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## Market InSights 2016

### UK

#### INCLUDING

THE UK MARKET SHARE OF MUTUAL AND NOT-FOR-PROFIT INSURANCE COMPANIES  
MUTUAL LIFE AND NON-LIFE PREMIUMS BY LINE OF BUSINESS  
THE 30 LARGEST UK MUTUAL INSURERS BY 2016 PREMIUM INCOME

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**Andy Chapman**  
AFM Chair and CEO, The Exeter

## Foreword

There were lots of things to distract UK insurers from writing new business in 2016. The EU referendum in June will have enormous implications for the future, though in fact the more significant consequences in the short term were the deterioration in the exchange rate. Whilst Brexit will, in time, result in UK laws being set in Westminster rather than Brussels, the investment UK insurers and regulators have made in implementing Solvency II, which came to fruition in 2016, is unlikely to change any time soon.

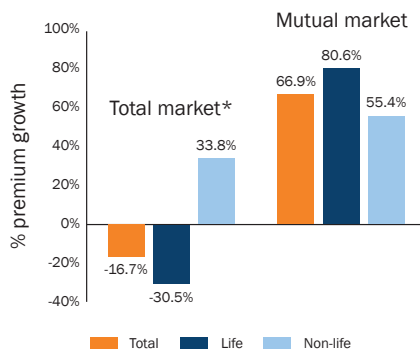
Meanwhile, an austerity government and significant increases in Insurance Premium Tax (now amongst the highest in Europe) as well as changes to discount rates on insurance settlements meant that the UK environment, particularly for non-life insurers, was hardly benign.

So the results in the latest *Market InSights UK* report prove how resilient the UK mutual insurance sector is now. In the last 10 years, while the UK insurance market has lost GBP 1 in every GBP 6 of premium income, amongst mutuals, we have grown premiums by two-thirds.

Amongst AFM members, the main engine of growth in recent years has been healthcare, where the role of the sector in complementing the National Health Service (NHS) has become increasingly important. More generally, the phenomenal growth in protection and pension business of Royal London, the UK's largest mutual, now makes it a serious competitor to our PLC-dominated market.

The sector continues to promote its consumer-focused credentials, and is lobbying for rule changes that level the playing field and help maintain our impressive recent growth.

**Figure 1**  
**UK premium growth (2007-2016)**



\*Total market as per Swiss Re

## UK market summary

Uncertainty resulting from political and regulatory change in 2016 characterised a turbulent year in general for the UK insurance sector. Despite being a challenging year, the total UK insurance market continued to grow, increasing by 4.3% in 2016 (2015: +5.1%). The previous two years were the strongest in terms of annual growth since the onset of the global financial crisis, although this growth not enough to offset the large drop in premium volumes between 2008 and 2010. As a result, the UK insurance market experienced an overall decline of 17% in premium income levels between 2007 and 2016.

In contrast, aggregate premiums of UK mutual and not-for-profit (hereafter referred to as "mutual") insurers were more than two-thirds greater in 2016 compared to 2007 (see Figure 1). This was the equivalent to a compound annual growth rate (CAGR) of 5.9%, almost eight percentage points above of the total market average (-2.0%) since 2007.

## UK mutual market summary

There were approximately 100 mutual<sup>1</sup> insurers active in the UK insurance market in 2016. These insurance companies collectively employed more than 27,000 people and served over 30 million members (or policyholders). The majority of the UK's oldest insurers still operating today are mutual (mostly friendly society) insurers, as many have been writing business and serving their members for over 150 years.

In 2016, the UK mutual sector reported a post-crisis record level of insurance premiums of GBP 19.6 billion. This represented an increase of 9.7% from the previous year (2015: GBP 17.8 billion) and was the second successive year of growth of more than 9%. Impressively, mutual growth in 2015 and 2016 exceeded renewed growth rates in the total market by four and five percentage points respectively. 2016 was the eighth year since 2007 that the mutual sector registered a positive top-line growth (the only year of contraction was in 2013), and annual premium growth had outpaced the total market in six of the previous nine years.

As a result of mutual growth exceeding the average market growth since the onset of the financial crisis, the mutual sector's share of the total UK market increased from 4.4% in 2007 to 8.7% in 2016, its highest level since the 1990s (see Figure 2). Strong growth of the mutual sector in the previous three years resulted in a gain of more than a percentage point since 2013 (7.6%), although the majority of the mutual sector's recent growth in market share can be attributed to the early years of the crisis, where it gained a further three-and-half percentage points of the UK market in the three-year period between 2007 (4.4%) and 2010 (8.0%).

