

Market insight from year-end 2020 SFCRs: analysis of non-life insurers based in the Netherlands

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This briefing note looks at the year-end 2020 Solvency and Financial Condition Reports (SFCRs) of selected non-life insurers based in the Netherlands. It consists of an analysis of key information included in the Quantitative Reporting Templates (QRTs) published with the SFCRs.¹

Introduction

The SFCRs at year-end 2020 represent the fifth set of annual SFCRs since the introduction of the Solvency II regulation. In this briefing note we analyse the SFCRs of the ten largest Dutch non-life insurance entities (selection based on the earned premium of 2020). Together they account for about 85% of the total market share in earned premiums for non-life business in the Netherlands. The remaining 15% consists of around fifty other non-life insurance entities.

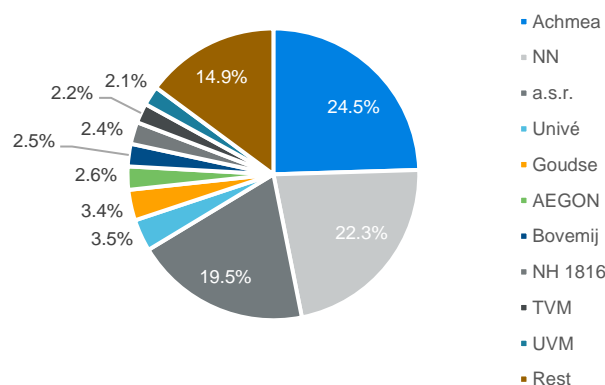
FIGURE 1: NON-LIFE INSURANCE ENTITIES INCLUDED IN THE STUDY

COMPANY NAME	EARNED PREMIUM (€ BLN)
1. Achmea	3.4
2. NN	3.1
3. a.s.r.	2.7
4. Univé	0.49
5. Goudse	0.47
6. AEGON	0.35
7. Bovemij	0.34
8. NH1816	0.34
9. TVM	0.30
10. UVM	0.29

Specific entities underwriting Health insurance related to the Dutch health system (basis en aanvullende zorgverzekeringen) are excluded from this analysis. Besides the Property and Casualty lines of business, additional business such as Disability and Income Protection and, to the extent written in the selected entity, Medical Expenses are included. Medical Expenses is however mostly written in separate entities.

Data on these insurers can be obtained through our free SFCR dashboard which provides detailed figures of all Dutch non-life insurance entities. Please reach out to one of the authors for more information or request free access through benelux@milliman.com.

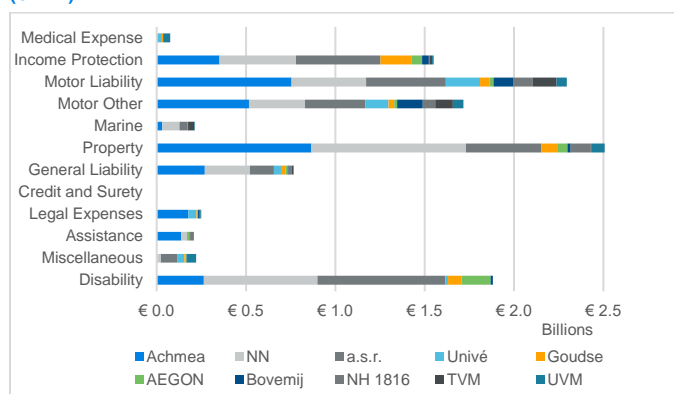
FIGURE 2: MARKET SHARE OF EARNED PREMIUM FOR SELECTED NON-LIFE INSURANCE ENTITIES



Analysis of premiums

The largest line of business is Motor (Liability and Other combined) followed by Property. These three lines of business account for € 6.5 BLN of premium from the total market of € 13.7 BLN.

FIGURE 3: SPLIT OF 2020 PREMIUM BY LINE OF BUSINESS PER ENTITY (€ BLN)

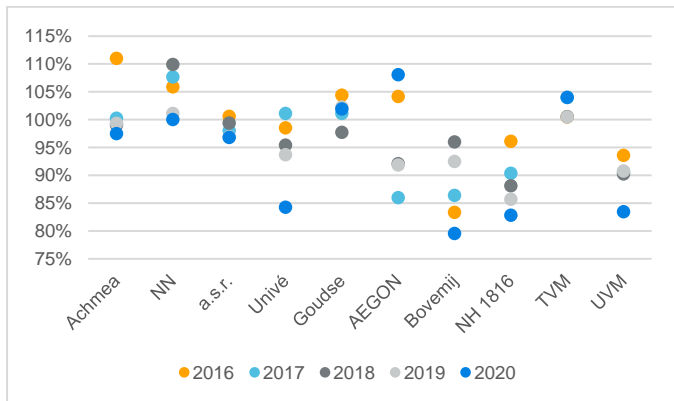


¹ The data analysed in this note has been sourced from the DNB website and companies' disclosed SFCRs. The DNB data is available via their website <https://www.dnb.nl/statistieken/data-zoeken/#/details/individuele-gegevens-verzekeraars-jaar/dataset/d66feb58-e89b-4c73-b0c7-cab81188ca77>.

Analysis of combined ratio

The combined ratio of most insurers are at or close to their lowest level based on data from 2016 onwards. 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. This was however somewhat counteracted by increases on bodily injury reserves following pressure on interest rates as a result of legal jurisprudence.

