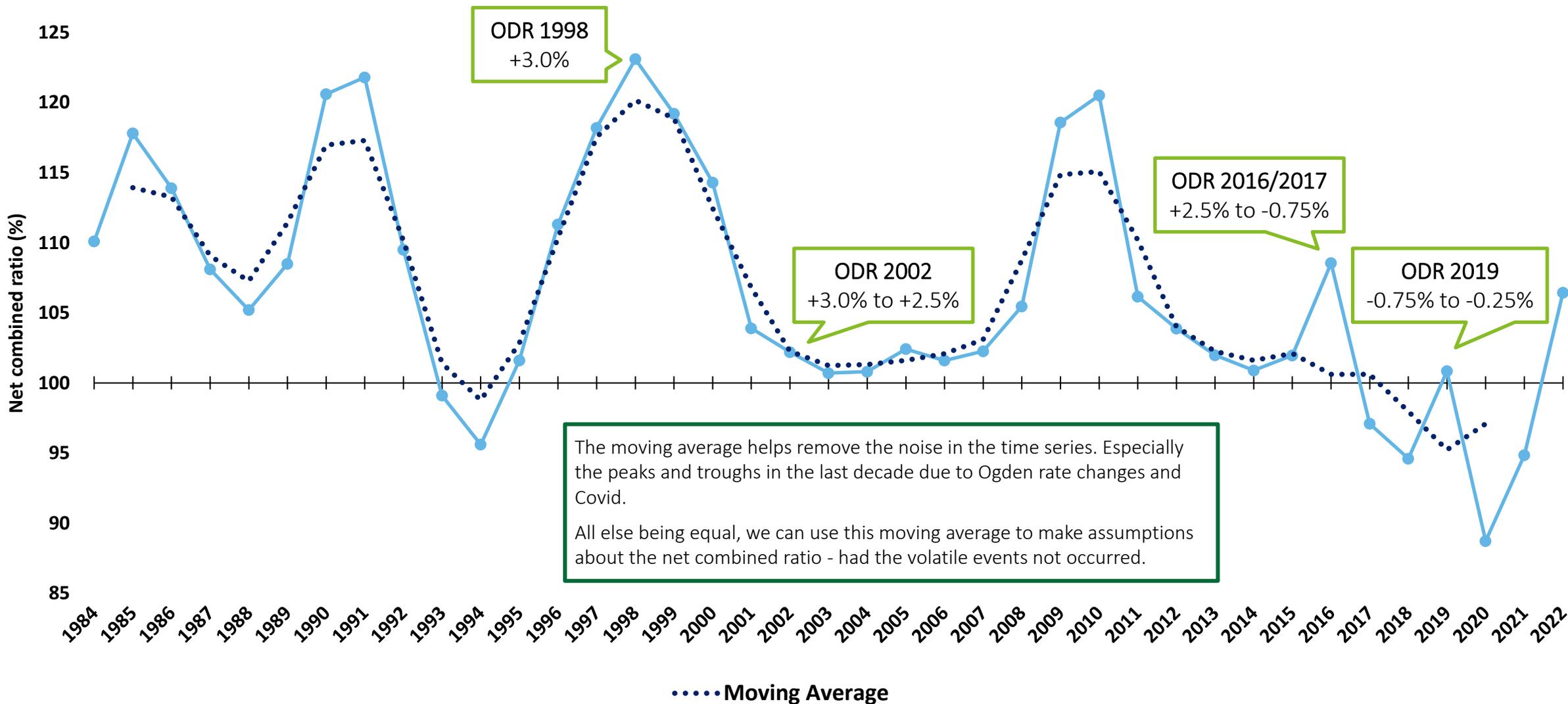


Source: 2023 Deloitte Motor Insurance Seminar Survey



# Future Performance

Net combined ratio & Ogden discount rate (E&W)

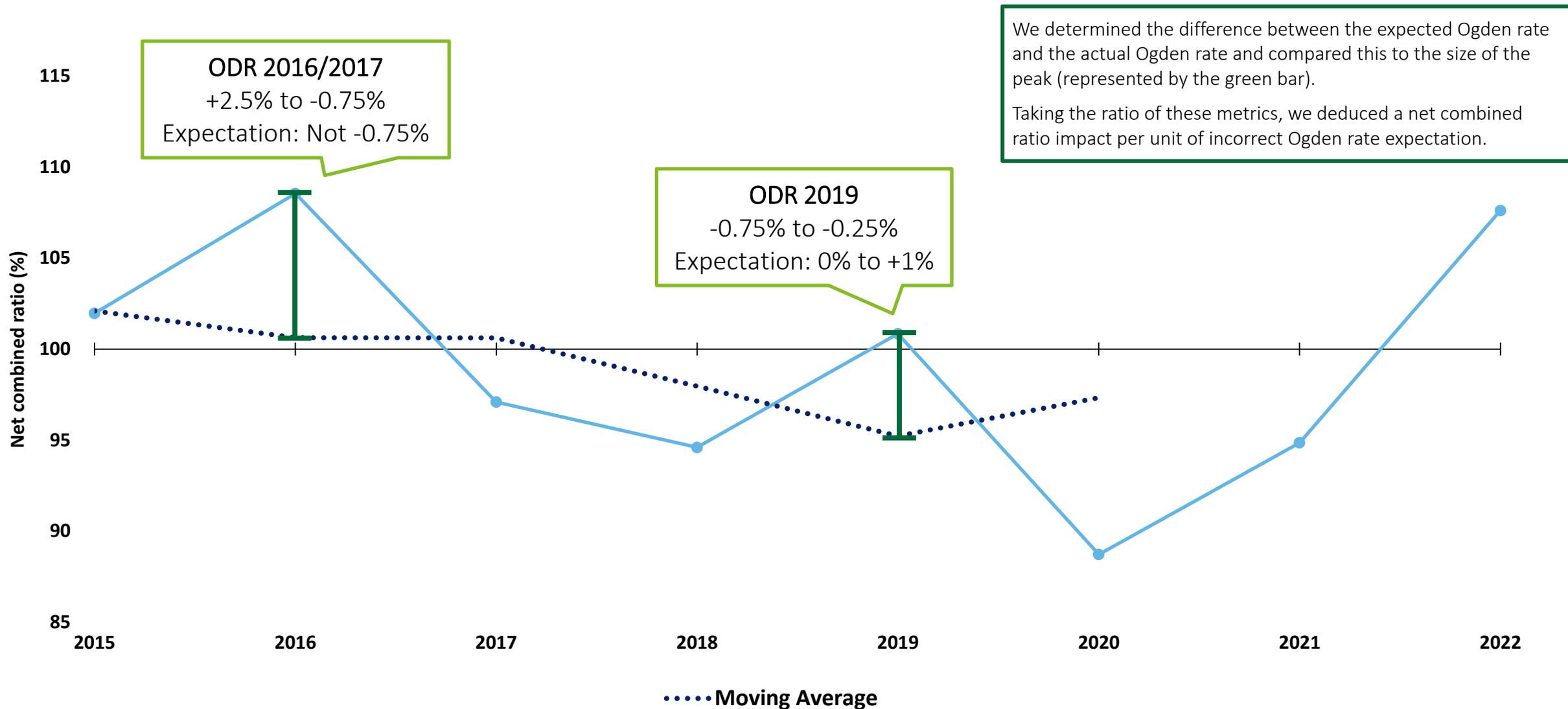


Source: Deloitte Analytics based on AM Best data, SFCRs



# Future Performance

Net combined ratio & Ogden discount rate (E&W)



