Insurance KPI benchmark report

KPMG Study on Key Performance Indicators (KPIs) in the Dutch insurance industry

April 2023

The evolution of key performance indicators

The insurance industry in the Netherlands is constantly changing and adapting to a new era where the focus is not only on financial performance, but where there is more emphasis on the value for society. This has resulted in clear changes in strategy, for example in the domain of ESG (environmental, social, and governance). The key performance indicators (KPIs) included in an annual report should reflect this new strategy, as it demonstrates what insurance companies see as being the most important metrics for their specific group of stakeholders. **Therefore, we have decided to conduct an investigation on the development of KPIs over the period 2019 to 2021 for insurance companies in the Netherlands.**

Key performance indicators are more than just numbers that are tracked and reported on an annual basis; they show what is important for a company's steering and enable us to understand the performance and the potential of a business. KPIs give us targets to aim for, the ability to offer incentives to employees at varying organisational levels and they allow us to identify strengths and weaknesses in a company's business strategy.

Our study focuses on the three-year period 2019 to 2021. This period has been of particular interest as there have been numerous developments that have affected the insurance sector in the Netherlands in several distinct ways. **Our period encompasses the ever intriguing COVID-19 era and highlights how business priorities changed as a result of the pandemic.** We see increasing levels of relative importance being placed on non-financial KPIs reflecting companies' focus on customer retention and employee well-being.

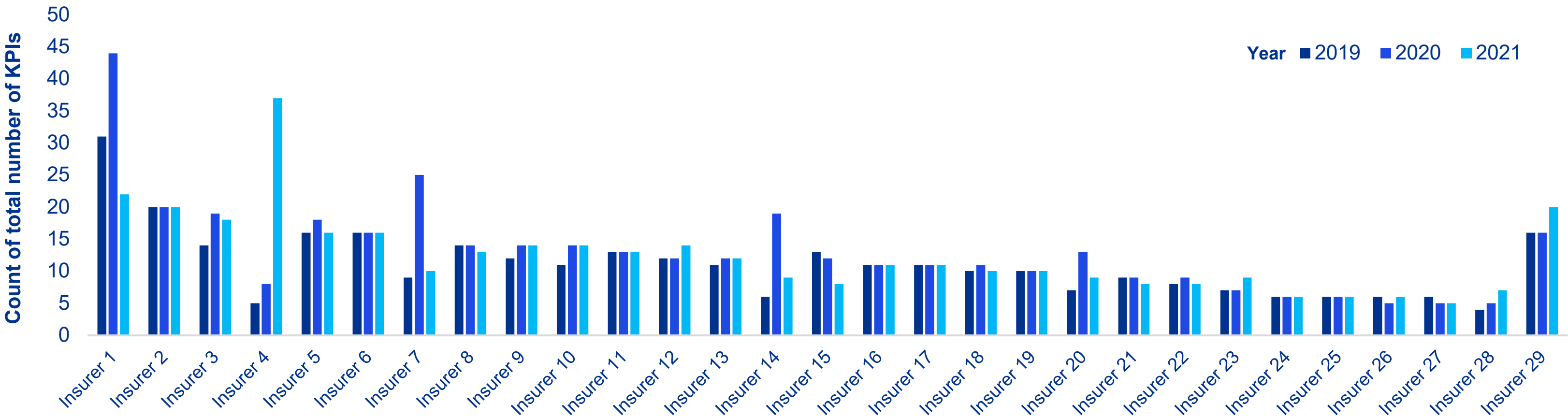
Further, the European Commission published its action plan on sustainable finance in 2018, which led to three major related regulations being implemented in 2019. **Subsequently, KPIs over the years 2019 to 2021 have shown significant changes that reflect not only compliance with the regulation, but also a greater prioritisation of ESG performance metrics.**

To further add to the interesting timeline of the report, the upcoming implementation of the new accounting standard IFRS 17, as well as developments observed within the Solvency II risk framework, have resulted in solvency and capital management-related KPIs being of great importance to insurers.

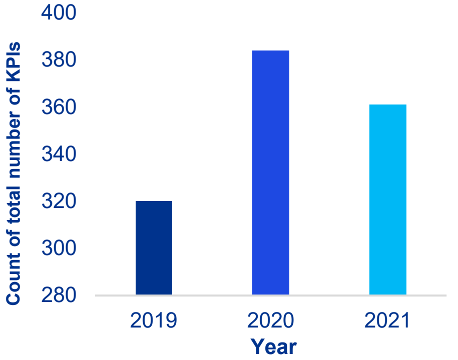
In this report, we will discuss the trends and patterns we have identified by analysing the KPIs being reported by companies in their annual reports. Our report draws valuable insights from this data and relates this to the events experienced within the period of the study.

