



Overview of the Dutch insurance market in 2016



December 2017



Reading guide

Reading guide

This insurance market analysis concerns the Dutch insurance market in 2016 and the comparison with previous years as far as possible. Given the change in reporting requirements by the regulator related to Solvency II, we obtained new insights in the developments in the Dutch insurance market in specific areas. On the other hand, the changes in reporting format from 'Wft-staten' to 'QRT' also led to some information no longer being available. In our market analysis we are only included insurance entities with are under DNB regime 2016. This impact is mainly visibly for the non-life insurance market. This report is an overview of the general developments of the insurance market over the last years and includes an analysis of Solvency II data for 2016.

The information contained in this document is primarily derived from the QRT templates 2016 disclosed on the website of the Dutch Central Bank. Other information is derived from the website of Association of Insurers (Verbond van Verzekeraars) or financial statements that the Dutch insurance companies have disclosed on their website. For an overview of the definitions used we aligned the Solvency II and Wft; refer to appendix A.

This presentation first offers general information about the Dutch insurance market such as developments in total premium income, claims paid, cost ratios and solvency ratios. After that, it focuses on the individual markets of health, life and non-life insurance.

Besides the historical developments over time based on figures of 2016 and before, we also present an outlook to 2017. This is reflected in a summary of relevant news articles and the development of an expectation of the impact of consolidation in the insurance market.

An analysis for each market is made based on the data for 2016. We start here with the key statements in a nutshell, after which the following points will be explained in more detail:

- The general results of the market, e.g. Have the costs increased? How has the premium volume developed?
- This is followed by a focus on the six largest insurers on the market, what are the mutual relationships? Which insurer has been able to bring its costs down? What is the relationship between the income and expenditure per insurer? What is the Solvency II ratio per insurer?
- We conclude each market with the most important headlines in 2017; now that we know what happened in 2016, we focus on what is happening in 2017.

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1	Overview of Dutch insurance market 2016
2	Life insurers
3	Non-life insurers
4	Health insurers

Key trends

Market



- Total net profit dropped from EUR 5.1 billion in 2015 to EUR 2.8 billion in 2016 (decrease of 44%)



- Premium income: EUR 69.7 bln
- Gross claims paid: EUR 75.3 bln

- Since 2014, the claims paid are higher than the gross premium income, which is again the case in 2016
- Total premium income shows a downward trend
- Both the absolute levels of costs and the cost ratio are decreasing slightly over time

Health



- 2016 is the first year showing an overall negative net result for the health insurance market
- Gross claims paid exceed premium income due to a small decrease in premium and an increase of 9% of gross claims paid
- Position of top four health insurers remains unchanged

Life



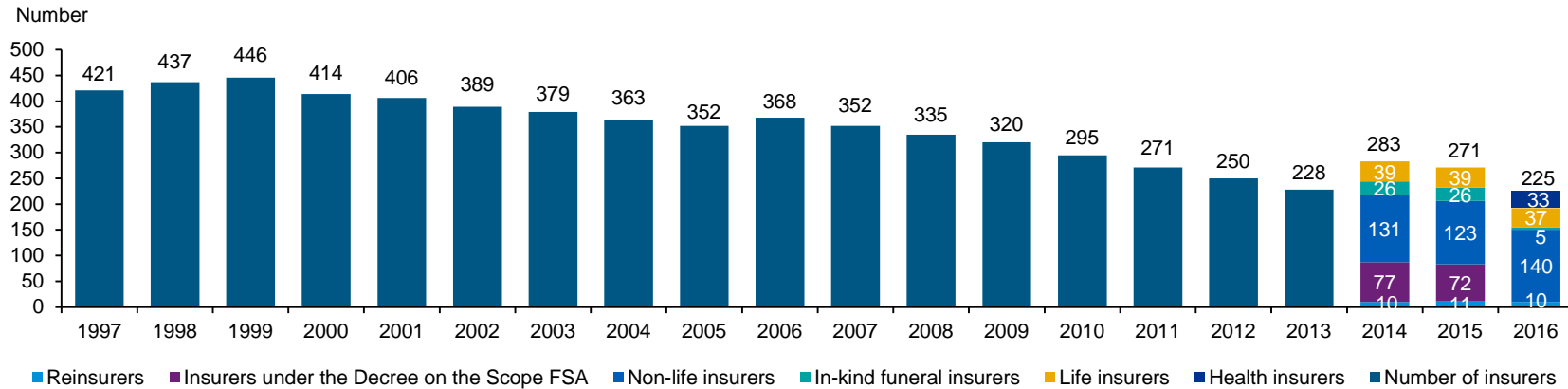
- The premium income of life insurers continues to decrease
- Net result remains positive but shows a decrease compared to last year
- a.s.r. becomes second largest player in the life market

Non-life



- In 2016, there is a slight increase in total premiums, mainly in segments motor and fire
- The gross claims increased compared to prior year (mainly due to the large hailstorm)
- The gross combined ratio slightly increased over the past years and hits 100% in 2016
- Total costs compared to gross premiums written slightly declined

The number of insurers regulated by DNB decreased



Source: DNB website

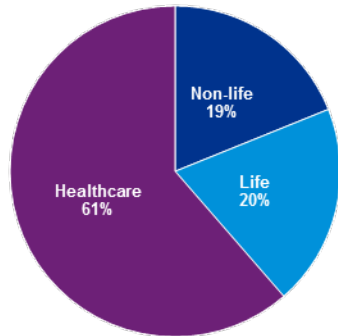
Notes

- The trend that each year fewer insurers are regulated by DNB continues in 2016. The increase in 2014 compared to 2013 is explained by the addition of the insurers that came under the Decree on the Scope FSA (in 2014: 77 and in 2015: 72)
- The 2016 numbers are based on the license register of DNB, while the numbers of the other years are based on the DNB accounts. Due to this change in source, there is a change in categorization used (e.g. non-life and health are split for 2016 and insurers under the Decree of the Scope FSA are incorporated in the other categories)
- In 2016, there were 225 insurance companies with a license from DNB:
 - 37 life insurers
 - 33 health insurers
 - 140 non-life insurers
 - 5 in-kind funeral insurers
 - 10 reinsurers

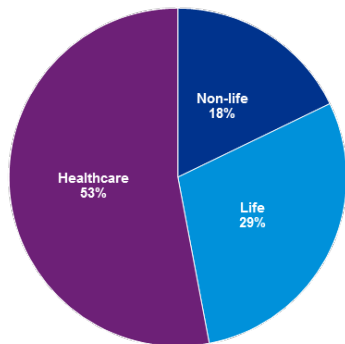
Categorization of the Dutch insurance market into gross premiums written