### The UK mutual insurance sector in 2016

**GBP 19.6 billion** in premium income

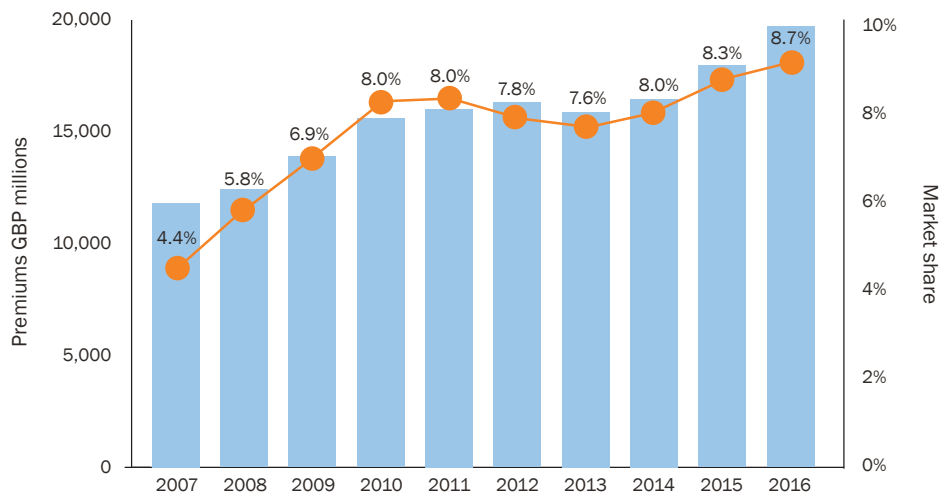
**8.7%** share of the UK market

**GBP 167.0 billion** in assets

**27,300** people employed by mutual insurers

**30.7 million** policyholders/ members served

Figure 2  
UK mutual premiums and market share



<sup>1</sup> Includes mutual insurance companies, not-for-profit insurers, friendly societies, cooperative insurers, discretionary mutuals, and also limited companies majority-owned by mutual, cooperative, charitable or non-profit organisations (UK and foreign-based).

## Mutual life and non-life<sup>2</sup> business

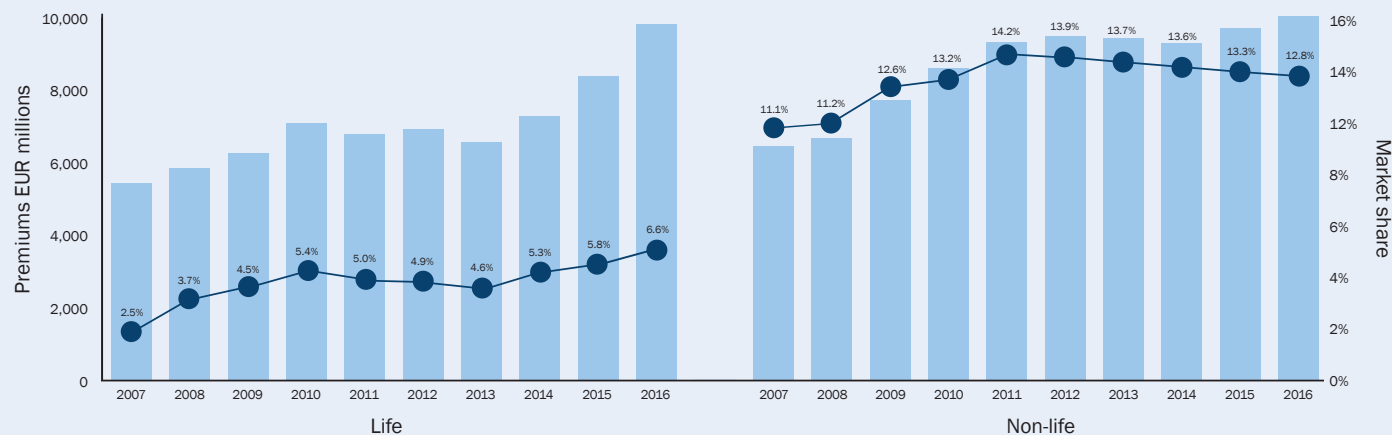
The total life market in the UK continued to grow in 2016 (+3.0%), albeit at a slower rate than in the previous year (2015: +4.3%), which was the strongest year of growth since before the crisis. Despite these two years of premium expansion and six years of positive growth in the seven-year period since 2010, overall business volumes in 2016 were 31% less than pre-crisis (2007) levels, primarily due to a sizeable decline in life insurance sales between 2008 and 2010.

