

+ Ten years of Solvency II:

Navigating the future risk landscape

LCP's tenth annual review of SFCR reporting by 100 of the
largest non-life insurers in the UK and Ireland

August 2026

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Overview and recommendations

Our tenth annual review of the Solvency II/UK public reporting for 100 of the largest UK and Irish non-life insurers provides a snapshot of the sector's financial strength and risk landscape.

We analysed Solvency and Financial Condition Reports (SFCRs) and Quantitative Reporting Templates (QRTs) to assess:

- Solvency II/UK balance sheets and capital positions
- Key risks and emerging themes
- Market-wide trends and peer benchmarking
- Key changes and emerging trends from the past year.

The review highlights a clear shift towards a more interconnected and uncertain risk landscape.

Insurers are increasingly required to look beyond individual risks and consider the combined effect of macroeconomic uncertainty, geopolitical developments, cyber threats, AI adoption and changing market conditions.

The following recommendations are intended to help firms translate this evolving risk picture into practical action across capital, governance, and underwriting.

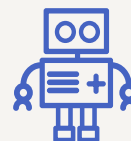
Recommendations for firms



Align capital strategies to the evolving risk landscape, recognising the increasing **interconnectedness** of risks such as inflation, geopolitical risk, cyber, AI and softer market conditions.



Demonstrate how governance of emerging risks informs business decisions, such as adjusting underwriting appetite and terms, exclusions and exposure limits, and incorporating new stress and scenario tests.



Recognise AI as both a risk and an opportunity and strengthen AI risk controls through appropriate AI governance frameworks, employee training and cross-functional working groups.



Understand and respond to the implications of a softening market, particularly in underwriting, reinsurance strategy and expense management.



In an increasingly complex world, good governance provides the oversight, challenge and accountability needed to set clear risk appetites and support timely underwriting and capital management decisions.

Louis March, Consultant, LCP



Looking back on ten years of Solvency II



+ *A decade after the introduction of Solvency II, the non-life insurance market has grown in size and resilience – but the risks it faces have become broader, faster-moving and more interconnected.*

Cat Drummond, Partner, LCP



A decade in perspective



Our review of the top 100 non-life insurers indicates that the market is both **larger and better capitalised** since the introduction of Solvency II. Assets across our top 100 have grown from **£152.1bn** to **£226.6bn**, while the aggregate solvency coverage ratio across our top 100 has increased from **154%** to **192%**.



The risk landscape has evolved, with the range of risks considered by insurers broadening significantly over the last decade. Alongside traditional underwriting and market risks, firms now increasingly focus on cyber, climate and geopolitical risks, reflecting a more interconnected and rapidly evolving risk environment.



The sector has **demonstrated strong resilience** despite several significant challenges over the last decade, including COVID-19, inflation, financial market volatility and Brexit. The financial strength of the market suggests insurers have successfully adapted while continuing to support policyholders and maintain strong capital positions.

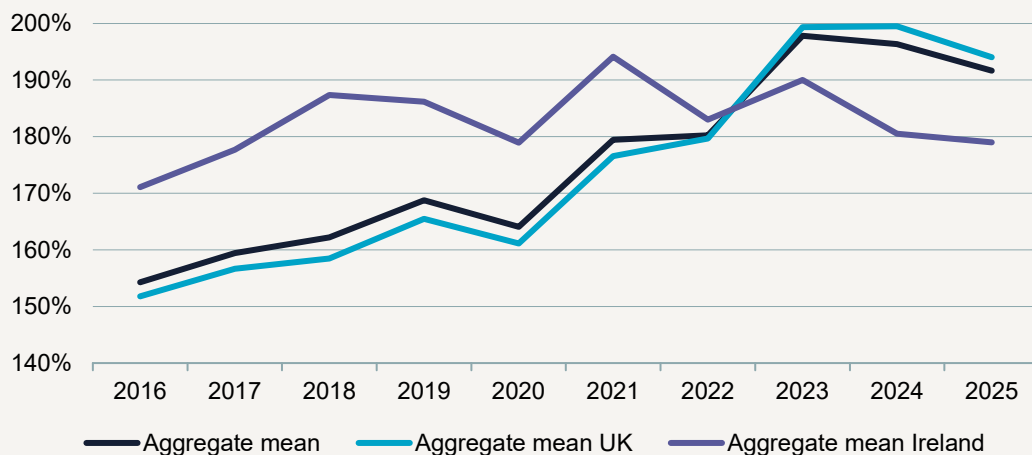
Headline insights from our review of 2025 SFCRs

Financial strength

Despite recent softening market conditions, gross written premium (GWP) has continued to increase year-on-year since the introduction of Solvency II, reaching £147bn in 2025, up 3.0% on 2024. Premiums have increased modestly across all lines, with Financial & Legal Protection seeing the highest growth.

Over the year, the overall market solvency coverage ratio declined slightly to 192%, continuing the trend seen in 2024. For UK insurers, the ratio fell from 200% to 194%, while Irish insurers saw a more modest decline from 181% to 179%. UK insurers typically attribute this reduction to capital strategies, M&A activity and dividends and buybacks, rather than an underlying deterioration in claims experience or increase in risk.

Solvency coverage ratio across the UK and Irish markets (2016-2025)



Key risks



Geopolitical risk was highlighted by 75% of insurers, with reporting shifting from general geopolitical concerns to specific conflicts, particularly those involving Israel, Iran and the US.



Climate change was mentioned by 82% of insurers, down slightly from 86% last year. However, more firms explained how they quantify the risk, rising from 45% to 51%, including through stress and scenario testing, ENID provisions and catastrophe modelling.



Emerging risks continue to be a key area of focus for insurers, with 90% of firms referring to them in their SFCRs. Disclosures demonstrate increasingly mature emerging risk frameworks, embedded within BAU risk management processes, with some also highlighting the interconnectedness of these exposures.



AI risk was mentioned by 33% of insurers. Where firms did comment on AI, disclosures typically recognised both the risks and the opportunities associated with its use.



Cyber risk was mentioned by 83% of insurers, a slight increase from 81% last year, with many firms evidencing increasingly mature cybersecurity control environments through penetration testing, operational resilience scenario testing and cyber incident response plans.

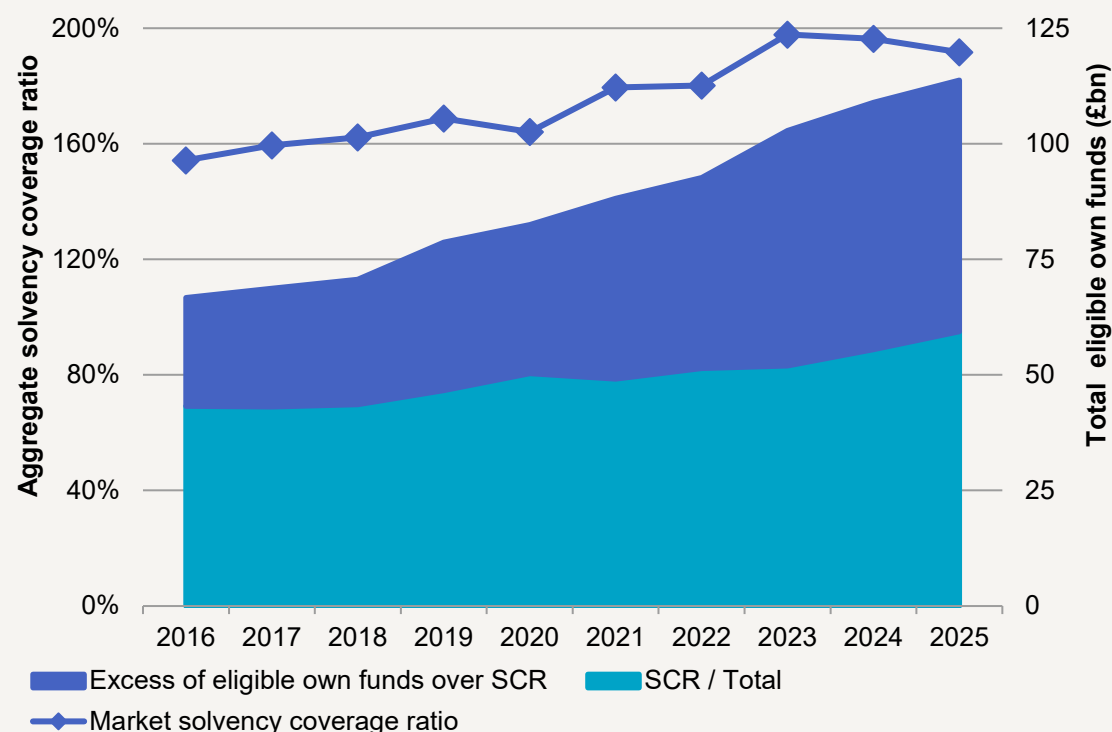
Financial overview

Financial strength of the market – 31 Dec 2025

We reviewed solvency coverage ratios for our top 100 insurers, both individually and for the market.

The solvency coverage ratio – defined as eligible own funds divided by Solvency Capital Requirement (SCR) – is a key measure for a firm's solvency and financial strength.

Solvency coverage ratio across the market (2016-2025)



Ten years of Solvency II: Navigating the future risk landscape

Market view

Eligible own funds rose 4% from £109bn to £114bn, while total SCR increased 7% from £55bn to £59bn. This led to a slight fall in the market solvency coverage ratio from 196% in 2024 to 192% in 2025.

The fall is primarily driven by UK insurers, whose ratio dropped from 200% to 194%. Firms typically attribute this decrease to:

- M&A activity (eg **Ageas** and **Aviva International**)
- GWP growth (eg **Bridgehaven** and **Coverys**)
- Higher dividends (eg **Hiscox**, **Pinnacle**, and **Riverstone**)

These three drivers are consistent with a healthy insurance market and effective capital management.

For Irish insurers, the solvency coverage ratio decreased slightly from 181% to 179% over the year.

Individual insurer view

The fall in the market ratio is also reflected at the individual level. The average ratio across the 100 insurers fell slightly from 237% to 234%.