Figure 1.1 Premiums categorized by markets

2016



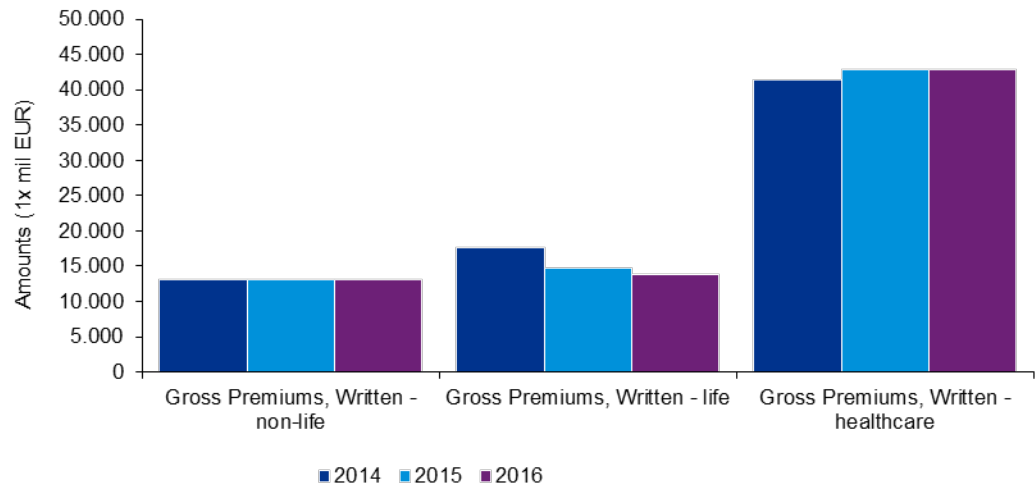
2010



Notes

- The share of the health insurers consequently continues to grow and amounts to 61% this year compared to 53% in 2010
- When comparing the years 2015-2016 the premiums of non-life and healthcare are showing a stable trend while premium income of the life segment is slightly declining
- In 2016 the premium income of life insurers dropped with 6.6% and premium income of health with 0.2%

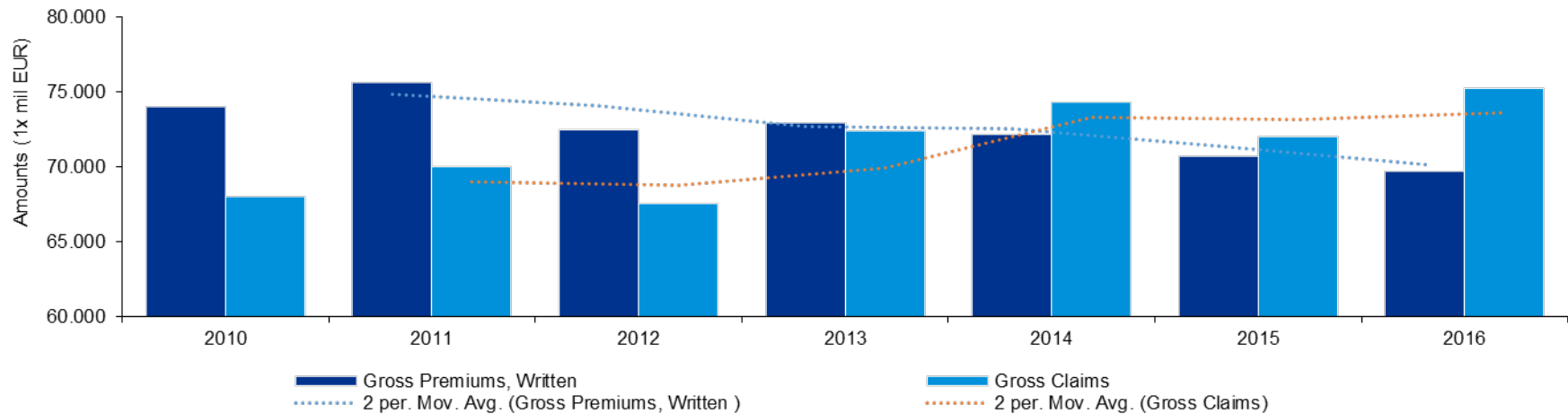
Figure 1.2 Premiums categorized by markets 2014-2016



Source: DNB template <data_T2_leven> and <data_T2_schade>

Dutch insurance market: Gross premiums written and gross claims

Figure 1.3 Gross premiums written and claims over time (2010-2016)



Source: DNB template <data_T2_leven> and <data_T2_schade>

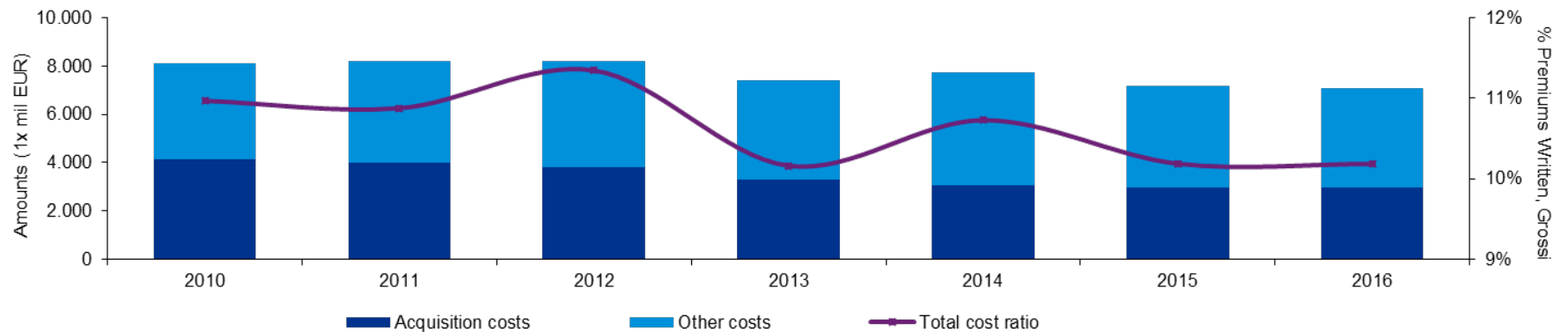


Notes

- Until 2014, gross premium income was higher than the claims paid. Since 2014, the claims paid are higher than the gross premium income, which is again the case in 2016
- The strong increase in claims is caused by the increase of gross claims in the health market (9%) and the increase in the non-life market (7%)
- The moving average of claims is above the moving average of premiums as of 2014. Moreover, the moving average of claims shows a stable trend during the period 2014-2016, whereas the moving average of gross premiums is decreasing

Development of costs

Figure 1.4 Acquisition costs, other costs and cost ratio over time (2010-2016)



Source: DNB template <data_T2_leven> and <data_T2_schade>

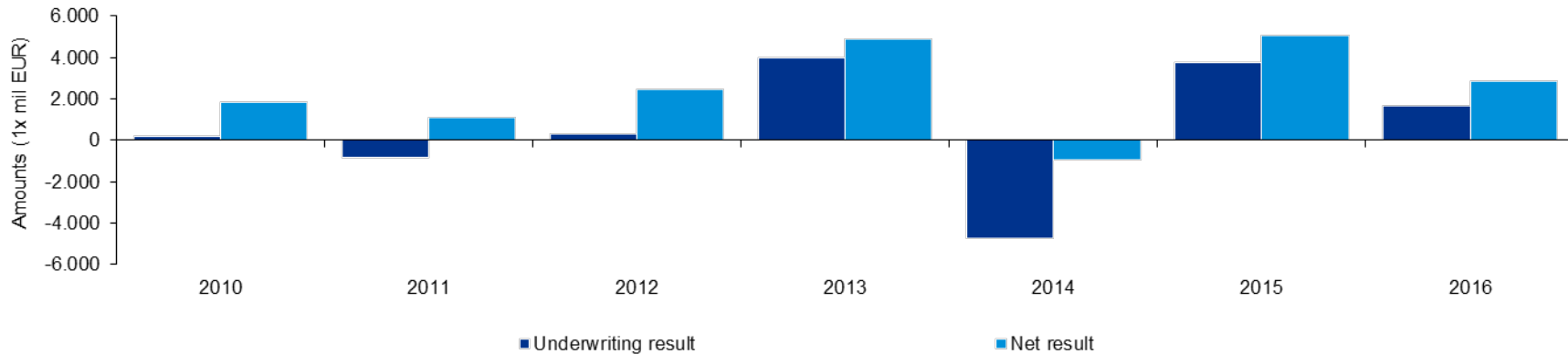


Notes

- Both the absolute levels of costs and the cost ratio are decreasing slightly over time
- Over time the cost ratio of the full insurance market remains roughly between 10% and 11%
- When taking the development of premiums as presented on page 7 into account, the cost movement is in line with the premium movement