Reported KPI count analysis

Variation in the number of KPIs per insurer for the period 2019 to 2021



The total number of KPIs reported from 2019 to 2021



Highlight *General stability is observed in the total number of KPIs reported over the years of the study. Slight increases in the number of reported KPIs from 2019 to 2020, and thereafter slight decreases from 2020 to 2021 reflecting the impact of COVID-19 and ESG.*

The clustered bar graph displays the number of KPIs reported per insurer for each year of the study.

Movements from 2019 to 2021

- General stability is observed with regard to the total number of KPIs used by Dutch insurance companies over the years 2019 to 2021.
- There is a generally increasing pattern from 2019 to 2020, followed by a generally decreasing pattern from 2020 to 2021.

Increase in the number of reported KPIs in 2020

- Two insurers had more than double the count of KPIs in 2020 compared to 2019. This may have been a result of the COVID-19 pandemic forcing the leaders of companies globally to develop new KPIs to measure performance which reflect the impact of the pandemic.

Decrease in the number of reported KPIs in 2021

- The decreasing pattern observed is expected as insurers condense the number of KPIs that are monitored following the significant increase in KPIs from the previous year.

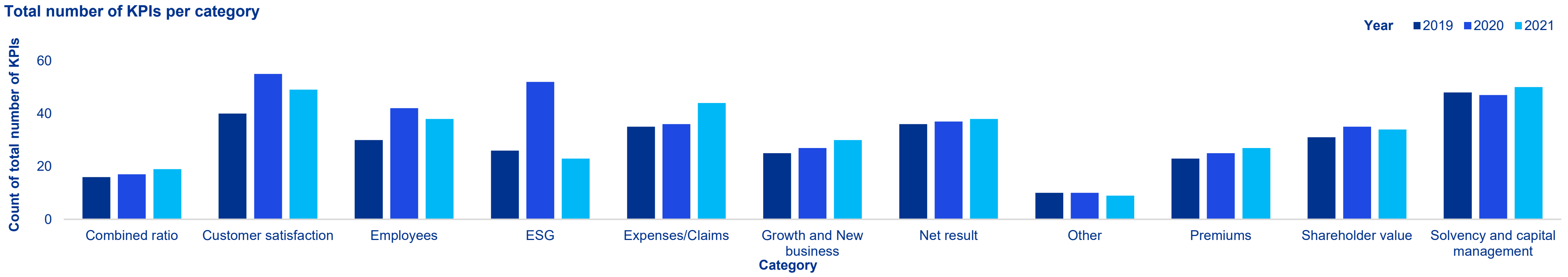
Outlier

- Insurer 4 is the significant outlier to the generally decreasing pattern observed between 2020 and 2021. In 2021, this insurer reported on existing KPIs in greater detail, particular focusing on customers, growth and employees. The additional employee-based KPIs are widespread, ranging from average employee ages to absenteeism. The 2021 financial report recognises the significant KPI increase and highlights that this has been done in line with the insurer's strategic goals.

Inlier with the pattern

- The main 2020 KPI additions are related to ESG, sustainability of the company and the number of customers. The significant decrease in reported KPIs in 2021 is largely a result of the company's ESG-related KPIs being included in the insurer's climate change report (which was first published in that year).
- There are 8 insurers whose number of KPIs reported over the three-year period have remained constant. It is important to note that whilst the number of KPIs reported have not changed, some of the KPIs reported have changed. For 7 of these 8 insurers, financial based KPIs seem to form an overwhelming portion of the total number of KPIs reported.

Categorical insights



Highlight *The largest increases in KPIs between 2019 and 2020 come from ESG-, customer satisfaction- and employee-related KPIs*