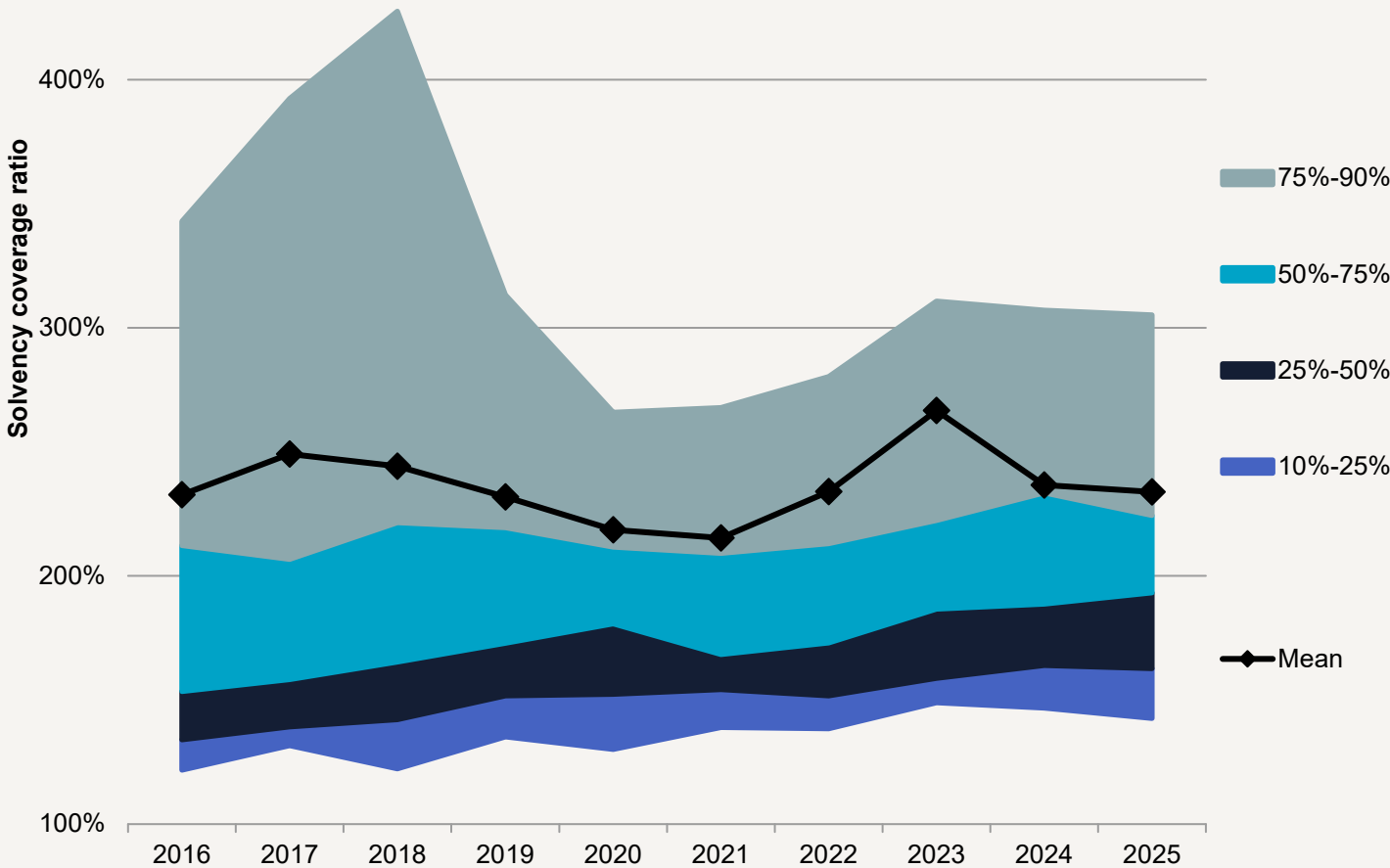
- Among UK insurers, 51% saw a decrease.
- In Ireland, 38% of insurers reported a reduction.

While increases in solvency coverage ratios were more common among Irish insurers, larger deteriorations at the biggest firms resulted in a fall in the aggregate ratio.

Financial overview (continued)

Market-level solvency coverage ratios at each year-end since 2016

Percentile ranges and mean of solvency coverage ratios at each year-end (2016-2025)



The average solvency coverage ratio across individual insurers continued to decline from its 2023 peak of 267%, falling to 237% in 2024 and 234% in 2025, consistent with the decrease observed at the overall market level.

The overall distribution has been stable over the last two years. However, the mean is sensitive to large changes in coverage ratio for individual insurers. The 2023 peak is driven by movements in **Bridgehaven** and **MIC**'s coverage ratios rather than a market-wide trend.

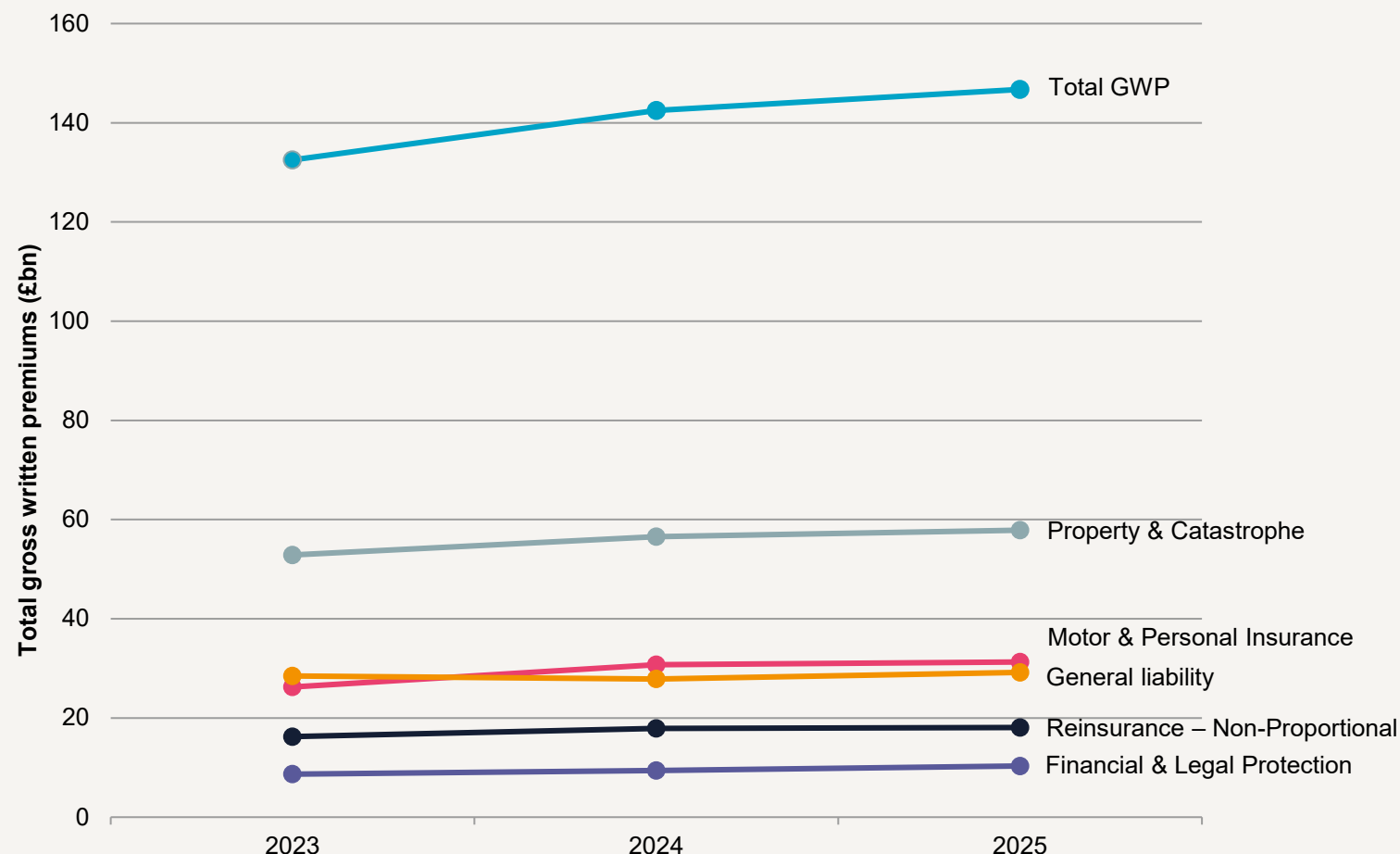
The modest reduction in mean since 2024 suggests a slight weakening in the market's overall financial strength when viewed on an insurer-by-insurer basis, although average coverage ratios remain well above regulatory minimum requirements.

The inter-decile range (10th to 90th percentile) of solvency coverage ratios widened to 163% in 2025, continuing the trend observed since 2021. This could reflect ongoing uncertainty arising from the rapidly evolving emerging risk landscape, as well as softer market conditions.

Financial overview (continued)

Breakdown of total gross written premium

Gross written premium (2023-2025)



We have grouped the Solvency II/UK lines as shown in the appendix.

Total GWP slightly increased to £147bn from £142bn at the 2024 year-end. This is the ninth year in a row that aggregate GWP across our sample has grown, despite a softer rating environment over the last two years.

Whilst GWP growth varied across groups, all groups showed modest growth between 1% and 9% over the year. The most notable increase in absolute terms was General Liability which increased by £1.3bn, or 5%, following a slight decrease the previous year.

While overall movements at line-of-business level were relatively modest, growth can vary significantly across individual insurers. For example, **Pinnacle's** Financial & Legal Protection GWP increased by £369m (214%) over the year.

Key risk areas



The evolution of AI and geopolitical volatility are reshaping the risk landscape. Building a clear view of exposure today is critical to protecting value, maintaining resilience and navigating uncertainty with greater confidence.

Cat Drummond, Partner, LCP



Geopolitical risk

Geopolitical risk is becoming an increasingly important area of focus, with 75% of firms mentioning it in 2025, compared with 64% the previous year.



While several insurers continued to reference the Russia-Ukraine conflict, attention has shifted towards geopolitical tensions involving the US and the Israel-Iran conflict.

References to other geopolitical tensions, including those involving China-Taiwan and India-Pakistan, were limited.