Profitability of the total Dutch insurance market

Figure 1.5 Net results versus underwriting results and gross combined ratio over time (2010-2016)



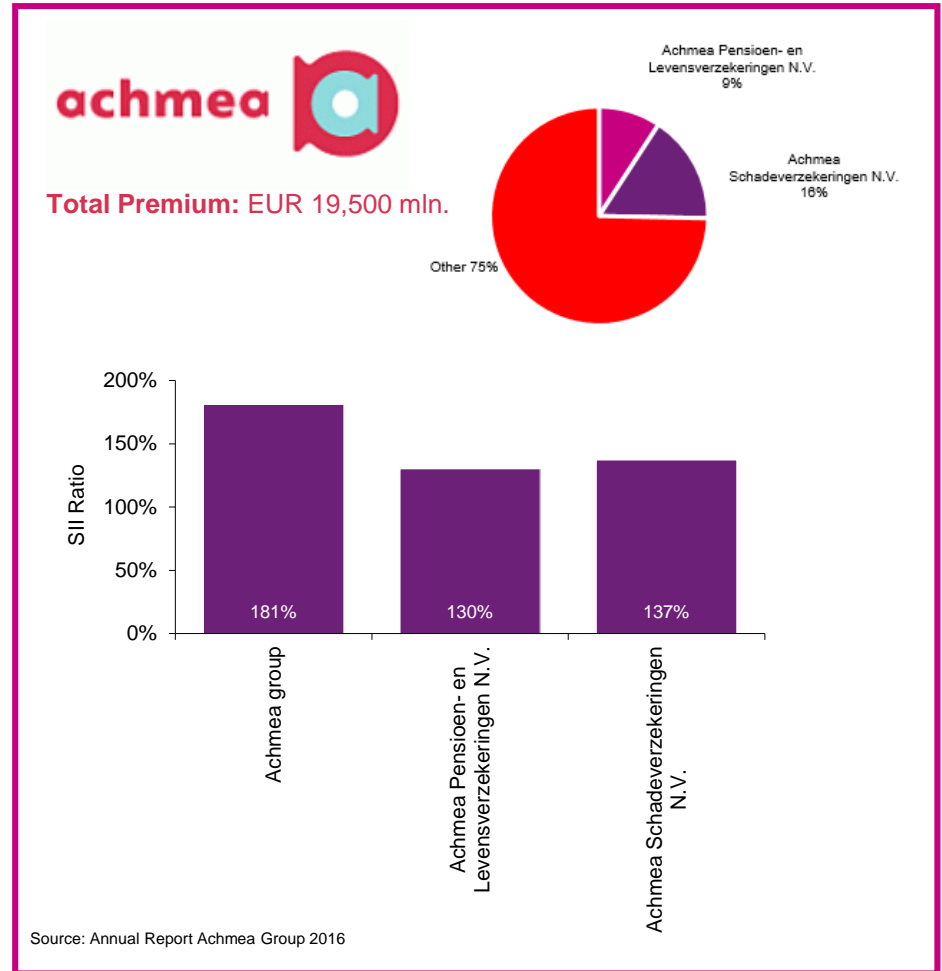
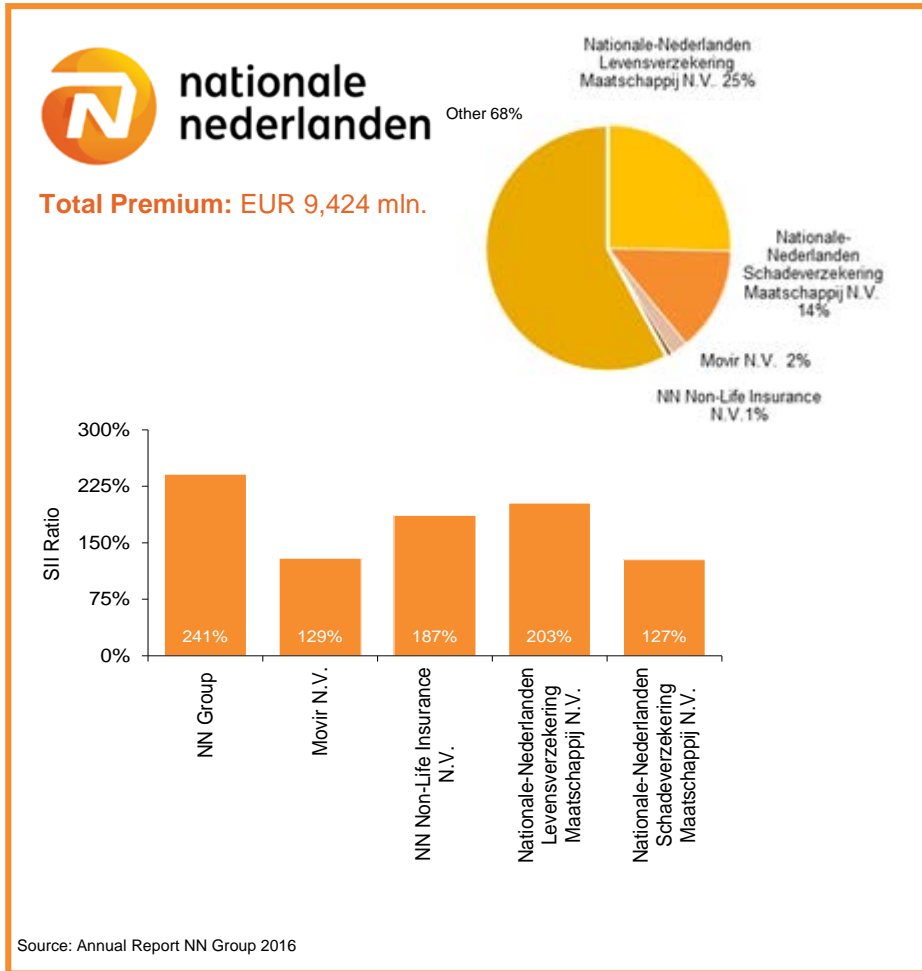
Source: DNB template <data_T2_leven> and <data_T2_schade>