Source: Deloitte Analytics based on AM Best data, SFCRs



# Future Performance

Description of our three scenarios



## Optimistic

- Relatively lower levels of claims inflation
- Relatively lower expense inflation
- Improving claims frequency trends
- Premium increases above claims inflation – hard market
- Ogden discount rate set higher than expected



## Base

- Claims inflation as per Deloitte analysis (slide 21)
- Expense inflation as per Deloitte analysis
- Stable claims frequency trends – new normal
- Premium increases proportional to claims trends
- Ogden discount rate set in line with insurers' expectations



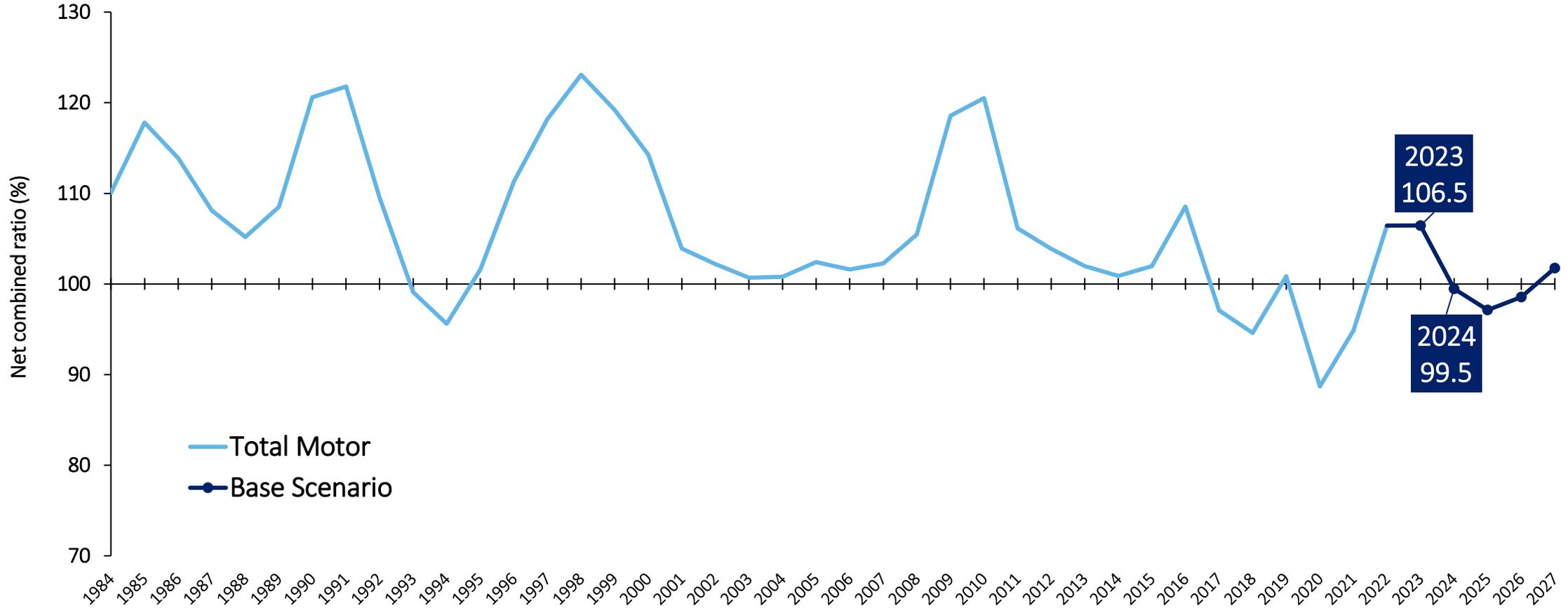
## Pessimistic

- Relatively higher levels of claims inflation
- Relatively higher expense inflation
- Claims frequency trends toward pre-covid levels
- Premium increases below claims inflation – soft market
- Ogden discount rate set lower than expected



