Market insight from year-end 2022 SFCRs

Analysis of non-life insurers based in the Netherlands

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This briefing note provides insights to the year-end 2022 Solvency and Financial Condition Reports (SFCRs) of selected non-life insurers based in the Netherlands[1] accompanying an analysis of key information included in the Quantitative Reporting Templates (QRTs) published with the SFCRs.[2]

In this briefing note, we analyse the SFCRs of the 10 largest non-life entities of Dutch insurers selected based on the volume of gross written premiums (GWP) in 2022 accounting for 82% of GWP of the whole market. The three largest insurers account already for 62% of the total GWP of €16.7 billion. The remaining 18% consists of around 40 other non-life insurance entities. The non-life GWP for 2022 has increased by 4.8% compared to 2021.

FIGURE 1: REPORTED TOTAL GROSS WRITTEN PREMIUM PER YE2022 AND YE2021 AND AS PERCENTAGE OF THE TOTAL DUTCH MARKET (FIGURE IN € BILLION)

INSURER	GWP 2022	GWP 2021	CHANGE	MARKET SHARE (%)
Achmea	3.84	3.73	+ 0.11	23%
NN	3.40	3.42	- 0.02	20%
a.s.r.	3.16	2.89	+ 0.26	19%
Goudse	0.64	0.60	+ 0.04	4%
Univé	0.56	0.52	+ 0.04	3%
Unigarant (UVM)	0.53	0.50	+ 0.03	3%
NH 1816	0.44	0.41	+ 0.03	3%
Aegon	0.40	0.39	+ 0.01	2%
Bovemij	0.38	0.37	+ 0.02	2%
TVM	0.38	0.34	+ 0.04	2%
Other	3.00	2.81	+ 0.19	18%
Total	16.73	15.97	+ 0.76	100%

[1] This analysis is based on non-life insurers only. Reinsurers are excluded from the analysis as well as insurance entities underwriting mainly Medical expenses related to the Dutch health risk equalisation system (”basis en aanvullende zorgverzekeringen”). The largest 10 insurance entities are selected based on gross written premium in 2022.

[2] The data analysed in this note has been sourced from De Nederlandsche Bank website and companies' disclosed SFCRs. The data is available on Data zoeken - DNB.

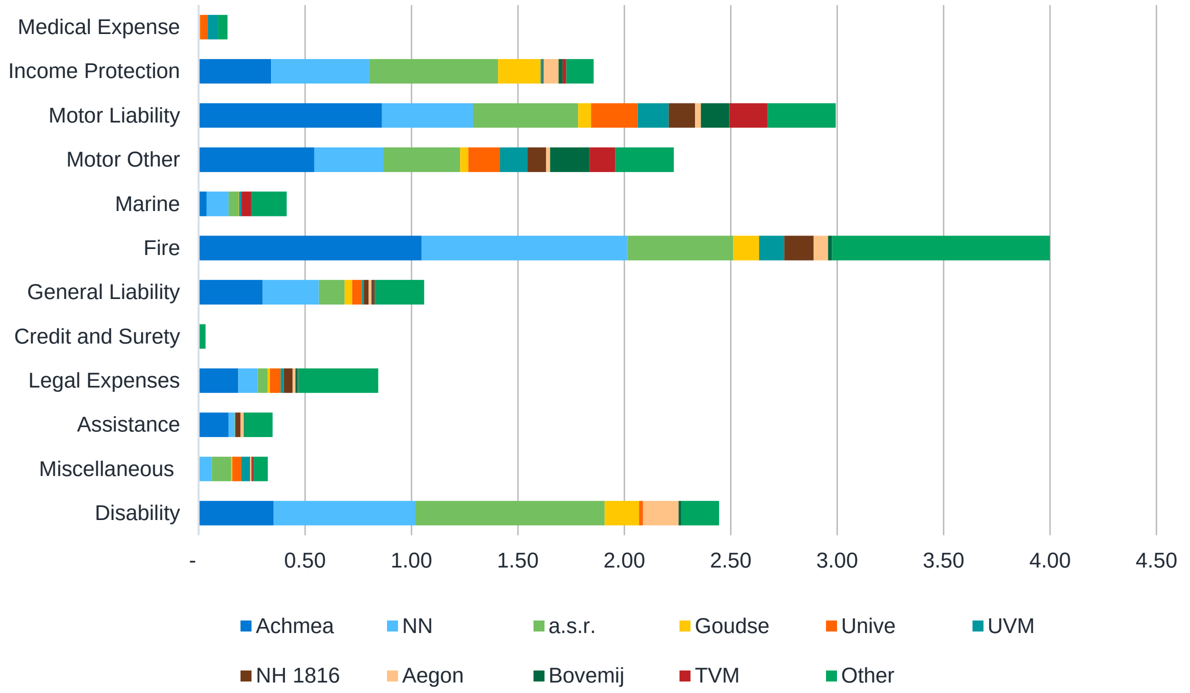
Besides the property and casualty lines of business the presented figures also include disability, income protection and medical expenses. However, specific entities underwriting medical expenses related to the Dutch health risk equalisation system ("basis en aanvullende zorgverzekeringen") are excluded from this analysis. These entities with respect to the Dutch system are mostly written in separate entities, resulting in a limited exposure in the medical expenses for non-life insurers.