In the mutual sector, life business volumes have surged since 2013. Premium growth in 2016 was 17%, the third consecutive year of double-digit growth (2015: +15.1%; 2014: +11.0%). Aggregate premium volumes of mutual life insurers were 81% greater in 2016 (GBP 9.7 billion) compared to 2007 levels, equivalent to a CAGR of 6.8% during this period; more than 10 percentage points ahead of the total market CAGR of -4.0%. As a result, the mutual sector's share of the total UK market increased from 2.5% in 2007 to 6.6% in 2016 (see Figure 3), including an gain of two percentage points over the previous three years (from 4.6% in 2013).

In the UK non-life market, growth rates in 2016 improved to 7.0% from 6.7% in 2015. In comparison with the life market, non-life business has performed far better since the crisis. There was only one year of annual premium decline since 2007 resulting in an overall growth of just over a third (33.8%) and CAGR of 3.3% over the nine-year period.

Mutual insurers reported a second year of moderate growth in 2016, increasing by 3.4% to GBP 9.9 billion (following 4.3% growth in 2015). Premium volumes grew by a total of 55% since 2007 (CAGR of 5.0%), largely due to double-digit expansion in 2009 and 2010. However, mutual business growth was flat in the period between 2011 and 2014. Non-life premium growth of the mutual sector was also less than the market average in 2016 for the fifth consecutive year, resulting in a year-on-year loss in market share from a post-crisis peak in 2011 (14.2%). Despite this, non-life market share in 2016 of 12.8% remained higher compared to 2007's share (11.1%).

**Figure 3**  
**Mutual life and non-life premiums and market share**



<sup>2</sup> "Life business" refers to life protection, pension and annuities, investment and savings, and income protection policies. "Non-life" business refers to all general insurance, including health insurance.

Investment and savings policies accounted for the majority (72%) of UK mutual life business written in 2016 (see Figure 4). This line of business has grown rapidly for UK mutuals insurers in recent years, recording an annual increase of more 20% in each of the previous three years. Premiums from non-participating investments contracts were the main contributor to this growth. As a result, the proportion of mutual life insurers' business derived in investments/savings products has risen over this period, up from 55% in 2013.

Traditional life insurance (or protection) sales contributed 22% of mutual life premiums in 2016. Business growth accelerated to 5.1% in 2016 after stagnating in the previous year. However, due to the strong growth in investment business, the share of life contracts in mutuals' collective portfolio has fallen from 28% in 2015.

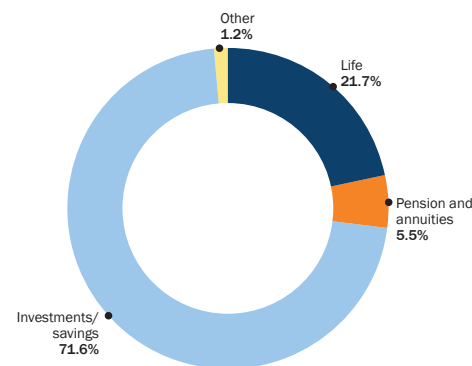
There was a renewed growth in pension products in 2016 (+7.0%) following two years of sharp decreases resulting from pension reforms impacting the whole of the UK market. Despite the rebound in premium levels, the drop in business in 2015 and 2014 plus robust growth in other life products saw the contribution of pension business to total mutual decrease to 6% in 2016 from 15% in 2013. The remaining 1.2% of mutual life premiums were written in other life insurance products, including income protection policies.

In the non-life sector, motor insurance replaced property as the largest line of mutual business in 2016 (see Figure 5). Combined, both lines of business represented two-thirds of mutuals' total non-life premiums. Motor lines grew by 11% in 2016, although property business fell by 2.6%. As a result, the contribution to total mutual non-life premiums for motor business grew to 35% (from 32% in 2015), but dropped to 32% (from 34%) in property lines.