ESG-related KPIs

- The COVID-19 pandemic highlighted the relationships between people, the environment and profits. It has also highlighted weaknesses in the financial system and there is increasing concern that climate change could further expose susceptibility in the global financial system. The increasing climate change concern and the three major sustainable finance regulations implemented in 2019 have resulted in ESG being a priority for companies globally. As a result, it does not come as a surprise that the number of ESG-related KPIs grew in 2020 at the height of the pandemic and soon after the implementation of sustainable finance regulation.
- Reporting of CO_2 emissions was the most popular KPI tracked in 2019, and this trend continued in 2020 when even more companies began reporting it. However, in 2021, the number of companies reporting CO_2 emissions drastically declined to just 2 companies. The reporting of gender ratios seems to follow the same pattern.
- The reduced focus on ESG KPIs in 2021 was not in line with the trends we have observed relating to increased importance being placed on ESG, so it was examined further. It was found that, instead of including ESG-related KPIs in the annual reports of insurers, several insurers developed separate ESG-related reports.
  - NN published its Analysis of Carbon Footprint report for the first time in 2020
  - Athora published its Sustainability report for the first time in 2021
  - ASR published its Climate Report for the first time in 2021
- Therefore we conclude that the focus on ESG continues to grow in 2020 and 2021, as expected.
- In 2021, we find that there is an increase in social focused KPIs, particularly related to charitable actions.

Categorical insights

Employee-related KPIs

- New KPIs added during the survey period largely relate to:
  - amounts spent on training and development;
  - transportation;
  - advisor satisfaction;
  - Absenteeism;
  - and sickness ratios.
- The addition of absenteeism and sickness ratios in 2020 is likely to be linked to a focus on employee health and well-being as a result of the pandemic.
- Employee engagement was also seen as a new KPI which may be related to mental health concerns that were highlighted during the lockdown periods of the pandemic.

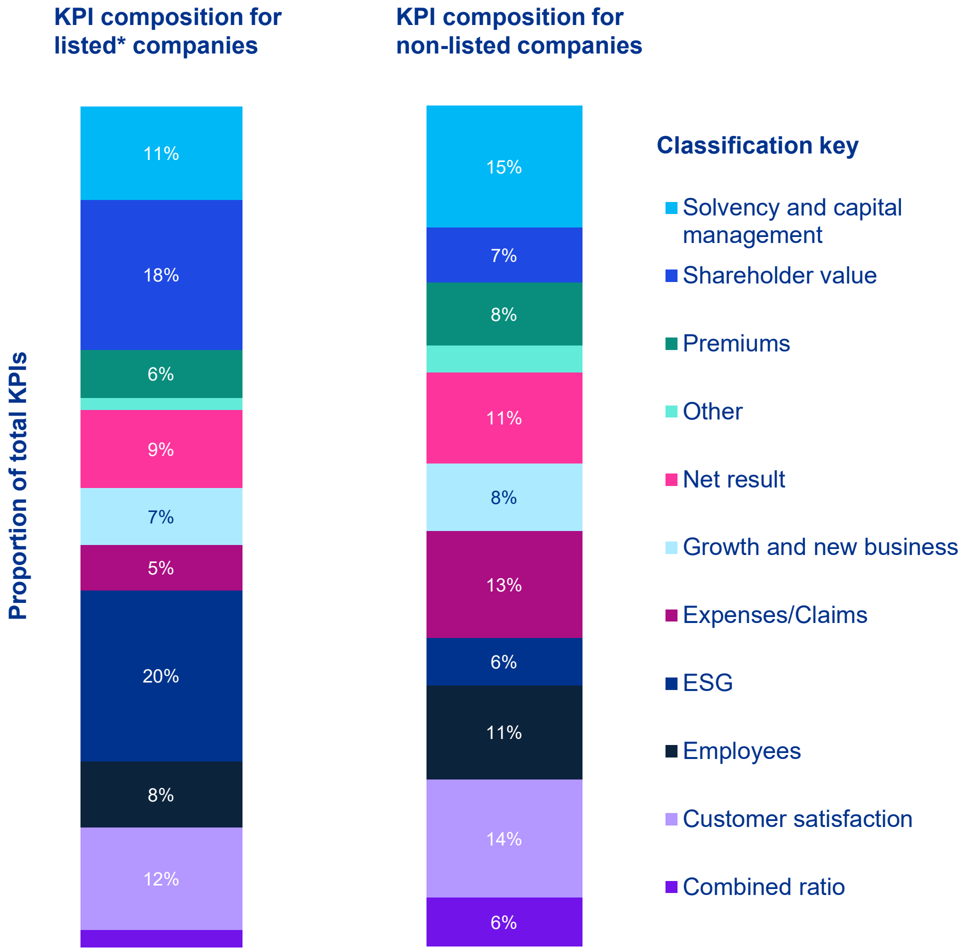
Customer-related KPIs

- In 2019, customer satisfaction was the most popular customer-related KPI measured by companies. In 2020, several more companies included this KPI. It is possible that customer satisfaction, directly related to customer retention, becomes of increasing importance during the lockdown when companies face the impact of a reduction in economic growth.
- Due to the lockdown, the products that customers seek may have changed (e.g. a greater demand for health-related products and unemployment protection products). From the company's viewpoint, there is a drive to better understand needs of the market, and to make strategic decisions based on this. The customer satisfaction KPI is used by fewer companies in 2021, as economic outlook and understanding of market needs improve.
- In line with customer satisfaction, we see that customer opinion on price, products and services also arises as a KPI in 2020. This KPI looks at customer satisfaction in more detail. However, these specific KPIs are not reported on in 2021.
- In 2020, we see the addition of market share-based KPIs, and these KPIs continue to be measured in 2021.

