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Analysing 2023 Solvency and Financial Condition Reports of non-life insurers in the Netherlands

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This briefing note provides insights to the year-end 2023 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 2023 accounting for 85% of GWP of the whole market. The three largest insurers already account for 65% of the total GWP of €17.1 billion. The 15% not considered in this briefing note consists of around 40 other non-life insurance entities. The non-life GWP for 2023 has increased by 4.8% compared to 2022. Compared to last year, Aegon is not in the top 10, since the Dutch entity of AEGON is acquired by a.s.r. and the non-life business is integrated in a.s.r. entity. This acquisition accounted for €167 million of the €380 million increase in a.s.r.'s GWP. In its place, ABN AMRO joined the top 10 largest non-life insurers in the Netherlands. These events caused the market share of the category 'Other' to drop with €200 million.

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

INSURER	GWP 2023	GWP 2022	CHANGE	MARKET SHARE (%)
Achmea	4.00	3.84	+ 0.16	23%
NN	3.62	3.40	+ 0.22	21%
ASR	3.54	3.16	+ 0.38	21%
Goudse	0.66	0.64	+ 0.02	4%
Unive	0.63	0.56	+ 0.07	4%
UVM	0.57	0.53	+ 0.04	3%
Noordhollandsche van 1816	0.49	0.44	+ 0.05	3%
TVM	0.41	0.38	+ 0.03	2%
Bovemij	0.38	0.38	- 0.00	2%
ABN AMRO	0.28	0.27	+ 0.01	2%
Other	2.56	2.75	- 0.20	15%
TOTAL	17.15	16.36	+ 0.79	100%

1. This analysis is based on non-life insurers only. Reinsurers are excluded from the analysis as are 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 2023.
2. The data of individual insurers included in this briefing note has been sourced from Solvency II Wire Data and companies disclosed SFCRs and QRTs. The data is available via subscription from www.solvencyiiwire.com/solvency-ii-wire-data-demo.

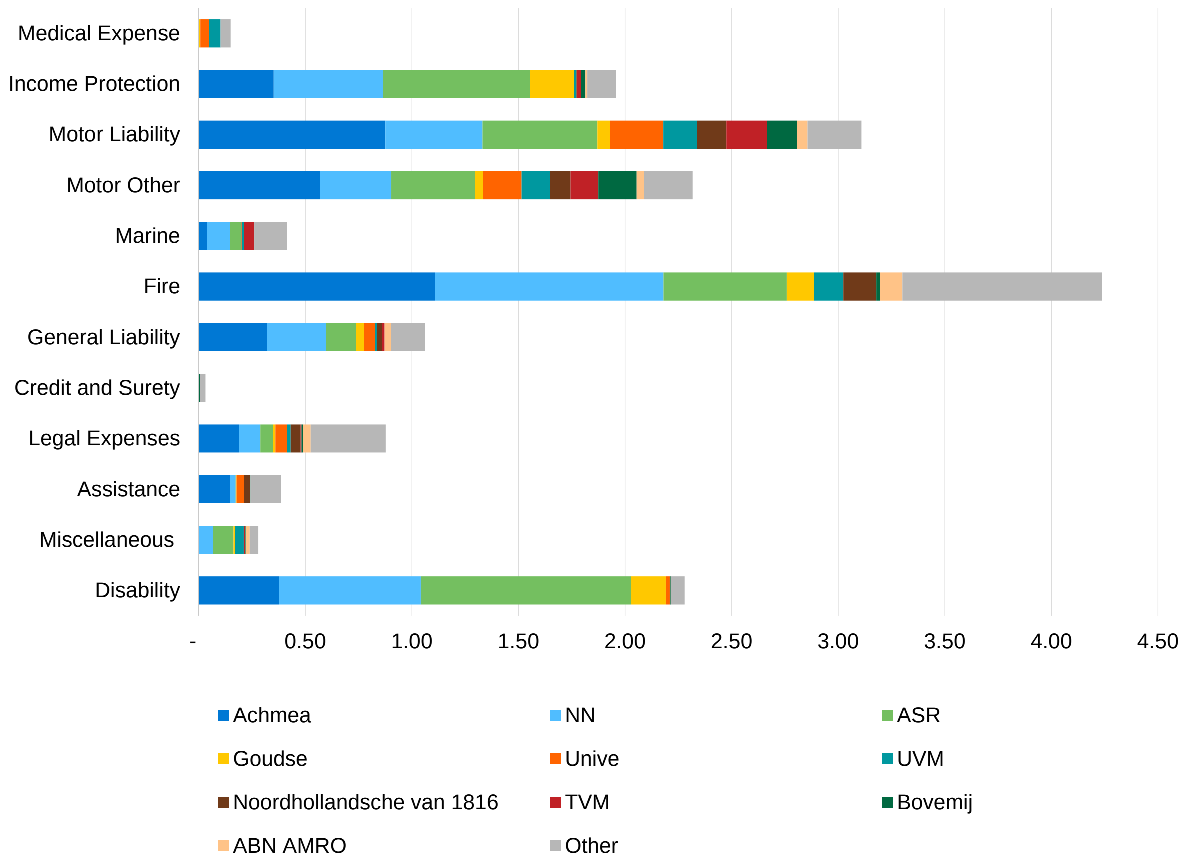
Besides the property and casualty lines of business, the presented figures also include disability, income protection and medical expenses. However, specific entities underwriting medical expenses related to the Dutch health risk equalisation system ('basis en aanvullende zorgverzekeringen') are excluded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