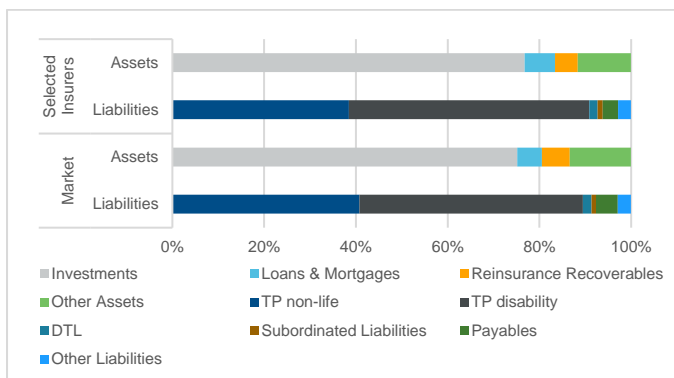
FIGURE 4: THE EVOLUTION OF THE COMBINED RATIOS OVER TIME



Analysis of balance sheet

Technical provisions of the selected Dutch non-life insurers make up for 91% of liabilities which consists of non-life (38%) and disability (52%).

FIGURE 5: AN OVERVIEW OF THE BALANCE SHEET OF THE SELECTED INSURANCE ENTITIES AND MARKET



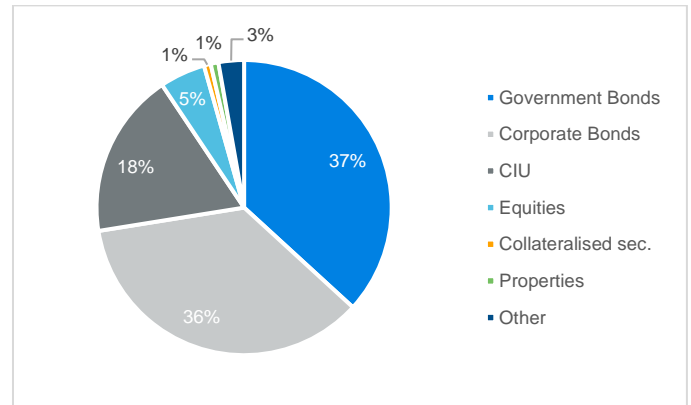
As can be seen in figure 5 the liabilities of disability business are quite substantive even though premiums of disability business (figure 3) are relatively a smaller portion of the total non-life premium volume. This business however consists of the long-term disability business modelled 'similar to life techniques' under Solvency II regulations and has typically a large duration leading to higher reserves.

Analysis of investments

The asset portfolio consists of over 70% of investments. Because investments make up such a large part of the total

assets of the insurers, the investments are presented here separately in figure 6. Investments largely consist of Government Bonds, Corporate Bonds and Collective Investment Undertakings (CIU).

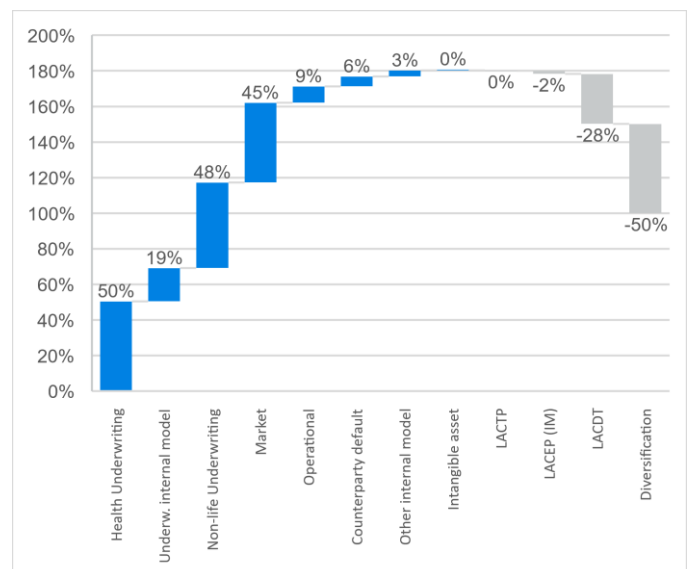
FIGURE 6: INVESTMENT MIX OF THE SELECTED INSURANCE ENTITIES AS OF 31 DECEMBER 2020



Solvency Capital Requirement

The standard formula Solvency Capital Requirement (SCR) as per 31 December 2020 for the companies in our sample is largely driven by underwriting risk, split across health and non-life. The diversification benefits largely offset these risks to reduce the SCR.

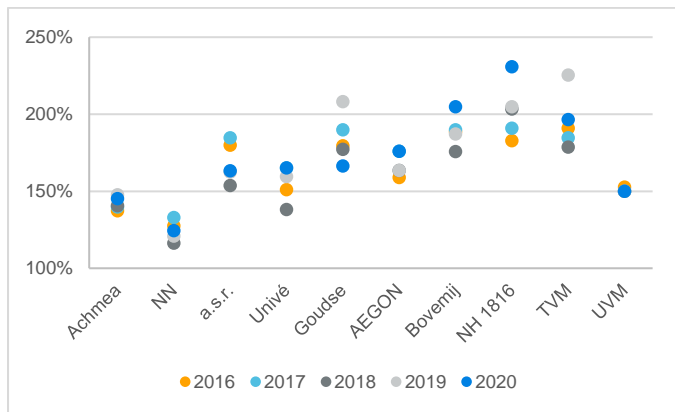
FIGURE 7: BREAKDOWN OF SCR OF THE SELECTED INSURANCE ENTITIES



Analysis of evolution of SCR Ratio

Among the selected insurers there is no clear pattern when looking at the development of the SCR ratios from a broader market perspective.

FIGURE 8: EVOLUTION OF SCR RATIO OF THE SELECTED INSURANCE ENTITIES



More information and data

If you have any questions related to this paper or would like to get additional insights or support, please contact us or your usual Milliman consultant.

For free access to the interactive SFCR dashboard with underlying analyses and with more graphs and insights please reach out to one of the authors of this memo or email to benelux@milliman.com.



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