Shareholder Value-related KPIs

- The COVID pandemic has caused many investors to re-evaluate their investment decisions. This has forced companies to rethink their existing KPI measures such that it reflects the long-term value of the company.
- The main KPIs recorded in 2019 related to shareholder value relate to dividends and equity. This continues to be the case in 2020, with the addition of credit rating for many companies. The number of companies reporting on their credit rating in 2020 is 3 times the number in 2019. This is perhaps an action taken by companies to prove that the pandemic has not affected their financial stability and long-term sustainability. In 2021, the number of companies reporting on credit rating decreased to similar levels reported on in 2019.

Focus area differences between listed and non-listed companies



Highlight *Based on KPI count, ESG and shareholder value are of high importance for listed* companies, but they are of seemingly lower importance for non-listed companies.*

ESG

ESG is a priority for listed companies - making up more than 20% of their KPI measures between 2019 and 2021. The same cannot be said for non-listed companies (6%). We expect that the focus on ESG-related KPIs for listed companies is a result of the requirement to comply with sustainable finance regulation.

Shareholder Value

Shareholder value is prioritised for listed companies throughout the years of the study, but appears to have significantly lower levels of importance for non-listed companies. This is intuitive as we expect that publicly traded companies prioritise shareholders' interests by making decisions that increase shareholder value.

Solvency and Capital Management

Solvency and capital management is highlighted as a key focus area for both listed and non-listed companies.

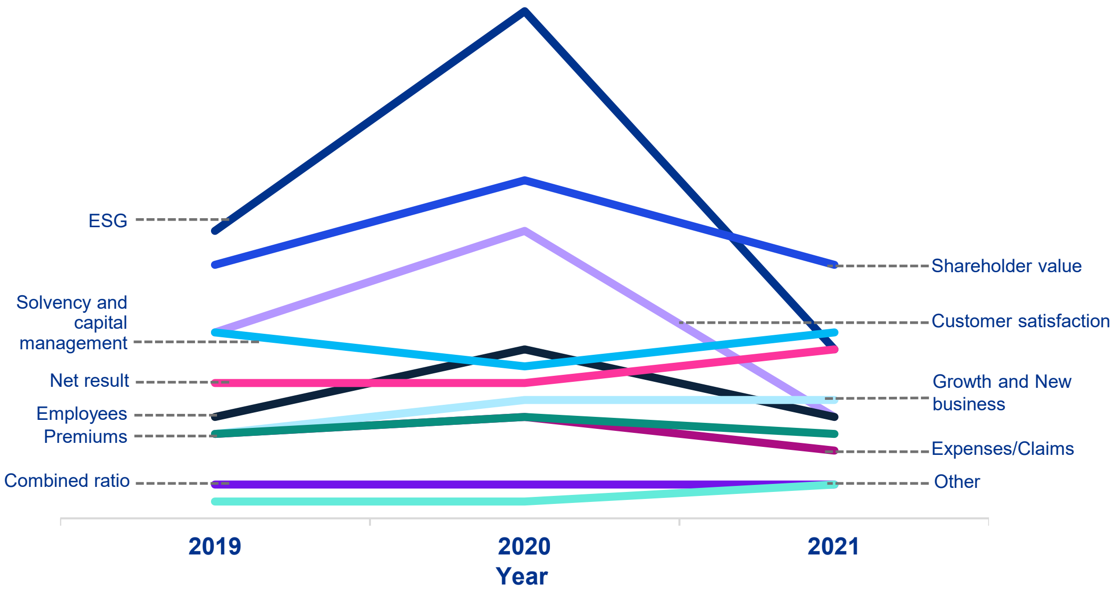
Combined Ratio

The combined ratio appears to hold low levels of importance for both listed and non-listed companies.

