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International Cooperative and Mutual Insurance Federation

Facts and figures

Mutual and cooperative insurance in Europe
Vol 2

Excerpt: United Kingdom

Facts and figures: Mutual and cooperative insurance in Europe Vol 2

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Methodology

Business scope

The study focuses on the direct insurance sector and does not in principle include reinsurance. Therefore, the report is based on direct (gross) premiums written by insurance companies (in both the total market and mutual/cooperative market) and reinsurance premiums have, where possible, been eliminated.

Types of insurers included

The main purpose of the study is to describe the mutual and cooperative insurance sector by highlighting the size, relevance and socio-economic importance of mutual and cooperative insurers in the region.

The definition of the “total mutual/cooperative insurance sector” in this report¹ includes insurance undertakings whose legal status is classified as “mutual” or “cooperative” in their national law, as well as insurers whose structure and values reflect the mutual/cooperative form (see definition 3 below).

Extending the definition in this way has enabled the study to include all organisations which operate on mutual/cooperative principles, in line with the report’s research objectives, without being restricted by legal definitions, of which there is a wide variety across Europe.

Insurance companies included in this study have been categorised by three definitions relating to their legal structure and ownership.

1. Mutual/cooperative insurers in the legal form (definition 1)

Mutual and cooperative insurers in a legal form of a (insurance) mutual or cooperative.

In addition, insurance undertakings whose legal structure corresponds to or is in some way aligned with the mutual/cooperative model and whose legal structure is different to a joint-stock (limited) company. These include friendly societies, community benefit societies² and protection and indemnity (P&I) clubs.^{3,4}

2. Subsidiaries of mutual/cooperative insurers in the legal form (definition 2)

Subsidiaries of a (definition 1) mutual or cooperative insurer in the legal form.⁵ These are commonly operated in the legal form of a joint stock or limited company. In any given market, insurance companies within this definition include subsidiaries of both domestic and foreign-based (including non-European markets) mutual/cooperative insurers in the legal form.

3. Mutual/cooperative-type insurers (definition 3)

This encompasses the remaining mutual/cooperative insurance companies not classified by definition 1 or definition 2. It includes companies that:

¹ Note that while this definition is the same as the definition used by ICMIF in its *Global Mutual Market Share* reports, there are a number of instances where various companies’ data included in the ICMIF research have been excluded (or classified differently) in this study. These differences will be noted.

² See chapter on the UK.

³ A P&I club is a mutual insurance association that provides risk pooling, information and representation for its members. Unlike a marine insurance company, which reports to its shareholders, a P&I club reports only to its members. Originally, P&I Club members were typically ship owners, ship operators or demise charterers, but more recently freight forwarders and warehouse operators have been able to join.

⁴ Due to the international nature of P&I Clubs, premium data on domestic risks only (if known) are included in each chapter’s figures. For this reason, P&I Clubs in Europe (either registered in or operating within) have been excluded from the ranking of the largest mutual/cooperative insurers (see Top 100 chapter).

⁵ The main condition for inclusion in this category is that the ultimate parent company is itself actively engaged in insurance activities, even if only to a limited extent.

- are owned by, governed by and operated in the interests of their members or policyholders;
- are inspired by mutualist and/or cooperative ideas; and/or
- are structured in such a way that they are not (majority) controlled by outside capital interests.

It features a range of different company structures, often in the legal form of a limited insurance company,⁶ which is majority-owned by a non-insurance mutual or cooperative organisation or group (including banks). It also includes insurance undertakings that are owned by or governed by a membership or community organisation, charitable trust, foundation, union or other non-profit organisation.

Note that when reference is made throughout the report to the “total mutual/cooperative insurance sector (or market)” or the “total number of mutual/cooperative insurance companies”, this refers to all definitions (1-3) of insurers categorised above.

Legal research

Desk research was carried out to produce the legal sections of the report. When information was not readily available, national supervisors, national insurance associations and trade bodies have been consulted where possible.

The ECB annual average exchange rates have been used in the legal part of the report where necessary.

Total insurance market figures

In each chapter, the total number of licensed insurance undertakings has been taken from the national insurance regulator or supervisory body where available. In certain instances, the totals have been adjusted to include insurance undertakings that are licenced and operating within the market, but were not included in the figures produced by the supervisor. Where data was not available from the national supervisor, national insurance associations and trade bodies have been consulted where possible.