# Future Performance – Base scenario

Net combined ratio

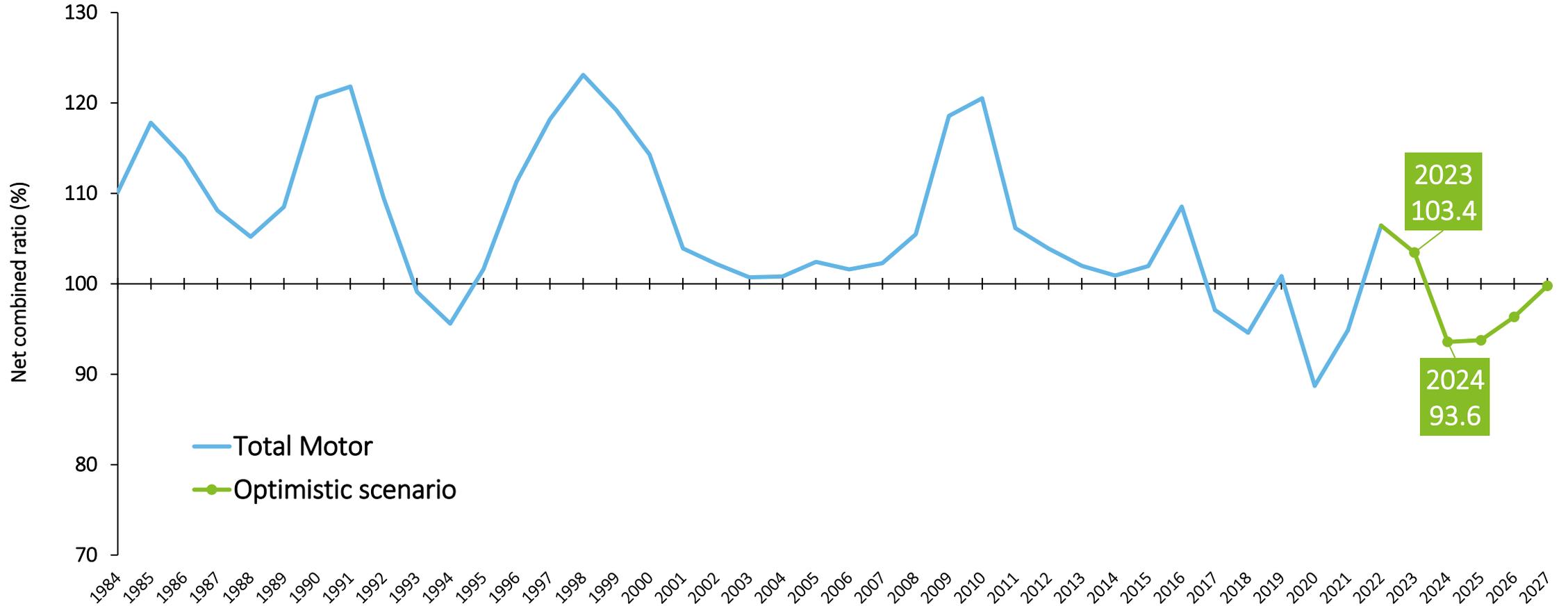


Source: Deloitte Analytics based on AM Best data and SFCRs



# Future Performance - Optimistic scenario

Net combined ratio

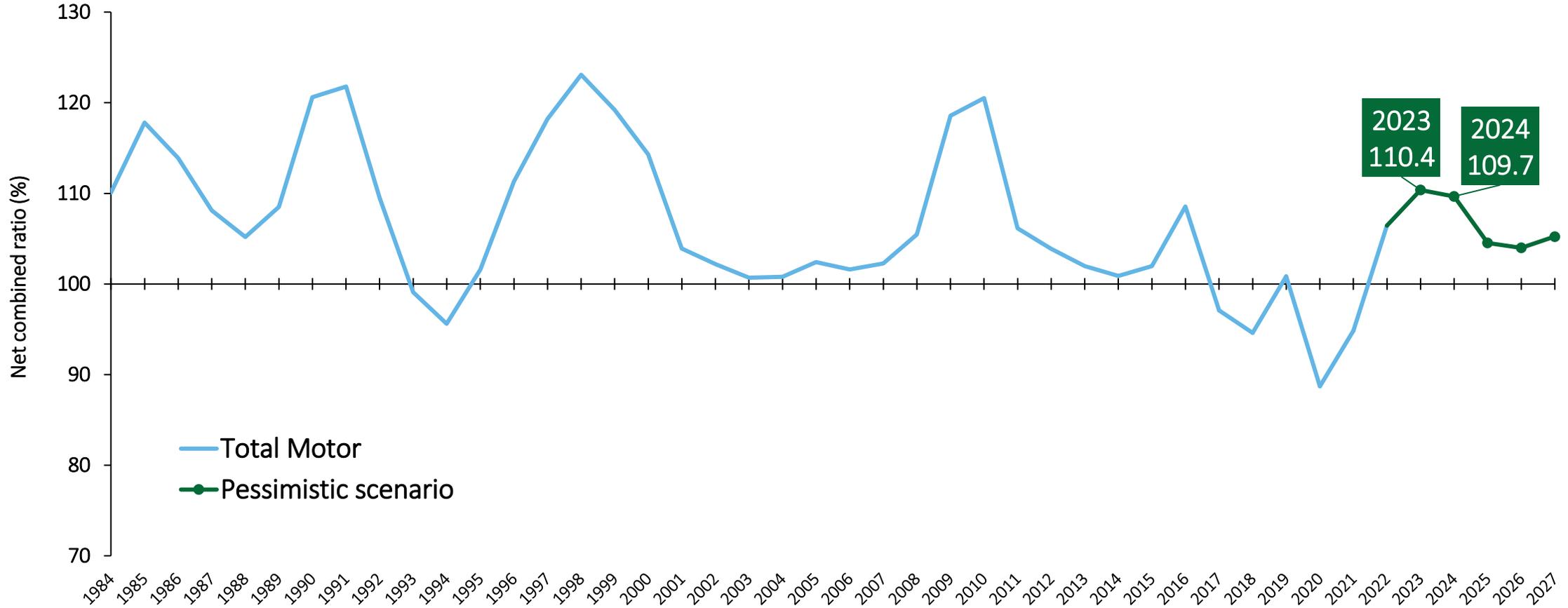


Source: Deloitte Analytics based on AM Best data and SFCRs



# Future Performance - Pessimistic scenario

Net combined ratio

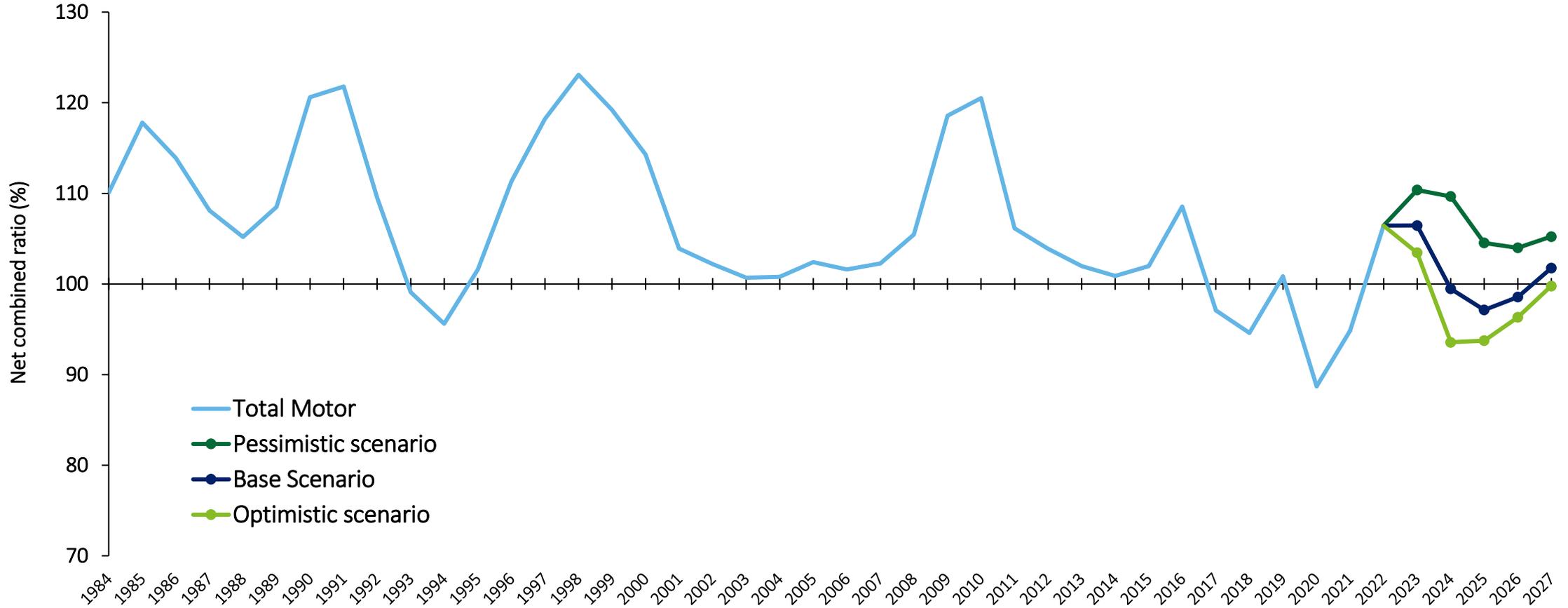