** Listed companies comprise of companies that are listed and companies that form part of a listed group*

KPI composition for listed companies

KPI count by category for listed companies and companies that form part of a listed group



Highlight *Based on KPI count, ESG, shareholder value and solvency and capital management KPIs for listed companies remain a priority for listed companies over the years of the study. Unlisted companies experience very little fluctuation in priorities over the same period.*

Proportion of ESG-related KPIs

- In 2019, ESG is undoubtedly a priority for listed companies. We observe increasing prioritisation of ESG in 2020, as ESG-related KPIs comprise almost 26% of all KPI measures reported.
- In 2021, ESG remains a priority for listed companies, but it would appear that this is to a lesser extent given the lower proportion of ESG KPIs compared to 2020. However, we have seen several companies begin to produce ESG-related reports in 2021 that are separate to their financial annual reports. Therefore, the ESG KPI count in 2021 does not accurately reflect the priority that has been given to ESG.

Proportion of Shareholder Value-related KPIs

- Shareholder value becomes the main priority in the financial reports for listed companies in 2021, based on the KPI count proportion, but has had similar levels of priority in 2019 and 2020.

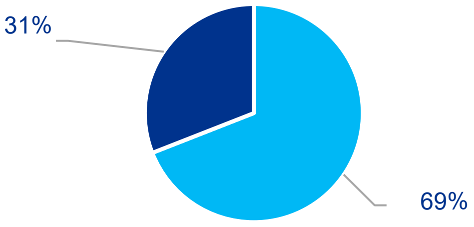
Customer Satisfaction-related KPIs

- Customer satisfaction is a KPI focus area for listed companies in 2019, and becomes of slightly greater focus in 2020. The KPIs added in 2020 are widespread, ranging from customer satisfaction to market share. In 2021 however, there is a significant decrease in the number of customer satisfaction-related KPIs being reported. Many of the 2020 additions are no longer reported in 2021.

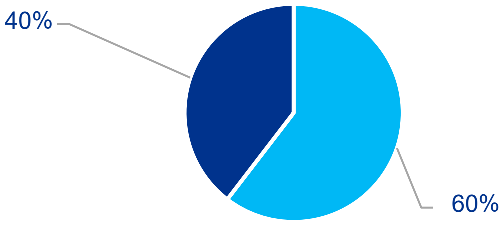
The prioritisation of financial and non-financial KPIs

Classification
- Financial performance
- Non-Financial performance

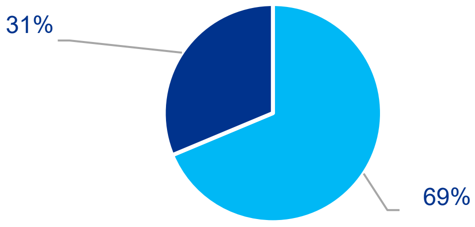
Classification of KPIs in 2019



Classification of KPIs in 2020



Classification of KPIs in 2021



Highlight *General stability is observed in the proportion of financial and non-financial KPIs over time. 2020 introduces slight volatility to this pattern with an increase in non-financial KPIs.*

Move Towards Norm in 2021

- We see that in 2021 there is a move back to similar proportions of financial and non-financial KPIs as in 2019 (pre-COVID). This is expected given the move towards a pre-COVID economy, and working and personal environment over the duration of 2021. Mental health and physical well-being become less of a concern as lockdown regulations ease and vaccinations reduce the risk of mortality from the COVID-19 virus. In addition, the introduction of ESG reports which are produced separate to financial reports has also decreased the non-financial performance proportion.

Future Outlook

- Non-financial KPIs may take up increasing proportions of total KPIs over future periods, given discussions in society that place importance on non-financial value.