To ensure consistency across all markets in this study, figures on the total insurance market in each country have been taken from Swiss Re’s *sigma* data.⁷ These have also been compared against additional data obtained from national supervisors/regulators, although some differences between Swiss Re’s data and supervisory data may be noted. In certain instances, figures produced by Swiss Re have also been adjusted to ensure reporting year consistencies and to include insurance business that is not covered in their data.

Life and non-life business in this study are categorised according to standard EU conventions, which is the same categorisation as in Swiss Re’s data. In relation to health insurance, this is classified as non-life insurance throughout the study, even where it is classified differently in individual markets.⁸

For the statistical part of the report, variable currency exchange rates have been used for the different years, with all figures converted into euros (EUR). To allow for more accurate market share calculations, exchange rates used for the mutual/cooperative insurance sector are the same as those used by Swiss Re in order to be consistent with the euro conversion of the total market figures.

Growth figures of individual markets have been calculated in local currency terms throughout the report unless otherwise stated in order to eliminate misleading effects of exchange rate fluctuations and thus ensure accurate year-on-year comparisons.

Number of members/policyholders

The definition of “members/policyholders” in this instance may refer to the number of customers, clients or people insured by mutual/cooperative insurers, as there is no consistency between markets or companies regarding which figure (if any) is reported.

⁶ In certain markets where insurance companies cannot take the legal form of a mutual or cooperative (or have restrictions on the line of business which they can offer), figures may nevertheless be indicated for the mutual/cooperative insurance market due to the presence of definition 2 and definition 3 insurers.

⁷ Data has been taken from updated statistics, originally published in Swiss Re Institute’s *sigma World Insurance* reports. The most recent report was Swiss Re Institute, *Q3/2016 World insurance in 2015: steady growth amid regional disparities*.

⁸ The major example of this is in Germany, where health insurance is classed as a life insurance product.

However, it should be noted that each policy issued by a mutual/cooperative insurer equates to a single member/policyholder. If an individual person or entity purchases more than one insurance product from mutual/cooperative insurers, that multiplicity of policies will be recognised in the overall member/policyholder figures for each country.



United Kingdom

Mutual/cooperative insurance companies

Landscape

The insurance market in the UK is regulated and supervised by the Prudential Regulation Authority – PRA and the Financial Conduct Authority – FCA,¹ which together succeeded the Financial Services Authority in April 2013. The PRA is responsible for the prudential regulation of insurers; it aims to develop a rounded, robust and comprehensive view of insurance undertakings and to judge whether they are being run in a safe and sound manner.² The FCA is the conduct regulator (consumer protector) for financial firms in the UK. New firms wishing to become insurers must apply to the PRA for permission.³ If the PRA grants a permission, the FCA is bound to consent to this permission.⁴

The primary laws governing the UK insurance market are the Financial Services and Markets Act – FSMA of 2000 (as amended), and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. In addition, the FCA's Handbook and the PRA's Rulebook provide detailed rules and guidance on governance, capital and conduct of business requirements. The Solvency II Directive has been implemented by these laws and rules. The PRA Rulebook includes a threshold test for the adoption of Article 4 of Solvency II, which contains exemptions from being subject to the Solvency II regime for insurance undertakings which do not exceed certain *de minimis* thresholds (gross written premium less than GBP 5 million,⁵ total of technical provisions less than GBP 25 million,⁶ etc).

A newly established undertaking, or an existing undertaking engaging solely in life insurance business or solely in non-life insurance business, cannot be granted permission to operate in both the life and non-life categories at the same time.⁷ This does not apply where an undertaking's permission to carry on non-life insurance business is restricted to accident and sickness insurance.

Insurance undertakings can have one of the following legal forms:⁸

- a body corporate (limited or unlimited, including a company limited by guarantee but not a limited liability partnership)
- a friendly society registered under the Friendly Societies Act 1992
- a cooperative and community benefit society registered under the Cooperative and Community Benefit Societies Act 2014⁹
- a member of Lloyd's
- a European Company

Cooperative societies under the Cooperative and Community Benefit Societies Act 2014 operate for the benefit of their members, and distribute any surplus not reinvested in the business to them. It is not required that all cooperatives are established in this legal form, and in fact they are permitted to be established as companies.

¹ FCA's [website](#).

² PRA's [website](#).

³ Section 55A of the Financial Services and Markets Act 2000 – FSMA.

⁴ Section 55F(2) of the FSMA.

⁵ EUR 4 million at ECB annual average exchange rate for 2016.