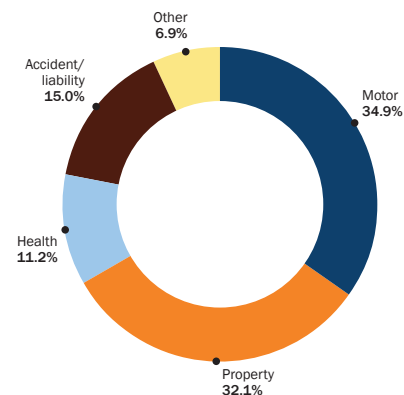
Just over 11% of mutual insurers' non-life premiums were from health insurance policies in 2016. This had fallen from 13% in the previous year and just below 15% in 2014 due to two years of negative premium development; much of this can be attributed to Simplyhealth's sale of its private medical business in 2015.

In other business lines, accident and liability products made up 15% of mutuals' non-life portfolio in 2016. Premium levels grew by 6.7% from the previous year. The remaining 7% of mutuals' business came from other miscellaneous non-life insurance products.

**Figure 4**  
**Mutual life premiums by line of business (2016)**



**Figure 5**  
**Mutual non-life premiums by line of business (2016)**



**Figure 6**  
**The 30 largest UK insurers in 2016**

Rank	Company	Gross written premiums (GBP '000)			% growth 2015-2016*
		2016	2015	2014	
1	Royal London <sup>(1)</sup>	6,815,000	5,550,000	4,740,000	+22.8%
2	LV= <sup>(1)</sup>	3,234,000	2,979,000	2,633,000	+8.6%
3	NFU Mutual	1,558,000	1,536,000	1,428,000	+1.4%
4	Liberty Mutual <sup>(2)</sup>	938,545	938,545	820,404	+0.0%
5	Covea Insurance <sup>(2)</sup>	666,306	529,128	444,995	+25.9%
6	FM Global <sup>(2)</sup>	606,158	565,710	683,898	+7.1%
7	The Co-operative Insurance	480,900	424,300	365,200	+13.3%
8	Medical Protection Society	423,929	423,929	390,461	+0.0%
9	Wesleyan <sup>(1)</sup>	322,500	317,600	316,200	+1.5%
10	Ecclesiastical	310,138	308,199	328,797	+0.6%
11	Simplyhealth	256,400	378,700	384,100	-32.3%
12	Foresters Life <sup>(1)</sup>	209,912	211,163	215,471	-0.6%
13	OneFamily <sup>(1) (3)</sup>	194,310	186,594	248,944	+4.1%
14	Police Mutual	140,313	126,529	119,859	+10.9%
15	WPA	108,004	107,784	107,769	+0.2%
16	MDDUS	93,877	82,300	70,723	+14.1%
17	Benenden	89,117	87,576	85,566	+1.8%
18	USAA <sup>(2)</sup>	83,558	76,152	78,724	+9.7%
19	NHBC Home	83,387	75,813	59,985	+10.0%
20	Scottish Friendly	75,709	66,345	58,093	+14.1%
21	Exeter Friendly Society	62,931	63,699	64,455	-1.2%
22	Westfield Health	57,058	55,213	55,700	+3.3%
23	BHSF	35,402	35,412	34,183	-0.0%
24	Health Shield	33,911	31,639	29,168	+7.2%
25	CS Healthcare	30,621	28,339	28,659	+8.1%
26	HSF	27,614	24,759	23,798	+11.5%
27	Metfriendly	24,394	16,219	16,698	+50.4%
28	Medicash	24,300	23,062	21,744	+5.4%
29	UIA Insurance	23,063	23,029	22,780	+0.1%
30	Foresters Friendly Society	22,788	21,078	16,346	+8.1%

<sup>(1)</sup> Includes premiums in relation to investment contracts

<sup>(2)</sup> UK subsidiary of foreign mutual

<sup>(3)</sup> Figures for OneFamily's unit-linked business in 2015 were not available, and so the 2016 figure has been included in 2015 figures

## Total assets of the mutual sector

The UK mutual insurance sector held total assets of GBP 167.0 billion in 2016 (see Figure 7), an increase of 12.8% from 2015 (GBP 148.0 billion). Asset growth in 2016 was the strongest year recorded since the financial crisis. Total assets increased in eight of the previous nine years (with asset growth year-on-year since 2008) accumulating to an overall growth of 51% during this period.