Move Towards Non-financial KPIs in 2020

This comes as no surprise given the increased focus on

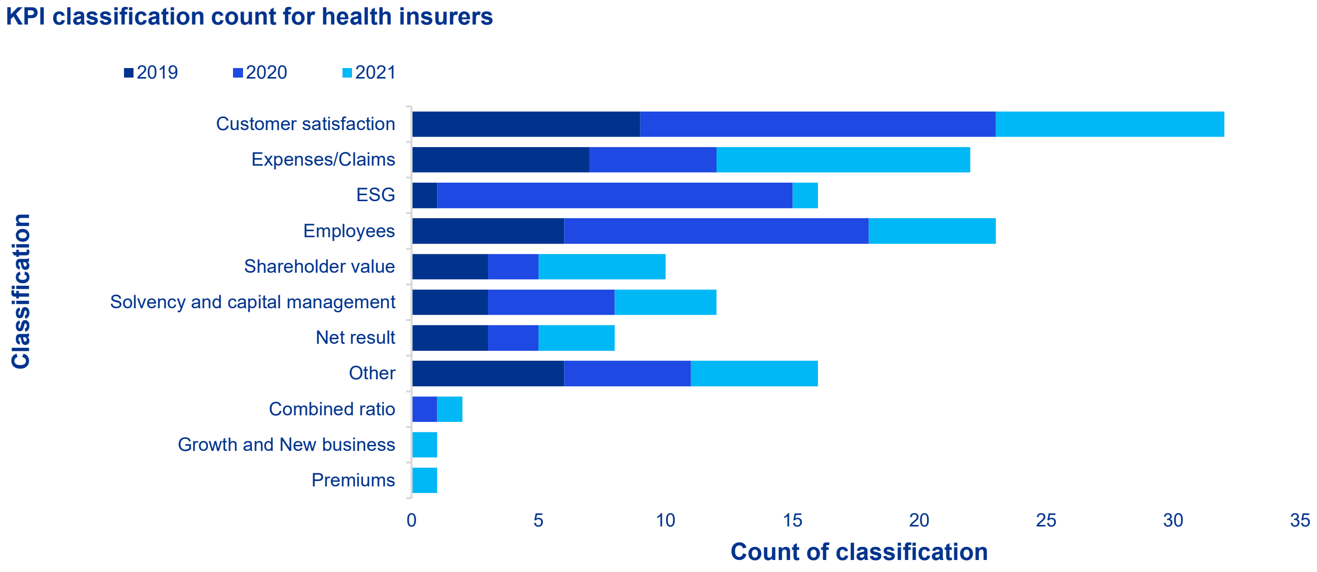
- **ESG**
  In 2018, the European Commission published its action plan on sustainable finance, which led to three major related regulations being implemented in 2019.
- **Customers**
  During the pandemic, there is a reduction in economic growth and so, we speculate that customer satisfaction would become of increasing importance as customer retention is prioritised.
- **Employees**
  - Employee engagement becomes a tracked KPI in 2020 possibly due to enthusiasm of employees becoming a concern, as a result of the lack of face-to-face interaction during the lockdown.
  - Further, absenteeism and sickness ratios are reported in 2020, which are likely to be linked to a focus on employee health and well-being as a result of the pandemic.

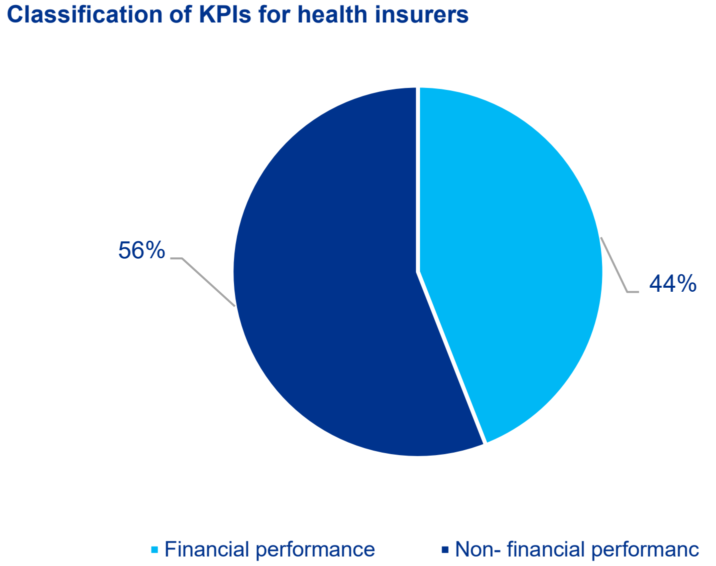
It therefore comes as no surprise that in 2020, there was a shift towards non-financial KPIs relative to financial KPIs. Empathy towards consumers during the pandemic would encourage consumer loyalty and ultimately drive up profits. Retention of skilled and experienced staff would act to drive sustainability of the company during very uncertain times.

Commonly reported KPIs

- Through the years 2019 to 2021, the most popular financial type of KPI reported is related to the net result, followed by KPIs based on the Solvency II ratio and operating expenses. We see that operating expenses-related KPIs become of increasing importance as a financial KPI over time. The number of companies reporting on operating expenses increases by 36% between 2019 and 2021, making it the 3rd most popularly reported KPI in 2021.
- The most popular non-financial KPIs reported on in the years of the study are related to number of employees, customer satisfaction and gender ratios.