Analysis of premiums

The largest line of business is fire and other damage followed by motor (third-party liability and other losses combined). These three lines of business accounts for €9.2 billion of the total non-life GWP of €16.7 billion.

A distinction can be seen in the lines of business where the three largest insurers write business, which are mainly the three above mentioned lines of business, as well as income protection and disability (health SLT). Insurers categorized as "other" have a relative large share in smaller lines of business such as legal expense, marine and assistance.

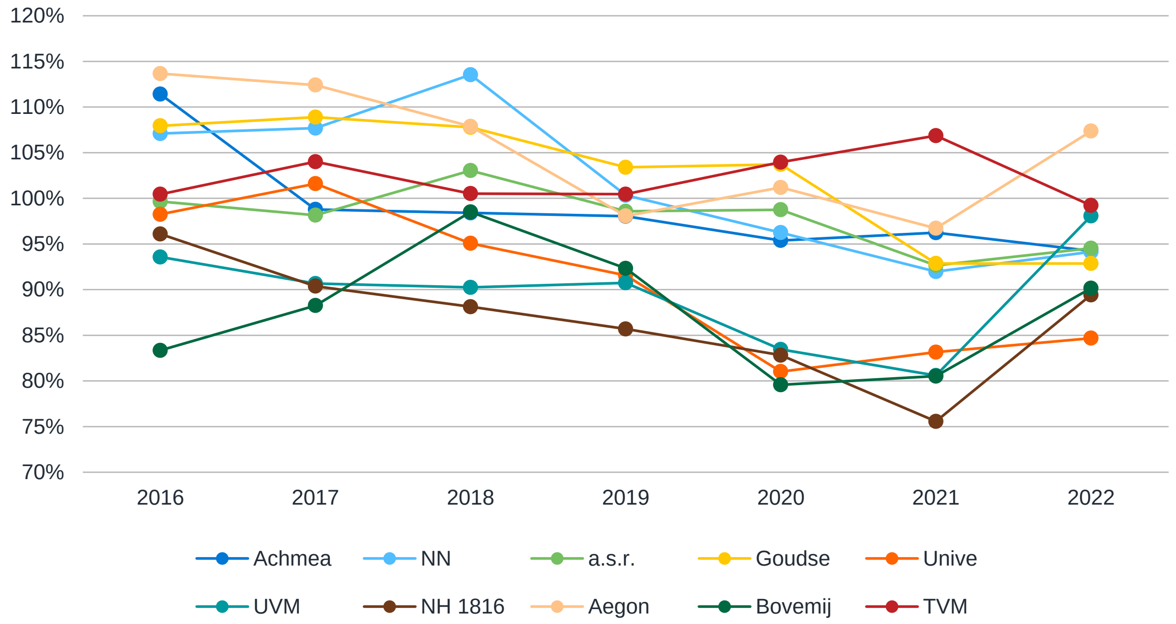
FIGURE 2: GROSS WRITTEN PREMIUMS PER LINE OF BUSINESS (FIGURE IN € BILLIONS)



Combined ratio

The combined ratio of most insurers has increased compared to last year. For a large part this is expected to be due to the impact of COVID-19, which led to less claims on Motor and Fire following lockdowns. In addition to that, there have been three big storms in February 2022. The combined ratio is calculated by dividing the sum of expenses incurred, the change in net technical provisions and net claims incurred by the net earned premium. The reported combined ratios have been increased for almost all insurers in this selection compared to 2021, except for Achmea and TVM. Despite the increase, majority of the combined ratios stay well below 100% in 2022.