+ *Disruptions to key energy and shipping routes, particularly the Strait of Hormuz, have increased commodity-price volatility, supply-chain instability, and macro-financial uncertainty.*

IGI

Exposure and secondary effects

While 63% of firms either did not comment on exposure or reported no direct exposure to geopolitical conflicts, insurers are increasingly focused on potential secondary impacts of geopolitical risks.

37% of firms identified exposures, most commonly across Aviation and Marine, Cyber, D&O, Energy and Political lines.

Concerns over inflation and investment impacts rose significantly, cited by 56% of firms versus 36% last year.

Supply-chain disruption was cited by 32% of firms, up from 24%.

+ *The current geopolitical environment continues to contribute to uncertainty in global trade, which has created capital market volatility and may affect the global economic environment in the future.*

Intact

US tariffs

27% of firms mentioned the tariffs imposed by the US administration in 2025, primarily in relation to increased economic uncertainty and their potential secondary impacts on inflation, supply chains and global trade.

+ *Uncertainty over tariffs can lead to increasing cost of claims, such as re-build costs in Property damage claims, or an increased value of Cargo in Marine claims.*

Axis

+ *The potential introduction of tariffs and other barriers to trade is a significant risk, including scenarios where geopolitical tensions disrupt supply chains, reduce economic growth, and continue to prop up inflation.*

Irish Public Bodies

Geopolitical risk (continued)

Cyber impacts

13% of firms mentioned cyber risks arising from geopolitical developments, the same as last year.

+ *Increasing geopolitical tensions have heightened the risk of cybersecurity attacks on the Group, Solo entities and suppliers, with the potential to cause business service interruption and/or data or intellectual property theft.*

Aviva

+ *It is recognised that the current geopolitical environment may expose TMHCC International, its clients and other counter parties to a continued increased risk of cyberthreat.*

HCC

Managing geopolitical risk

Firms employed a variety of approaches to assess and manage geopolitical risks, including:

- Scenario analysis and stress testing – eg **Arch EU** and **Fidelis**
- Adjustment of loss reserves – eg **AXIS** and **Greenlight Re**
- Cancellation of policies and reinsurance – eg **Samsung Fire & Marine**
- Ongoing monitoring of exposure across claims, operations, investments and macroeconomic conditions – eg **XL Re**

+ *The Company has offered war coverage to each affected policyholder under a separate contract for an additional premium and, where any policyholder has purchased the reinstated war coverage, the Company has reinsured the risk 100% and has no net retention.*

Samsung Fire & Marine



Cyber risk

Cyber risk remains a key area of focus, with 83% of insurers mentioning it in 2025, up from 81% in 2024. As noted on the previous page, the continued prominence of cyber risk reflects, in part, the heightened threat environment associated with geopolitical tensions.



It is becoming increasingly standard market practice to have Technology Risk teams assessing the maturity of cyber security controls and providing oversight, governance and reporting regarding IT security. Other examples of cyber risk controls included:

- Creating supplier service-specific business continuity and exit plans, including provisions for managing cyber risk events and using alternative suppliers if required (**Allianz UK**).
- Regularly testing cyber defences using internal 'ethical hacking' teams and penetration testing (**Aviva**).
- Ensuring cyber security training is provided for all employees (**Beazley**).
- Ongoing investment in advanced threat detection technologies (**British Gas**).
- Conducting operational resilience scenario testing, including cyber incident simulation exercises (**Hiscox**).

+ *The company has continued to strengthen its controls by enhancing multi-factor authentication across the business, updating the company's key business applications, applying additional data security and protection applications and running cyber-focused scenario exercises.*

Aioi Nissay Dowa UK



AI risk

AI was mentioned by 33% of insurers in 2025, up from 29% in 2024.

AI-related risks are evolving rapidly and include regulatory breaches, third-party dependency, bias in decision-making and cyber attacks.

How are firms managing AI risk?

18% of firms mentioned how they are managing the emergence of AI risk.

- Artificial Intelligence frameworks: **Beazley**, **IGI** and **XL** have AI Governance frameworks to formalise controls around AI adoption, ethical use and ongoing monitoring.
- Working Groups: **Beazley** monitors AI underwriting exposure through its AI Exposure Working Group and Emerging & Complex Risk Group.
- Training: **Greenlight Re** has rolled out AI literacy training and guidance to all staff.
- Policies and Principles: The use of AI tools is generally permitted where appropriate for the task, subject to applicable policies and approval requirements. For example, **HCC** permits AI use in accordance with the Group's Policy and General Principles, while **Equine and Livestock** requires prior approval from the appropriate Head of Department and any two of the CEO, CFO and COO, with the purpose and information shared recorded for monitoring purposes.

Opportunities

17% of firms identified opportunities associated with the adoption of artificial intelligence.

- Wider business and customer benefits: **Aviva** identifies opportunities in process efficiency, better pricing and underwriting, product personalisation and customer service.
- Competitive positioning: **Greenlight Re** notes that early compliance and robust governance could provide a competitive differentiator. **AXIS** acknowledges the role of AI in their longer-term strategy.
- Fraud detection: **Equine and Livestock** focuses on using AI tools to enhance claims fraud detection processes.
- Operational efficiency and analytics: **HCC** acknowledges the potential to automate manual data collection and improve the analysis of claims data.



Implementation of AI to enhance efficiency is perceived as a top factor for insurance companies to maintain and/or increase their market position in the long-term.

AXIS

Climate change

Climate change continues to be an important theme in the SFCRs, with 82% of insurers explicitly referring to climate change, similar to last year. The extent and depth of disclosures varied between firms, reflecting differences in how climate-related risks were assessed, monitored and embedded within wider risk management frameworks.

Many firms identified extreme weather as a key climate-related risk, recognising the uncertainty involved and making allowances within their processes.

+ *As global average temperatures continue to rise to unprecedented levels, the frequency and nature of extreme weather events become even more unpredictable.*

Aspen

+ *We have built the possibility of extreme weather events into our general insurance pricing, reinsurance programme design and monitor actual weather-related losses versus expected weather-related losses.*

Aviva

Risk categorisation

57% of firms explicitly categorise climate risks into physical, transition, and liability. The following is drawn directly from **Allied World's** SFCR and outlines the company's approach to managing each of these risks:



Physical risk:

We actively review analyses by third-party catastrophe modelling firms and other industry organisations on the impact of climate change on catastrophe perils, most notably windstorm, flood, wildfire, severe convective storm.

Transition risk:

The Company holds a large proportion of its investment portfolio in investment classes with low exposure to environmental issues, namely, cash, short-term securities, or government bonds.

Liability risk:

The Company has limited its exposure to oil (tar sands), coal mining, construction of new thermal coal-fired plants and Arctic energy exploration.

Climate change (continued)

Risk quantification

51% of insurers described their approach to climate risk quantification, an increase from 45% in 2024.

Stress and scenario analysis remains the dominant tool, referenced across numerous SFCRs.

Climate change risks are increasingly being stress tested:

- **AXA XL** has implemented stress testing in respect of climate, including developing its own natural catastrophe stress tests.
- **Equine and Livestock** carries out stress testing monthly, including the risk of illness/death amongst pets from climate-related risks.
- **Fidelis** leverages industry-leading models as well as proprietary solutions to develop a "Fidelis view of risk" which adds a layer of specific focus to climate factors that may not be adequately reflected elsewhere.
- **Markel** has performed stress and scenario tests in relation to the physical risk, liability risk, financial and transition risk that climate change poses, as part of its ORSA process, to assess the level of exposure faced by the Company.

Climate change commitments

29% of firms mentioned climate change commitments in their SFCRs this year, up from 21% in 2024. Of the 100 firms in our sample, 25% are members of the ClimateWise initiative*. Net zero commitments by 2050 are commonly referenced, with several companies setting interim 2030 goals.

For example, **Admiral** has aligned its emissions reduction pathway with Science Based Targets initiative (SBTi) 2030 and 2040 targets and aims to halve its greenhouse gas impact within five years.

Several firms have also adopted fossil fuel transition measures, including **Newline's** phase-out of existing investments in companies with significant exposure to thermal coal and oil sands.

+ *AXIS Capital announced a commitment to not underwrite new insurance or facultative reinsurance contracts, or provide investment support, for projects covering the exploration, production or transportation of oil and gas in the Arctic National Wildlife Refuge.*

AXIS

*ClimateWise affiliation assessed as of 31 December 2025 at parent-group level and attributed to all sampled entities within member groups

Emerging risks

In 2025, 90% of insurers mentioned emerging risks in their SFCRs, up slightly from 86% in 2024.

Most firms now describe structured emerging risk frameworks. For example, **Arch**'s Emerging Risks Group meets quarterly and escalates to the relevant risk committees as appropriate. Responsibility for identifying emerging risks extends beyond the risk function, drawing on input from across the business to support early detection and assessment.

The membership of the Emerging Risks Group includes underwriting representation from a range of classes of business. This ensures emerging insurance risks remain the focus of the ERG, with the Risk Function facilitating the process and ensuring these emerging risks are tracked via the Emerging Risks Log.

Arch

New emerging risks

Firms identified several emerging risks in 2025, including: PFAS (Per- and Polyfluoroalkyl Substances), phthalates, civil unrest, gene technology, stablecoins and patent trolling. Stablecoins are cryptocurrencies designed to maintain a stable value, typically by being pegged to a fiat currency such as the US dollar. Patent trolling is the strategic assertion of patents to generate licensing fees or pursue litigation.

Emerging risks are identified via horizon scanning. This is conducted by the Group Risk Management Function and consists of an extensive literature review, consultations, focus sessions with internal working groups, and interviews with internal stakeholders, subject matter experts, and external specialists.

Admiral

Interconnectivity of risks

In 2025, 22% of insurers highlighted the interconnected nature of emerging risks, up from 14% in 2024.

Many recognised that one emerging risk can amplify others.

For example, **Lloyd's** notes that climate risk can increase the frequency and severity of losses across existing risk categories.

These interdependencies should be reflected in emerging risk frameworks, capital planning, and stress and scenario testing.

22%

of insurers mentioned the interconnectedness of risks



Market conditions

Softening premium rates

The softening of market conditions seen in 2025 follows indicators in some insurers' 2024 SFCRs that favourable pricing conditions were beginning to ease.