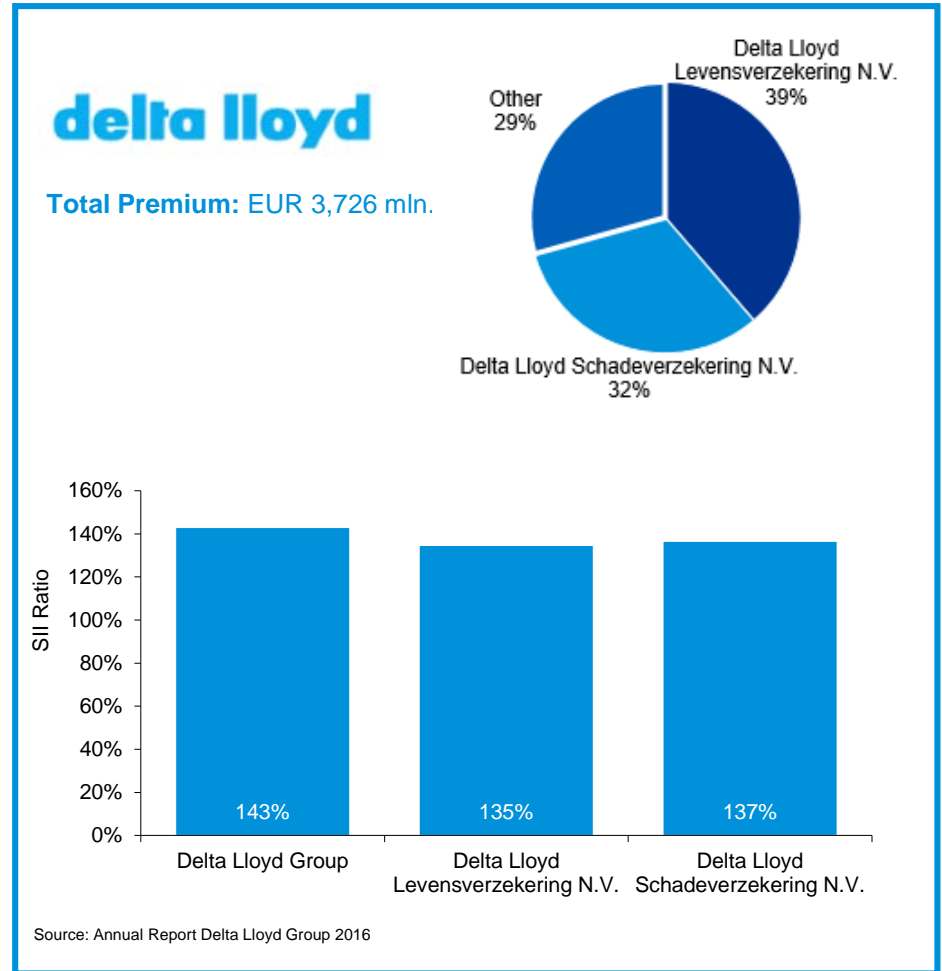
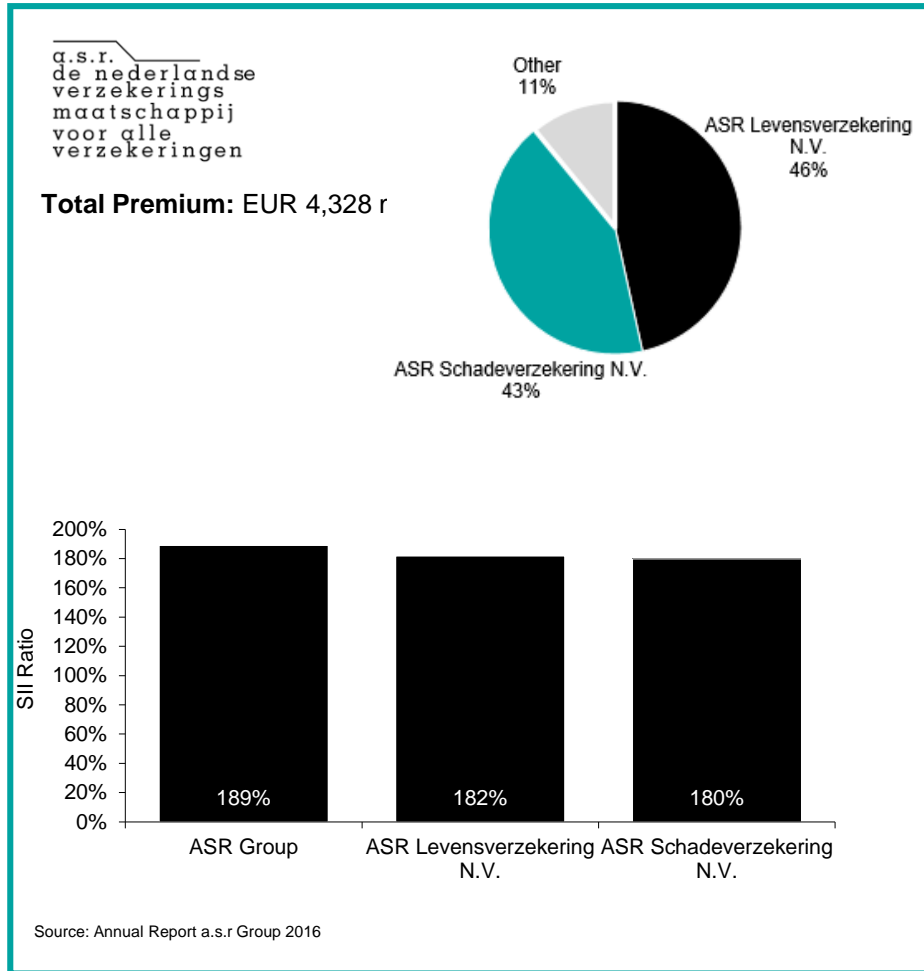
Notes

- An insurer's underwriting result comprises the premium income minus the claims paid and other operating expenses
- The net result is defined as the operating income, minus the costs incurred, after tax
- Investments remain a key source of income for insurers
- The net result of the Dutch insurance market dropped with 44% which is in line with the decrease of net result in the health, life and non-life market
- The net result in 2014 is a result of a drop in the net result of the life insurance market (Source: KPMG Analyse Verzekeringmarkt, 15 December 2016)