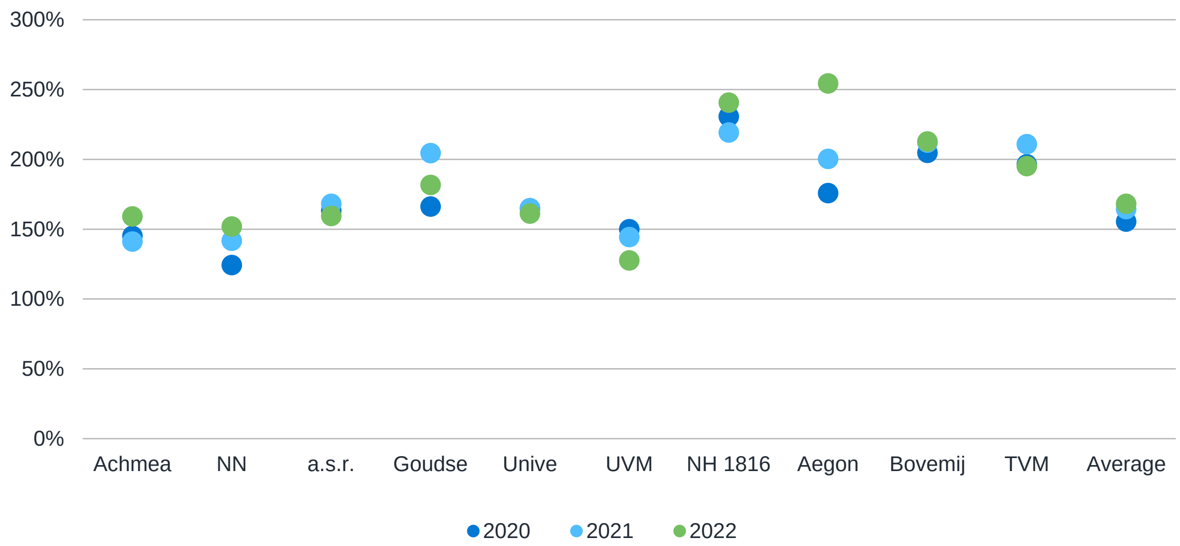
FIGURE 3: THE EVOLUTION OF THE COMBINED RATIOS OVER TIME



SCR coverage ratio

The weighted average SCR coverage ratio for the companies of the selected insurers was 168% at year-end 2022 compared to 164% last year. Compared to previous years the SCR coverage ratio has increased, showing improving capital positions of non-life insurers in general. Solvency coverage can change year-on-year for a variety of reasons, including capital management solutions. Figure 4 shows the SCR coverage ratio of the companies included in our sample for the past three years (when available).