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 €9.7 billion of the total non-life GWP of €17.1 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 categorised as 'Other' have a relatively 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)

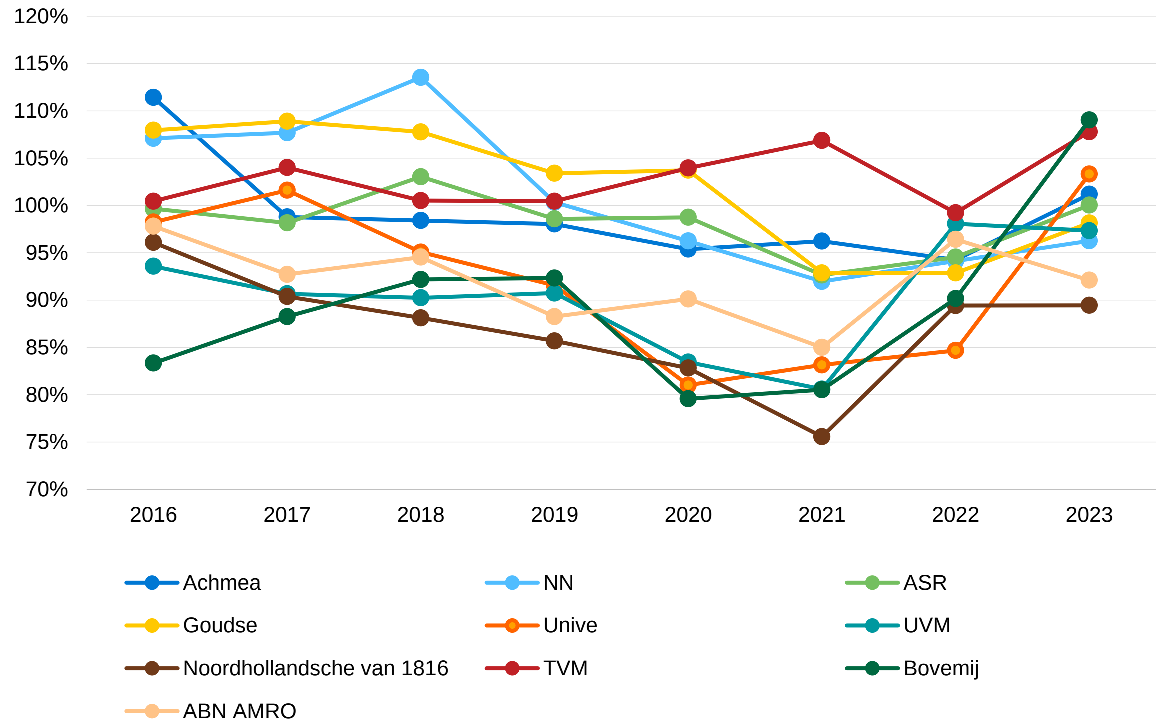


Combined ratio

The combined ratio of most insurers has increased compared to last year. In 2023, there was only one notably large storm, named Poly, which resulted in damages estimated between €50 million and €100 million. This amount is significantly lower compared to the previous year. However, due to inflation, the combined ratio for most insurers increased compared to last year. This rise may have been somewhat mitigated by an improved combined ratio of disability insurance.