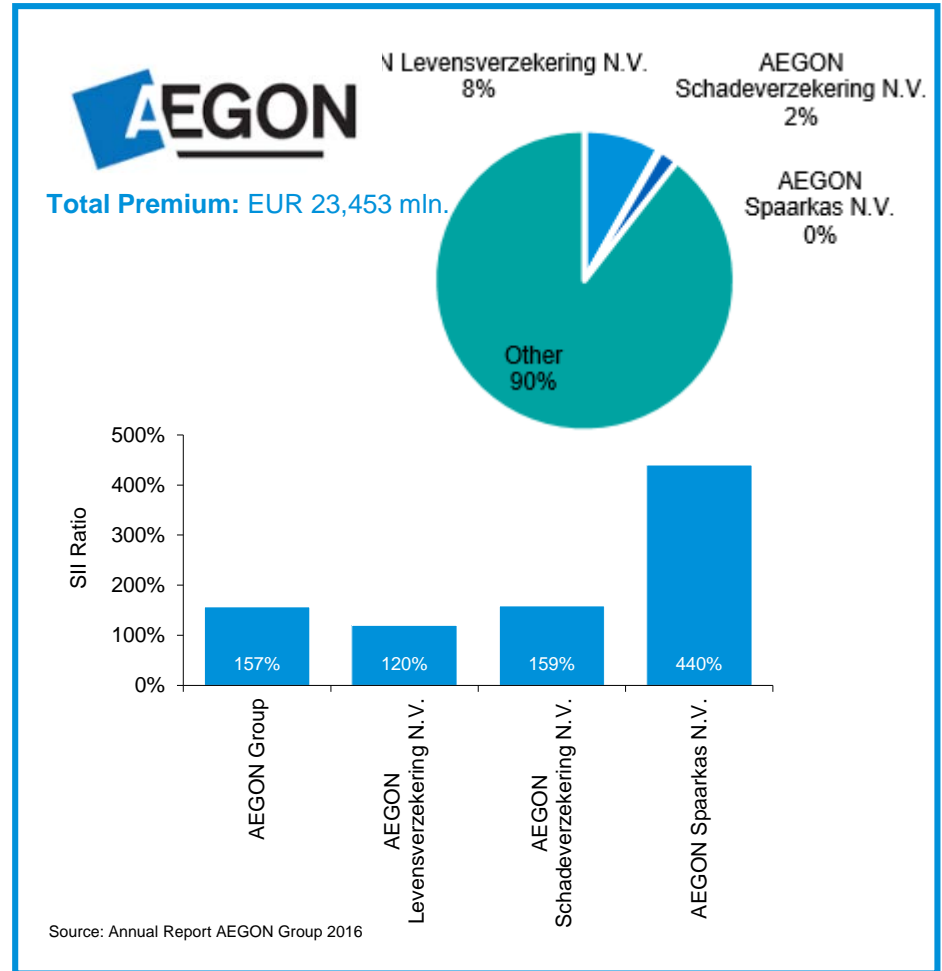
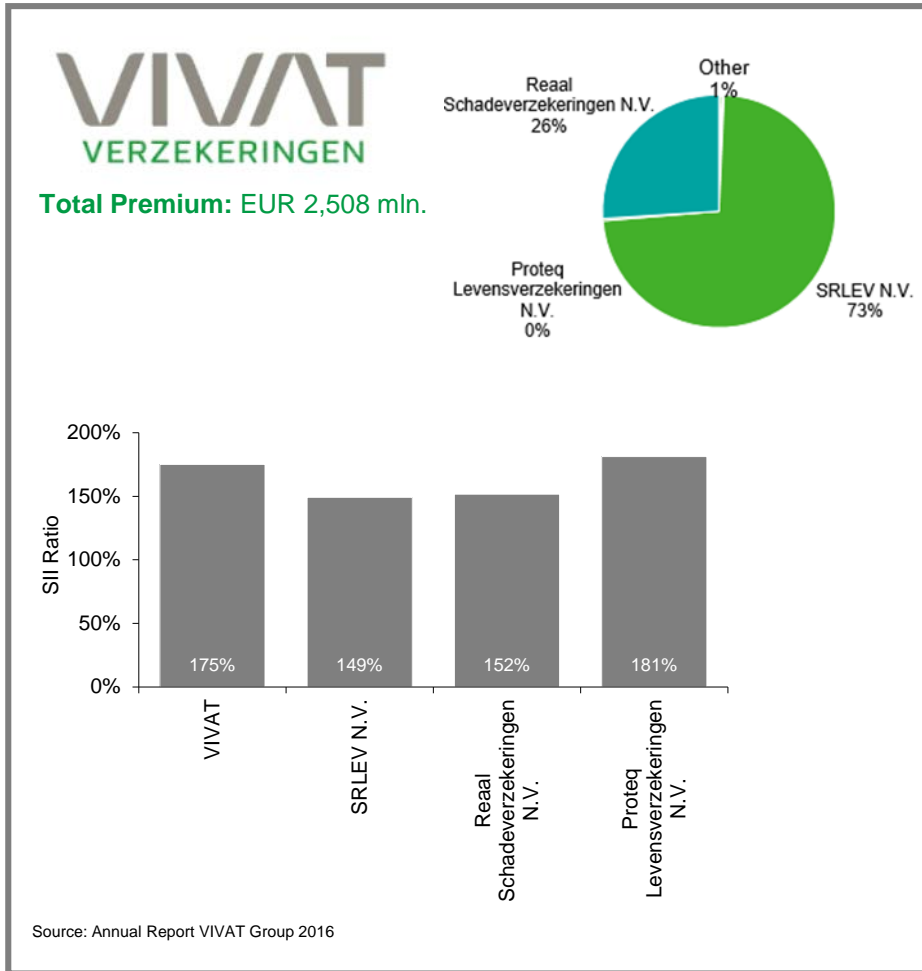
The biggest Dutch insurance companies (life and non-life) (1/4)



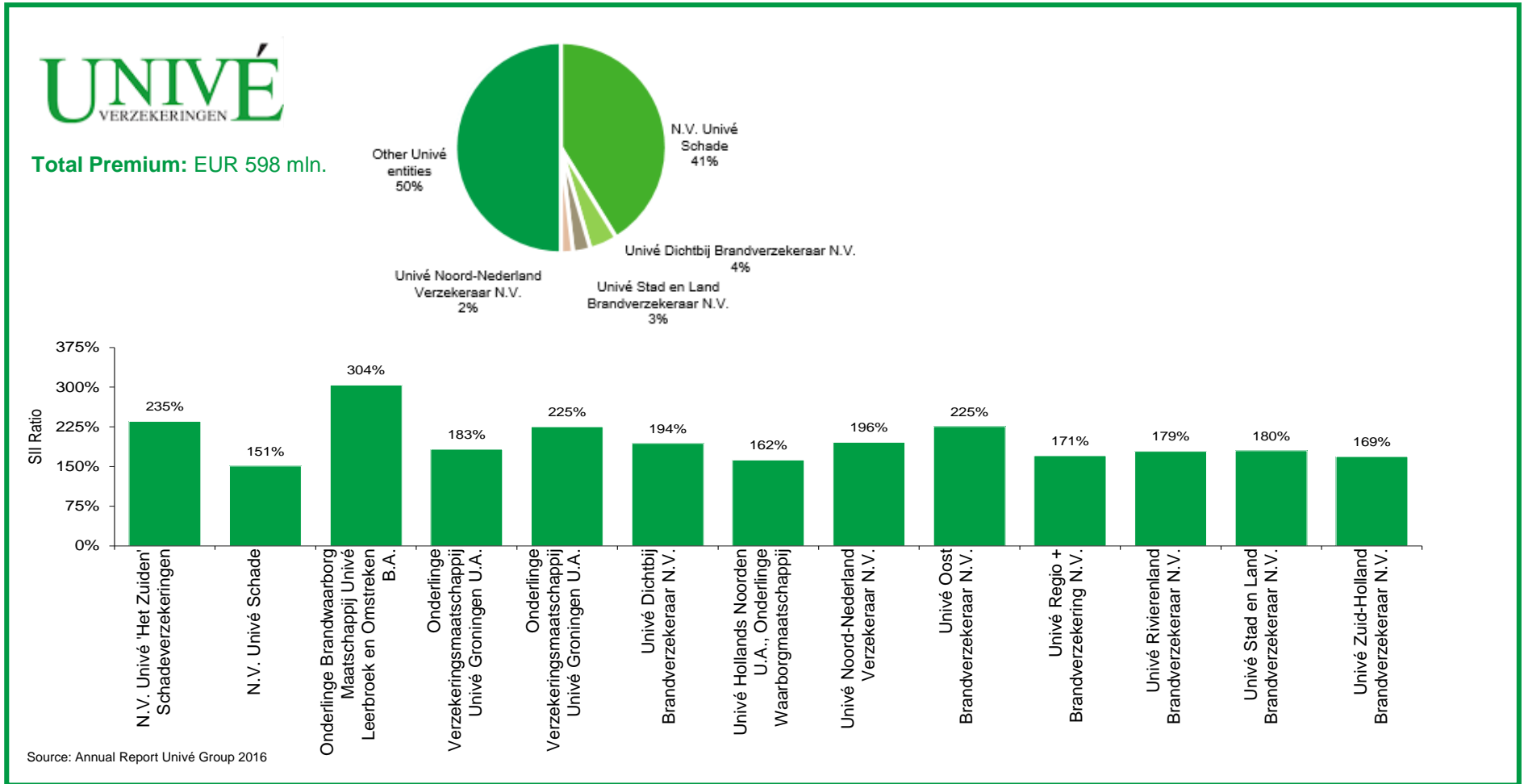
The biggest Dutch insurance companies (life and non-life) (2/4)