⁶ EUR 20 million at ECB annual average exchange rate for 2016.

⁷ Section 2.3 of PRA Supervisory Statement SS8/15.

⁸ Section 1(1) of Part I Part IV of Schedule 6 of the FSMA.

⁹ The Act renamed industrial and provident societies as cooperative or community benefit societies. Cooperative societies, community benefit societies and pre-commencement societies (industrial and provident societies, registered before 1 August 2014) are referred to as 'registered societies'.

Mutuals are not limited to writing either life or non-life insurance, but are restricted in writing both life and non-life in the same entity as described previously.

Mutual societies in the UK can have the following legal forms:¹⁰

- a registered friendly society
- a building society
- an unlimited company
- an industrial and provident society¹¹ and a credit union¹²
- a private company (either limited by shares or guarantee)

Friendly societies, directive or non-directive,¹³ registered under the Friendly Societies Act 1992 are incorporated entities and registered for effecting and carrying out contracts of insurance. They must apply to the PRA for authorisation.

Building societies also constitute mutual-type organisations that can provide insurance services. They are governed by the Building Societies Act of 1997.

Number of licensed insurance undertakings

There were 494 authorised insurance companies¹⁴ operating in the UK at year-end 2015. Of these insurance undertakings,¹⁵ 170 were life insurers, 301 were non-life insurers and 23 were composite insurers.

Between 2008 and 2015, the number of insurance companies authorised in the UK insurance market declined by 20%.¹⁶

Number of mutual/cooperative insurers

In 2015, there were 176 mutual/cooperative insurers present in the UK market. The majority (101) of these were life insurance companies, and 68 were non-life insurance companies. A further seven undertakings were composite insurers.

Of the 176 mutual/cooperative insurance companies in 2015, 141 were mutual/cooperative insurers in the legal form. This figure comprises 95 life insurers (including 91 Friendly Societies and non-directive Friendly Societies); 41 non-life insurers; and five composite insurers.

The total number of mutual/cooperative insurers active in the UK fell by 19% from 2007, when there were 208 mutual/cooperative insurers in the market. Despite the fall in the number of mutual/cooperative insurers, the aggregate premium income of the mutual/cooperative sector grew by 51.2% between 2007 and 2015 (see Figure 1).

¹⁰ See Part XXI of the FSMA.

¹¹ They are governed by the Industrial and Provident Societies Act.

¹² They are governed by the Credit Unions Act.

¹³ A non-directive friendly society is a friendly society below the thresholds for inclusion in Solvency II.

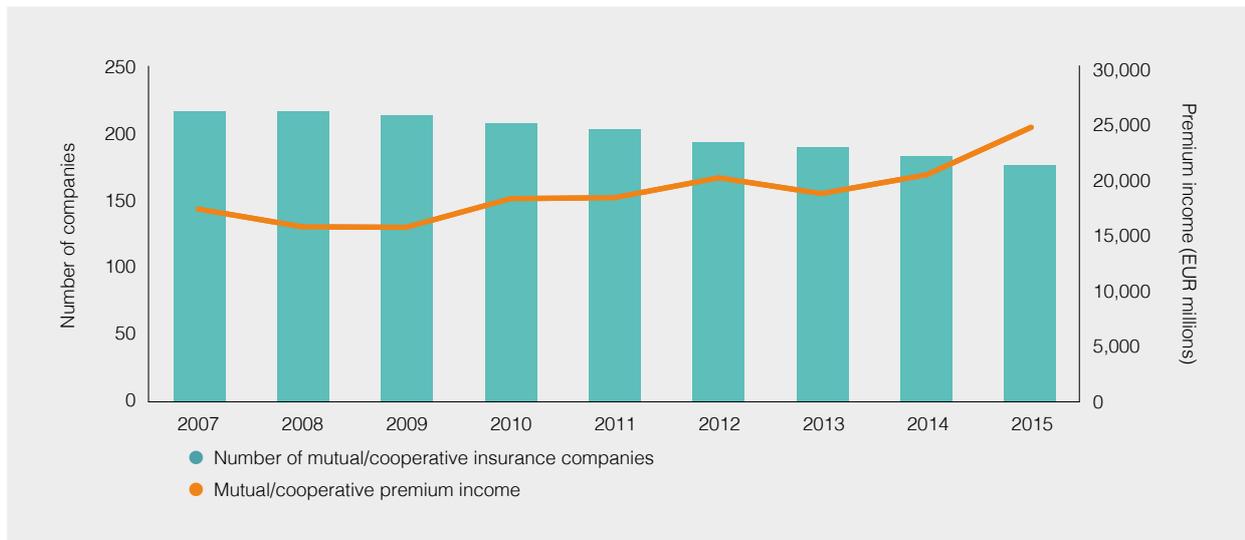
¹⁴ Bank of England (2016) *List of UK authorised insurers – January 2016* (Insurance undertakings regulated by the PRA as of 4 January 2016). The FCA does not publish a year-end list of authorised insurers, only an *interactive register*.