The combined ratio is calculated by dividing the sum of expenses incurred and claims incurred by the net earned premium. Compared to 2022 the reported combined ratios have been increased for almost all insurers in this selection, except for a slight decrease for UVM and ABN AMRO.

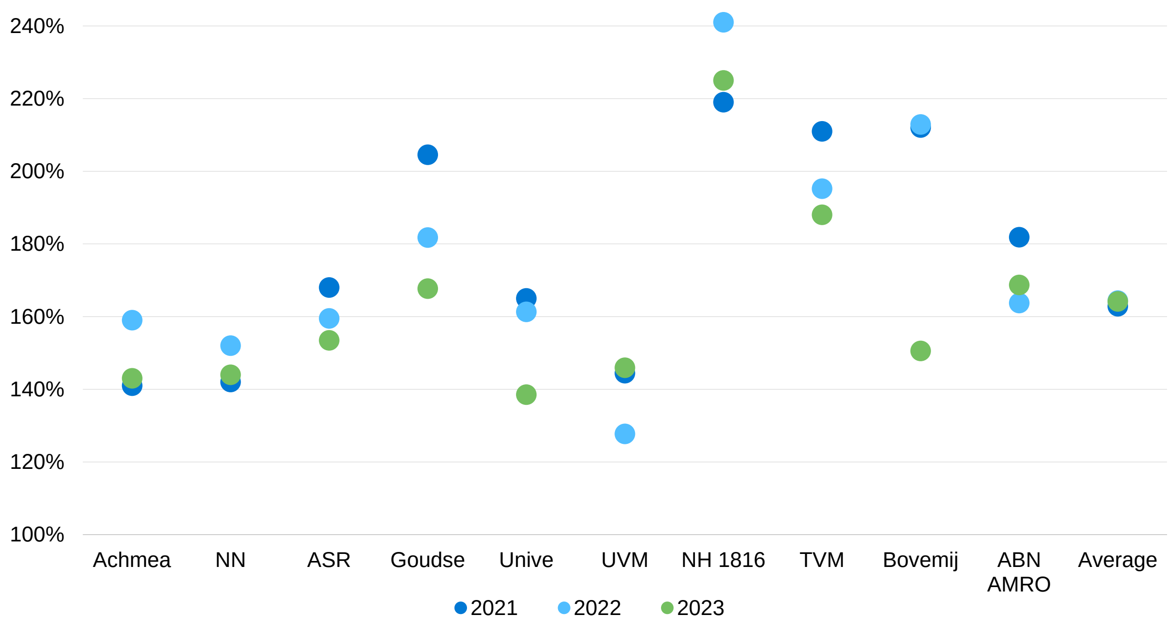
FIGURE 3: THE EVOLUTION OF THE COMBINED RATIOS OVER TIME



SCR coverage ratio

The weighted average SCR coverage ratio for the selected insurance entities was 164% at year-end 2023, identical to last year. Solvency coverage can change year-on-year for a variety of reasons, including capital management strategies. 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