This has continued to be seen across the direct market, with several insurers, including **Allianz UK**, **Fidelis Ireland** and **LV=**, attributing lower GWP to the changing pricing environment.

The number of firms commenting on changing market conditions has more than doubled compared with the previous year, with 40% of firms highlighting this as a key area of focus.

While pricing in the direct market has come under pressure, parts of the reinsurance market have not seen similar softening.

Allianz Re highlighted that premiums for some lines of business 'further increased due to a hard market environment', while **XL Re** noted 'favourable rate changes despite evidence of softening market conditions'.

Competitive pressure beyond pricing

This year, some insurers have reported early signs of softening in deal structures, with increasing pressure on coverage and terms and conditions.

Arch Re noted that 'Coverage and scope see some loosening', while **QBE** highlighted 'pressure on rate and terms & conditions'.

Managing the cycle

Responses to the softening market are varied. Last year, strategies included pricing discipline and reinsurance alignment. Now, as reductions in premium rates begin to crystallise, many are turning attention to controlling expenses instead, to bolster profitability. 18% of insurers mentioned expense management during changing market conditions. Other actions included:

- **Aioi Nissay Dowa UK** has exited some commercial MGA relationships and the unprofitable telematics market as management felt these 'could not deliver scalable, profitable opportunities over the insurance cycle'.
- Continued focus on underwriting discipline. The impact of this has started to be seen by **Ecclesiastical**, whose portfolio 'achieved a reduced level of growth, as it continues to be disciplined in its approach'. Other insurers mentioning this included **Arch**, **Beazley**, and **Chaucer**.
- **AXIS** employs an active cycle management strategy, adjusting portfolio size in response to changing market conditions. The insurer noted that it 'shrinks the portfolio at times when pricing is in deficit', reducing exposure when pricing no longer supports its target returns.



Cost control remains a continued focus, with solid management of business-as-usual expenditure.

NFU Mutual

Solvency and financial strength

⁺ *2025 delivered further GWP growth, but at a slower rate than in previous years as specific lines continue to soften.*

Louis March, Consultant, LCP



Financial strength by insurer type

At the end of 2025, the average solvency coverage ratio across our sample was 234%. We analysed how this varies by insurer type, allocating insurers to a business-line grouping where more than 55% of their 2025 GWP was in that grouped line. Otherwise, they are classified as “multi-line”.

The mean ratios are more similar across insurer types than in 2024. General liability insurers continue to report the highest average solvency coverage ratios, although the average has declined since last year. The lowest average ratios are now from multi-line insurers.

There is a significant increase in the mean and upper range of ratios for Property & Catastrophe insurers, driven by two individual insurers.

Gresham (part of Aviva Group) saw a 46% increase in ratio due to the retention of capital generated during the year.

MIC (part of RSA Insurance Group) has a ratio of 939%, similar to 2024. However, last year, this insurer did not meet the size threshold for inclusion in our sample of 100 top insurers, based on premium volumes and SCR.

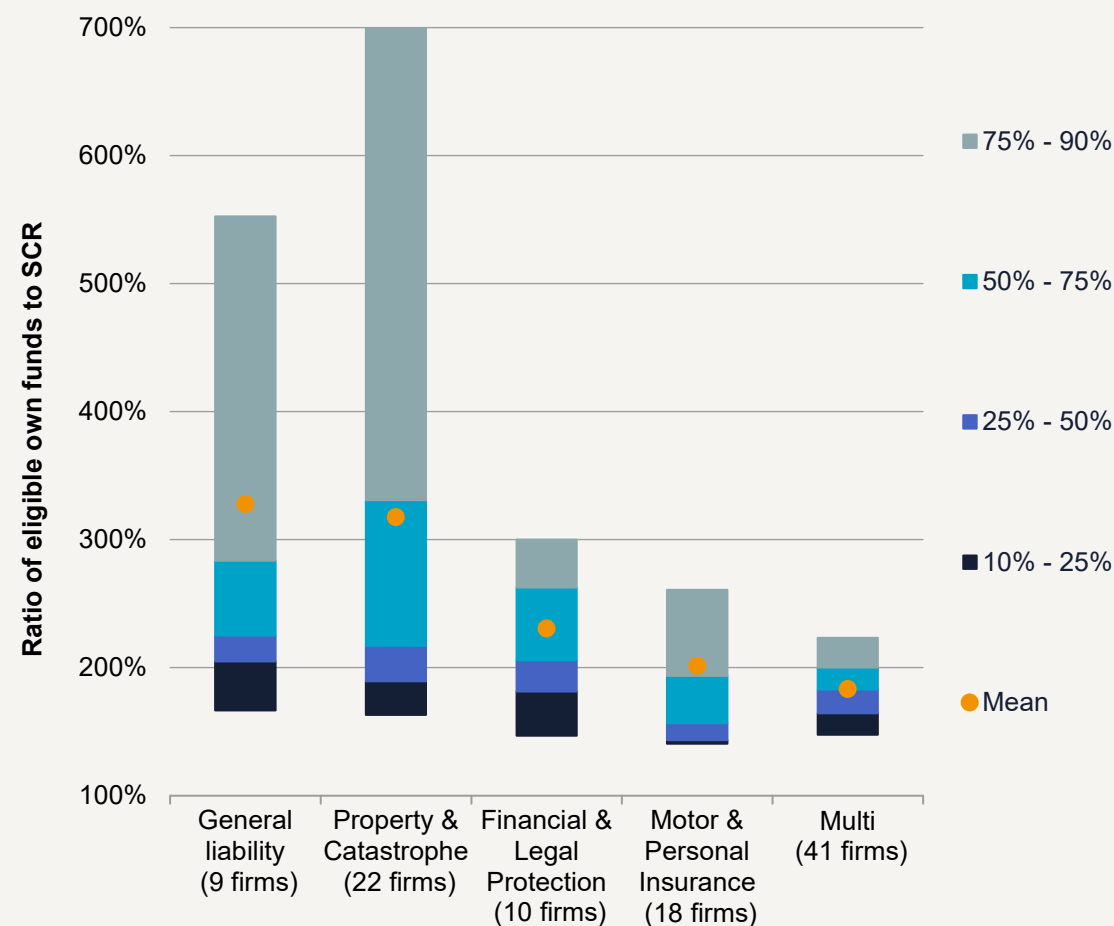


The persistence of highly capitalised outliers suggests that firms continue to take markedly different approaches to balancing capital efficiency and solvency resilience.

Alessa Livingstone, Consultant, LCP

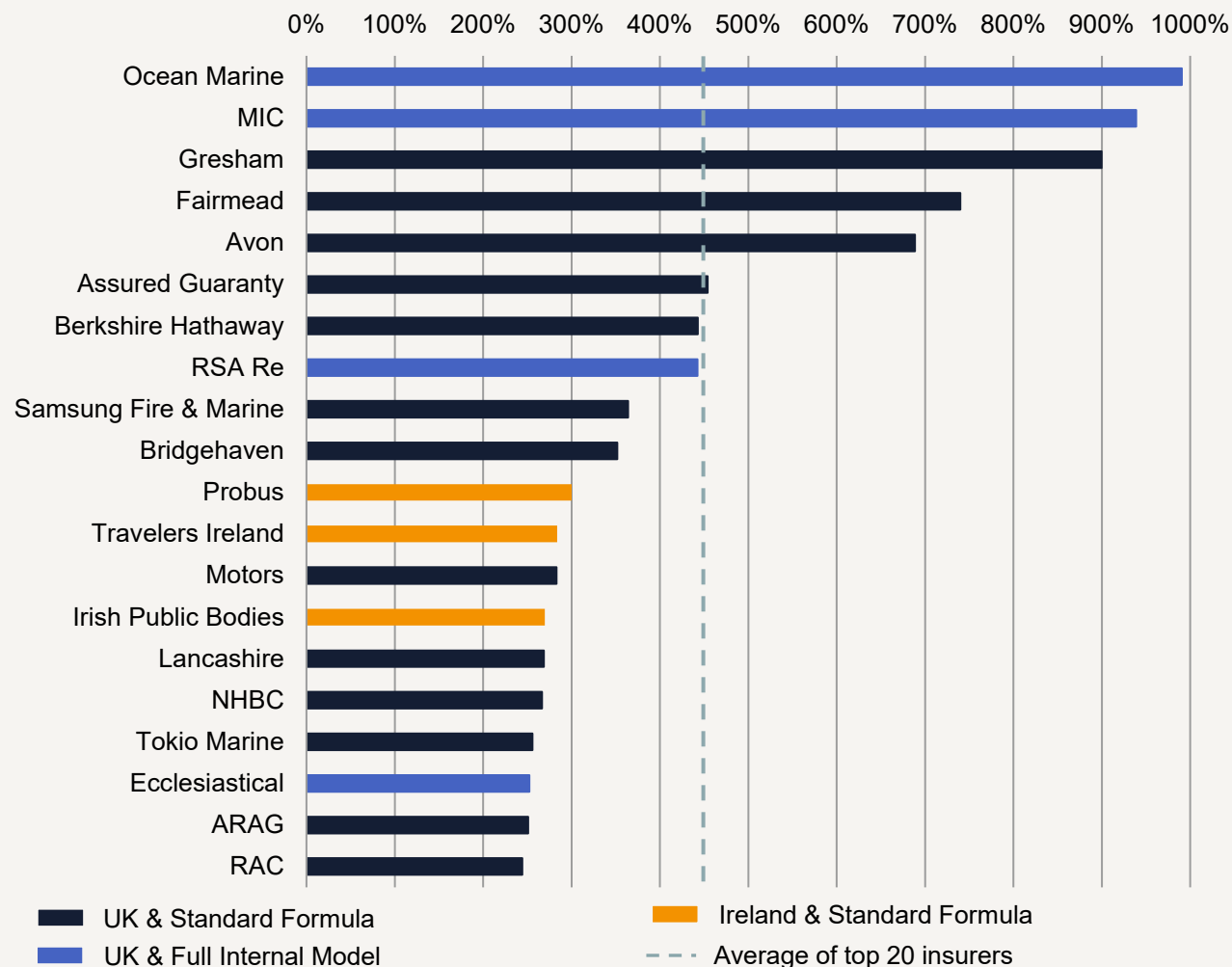


Percentile ranges of solvency coverage ratios by insurer type



Top 20 insurers by solvency coverage ratio

Solvency coverage ratios for the top 20 firms



At the end of 2025, the average solvency coverage ratio among the top 20 insurers by coverage ratio was 449%, significantly above the overall market average of 234%, and slightly down from 457% in 2024.