Total investments of the mutual sector were valued at GBP 140.3 billion in 2016 and represented 84% of mutual insurers' total assets. 2016 was also the strongest year of investment growth for the mutual sector since 2007, increasing by 15% from the previous year (2015: GBP 122.0 billion).

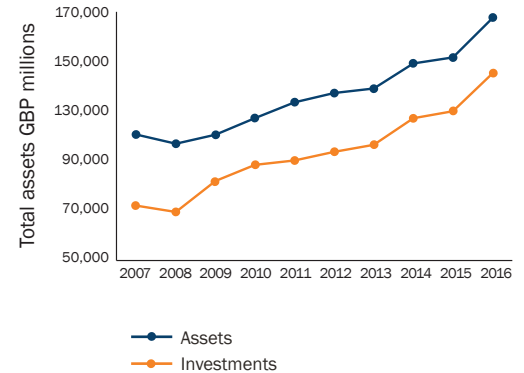
The five largest mutual insurers by assets represented 83% of the total assets of the mutual sector. **Royal London**, the largest mutual in terms of premium income (see Figure 6), continued as the largest mutual ranked by total assets, contributing more than half (GBP 90.6 billion) of the mutual sector's total. Composite insurers **NFU Mutual** and **LV=** both held assets of more than GBP 15 billion in 2016. Life insurers **Equitable Life** (in run-off) and **Wesleyan** were the only other two mutuals with assets in excess of GBP 5 billion.

## Members/policyholders of the mutual sector

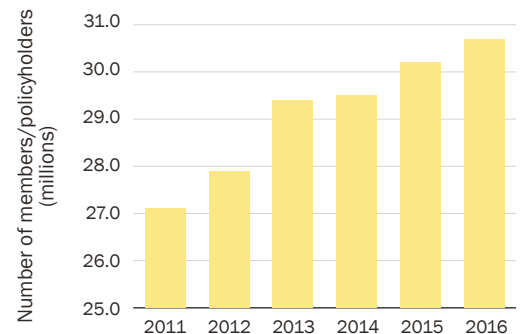
The number of members (or policyholders<sup>3</sup>) served by mutual insurers in the UK rose to 30.7 million in 2016 (see Figure 8), the highest level since 2011 (the first year for which membership figures have been collected). This represented a moderate increase of 1.6% from the previous year (2015: 30.2 million) and an overall growth of 13% since 2011 (27.1 million).

More than 60% of mutual insurers<sup>4</sup> in the UK experienced a growth in the number of members/ policyholders they served in 2016, highlighting that the benefits of being a member of a mutual company are as strong as ever for UK consumers.

**Figure 7**  
Total assets and investments of the mutual sector



**Figure 8**  
Number of members/ policyholders of the mutual sector



<sup>3</sup> When the number of members were not available, figures on the number of policyholders or customers/ clients were taken.

<sup>4</sup> Where figures on numbers of members/ policyholders were available.

## Market InSights: UK 2016

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Published September 2017

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ICMIF *Market InSights* reports are a series of market-specific reports compiled using the latest data from ICMIF's *Global Mutual Market Share* research, a market intelligence report on the size of the global mutual and cooperative insurance sector. Published annually alongside the ICMIF *Global 500*, a definitive list of the 500 largest mutual and cooperative insurers in terms of premium income, the report highlights how since 2007 the mutual and cooperative model has been the fastest growing part of the global insurance market; maturing from a global share of 24.1% to 26.7% in 2015.

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The International Cooperative and Mutual Insurance Federation (ICMIF) is a best practice organisation committed to giving its members from around the world a competitive advantage. ICMIF helps to grow its mutual and cooperative insurance member organisations by sharing strategies and the latest market intelligence.

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The Association of Financial Mutuals (AFM) is the trade body that represents mutual and not-for-profit insurers, friendly societies and other financial mutuals across the UK. AFM endeavours to promote a better understanding of mutuals, encouraging mutual support and mutual approaches to business and public policy.

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The logo for ICMIF, consisting of the lowercase letters 'icmif' in a bold, orange, sans-serif font.

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The logo for the Association of Financial Mutuals (AFM). It features the lowercase letters 'afm' in a bold, blue, sans-serif font, followed by the words 'association of financial mutuals' in a smaller, blue, sans-serif font.