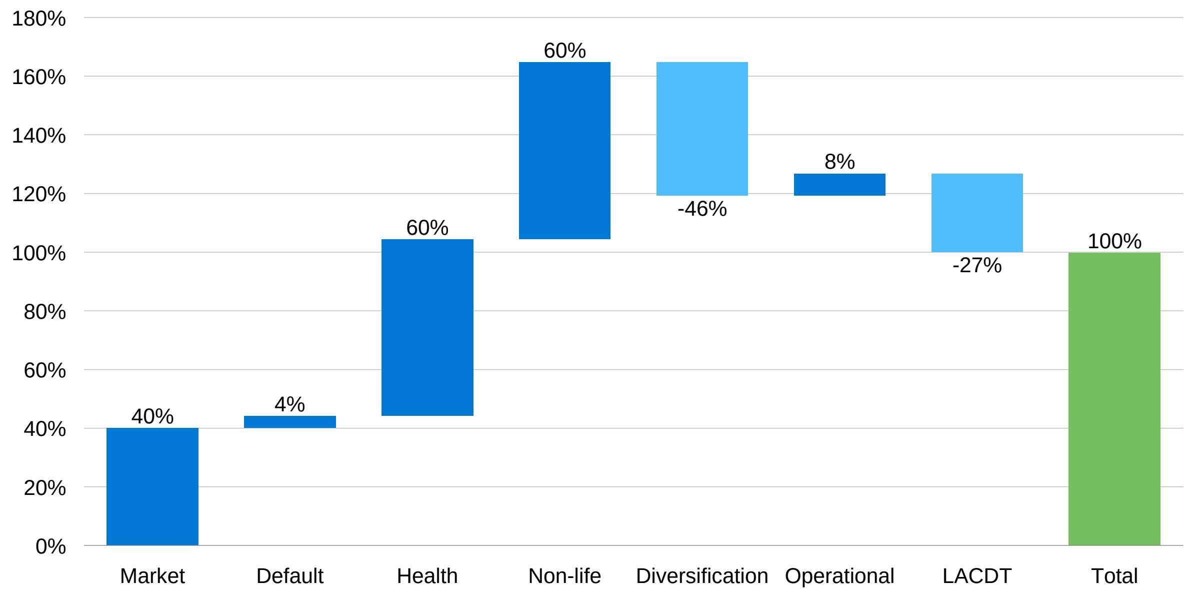


The average market SCR coverage ratio amounts to 177% in 2023 (2022: 179%). This shows that non-life insurers based in the Netherlands continue to hold a significant capital buffer in excess of the required SCR coverage ratio of 100%. Smaller insurers have on average a higher SCR ratio, as the average market SCR coverage ratio is higher than the SCR coverage ratio of the selected sample, which have a weighted average SCR ratio of 164%.

SCR—Standard formula

The standard formula Solvency Capital Requirement (SCR)[3] as per December 31 2023 for the companies in our sample is largely driven by underwriting risk, split across health and non-life. The diversification and loss-absorbing capacity of deferred taxes (LACDT) benefits largely offset these risks to reduce the SCR.