The biggest Dutch insurance companies (life and non-life) (3/4)



The biggest Dutch insurance companies (life and non-life) (4/4)



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The life insurance market in a nutshell

The premium income of life insurers continues to decrease

a.s.r. becomes the second largest player in the life insurance market

Positive results in 2015 and 2016 are mainly caused by investment income

All of the top six Dutch life insurers realize a positive net result in 2016

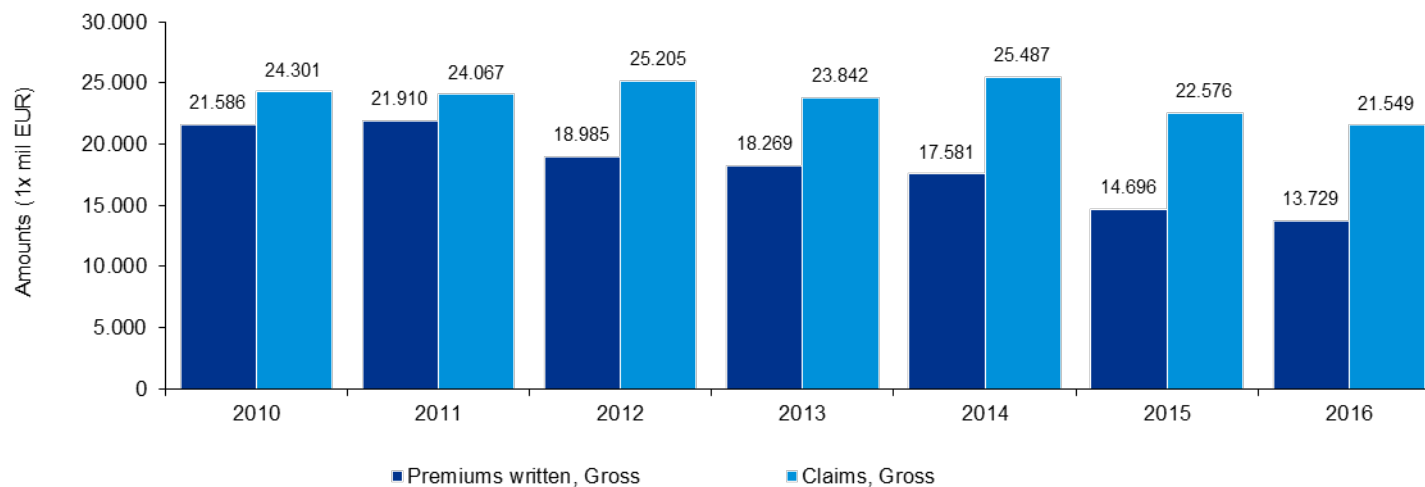
The decrease in premium volume is primarily caused by a drop in group single premiums

Cost ratios on the life insurance market remain high. Costs slightly decrease, but so do premiums

All of the top six Dutch life insurers report a Solvency ratio above 100%

Developments in the life market 2016

Figure 2.1 Total overview of developments in the life industry over time (2010-2016)



Source: DNB template <data_T2_level>



Notes

- The general market for life insurance in the Netherlands is decreasing. This is partly due to ageing, the low interest rates, the advent of e.g. bank savings and premium pension institutions (PPIs) and less confidence in the life insurance market
- Claims paid remain to exceed the income from premiums. This has to do with the long time between paying the premiums and the claim payments
- Positive results in 2015 and 2016 are mainly caused by investment income

Developments of costs, net and underwriting results

Figure 2.2 Costs development in the life market over time (2010-2016)

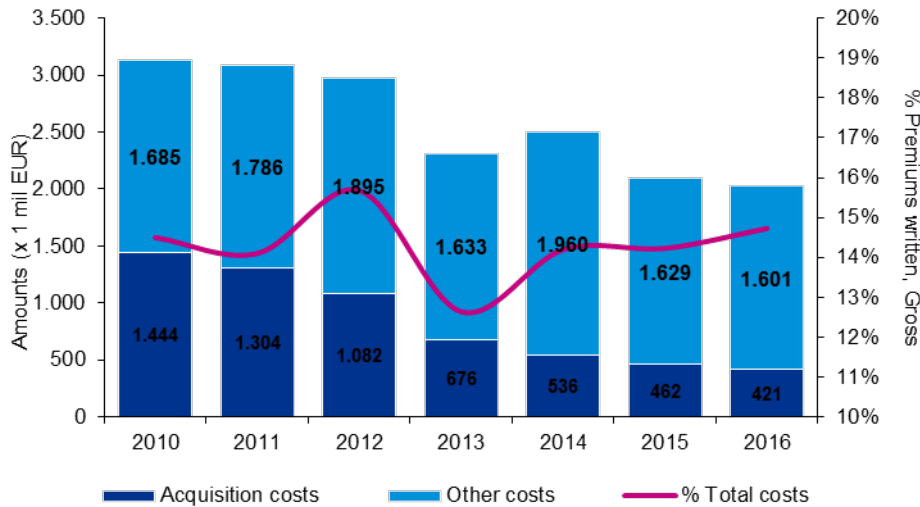
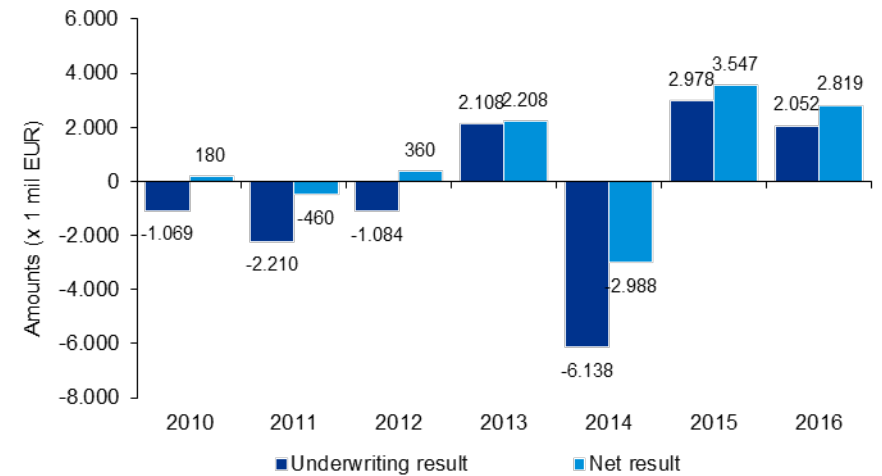