16 of this year's firms were also in the top 20 at 2024 year-end. The top 20 includes a mix of UK and Irish firms, using both standard formula and internal models to set capital.

The high level of continuity within the top 20 reflects the prevalence of smaller legal entities within larger insurance groups, whose capital positions are supported by the wider group's capital management strategy.

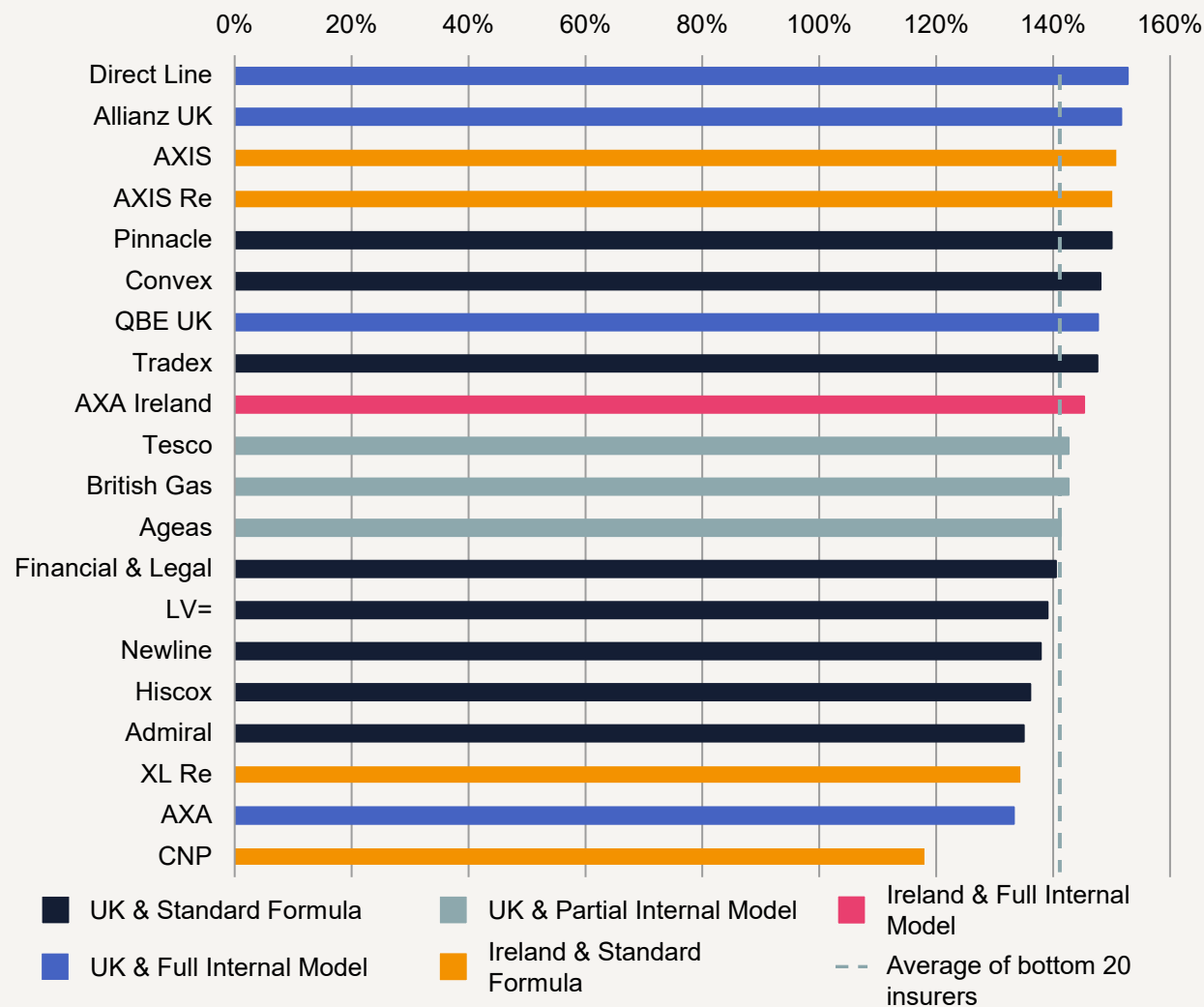
Ocean Marine (part of Aviva Group) once again leads the rankings with a ratio of 991%, closely followed by **MIC** (part of RSA Insurance Group) at 939% and **Gresham** (also part of Aviva Group) at 900%.

Avon (part of NFU Mutual Group) and **MIC**, both top five this year, were not featured in the 2024 report as they did not meet the size threshold for inclusion in our sample of the top 100 insurers, which is determined based on GWP, technical provisions and SCR.

Travelers Ireland entered the top 20 with a ratio of 284%, up from 203% in 2024, driven by both higher eligible own funds and a lower SCR.

Bottom 20 insurers by solvency coverage ratio

Solvency coverage ratios for the bottom 20 firms



At the end of 2025, the average solvency coverage ratio among the bottom 20 insurers was 142%, down slightly from 144% at 2024 year-end. 15 insurers have remained in the bottom 20 compared with 2024, with a current range from 118% to 153%.

The bottom 20 includes both UK and Irish firms and a mix of standard formula and internal model users, highlighting that lower solvency coverage is observed across a broad cross section of the market.

Five insurers in our sample entered the bottom 20 this year.

The most notable drop was **Pinnacle**, which fell from the top 20 at 2024 year-end to the bottom 20 at 2025 year-end, with its solvency coverage ratio falling from 266% to 150%. This is due to eligible own funds falling from £125.7m to £91.7m, largely due to dividends paid of £33.5m, alongside an increase in SCR driven by business growth.

The presence of multiple entities within the same insurance group may suggest that group-level capital strategies influence local solvency positions. For example, **AXA** transferred capital to its parent through dividend payments of £220m during 2025 and recognised a £280m foreseeable dividend payable at year-end, further reducing eligible own funds.

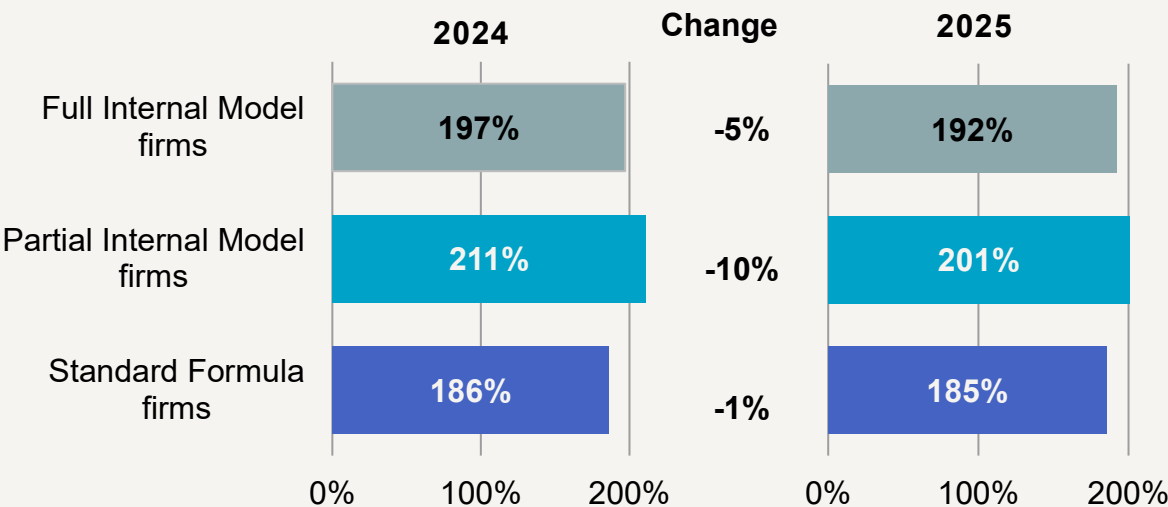
Such capital transfers within a group can reduce the eligible own funds available to support the local solvency ratio, even where the entity remains profitable.

Capital calculation approaches

Under Solvency II/UK, insurers calculate their SCR using either the standard formula or, subject to regulatory approval, a partial or full internal model that better reflects their specific risk profile.

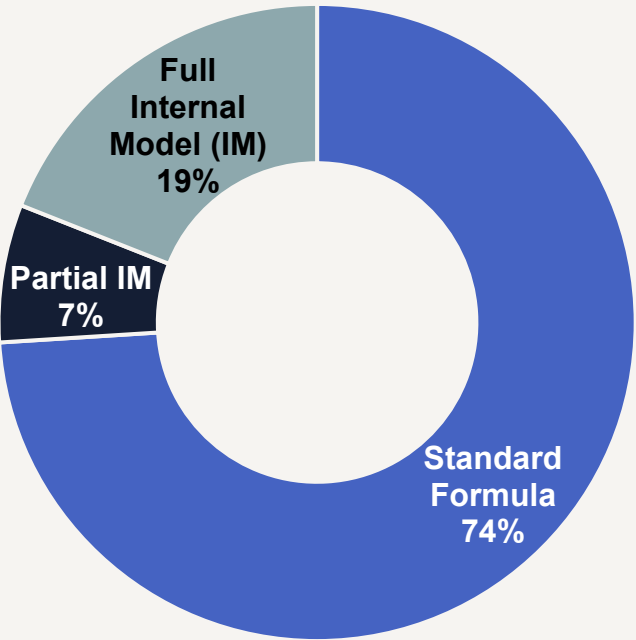
The chart illustrates the proportion of firms in our sample that use each approach. The split is broadly consistent with the previous year, with the majority still using the standard formula.

Change in solvency coverage ratio by SCR calculation approach



The infographic illustrates the change in market solvency coverage ratios by approach between 2024 and 2025. All three groups saw a decline in solvency coverage ratios over the year. This is consistent with the decrease in overall coverage ratio across the sample as a whole.

Approach to calculating SCR



SCR adaptations

Why do adaptations matter?