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

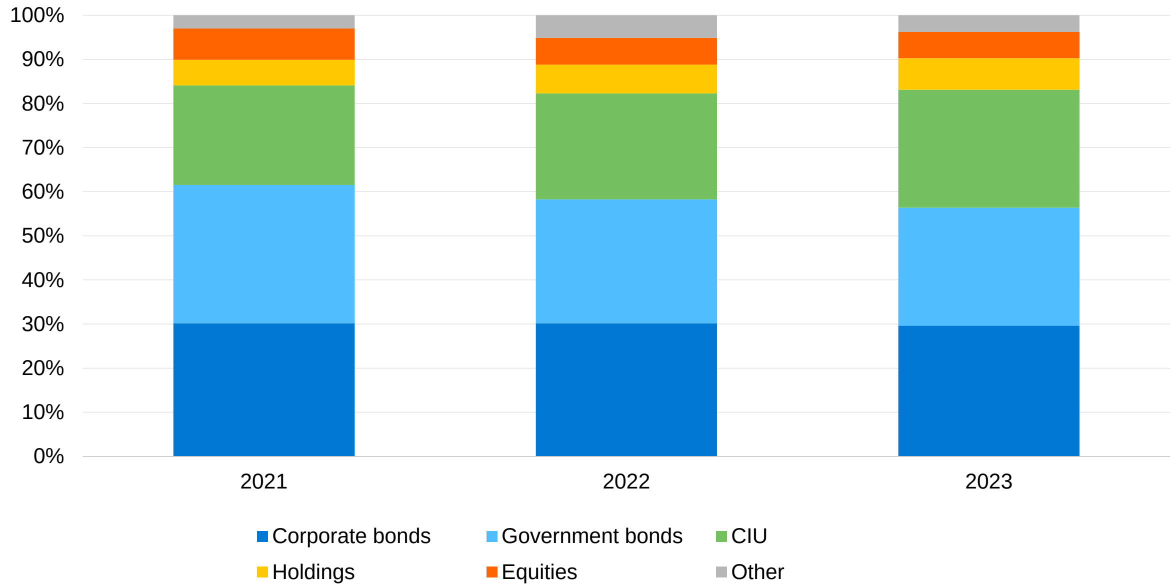


Investments

The asset portfolio of the selected insurers consists for over 72% of investments, bringing the value of total investments of Dutch non-life insurers to 27 billion. 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 (CIUs). Overall, it is noticeable that the CIUs are increasing over time, while the government bonds proportions are slightly declining. This is likely caused by changing interest rates in recent years, which caused devaluation of government and corporate bonds.

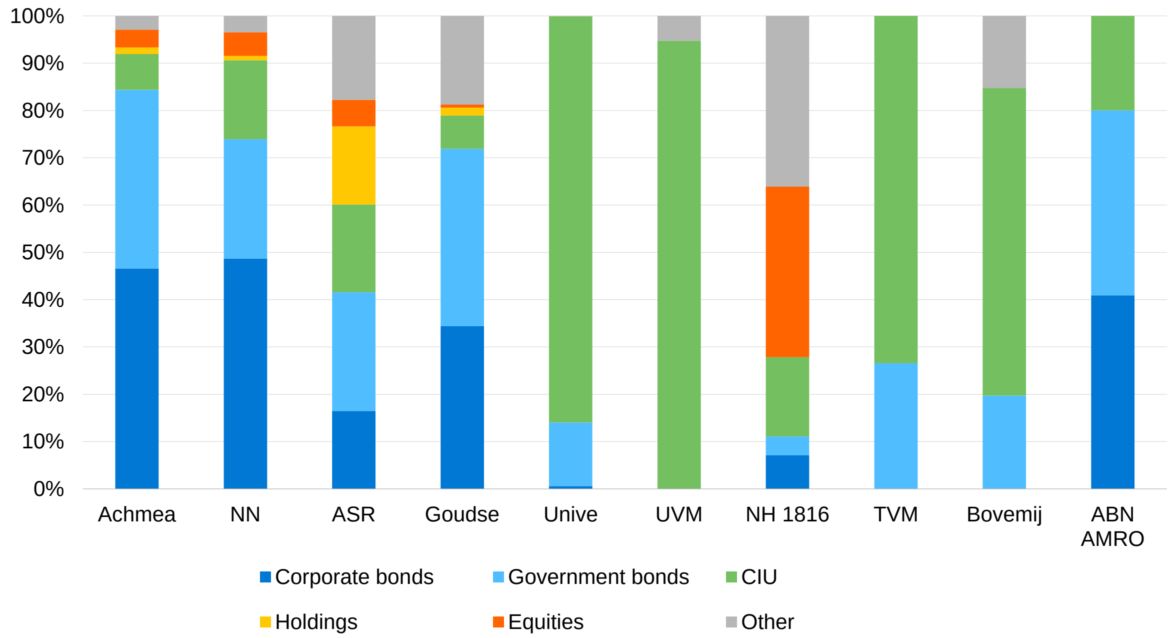
3. Achmea and NN have been excluded from this section because they make use of partial internal models.

FIGURE 6: INVESTMENT MIX OF ALL NON-LIFE INSURERS



The four largest insurers have an investment mix comparable to the market average, with the notable exception of a.s.r. having a larger share of equity, instead of corporate bonds. Smaller insurers, however, show deviation from the market, especially Univé, UVM, TVM and Bovemij, all of whom barely invest in government bonds. Instead, the largest part of their investment portfolio consists of collective investment undertakings. Notably, NH 1816 has a significant portion of its investments in the 'Other' category, which consists mainly of derivatives.

FIGURE 7: INVESTMENT MIX OF SELECTED INSURERSL



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 request 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 if you are interested to know more about Milliman and our services, please contact your usual Milliman consultant.

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