Figure 2.3 Underwriting vs net results in the life market (2010-2016)



Source: DNB template <data_T2_levan>

Notes

- Total costs as a percentage of gross premiums written have increased since 2013 as a result of declining premiums in the life market
- Total costs decrease over years, mainly caused by the decrease in acquisition costs
- The net result in the life market is positive in 2016, however there is a slight decrease in result compared to 2015
- In 2016, the net result in the life market is again higher than the underwriting result
- The negative result of 2014 is mainly caused by LAT deficiencies, shadow accounting losses and a termination of significant contracts top six life insurers (Source: Jaarverslag SRLEV N.V. 2014 and Achmea Jaarverslag 2014)

Premium development down again

Figure 2.4 Premium income life insurances

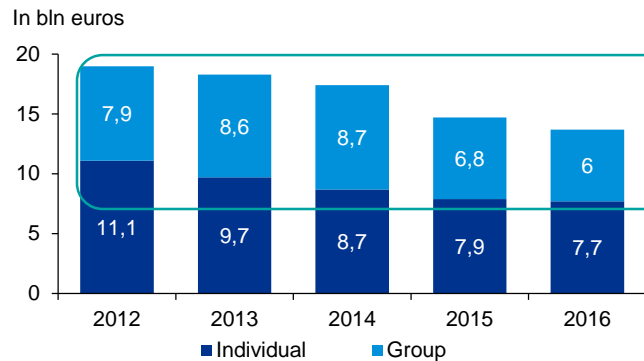
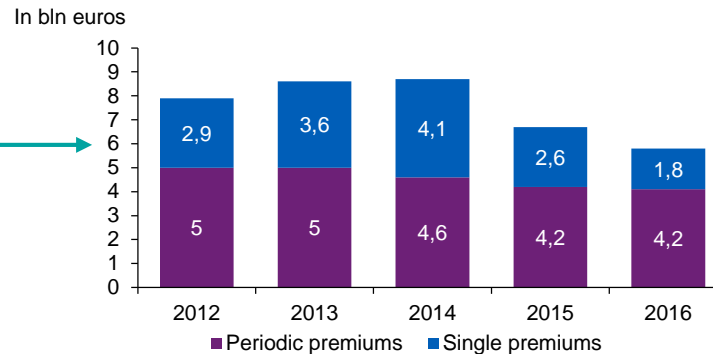


Figure 2.5 Group premium income



Source: Financial Annual Report insurance sector 2015, Association of Insurers.

Notes

- Total premium volume at life insurances decreased with 7% compared to 2015 to less than EUR 14 billion in total premiums for 2016
- This decrease in premium volume is primarily caused by a drop in group single premiums (-30%)
- The drop in group single premiums (-30%) is caused by the lowering of the 'Witteveen framework', the choice of employers to focus on the costs instead of on payments, and the shift of these products to PPIs

Key players and shifts in rankings

Position 2016	Position 2015	Position 2014	Entity	Market share 2016	Market share 2015	Market share 2014	2016 vs. 2015
1	1	2	Nationale-Nederlanden Levensverzekering Maatschappij N.V.	17.4%	21.7%	18.3%	↔
2	5	6	a.s.r. Levensverzekering N.V.	14.7%	13.7%	9.9%	↑
3	2	1	AEGON Levensverzekering N.V.	14.0%	17.1%	25.2%	↓
4	3	3	SRLEV N.V.	13.3%	14.6%	15.0%	↓
5	4	4	Achmea Pensioen- en Levensverzekeringen N.V.	13.1%	14.0%	14.3%	↓
6	6	5	Delta Lloyd Levensverzekering N.V.	10.5%	12.7%	10.9%	↔

Source: DNB template <data_T2_leven>

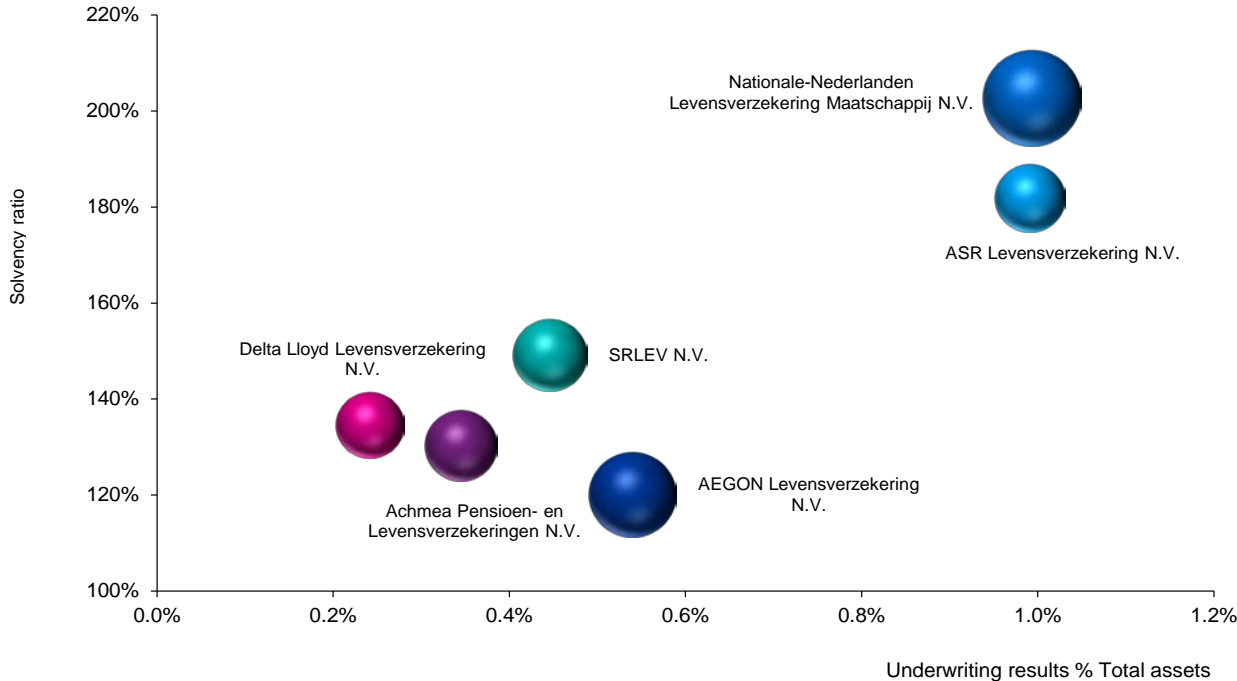


Notes

- Market share is calculated based on gross premium income at subsidiary level
- AEGON explains drop in premiums by declining volumes in individual (unit linked) insurance and off balance sheet pension solutions like APF and PPIs (Source: Annual Report AEGON Levensverzekering N.V. 2016)
- The increase in market share of a.s.r. is caused by the merger of De Eendragt and AXENT (Source: Annual Report a.s.r. Levensverzekering N.V. 2016)