¹⁵ In addition, there were 705 EEA insurers authorised to transact insurance business in the UK - Bank of England (2016) *List of EEA authorised insurers – January 2016*.

¹⁶ As the FCA does not publish a year-end list of authorised insurers, the number of insurers in 2008 (621 insurance undertakings) was taken from the previous edition of *Facts & Figures*. This figure was based on readjusted information taken from the FCA register in 2010.

Figure 1

Number of mutual/cooperative insurance companies and total mutual/cooperative premium income (2007-2015)



Size and growth of the mutual/cooperative insurance sector

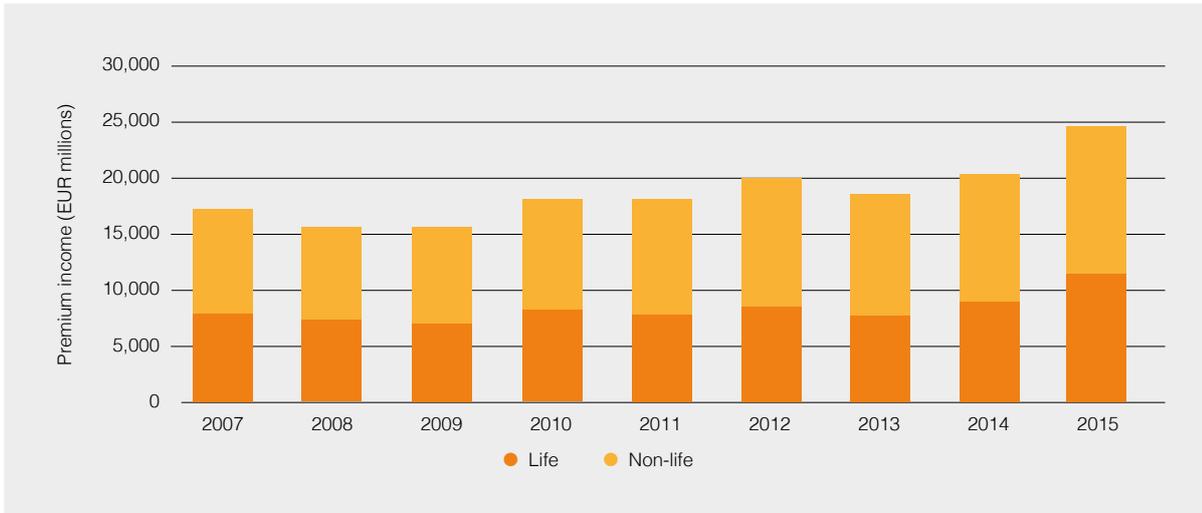
Total

The total insurance market in the UK amounted to EUR 288.5 billion in insurance premiums, making it the largest insurance market in Europe in 2015. However, since 2007, premium volumes in the UK have declined by a total of 22.3% from EUR 393.7 billion in 2007. A steep drop in premium levels in 2008 (-20.8%) was the main contributor to the overall decline, although since 2007 there have been four years of negative premium development and only one year of premium growth exceeding 3%. This has resulted in a CAGR between 2007 and 2015 of -3.1%.

In contrast, the UK's mutual/cooperative insurance sector has performed exceptionally well compared to the total market. Premium levels reached EUR 24.5 billion in 2015 (see Figure 2), a growth of more than 50% compared to 2007 (EUR 17.2 billion).

Business growth in the mutual/cooperative sector has also been more consistent than the total UK market, recording seven years of positive premium growth since 2007 and outperforming the market average growth in five of the previous eight years, and by a significant margin between 2008 and 2010. In total, the CAGR of the mutual/cooperative sector since 2007 was 5.3%, more than eight percentage points ahead of the total market.