Source: Deloitte Analytics based on AM Best data and SFCRs



# Future Performance

Net combined ratio scenarios

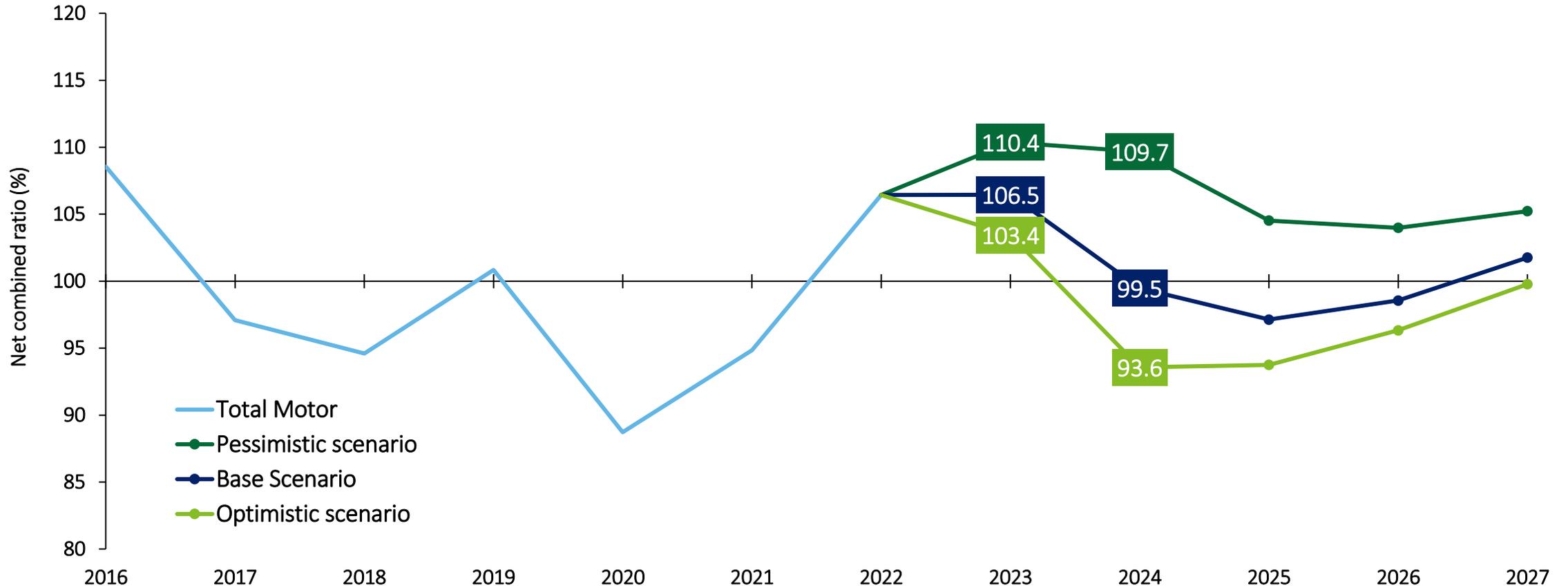


Source: Deloitte Analytics based on AM Best data and SFCRs



# Future Performance

Net combined ratio scenarios



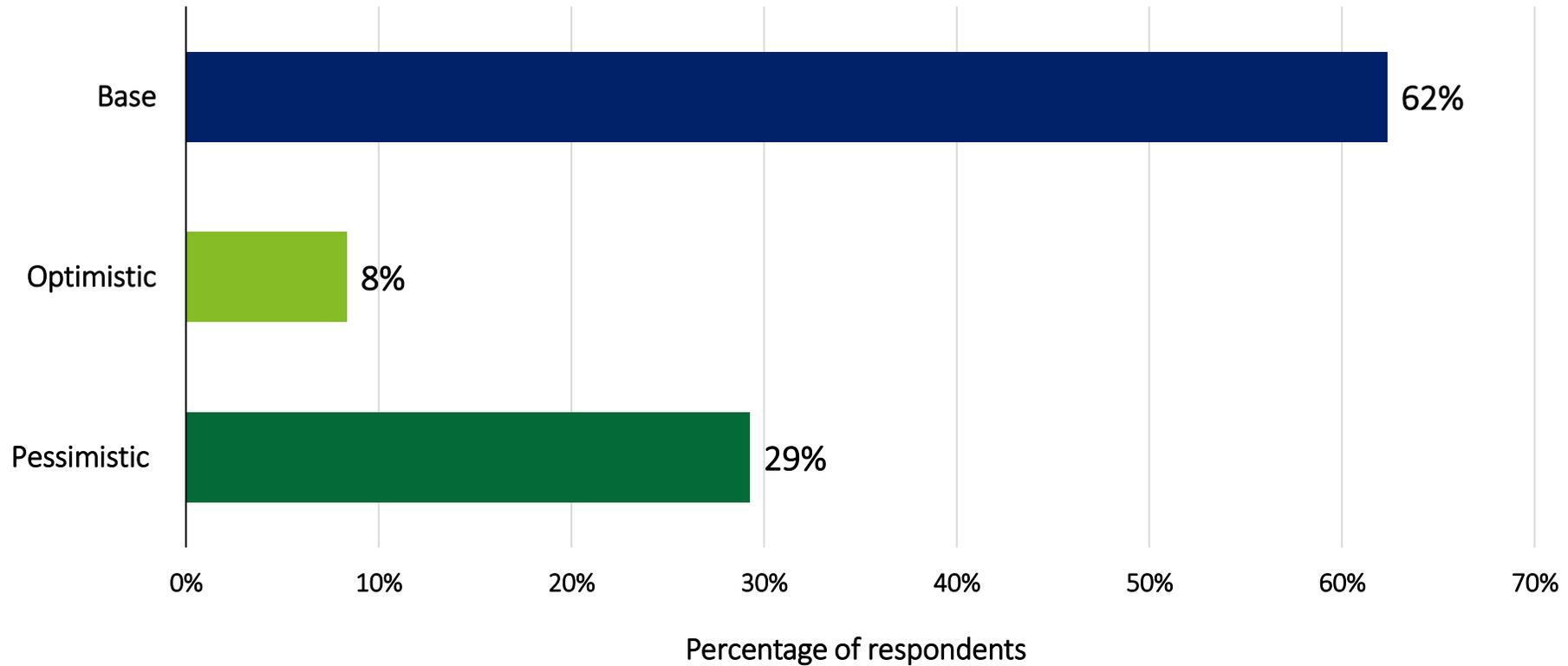
Source: Deloitte Analytics based on AM Best data and SFCRs



# Future Performance

Live poll – 20 July 2023

Which of our scenarios resonates the most with you?