Solvency II and Solvency UK allow insurers to tailor elements of their capital calculations to better reflect their underlying risk profile. Examples include Undertaking-Specific Parameters (USPs), approved simplifications, and recognition of Loss Absorbing Capacity of Deferred Taxes (LACDT).

The most common adaptation is recognition of LACDT, adopted by 42% of insurers. In comparison, 29% of insurers have received approval to use standard formula simplifications, while only 5% disclosed using USPs. Given its prevalence and potential impact on reported solvency positions, we have explored the use of LACDT in more detail below.

Loss absorbing capacity of deferred taxes

LACDT allows insurers to reduce their SCR by offsetting lower tax liabilities against reduced expected profits under stressed conditions.

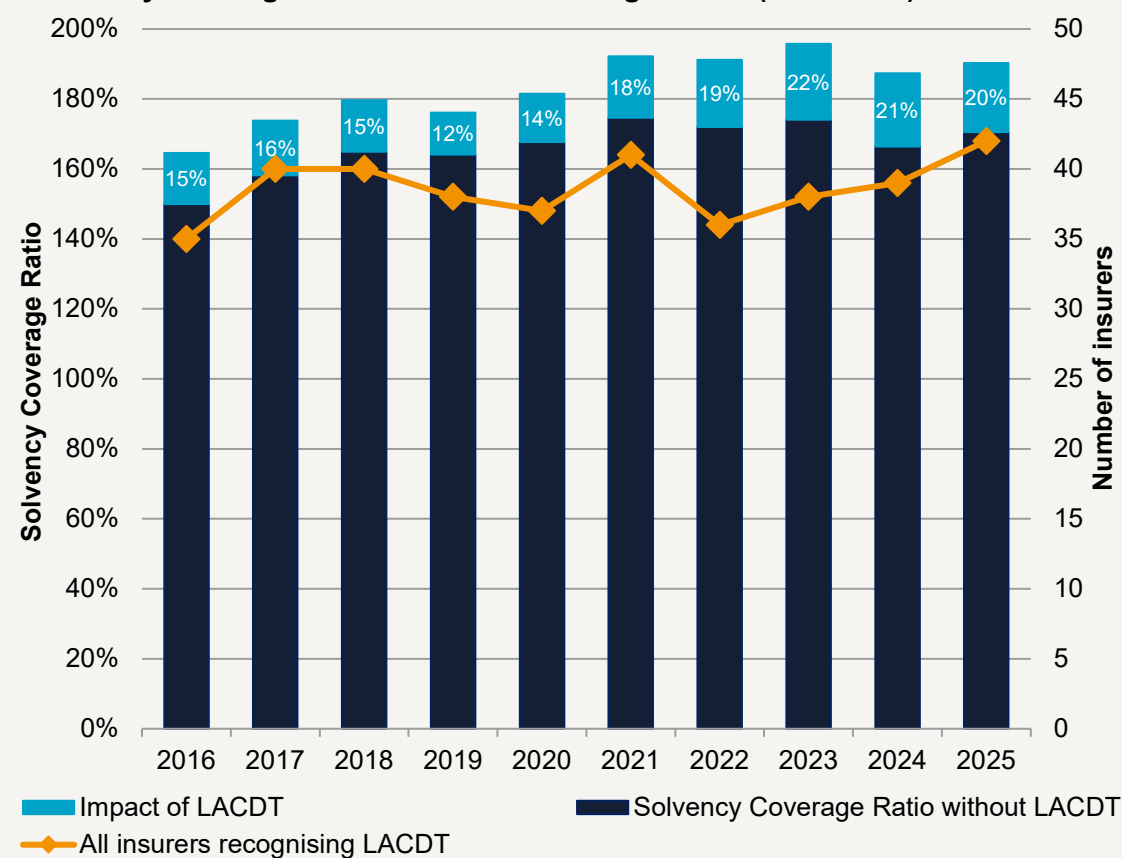
Use of LACDT has increased over the last decade. Across insurers recognising LACDT, the average uplift to solvency coverage ratios due to LACDT was 14% between 2016 and 2020, rising to 20% since 2020.

This trend is also evident at a market level, with LACDT increasing market aggregate solvency coverage by around 7% since 2023, compared with around 5% prior to 2020. As LACDT has become a larger component of reported solvency positions, understanding how firms recognise and justify it is becoming increasingly important.

LACDT usage and impact

The chart shows market solvency coverage ratios from 2016 to 2025 with and without LACDT, alongside the number of insurers using the adaptation.

Solvency coverage ratios for insurers using LACDT (2016-2025)



LACDT and solvency

In some cases, LACDT can materially enhance reported solvency coverage ratios and represent a significant component of the reported surplus above the 100% SCR coverage threshold.

LACDT is a recognised feature of the regulatory framework where the relevant requirements are met. Its value, however, ultimately depends on an insurer being able to utilise the tax losses arising following a severe stress.

A key consideration is therefore whether the insurer remains a going concern and has sufficient profits against which those losses can be offset.

Some insurers recognise LACDT based primarily on carrying stress losses back against recent taxable profits. Here, a reduction in profitability could directly reduce the LACDT available in subsequent SCR calculations.

Others also recognise LACDT based on future taxable profits. Here, weaker recent profitability may increase the challenge in demonstrating that sufficient future profits will be available to support the allowance.

This creates a potential cyclical sensitivity: deteriorating profitability could reduce LACDT at the same time as insurers have less capacity to generate capital internally and may find it harder to raise externally. Firms with similar headline solvency ratios may therefore have different resilience through the cycle depending on the extent and basis of their reliance on LACDT.

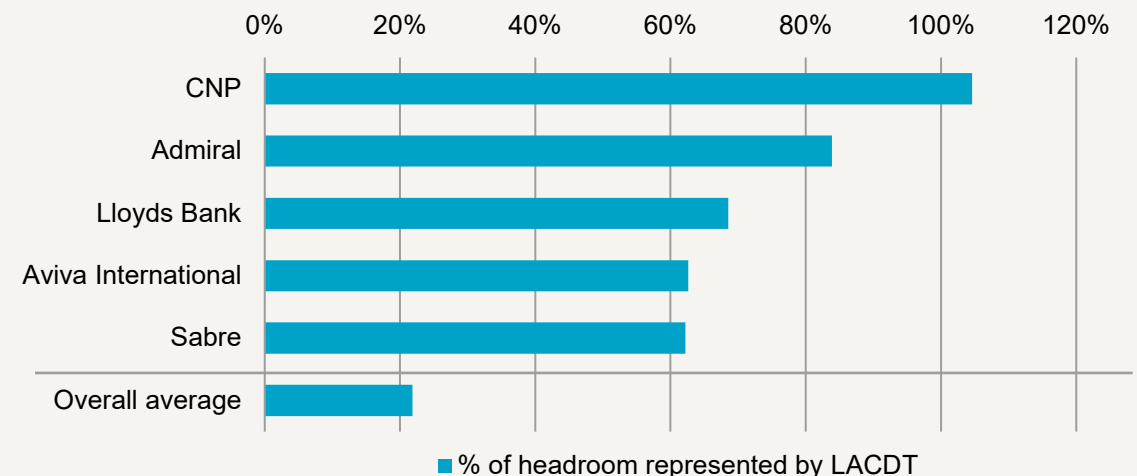
Changes in the applicable tax environment could also affect the availability of LACDT.

Reliance on LACDT to support solvency surplus

The chart ranks insurers by LACDT as a proportion of reported solvency surplus above 100% SCR coverage. This provides an indication of where reported solvency headroom is particularly sensitive to the recognition of LACDT, although it should not be interpreted as suggesting that LACDT should simply be removed from the SCR calculation.

For companies where recognised LACDT exceeds the reported surplus, the key question is whether the business could reasonably be expected to continue operating following a severe stress, including whether capital providers would be willing and able to recapitalise the business if required.

LACDT as a proportion of reported solvency surplus – Top 5 insurers in 2025



Tier 2 and Tier 3 funds

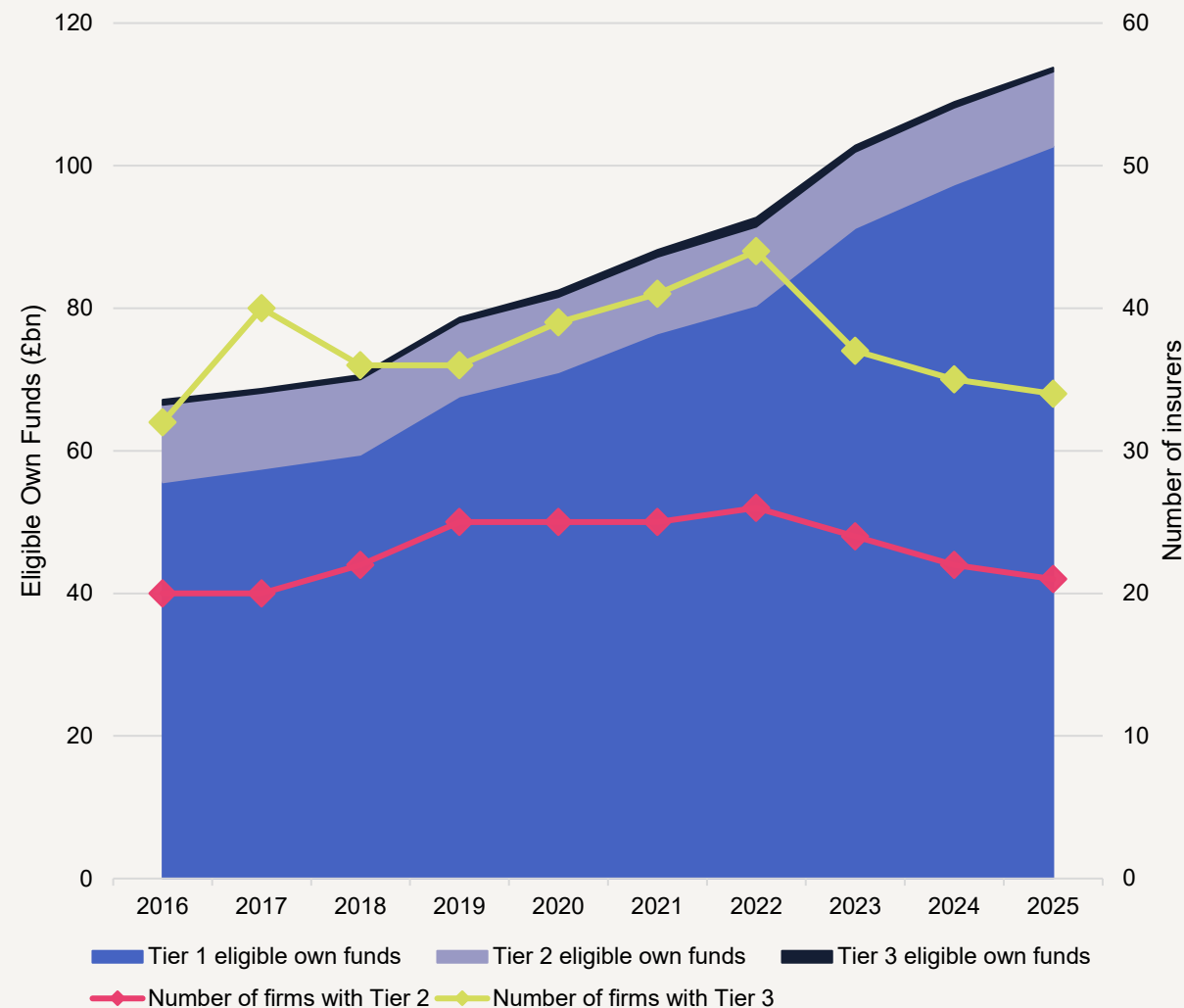
Tier 2 and Tier 3 funds are lower quality forms of regulatory capital under Solvency II/UK and are subject to limits on the amount that can be recognised as eligible own funds. Examples of Tier 2 own funds include cumulative preference shares and subordinated liabilities, while deferred tax assets are a common example of Tier 3 own funds.