Figure 2
 Premium income of mutual/cooperative insurance companies (2007-2015)



Life

The overall deterioration of the total UK insurance market was driven by a fall in life insurance premiums. Since 2007, life premium income decreased by more than a third to EUR 193.3 billion in 2015, from EUR 309.2 billion in 2007 – a significant decline in Europe’s largest life insurance market. As a result, the UK contributed a quarter of aggregate life insurance premiums in Europe in 2015, compared to 38% in 2007.

Mutual/cooperative life insurers did not follow the trend of the total UK life market and in contrast experienced substantial growth during this eight-year period. Collective premium income rose to EUR 11.4 billion in 2015 (from EUR 7.8 billion in 2007), a growth of 54.3%. As a result, the CAGR of the mutual/cooperative life sector (5.6%) was more than 10 percentage points stronger than the UK market average (-5.0%).

Non-life

In comparison with the life market, UK non-life business has performed far better since 2007. There was only one year of annual premium decline in the eight-year period between 2007 (EUR 84.5 billion) and 2015 (EUR 95.2 billion) accumulating to an overall growth of 19.6% over this period.

Mutual/cooperative insurers reported non-life premium levels of EUR 13.1 billion in 2015, representing a 48.6% expansion from 2007 volumes (EUR 9.3 billion). This resulted in a CAGR of 5.1%, ahead of the total market CAGR of 2.3%.

Market share of mutual/cooperative insurance sector

UK mutual/cooperative insurers collectively held a market share of 8.5% in 2015 (see Figure 3). In the life insurance sector, market share was 5.9%. In non-life business, the mutual/cooperative sector held a higher proportion of the total market in 2015, at 13.7%.

In the legal form, the total mutual/cooperative market share in 2015 was 4.7%. Mutual/cooperative insurers in the legal form held a higher market share in life business (5.4%) compared to non-life business (3.4%). However, when subsidiaries of mutual/cooperative insurers (in the legal form) were included, non-life market share was greater than the share of the life market (12.5% compared to 5.9%).

Mutual/cooperative insurers' total market share in 2015 had almost doubled from a 4.4% share in 2007 to 8.5% in 2015 (see Figure 4). Market share of mutual/cooperative insurers in the legal form grew from 2.5% in 2007, and subsidiaries of mutual/cooperative insurers increased from 1.6% to 3.4% in 2015. The most significant gain in market share occurred between 2007 and 2010, and market share levels remained comparatively stable from that point onwards.

In the life insurance sector, mutual/cooperative insurers doubled their share of the total UK market – albeit from a low base – growing from 2.5% in 2007 to 5.9% in 2015. In non-life business, mutual/cooperative share rose from 11.1% to 13.7% over the eight-year period.

Figure 3
Market share of mutual/cooperative insurance companies (2015)