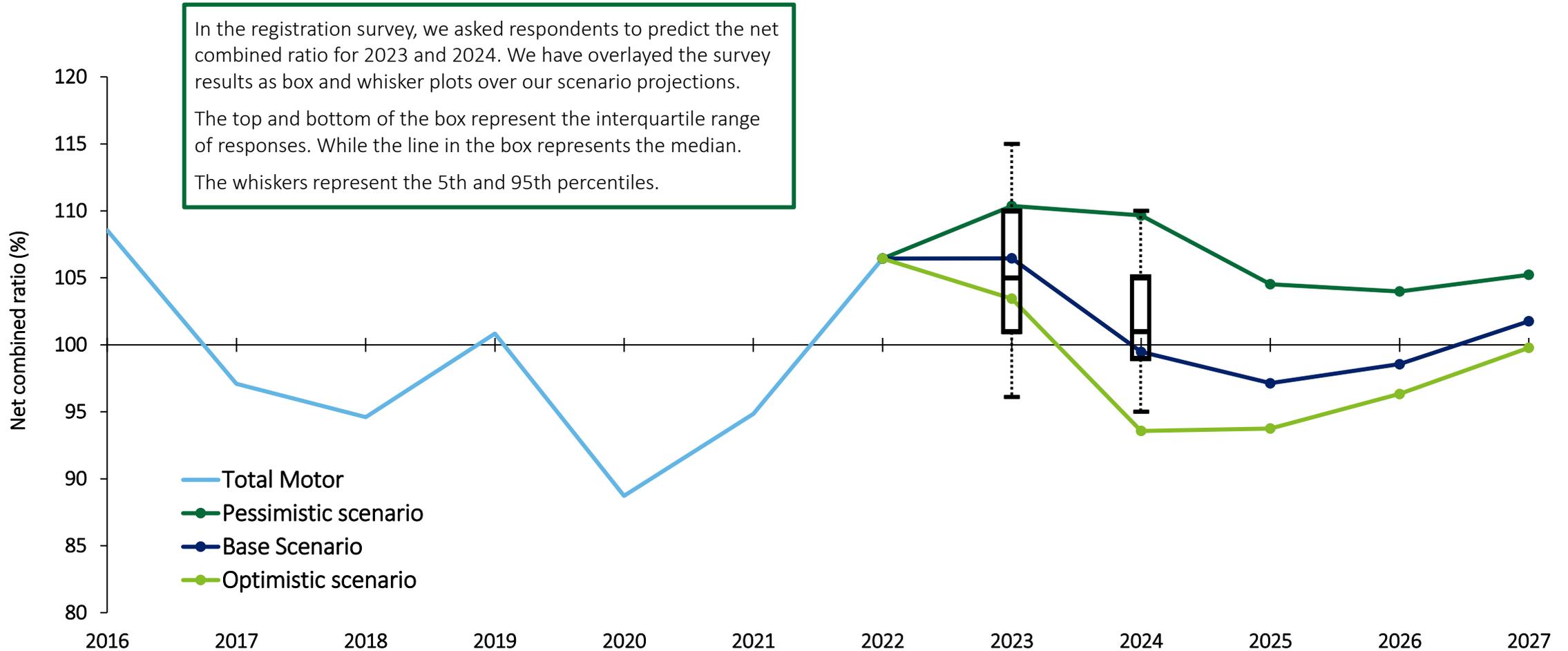


Source: 2023 Deloitte Motor Insurance Seminar live poll



# Future Performance

Net combined ratio scenarios – Survey results overlaid

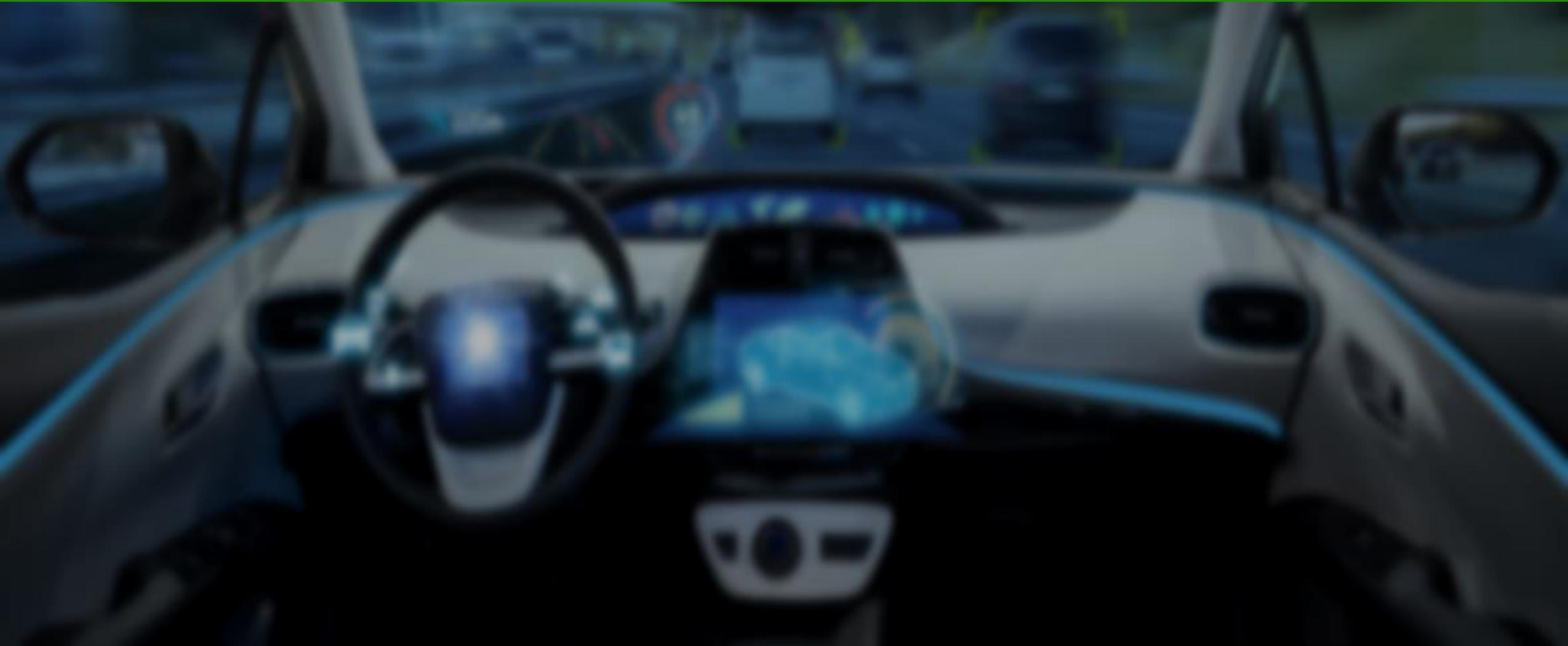


Source: Deloitte Analytics based on AM Best data, SFCRs and 2023 Deloitte Motor Insurance Seminar Survey

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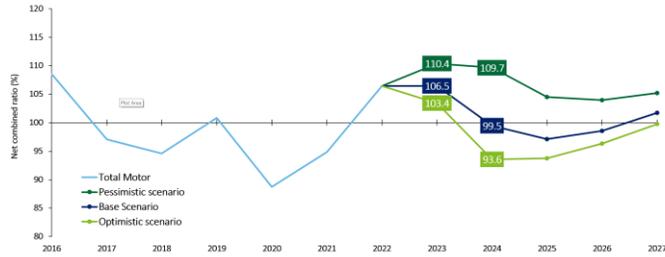
# Conclusion



# Conclusion

## Future Performance

Net combined ratio scenarios

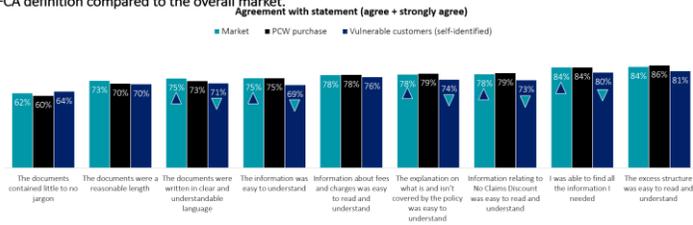


## Good Portfolio Management

Getting the right people (or AI)....  
 ...using the right planning, MI and models...  
 ...working in an agile and cohesive manner....  
 ...with the right data, technology and governance

## Are policy documents clear and understandable?

For those that read their policy documents, they rated them less favourably for the use of jargon which presents a barrier to understanding. The industry is still failing those who identify as vulnerable by the FCA definition compared to the overall market.



Q8. After reading part or all of your (PWP, INSURER) policy documentation, to what extent do you agree with the following statements?

## Consumer Duty: GI Market Benchmarking

Introduction

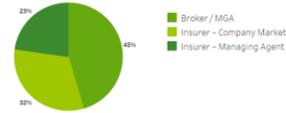
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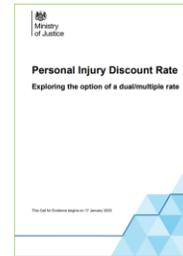
We set out below the split of the benchmarking participants.



## The Personal Injury Discount Rate (PIDR)

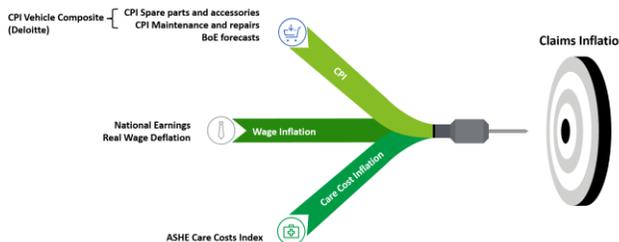
Options for 2024?