Health insurer analysis





2020 Focus Areas

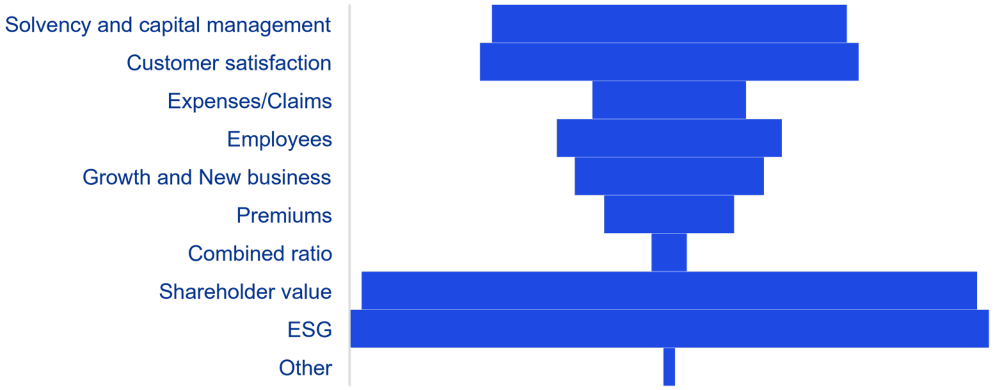
Looking at health insurers in particular, we notice that customer satisfaction-related KPIs were reported on to a greater extent in 2020, compared to 2019 and 2021. This is very much in line with the experience that we have seen for the Insurance Industry as a whole, but to a larger extent for health insurers in particular. The same can be said for the increase in employee-related KPIs.

Financial vs Non-financial KPI Proportions

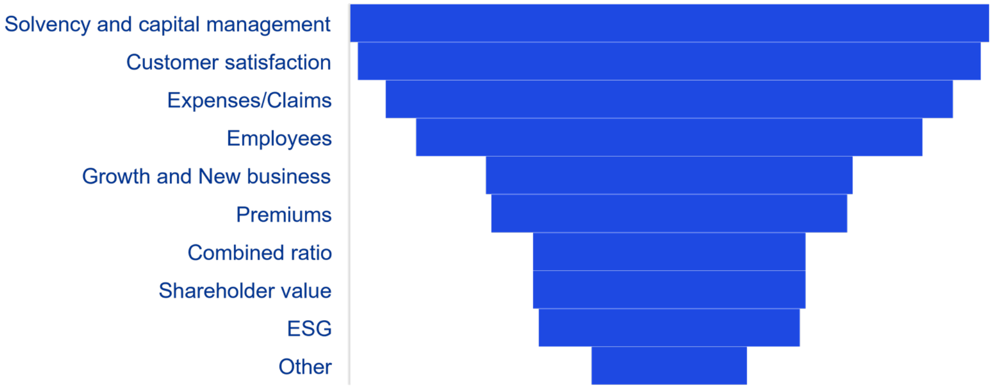
It is interesting to note that health insurers report on a significantly larger proportion of non-financial performance-based KPIs compared to the Insurance Industry as a whole. In contrast with the broader insurance industry, health insurers report a greater proportion of non-financial KPIs compared to financial KPIs. This may be reflective of the nature of the health industry.

KPI rankings for large and small/medium insurers

KPI category count for large insurers



KPI category count for small/medium-sized insurers



Highlight ***Small and large insurers have similar priority alignment for solvency and capital management-, customer satisfaction- and net result-related KPIs. However, priorities vary significantly for ESG and shareholder value.***

The availability of capital will affect many business decisions, including the insurer's risk appetite and ability to develop and launch new products. For larger insurers, solvency and capital management is still a key focus, but there are other priorities that are of a similar level of importance. For smaller insurers, the solvency position is key.