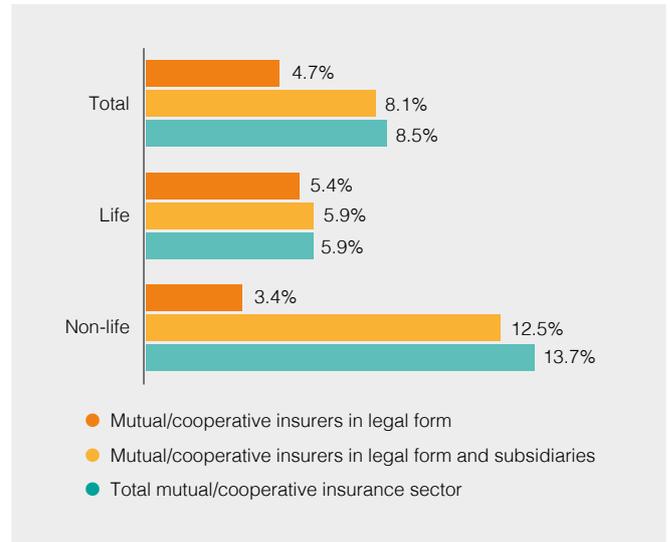
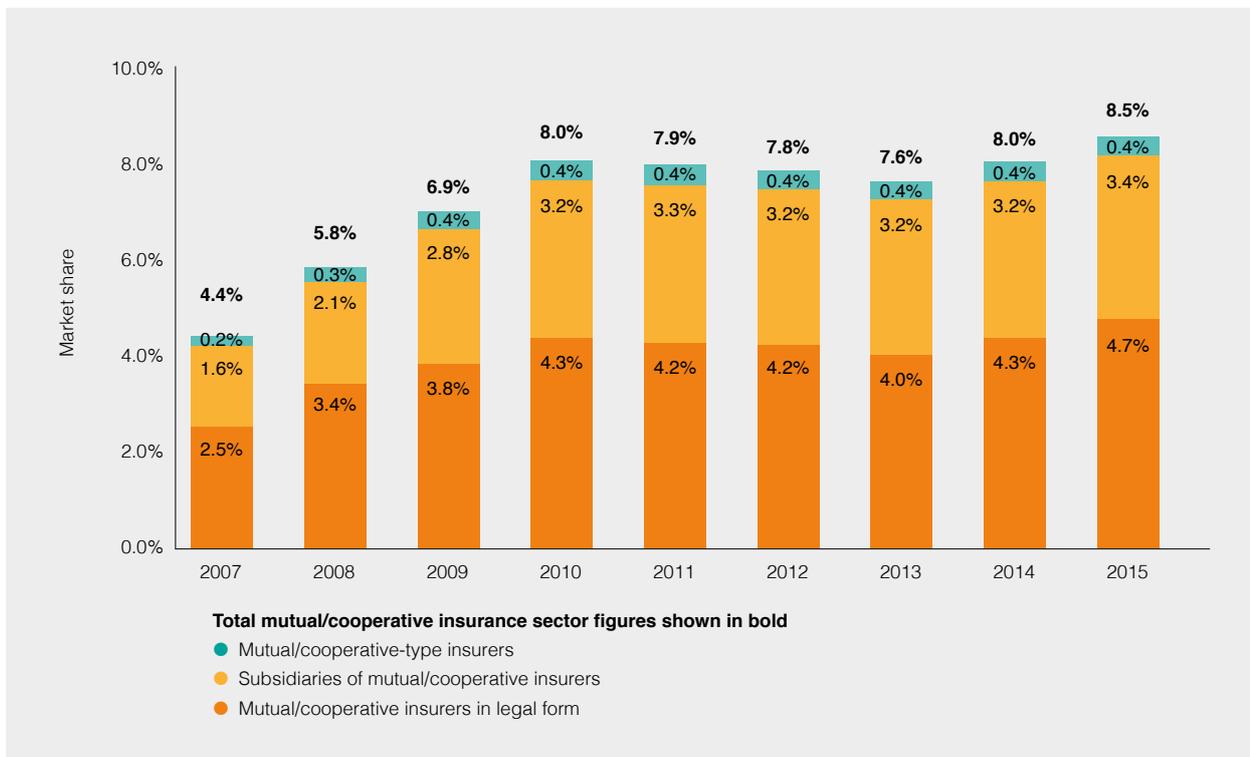


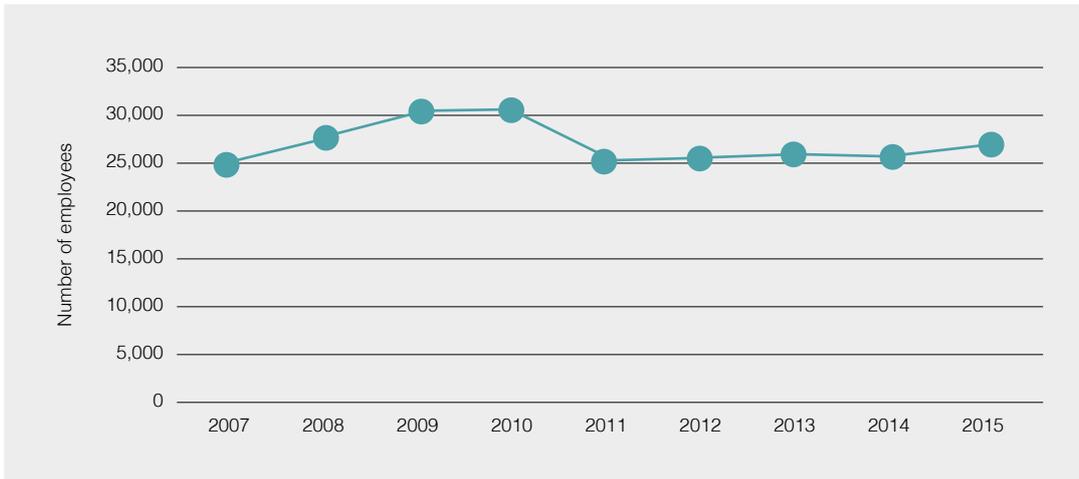
Figure 4
Market share of the mutual/cooperative insurance sector (2007-2015)



Number of employees

There was a total increase of almost 2,000 employees working for UK mutual/cooperative insurers between 2007 and 2015. The total number of people employed grew by 7%, from 25,000 to just under 27,000 people (see Figure 5). However, the total employment level in 2015 had declined from a peak level in 2010, when just over 30,000 people were employed by the mutual/cooperative insurance sector.