“ a dual or multiple rate PIDR may produce better outcomes for claimants, we are also keen to hear views on whether such approaches would be more/too complex, make settling cases harder and whether it would lead to delay or additional disputes (including litigation) ”



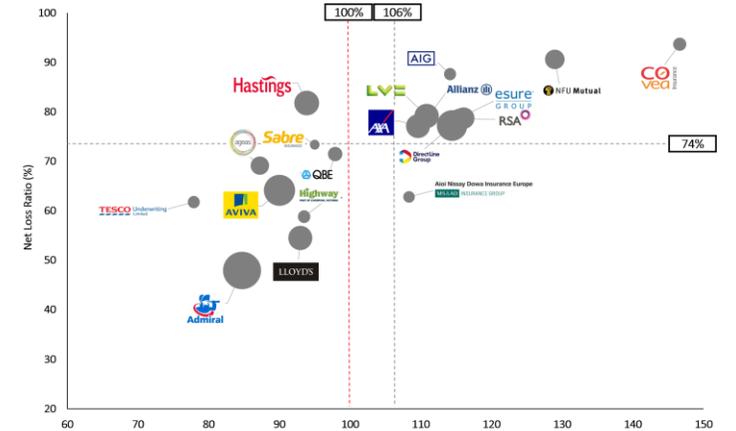
## Claims Inflation – Last Year's Forecast

Average Cost of Claims - Assumptions



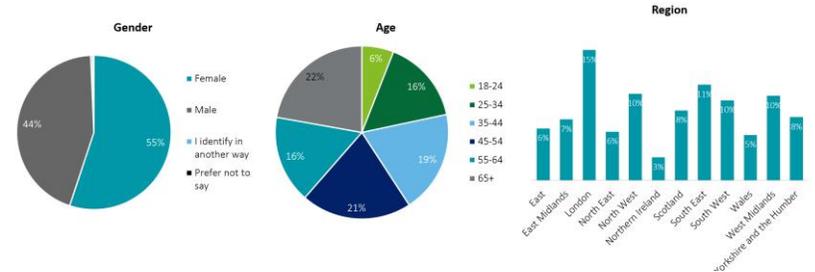
## Past Performance

2022 Performance



## Self-identified vulnerable

Demographic breakdown (gender, age, region)



Premiums

- Earning of premium
- Underwriting cycle
- Insurance premium tax

Ogden 2024

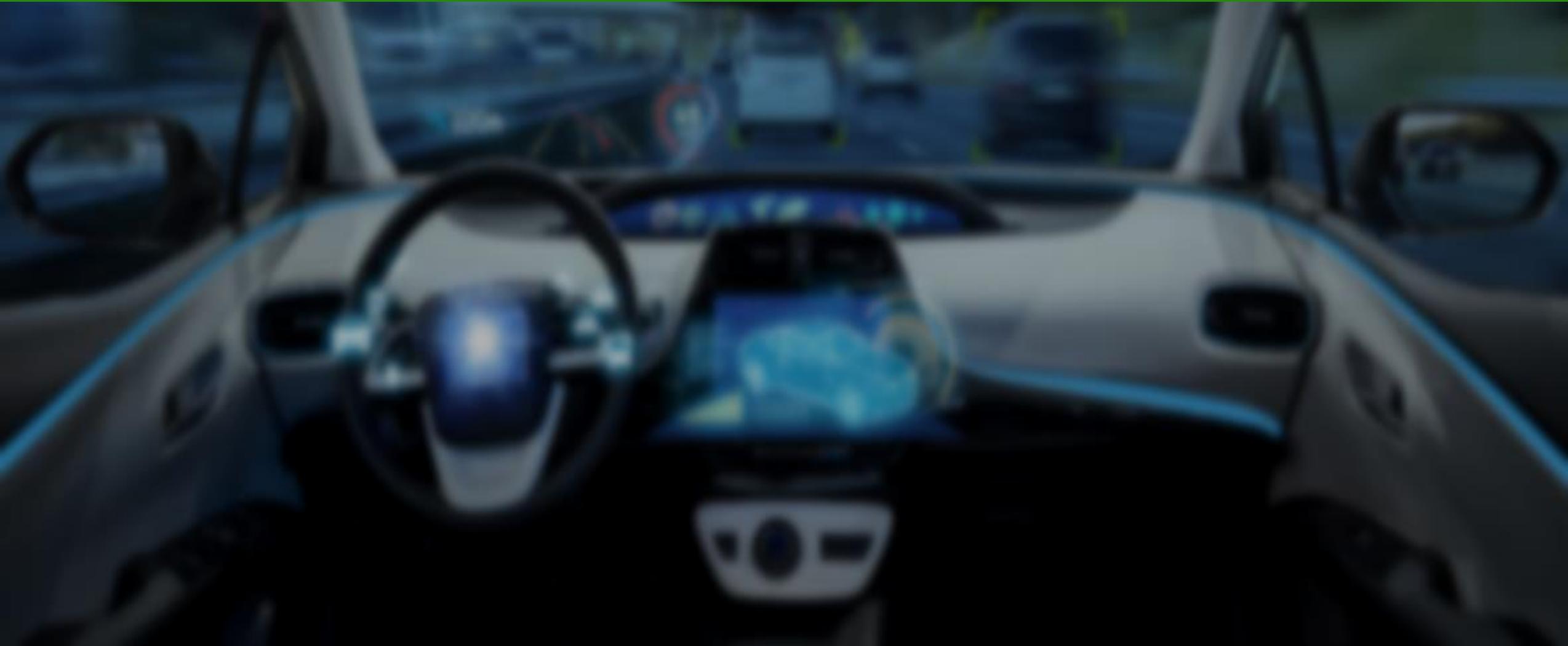
- Lord chancellor's decision
- Insurers' expectations
- Single vs multiple rates



# Agenda

 Introduction	James Rakow
 Past Performance	Krushmi Gandhi
 Inflation Actual vs Expected	Apoorv Joshi
 The three Rs: Reviews, Reform & RPI	Alistair Kinley, Clyde & Co
 Pricing – Past, Present & Future	Steve Pattie
 Consumer Duty and the Motor Market	Ian Hughes, Consumer Intelligence
 Consumer Duty Benchmarking	Chris Jamieson
 Future Performance	Mario Medina
 Conclusion	James Rakow
 Appendix	All

# Appendix





# Data sourcing notes

## Past Performance

### 2015 and prior:

- The ratios in this presentation are based on data submitted by insurers in Form 20 of the PRA/FSA Returns. The data does not include insurers domiciled in Gibraltar, overseas insurers writing business in the UK, and the Lloyd's of London syndicates.
- The net combined ratio is a measure of underwriting profitability and is equal to the loss ratio plus the expense ratio. The loss ratio is calculated as the total claim incurred during the year (net of reinsurance), as a percentage of the net earned premium. This result includes the impact of reserve releases or reserve strengthening for prior accident years as well as capturing current accident year performance.
- The expense ratio is calculated as the cost of net operating expenses and claims management costs incurred during the year, as a percentage of the net earned premium. The net operating expenses include commissions, other acquisition expenses and administrative expenses but are net of reinsurance commissions and profit participations.
- The results quoted are for the relevant financial year.
- Our estimates do not include the following items:
  - Increase in provision for unexpired risks;
  - Other technical income or charges;
  - Allocated investment return; and
  - Balance from underwriting year accounting.