FIGURE 4: SCR COVERAGE RATIO OF THE SELECTED INSURANCE ENTITIES

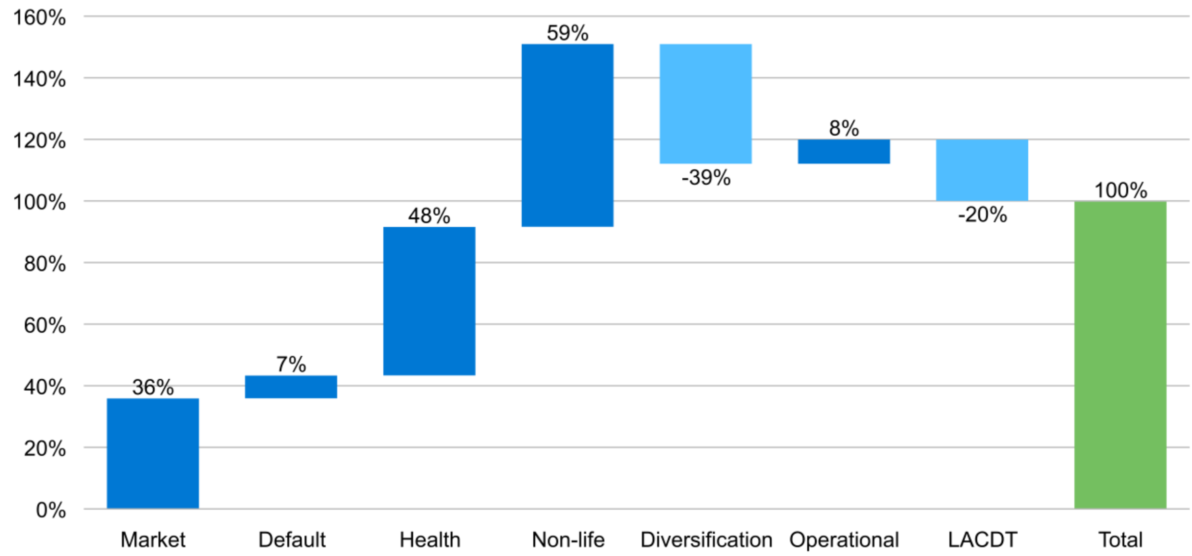


The average market SCR coverage ratio amounts to 182% in 2022 (2021: 181%). This shows that non-life insurers based in the Netherlands continue to hold a significant capital buffer in excess of the required SCR coverage ratio of 100%. Smaller insurers have on average a higher SCR ratio, as the average market SCR coverage ratio is higher than the SCR coverage ratio of the selected sample.

SCR – Standard Formula

The standard formula Solvency Capital Requirement (SCR)[3] as per 31 December 2022 for the companies in our sample is largely driven by underwriting risk, split across health and non-life. The diversification and LACDT benefits largely offset these risks to reduce the SCR.

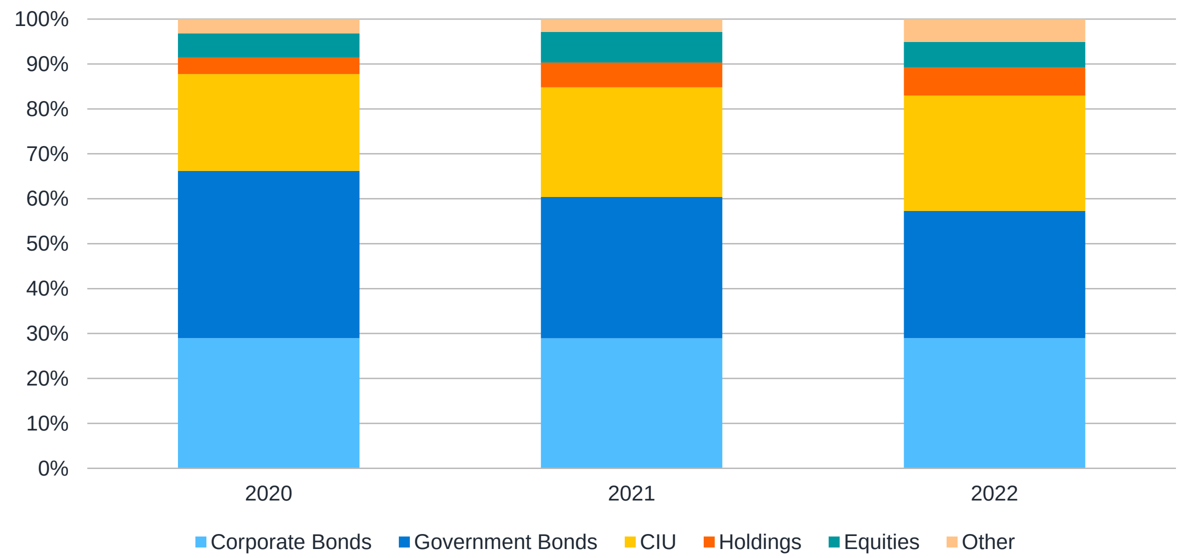
FIGURE 5: BREAKDOWN OF SCR UNDER THE STANDARD FORMULA OF THE SELECTED INSURANCE ENTITIES