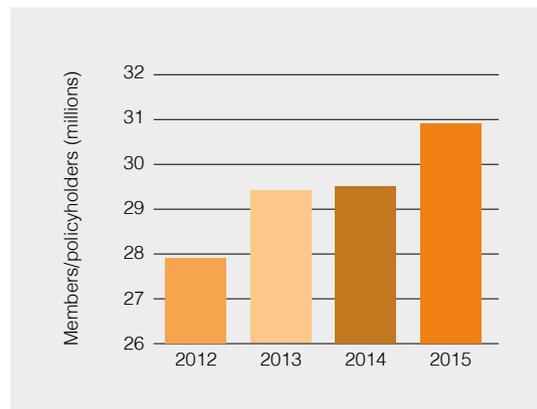
Figure 5
Number of employees of the mutual/cooperative insurance sector (2007-2015)



Number of members/policyholders

A total of 30.9 million members/policyholders* were served by mutual/cooperative insurers in the UK in 2015 (see Figure 6). Membership numbers have grown year-on-year since 2012 (27.9 million), resulting in an overall increase of more than 11%.

Figure 6
Number of members/policyholders of the mutual/cooperative insurance sector (2012-2015)



* See methodology.

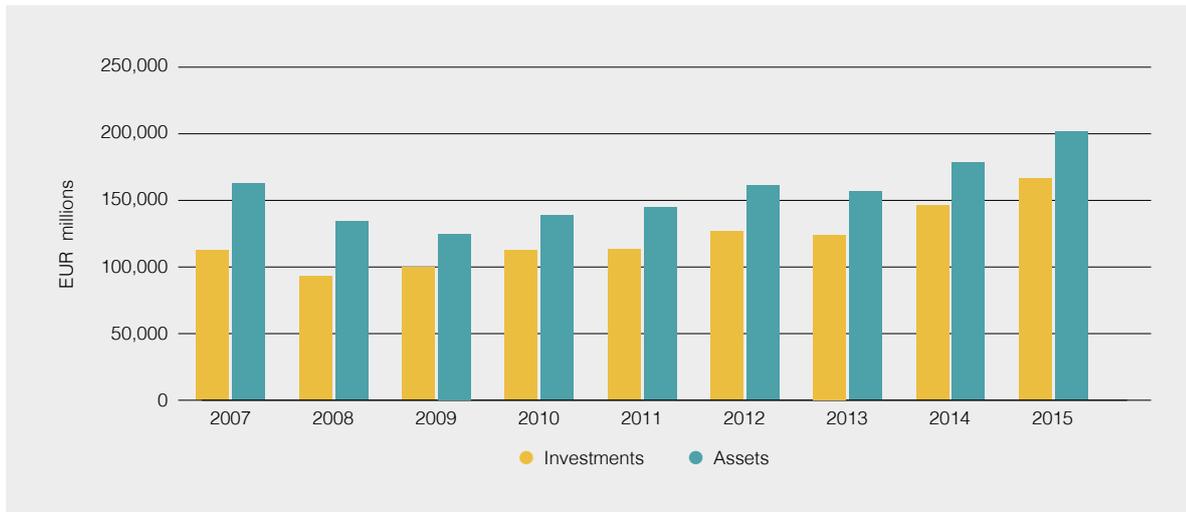
Assets and investments

The total assets held by UK mutual/cooperative insurers exceeded EUR 200 billion for the first time in 2015, amounting to EUR 201.4 billion (see Figure 7). Despite two years of asset decreases in 2008 and 2009, and then again in 2013, total assets of the mutual/cooperative sector have grown steadily since 2007 (total growth of 31.9%).

The total amount of invested assets held by the mutual/cooperative sector followed a similar pattern to total asset values, although it recorded a stronger overall growth of 57.2% between 2007 (EUR 111.7 billion) and 2015 (EUR 165.6 billion).

Figure 7

Total assets and investment assets of the mutual/cooperative insurance sector (2007-2015)



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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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