### 2016 to 2022:

- Personal lines GWPs are sourced from ABI motor premium data.
- The Deloitte estimated net combined ratios were based on the SFCR from the companies listed on page 16 as follows:
  - Net Expense Ratio: ratio of the expenses incurred divided by the net earned premium
  - Net Loss Ratio: net claims incurred divided by the net earned premium
  - Net Combined Ratio: sum of Net Expense Ratio and Net Loss Ratio
- Classes included are Motor Vehicle Liability and Motor Vehicle Other, for GBP currency.

We have sourced information directly from publicly available SFCR disclosures. Our presentation of market performance metrics relies on the accuracy and relevance of this information, in particular, the financial information disclosed in the SFCR Quantitative Reporting Template. We have not sought to investigate differences that may arise between the information presented in these disclosures against other publicly available information (e.g. annual report and accounts), nor have we made any adjustments to the data for the purposes of presenting market performance metrics in order to maintain consistent utilisation of the individual source data. Consequently, we draw to the attention of the reader that other public information sources may reflect different performance results (e.g. loss ratios and combined ratios) as a result of, but not limited to, differences in the treatment of alternative segmentation methodologies and internal and external reinsurance structures. Therefore, we recommend that users of the performance metrics in this presentation give due consideration to alternative representations of performance metrics that individual motor insurers report on.



# Past Performance

## 2022 vs 2021 - UK

2022	Gross Written Premium £m	Net Earned Premium £m	Net Combined Ratio %	Expense Ratio %	Net Loss Ratio %
Admiral Group plc (C)	2,495	740	↑ 84.7	↑ 36.7	↑ 48.0
Advantage Insurance Company Limited			0.0	0.0	0.0
Ageas Insurance Limited	600	352	↑ 87.2	↓ 18.1	↑ 69.2
AIG Holdings Europe Limited	259	215	↑ 114.1	↓ 26.5	↑ 87.6
Aioi Nissay Dowa Ins Co of Europe SE (CS)	233	110	↑ 108.3	↑ 45.5	↓ 62.8
Allianz Insurance plc	550	317	↑ 111.1	→ 32.0	↑ 79.0
Aviva Insurance Limited	1,800	874	↓ 90.0	→ 25.9	↓ 64.1
AXA Insurance UK plc	1,002	693	↑ 109.6	→ 32.5	↑ 77.1
Covea Insurance Plc	313	225	↑ 146.6	↑ 52.9	↑ 93.7
Direct Line Insurance Group plc (C)	1,634	1,583	↑ 114.4	↑ 37.2	↑ 77.2
esure Insurance Limited	619	337	↑ 115.5	↑ 36.7	↑ 78.8
Hastings Group Holdings Limited (CS)	1,096	491	↑ 93.9	↓ 12.1	↑ 81.8
Highway Insurance Company Limited	278	160	↓ 93.5	↑ 34.7	↓ 58.8
Liverpool Victoria Insurance Company Ltd	1,058	563	↑ 110.8	↑ 31.7	↑ 79.2
National Farmers Union Mutual Ins Soc	668	618	↑ 128.9	↑ 38.4	↑ 90.6
QBE UK Limited	375	343	↑ 97.9	↓ 26.4	↑ 71.5
Royal & Sun Alliance Insurance Limited	1,220	702	↑ 116.1	↑ 37.4	↑ 78.7
Sabre Insurance Company Limited	171	153	↑ 95.0	↓ 21.6	↑ 73.4
Tesco Underwriting Limited	264	115	↓ 77.9	↓ 16.1	→ 61.8
<b>Total</b>	<b>14,637</b>	<b>8,591</b>	<b>106.4</b>	<b>32.2</b>	<b>74.3</b>

2021	Gross Written Premium £m	Net Earned Premium £m	Net Combined Ratio %	Expense Ratio %	Net Loss Ratio %
Admiral Group plc (C)	2,237	737	68.7	34.2	34.5
Advantage Insurance Company Limited	1,011	469	80.6	25.3	55.3
Ageas Insurance Limited	656	377	85.0	20.0	65.1
AIG Holdings Europe Limited	226	192	106.2	27.9	78.3
Aioi Nissay Dowa Ins Co of Europe SE (CS)	388	184	104.8	32.0	72.9
Allianz Insurance plc	544	307	93.4	31.3	62.1
Aviva Insurance Limited	1,829	902	91.0	25.4	65.7
AXA Insurance UK plc	969	986	100.7	32.1	68.7
Covea Insurance Plc	332	228	103.3	36.8	66.6
Direct Line Insurance Group plc (C)	1,730	1,613	94.7	35.5	59.2
esure Insurance Limited	679	371	105.6	30.4	75.2
Hastings Group Holdings Limited (CS)			0.0	0.0	0.0
Highway Insurance Company Limited	287	186	106.6	32.5	74.1
Liverpool Victoria Insurance Company Ltd	932	533	93.8	27.6	66.1
National Farmers Union Mutual Ins Soc	626	581	101.7	29.5	72.1
QBE UK Limited	293	271	86.8	29.4	57.4
Royal & Sun Alliance Insurance Limited	1,241	835	108.5	35.3	73.1
Sabre Insurance Company Limited	169	145	78.7	23.1	55.6
Tesco Underwriting Limited	278	138	100.5	38.5	62.0
<b>Total</b>	<b>14,149</b>	<b>8,919</b>	<b>94.2</b>	<b>30.9</b>	<b>63.3</b>

↑ Deterioration      ↓ Improvement      → Change within 1 % point

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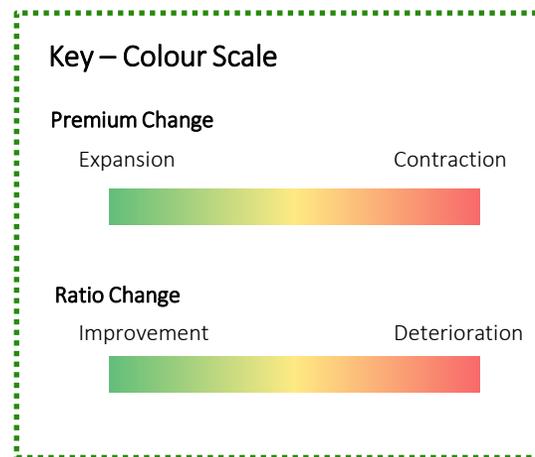
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# Past Performance

2022 vs 2021 - UK

2022 vs 2021	Gross Written Premium £m	Gross Written Premium Change %	Net Earned Premium Change %	Net Combined Ratio Change % point	Expense Ratio % point	Net Loss Ratio % point
Admiral Group plc (C)	2,495	11.5	0.3	16.0	2.5	13.4
Advantage Insurance Company Limited						
Ageas Insurance Limited	600	-8.5	-6.6	2.2	-1.9	4.1
AIG Holdings Europe Limited	259	14.6	12.4	7.9	-1.4	9.3
Aioi Nissay Dowa Ins Co of Europe SE (CS)	233	-39.9	-40.4	3.5	13.6	-10.1
Allianz Insurance plc	550	1.2	3.0	17.7	0.8	16.9
Aviva Insurance Limited	1,800	-1.6	-3.1	-1.0	0.5	-1.5
AXA Insurance UK plc	1,002	3.5	-29.7	8.9	0.5	8.4
Covea Insurance Plc	313	-5.5	-1.3	43.3	16.2	27.1
Direct Line Insurance Group plc (C)	1,634	-5.5	-1.9	19.7	1.7	18.0
esure Insurance Limited	619	-8.8	-9.2	9.9	6.3	3.6
Hastings Group Holdings Limited (CS)	1,096	8.4	4.7	13.3	-13.2	26.5
Highway Insurance Company Limited	278	-3.1	-13.9	-13.1	2.2	-15.3
Liverpool Victoria Insurance Company Ltd	1,058	13.6	5.6	17.1	4.0	13.0
National Farmers Union Mutual Ins Soc	668	6.7	6.2	27.3	8.8	18.4
QBE UK Limited	375	28.0	26.5	11.1	-2.9	14.1
Royal & Sun Alliance Insurance Limited	1,220	-1.7	-15.9	7.6	2.1	5.5
Sabre Insurance Company Limited	171	1.1	5.3	16.3	-1.5	17.8
Tesco Underwriting Limited	264	-5.2	-16.6	-22.6	-22.4	-0.3
<b>Total</b>	<b>14,637</b>	<b>3.4</b>	<b>-3.7</b>	<b>12.2</b>	<b>1.2</b>	<b>11.0</b>