The number of firms with Tier 2 and Tier 3 eligible own funds has declined from peaks of 26% and 44%, respectively, in 2022 to 21% and 34% in 2025. One potential explanation is the expiry of the 10-year Solvency II transitional arrangements for legacy capital instruments at the end of 2025, which allow an amount of pre-existing instruments to qualify as own funds even if they are not Solvency II/UK compliant. For example, insurers including **Highway** and **SCOR** have chosen to settle their Tier 2 loans in 2024 and 2025, before maturity.

Although a higher number of insurers hold Tier 3 own funds, these only account for between 0.5% and 1% of total eligible own funds over the period. This reflects that Tier 3 own funds primarily consist of deferred tax assets rather than being the result of an active capital management decision.

Whilst Tier 2 funds have remained stable in absolute amount, they have declined as a proportion of firms' total eligible own funds, from 16% in 2016 to 9% in 2025. Correspondingly, Tier 1 own funds account for an increasing share of insurers' capital, consistent with firms strengthening their capital positions over the period.

Eligible own funds by Tier (2016-2025)

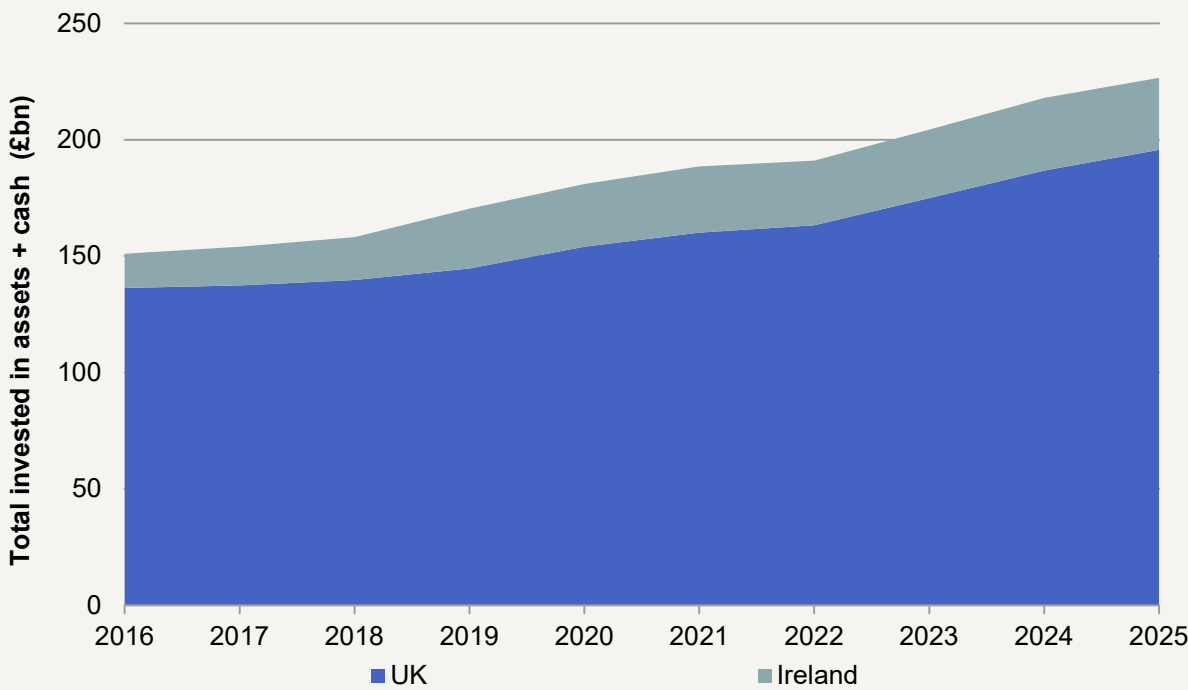


Investment disclosures

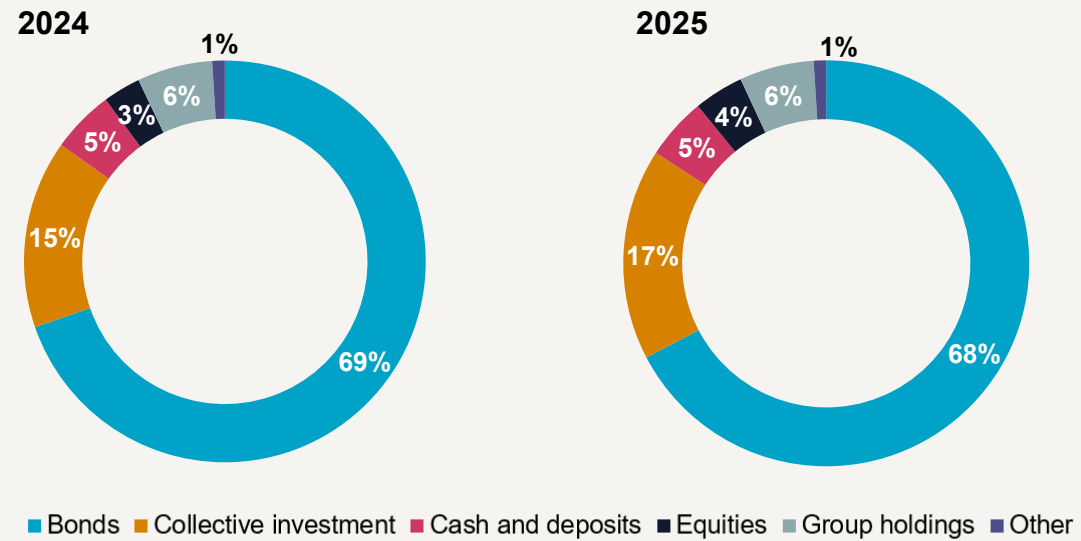
Market-wide investment trends

Across the market, total investments and cash increased to approximately £227bn across 100 insurers by the end of 2025. Growth accelerated from 2018, aside from a temporary slowdown in 2022, and has remained strong since. In the UK and Ireland, this reflects a combination of premium growth and higher interest rates. The following charts show how insurers’ investment strategies have continued to evolve.

Market investments in assets (including cash) by country



Asset allocation at year-end



Bonds

At year-end 2025, 68% of all invested assets were held in either corporate or other bonds, a slight decrease from 69% as at the 2024 year-end.

Collective investment undertakings

Collective investment undertakings are pooled funds that give investors efficient access to a broad range of investments. Their popularity has continued to grow, with these vehicles representing 17% of all invested assets at year-end 2025, compared with 15% at the end of 2024.

More from our team

LCP InsurSight

Our award-winning analytics and reserving platform for general insurers.

[Click here](#) to find out more and request a demo.



Our viewpoint

Read about key drivers of recent historical performance and projections of market performance in our [Personal lines report](#).

We have a wide range of insurance blogs, available on: [Our Viewpoint](#)



Our roundtables

We host regular roundtable meetings (both in-person and virtual) for NEDs, Chief Actuaries and CROs as well as for reserving and capital specialists.

If you would like to attend our roundtables, please get in touch with [Nikki Freegard](#).