Investments

The asset portfolio of the selected insurers consists of over 72% of investments. These investments can be further split into categories as presented in Figure 6. Investments largely consist of government bonds, corporate bonds and collective investment undertakings (CIU). Overall, it is noticeable that the CIU are increasing over time, while the government bonds are steadily declining in amounts. This is likely caused by changing interest rates in 2021 and 2022, which caused devaluation of government and corporate bonds.

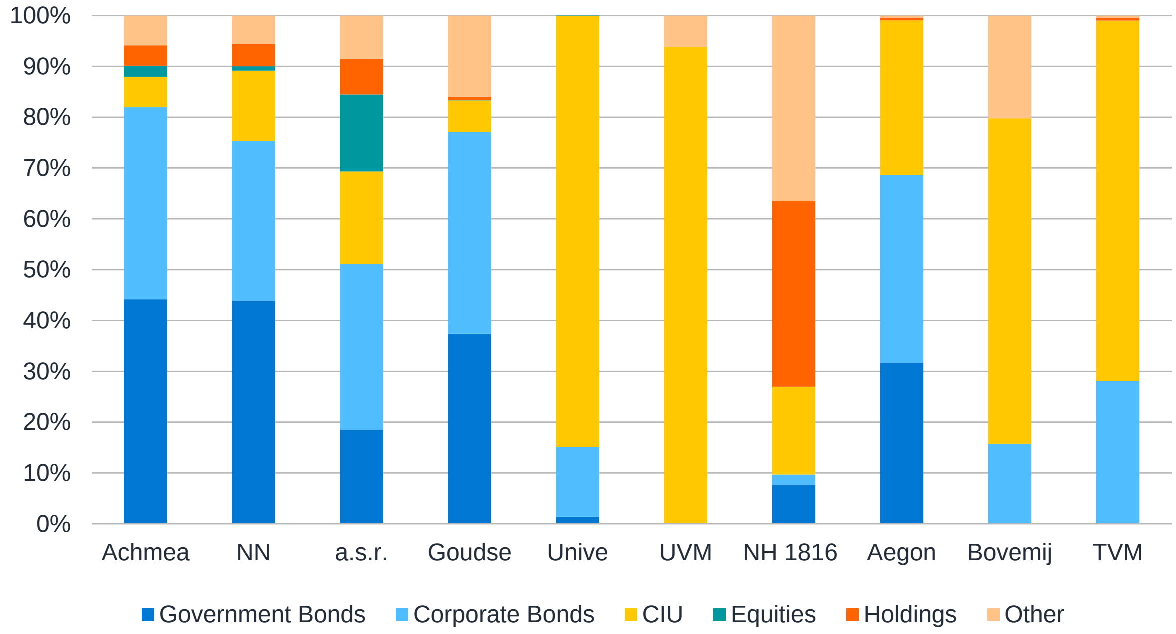
FIGURE 6: INVESTMENT MIX OF ALL NON-LIFE INSURERS



[3] Achmea, Hagelunie and NN have been excluded from this section, because they make use of partial internal models.

The three largest insurers follow investment mix similar to the market. Smaller insurers, however, show deviation from the market, especially Unive, UVM, Bovemij, and TVM, all of whom barely invest in government bonds. Instead, the largest part of their investment portfolio consists of collective investment undertakings. Noticeable also is NH 1816, which has a large part of its investments in the Other category, which consists mainly of derivatives.

FIGURE 7: INVESTMENT MIX OF SELECTED INSURERS



What's next?

Milliman Benelux has developed an interactive application to efficiently compare the metrics of insurers as disclosed in their QRTs. If you want to know more and get free access to it, please follow the link https://apps.nl.milliman.com/ or send an email to Benelux.tools@milliman.com.

If you have any questions or comments on the information above or want to discuss further capital management solutions for life insurers, please contact your usual Milliman consultant.

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