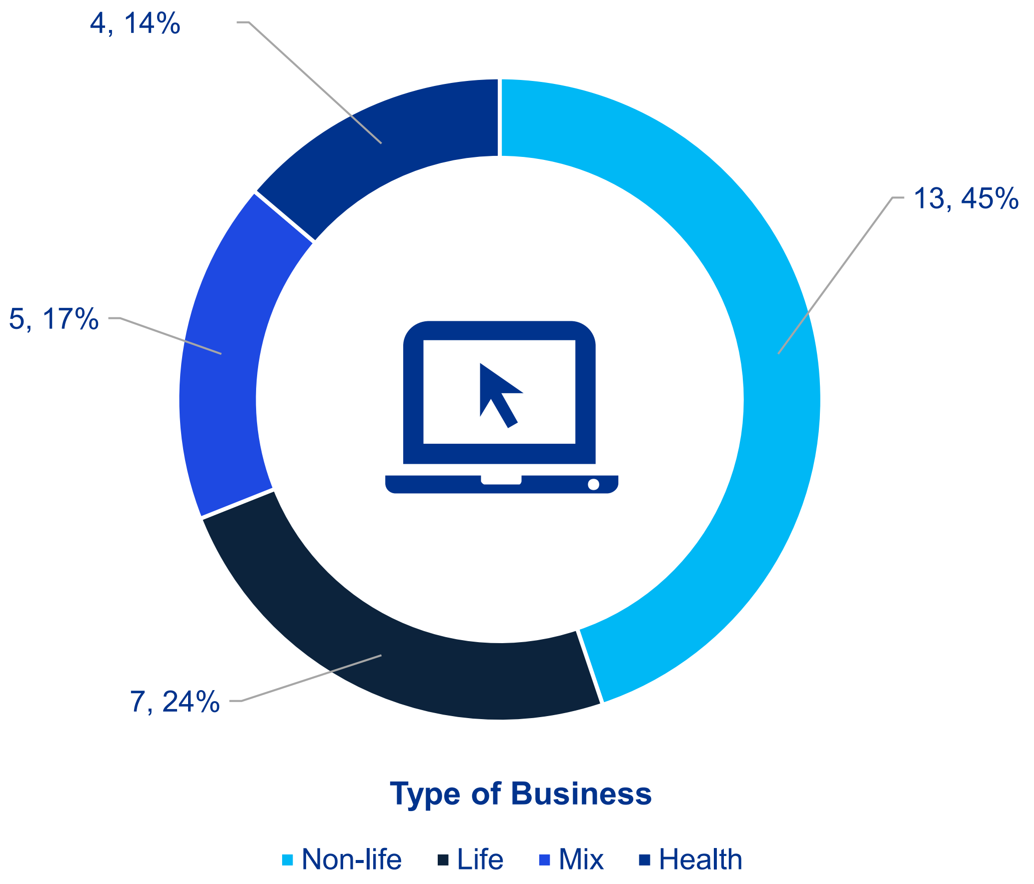
Shareholder value is of significantly less priority for smaller insurers compared to larger insurers. Perhaps this is due toto large insurers putting greater focus on creating shareholder value given their relatively larger shareholder base. It is also important to note that there is greater emphasis on shareholder value reporting for listed companies, and all insurers in the large insurer dataset are listed. Some unlisted companies and mutuals are included in the small insurer dataset. In addition, some smaller insurers are private equity-owned where information on shareholder value is likely to be disclosed in internal documents rather than in the public annual report.

ESG is also of significantly less priority for smaller insurers compared to larger insurers. This may be attributed to the fact that EU ESG regulatory reporting requirements are applicable to listed companies. Non-listed companies are typically included in the small insurer dataset but not in the large insurer dataset.

* Companies with technical provisions greater than 50 billion euros have been classified as large for the purpose of this report.

Appendix – Insurers in the survey group

Count of Type of Business



Companies Included in the Report (#29)	
Achmea Group	Medirisk
AEGON Group	Menzis
Ansvar Verzekeringsmaatschappij N.V	Monuta
ASR Group	NN Group
Athora NL	Noordhollandsche
Bovemij	OG
CetraMed	ONVZ
DAS	Scildon
De Hoop	TVM
Dela	Unigarant
Donatus	Univé
DSW	VGZ
Goudse	VvAA Groep B.V
Klaverblad Verzekeringen U.A	ZLM
Lifetri	

Company selection

For the purposes of this report, insurers were included where a clear incentive for informing their stakeholders in a public disclosure was identified and the set-up of their annual report was done in a way that clearly demonstrates what KPIs are most relevant to them.

Appendix – KPI categories

Classification	Examples Of KPIs
Solvency and capital management	Solvency II Ratio, Balance sheet total
Shareholder value	Dividend, Equity
Premiums	Gross written premiums, Gross premiums
Other	Revenue, Technical provisions
Net result	Net result, Operating result
Growth and new business	Investments, Assets under management
Expenses/Claims	Operating expenses, Claims
ESG	Sustainable investments, Gender ratio
Employees	Number of employees, Employee satisfaction
Customer satisfaction	Customer satisfaction, Net promoter score
Combined ratio	Combined ratio, Cost ratio

Disclaimer

- The KPI data used in this report come from the published financial reports.
- Discretion has been used to classify the individual KPIs into the various categories mentioned in this report, and therefore the classifications may be subjective.

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