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Transforming your reserving process from end-to-end with analytics

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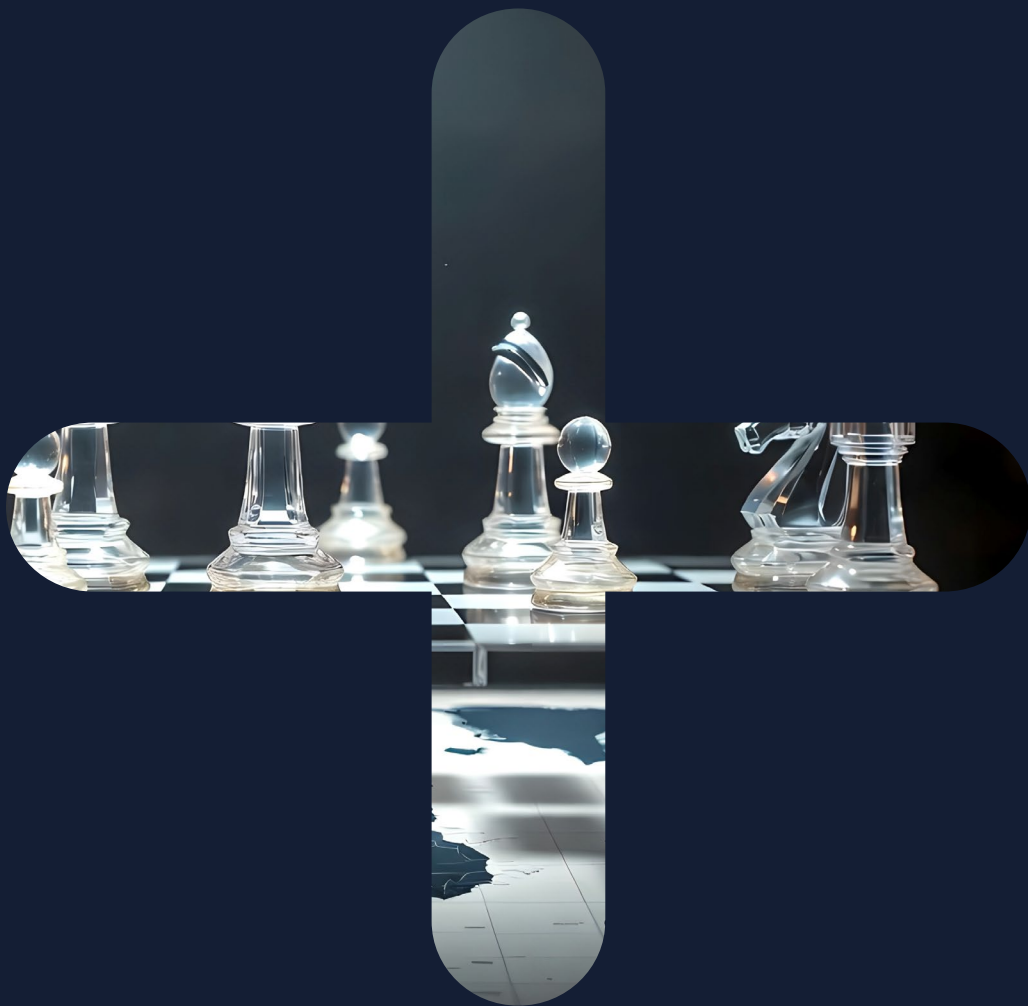
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Appendix



Line of business groupings (Solvency UK)

To improve consistency and readability across this report, we have grouped Solvency UK lines of business* (LoBs) into broader categories. The table below sets out how individual LoBs have been mapped to these groupings.

Reinsurance – Non-Proportional
Non-prop RI Casualty
Non-prop RI Health
Non-prop RI Marine, Aviation and Transport
Non-prop RI Property

Financial & Legal Protection
Credit and suretyship
Legal expenses
Miscellaneous financial loss

General liability
Employers' liability
Professional indemnity
Public & products liability
Other general liability

Property & Catastrophe
Fire and other damage – non-personal lines
Fire and other damage – personal lines
Marine, aviation and transport

Motor & Personal Insurance
Motor vehicle liability – non-personal lines
Motor vehicle liability – personal lines
Other motor – non-personal lines
Other motor – personal lines
Assistance
Income protection
Medical expense
Workers' compensation

**Solvency UK adopts the same line of business groupings as Solvency II but introduces greater granularity in certain areas. Specifically, Motor vehicle liability, Other motor, and Fire and other damage to property are each split into personal and non-personal lines. Additionally, General liability is subdivided into Employers' liability, Public & products liability, Professional indemnity, and Other general liability.*

Survey constituents

To improve the readability throughout this report, we have shortened company names when referring to them.

The following table sets out the full entity names of the insurers we reviewed, together with the name used in this report, if applicable.

UK insurers

Insurance company name	Report name
Admiral Insurance Company Limited	Admiral
Ageas Insurance Limited	Ageas
AIG UK Limited	AIG UK
Aioi Nissay Dowa Insurance UK Limited	Aioi Nissay Dowa UK
Allianz Insurance plc	Allianz UK
Ambac Assurance UK Limited	Ambac
ARAG Legal Expenses Insurance Company Limited	ARAG
Arch Insurance (UK) Limited	Arch
Aspen Insurance UK Limited	Aspen
Assured Guaranty UK Limited	Assured Guaranty
Aviva Insurance Limited	Aviva
Aviva International Insurance Limited	Aviva International
Avon Insurance plc	Avon
AXA Insurance UK plc	AXA
AXA XL Insurance Company UK Limited	AXA XL

Insurance company name	Report name
Berkshire Hathaway International Insurance Limited	Berkshire Hathaway
Bridgehaven Specialty UK LTD	Bridgehaven
British Gas Insurance Limited	British Gas
Catalina Worthing Insurance Limited	Catalina
China Taiping Insurance (UK) Co Ltd	China Taiping
CNA Insurance Company Limited	CNA
Convex Insurance UK Limited	Convex
Cornish Mutual Assurance Company Limited	Cornish Mutual
Coverys Limited	Coverys
Ecclesiastical Insurance Office plc	Ecclesiastical
Endurance Worldwide Insurance Limited	Endurance
esure Insurance Limited	esure
Fairmead Insurance Limited	Fairmead
Fidelis Underwriting Limited	Fidelis
Financial & Legal Insurance Company Ltd	Financial & Legal

Survey constituents (continued)

UK insurers (continued)

Insurance company name	Report name
Gresham Insurance Company Limited	Gresham
HCC International Insurance Company plc	HCC
Highway Insurance Company Limited	Highway
Hiscox Insurance Company Limited	Hiscox
Intact Insurance UK Limited	Intact
International General Insurance Company (UK) Limited	IGI
Lancashire Insurance Company (UK) Limited	Lancashire
Liverpool Victoria Insurance Company Limited	LV=
Lloyds	Lloyd's
Lloyds Bank General Insurance Limited	Lloyds Bank
Markel International Insurance Company Limited	Markel
Mitsui Sumitomo Insurance Company (Europe) Limited	MSIG
Motors Insurance Company Limited	Motors
National House-Building Council	NHBC
Newline Insurance Company Limited	Newline

Insurance company name	Report name
NorthStandard Limited	NorthStandard
Pinnacle Insurance plc	Pinnacle
QBE UK Limited	QBE UK
RAC Insurance Limited	RAC
RiverStone Insurance (UK) Limited	RiverStone
Royal & Sun Alliance Reinsurance Limited	RSA Re
Sabre Insurance Company Limited	Sabre
Samsung Fire & Marine Insurance Company of Europe Limited	Samsung Fire & Marine
SCOR UK Company Ltd	SCOR
Starr International (Europe) Limited	Starr
Steamship Mutual Underwriting Association Limited	Steamship
Tesco Underwriting Limited	Tesco
The Equine and Livestock Insurance Company Limited	Equine and Livestock
The Marine Insurance Company Limited	MIC
The National Farmers Union Mutual Insurance Society Limited	NFU Mutual

Survey constituents (continued)

UK insurers (continued)

Insurance company name	Report name
The Ocean Marine Insurance Company Limited	Ocean Marine
The Veterinary Defence Society Limited	Veterinary Defence Society
Tokio Marine Kiln Insurance Limited	Tokio Marine
Tradex Insurance Company plc	Tradex
TransRe London Limited	TransRe
Travelers Insurance Company Limited	Travelers
TT Club Mutual Insurance Limited	TT Club
U K Insurance Limited	Direct Line

Survey constituents (continued)

Irish insurers

Insurance company name	Report name
Allianz p.l.c.	Allianz Ireland
Allianz Re Dublin Designated Activity Company	Allianz Re
Allied World Assurance Company (Europe) dac	Allied World
AmTrust International Underwriters DAC	AIU
Arch Insurance (EU) dac	Arch EU
Arch Reinsurance Europe Underwriting dac	Arch Re
Aviva Insurance Ireland Designated Activity Company	Aviva Ireland
AXA Insurance dac	AXA Ireland
AXIS Re SE	AXIS Re
AXIS Specialty Europe SE	AXIS
Beazley Insurance dac	Beazley
Berkshire Hathaway European Insurance DAC	Berkshire Hathaway EU
CACI Non-Life DAC	CACI
Chaucer Insurance Company DAC	Chaucer
CNP Santander Insurance Europe dac	CNP
Euro Insurances Limited	Euro Insurances

Insurance company name	Report name
Everest Insurance (Ireland) dac	Everest
FBD Insurance Plc	FBD
Fidelis Insurance Ireland DAC	Fidelis Ireland
Greenlight Reinsurance Ireland dac	Greenlight Re
Greenval Insurance Company Limited	Greenval
Hamilton Insurance DAC	Hamilton
Intact Insurance Ireland DAC	Intact Ireland
IPB Insurance CLG	Irish Public Bodies
Probus Insurance Company Europe DAC	Probus
RiverStone International Ireland dac	RiverStone Ireland
SCOR Global Life Reinsurance Ireland dac	SCOR Global Life Reinsurance
Travelers Insurance Designated Activity Company	Travelers Ireland
Volkswagen Insurance Company dac	Volkswagen
White Horse Insurance Ireland dac	White Horse
XL Insurance Company SE	XL
XL Re Europe SE	XL Re

Survey notes

Summary of insurers analysed

The firms we analysed wrote £147bn of gross premiums during 2025 and held £175bn of gross non-life best estimate technical provisions on their Solvency II/UK balance sheets at their 2025 year-end. 74 of these firms use the standard formula, 7 use partial internal models and the remaining 19 use full internal models to calculate their SCRs.

Year-on-year comparisons relate to this year's selected 100 insurers and are not directly comparable with last year's report.

Groups vs solo entities

Some of the entities listed above are part of a larger group. When analysing the QRTs, we have considered only the QRTs of the solo entities listed. Where a firm has produced an SFCR at a group level for multiple solo entities or is affiliated to ClimateWise, we have applied its comments to all entities within the group unless it explicitly disclosed otherwise.

Year-ends and market figures

A small proportion of firms analysed had a financial year-end that was not 31 December 2025. When we have aggregated figures within this report, we have done so for all companies, including those with other year-end dates during 2025 and Q1 2026.

Exchange rates

For those firms that do not report in Sterling, we have taken all of their reported figures and converted them to Sterling using the prevailing exchange rate as at 31 December 2025.

Data

The data analysed in this report was sourced from Solvency II Wire Data and the company disclosures. Solvency II Wire Data provides detailed information about the Solvency II/UK figures, enabling users to build reports and view changes over time to better understand the impact of Solvency II/UK. The data is available via subscription [here](#).

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