We have calculated the Hasting figures by subtracting the Advantage 2021 Figures from the Hastings 2022 Figures

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# Past Performance

## 2022 vs 2021 - Gibraltar

2022	Gross Written Premium £m	Net Earned Premium £m	Net Combined Ratio %	Expense Ratio %	Net Loss Ratio %
AA Underwriting Insurance Company Ltd	166	24	107.8 ↑	8.0 ↑	99.8 ↑
Acromas Insurance Company Limited	128	25	152.4 ↑	19.7 ↑	132.7 ↑
Admiral Insurance (Gibraltar) Limited	1,734	433	65.1 ↑	37.9 ↓	27.2 ↑
Alwyn Insurance Company Limited	214	12	101.9 ↑	9.8 →	92.1 ↑
Argus Insurance Company (Europe) Limited	13	10	88.7 ↑	42.2 ↓	46.5 ↑
Calpe Insurance Company Limited	2	4	114.9 ↓	83.1 ↑	31.8 ↓
Carraig Insurance Company Limited	29	21	100.0 ↑	38.6 ↑	61.4 ↑
Collingwood Insurance Company Limited	74	54	87.0 ↑	28.1 →	58.9 ↑
Haven Insurance Company Ltd	353	72	119.8 ↑	37.9 ↑	81.9 ↓
Hastings Group Holdings Limited (CS),	1,096	491	93.9 ↑	12.1 ↓	81.8 ↑
Markerstudy Insurance Company Limited			0.0	0.0	0.0
Mulsanne Insurance Company Ltd	188	28	130.1 ↑	-17.8 →	147.9 ↑
Premier Insurance Co Ltd	30	14	132.4 ↑	26.1 ↑	106.2 ↑
Red Sands Insurance Company (Europe) Ltd	9	1	201.0 ↑	150.5 ↑	50.6 ↑
Skyfire Insurance Company Limited	522	85	189.9 ↑	-1.1 ↑	191.0 ↑
Southern Rock Insurance Company Limited			0.0	0.0	0.0
Watford Insurance Company Europe Ltd	119	8	127.4 ↑	29.3 ↑	98.1 ↑
West Bay Insurance Plc	876	66	310.7 ↑	69.8 ↑	240.9 ↑
<b>Total</b>	<b>5,551</b>	<b>1,349</b>	<b>105.4</b>	<b>25.1</b>	<b>80.3</b>

2021	Gross Written Premium £m	Net Earned Premium £m	Net Combined Ratio %	Expense Ratio %	Net Loss Ratio %
AA Underwriting Insurance Company Ltd	118	25	88.3	4.7	83.7
Acromas Insurance Company Limited	145	28	41.0	17.8	23.2
Admiral Insurance (Gibraltar) Limited	1,537	414	53.2	40.0	13.2
Alwyn Insurance Company Limited	172	10	97.3	9.8	87.4
Argus Insurance Company (Europe) Limited	11	9	87.5	45.8	41.7
Calpe Insurance Company Limited	48	11	140.6	53.9	86.8
Carraig Insurance Company Limited	32	20	87.2	35.2	52.0
Collingwood Insurance Company Limited	75	50	83.8	27.0	56.8
Haven Insurance Company Ltd	302	66	103.1	13.4	89.7
Hastings Group Holdings Limited (CS),	1,011	469	80.6	25.3	55.3
Markerstudy Insurance Company Limited	255	36	185.3	87.3	98.0
Mulsanne Insurance Company Ltd	118	23	84.6	-16.8	101.4
Premier Insurance Co Ltd	23	17	95.0	21.1	73.9
Red Sands Insurance Company (Europe) Ltd	3	1	105.5	86.8	18.8
Skyfire Insurance Company Limited	401	21	-54.7	-53.4	-1.3
Southern Rock Insurance Company Limited	82	8	472.5	187.7	284.8
Watford Insurance Company Europe Ltd	107	12	77.6	9.8	67.7
West Bay Insurance Plc	651	76	130.6	50.5	80.1
<b>Total</b>	<b>5,092</b>	<b>1,295</b>	<b>79.4</b>	<b>31.3</b>	<b>48.1</b>

↑ Deterioration      ↓ Improvement      → Change within 1 % point

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# Past Performance

2022 vs 2021 - Gibraltar

2022 vs 2021	Gross Written Premium £m	Gross Written Premium Change %	Net Earned Premium Change %	Net Combined Ratio Change % point	Expense Ratio % point	Net Loss Ratio % point
AA Underwriting Insurance Company Ltd	166	40.7	-1.1	19.5	3.3	16.2
Acromas Insurance Company Limited	128	-11.4	-10.5	111.4	1.9	109.5
Admiral Insurance (Gibraltar) Limited	1,734	12.8	4.4	11.9	-2.1	14.0
Alwyn Insurance Company Limited	214	24.0	19.3	4.6	-0.0	4.6
Argus Insurance Company (Europe) Limited	13	16.3	10.0	1.3	-3.6	4.8
Calpe Insurance Company Limited	2	-96.7	-60.9	-25.8	29.2	-55.0
Carraig Insurance Company Limited	29	-10.0	5.6	12.8	3.4	9.4
Collingwood Insurance Company Limited	74	-0.7	8.5	3.2	1.1	2.1
Haven Insurance Company Ltd	353	16.8	8.9	16.7	24.5	-7.8
Hastings Group Holdings Limited (CS),	1,096	8.4	4.7	13.3	-13.2	26.5
Mulsanne Insurance Company Ltd	188	58.7	22.2	45.4	-1.0	46.4
Premier Insurance Co Ltd	30	27.5	-21.1	37.4	5.0	32.4
Red Sands Insurance Company (Europe) Ltd	9	251.3	-11.0	95.5	63.7	31.8
Skyfire Insurance Company Limited	522	30.0	312.3	244.6	52.3	192.3
Watford Insurance Company Europe Ltd	119	11.1	-27.7	49.9	19.5	30.4
West Bay Insurance Plc	876	34.5	-12.3	180.1	19.2	160.8
<b>Total</b>	<b>5,551</b>	<b>9.0</b>	<b>4.2</b>	<b>26.0</b>	<b>-6.3</b>	<b>32.3</b>

## Key – Colour Scale

### Premium Change

Expansion

Contraction



### Ratio Change

Improvement

Deterioration



We have calculated the Hasting figures by subtracting the Advantage 2021 Figures from the Hastings 2022 Figures



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