Snapshot of the biggest life insurers in 2016

Figure 2.6 Solvency ratio, profitability and size



Source: DNB template <data_T2 leven>, <data_S2301>, <data_S2501> and <data_S2502>

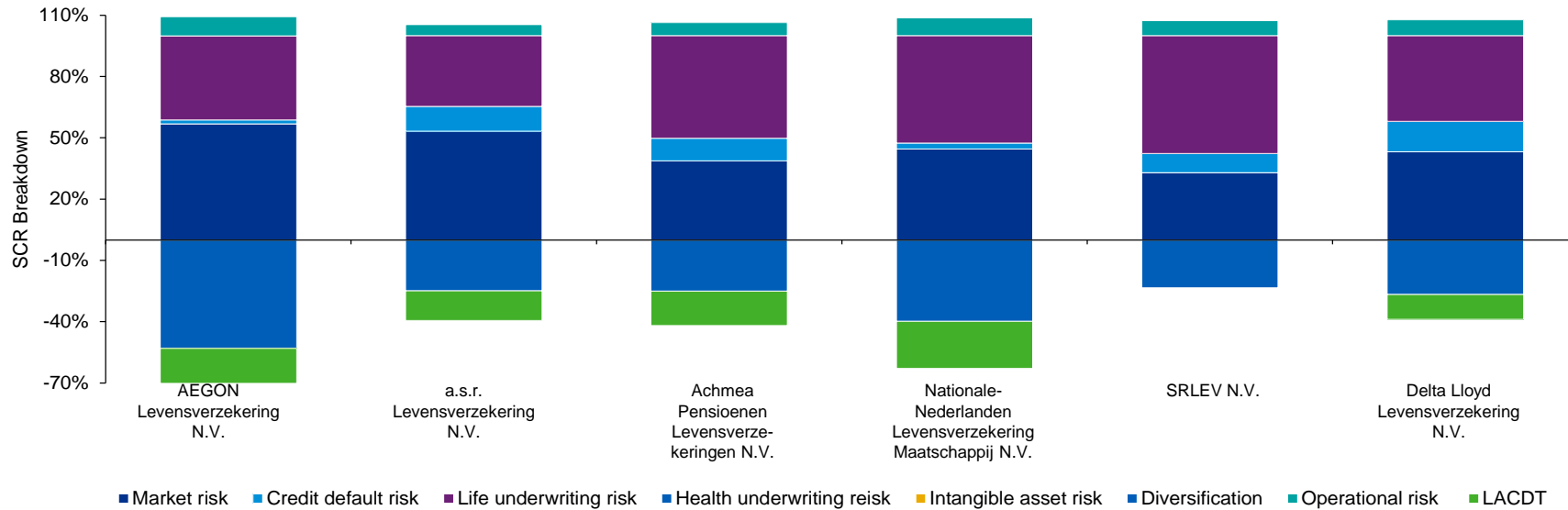
Notes

- The graph plots current year performance (underwriting results) versus the Solvency ratio (eligible funds to meet the SCR requirements)
- NN and a.s.r. are the best performing of the top six Dutch life insurance companies regarding underwriting result as a percentage of assets and the highest Solvency ratio

Y-axis expresses the Solvency ratio (eligible funds % SCR), x-axis expresses the underwriting result as % of total assets and the size of the bubble represents the value of total assets.

SCR breakdown of life insurers

Figure 2.7 SCR breakdown by risk module (2016)



Source: DNB template <data_S2501> and <data_S2502>

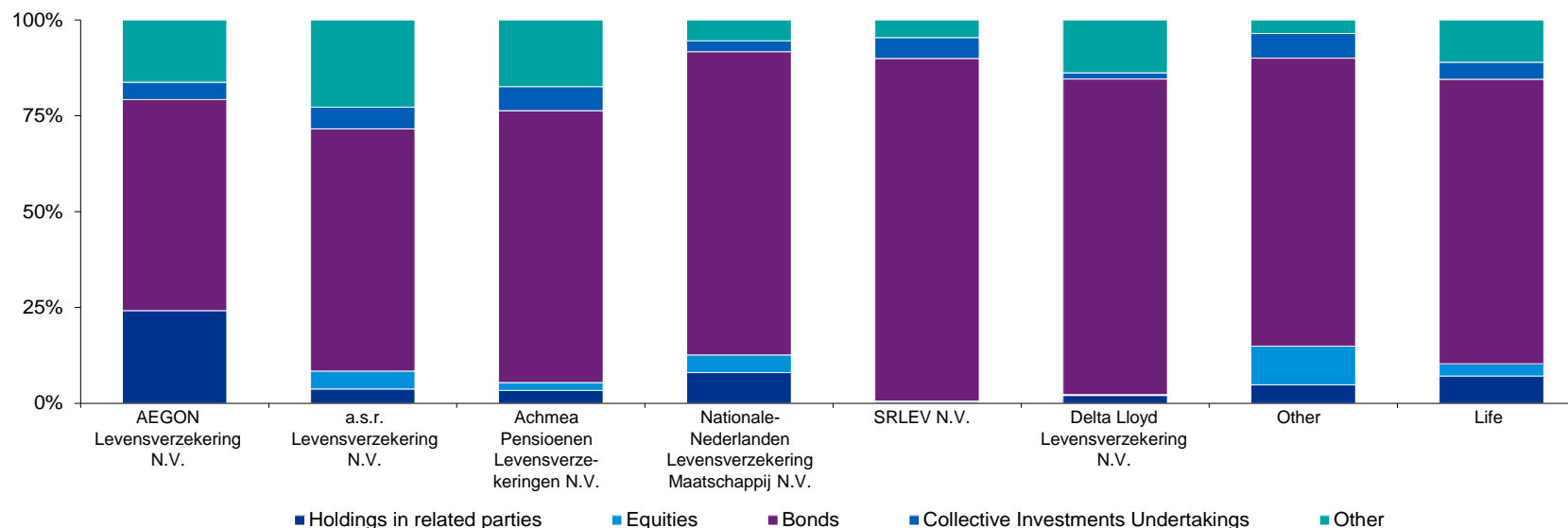
Notes

- This graph contains the SCR breakdown of the six largest life insurance companies
- Entities with PIM (AEGON and NN) show a high percentage of diversification
- SRLEV N.V. has set LACDT equal to EUR 0 based on DNB guidance (source: Annual Report SRLEV NV 2016)

The components life underwriting risk, health underwriting risk, credit default risk and market risk are expressing the Basic Solvency Capital Requirement (BSCR) before diversification. The Operational risk is added to this BSCR (100%). The LACDT component is calculated as a percentage of the BSCR after diversification plus the operational risk.

Investment mix of life insurers

Figure 2.8 Breakdown of the investment portfolios (2016)



Source: DNB template <data_S0201>

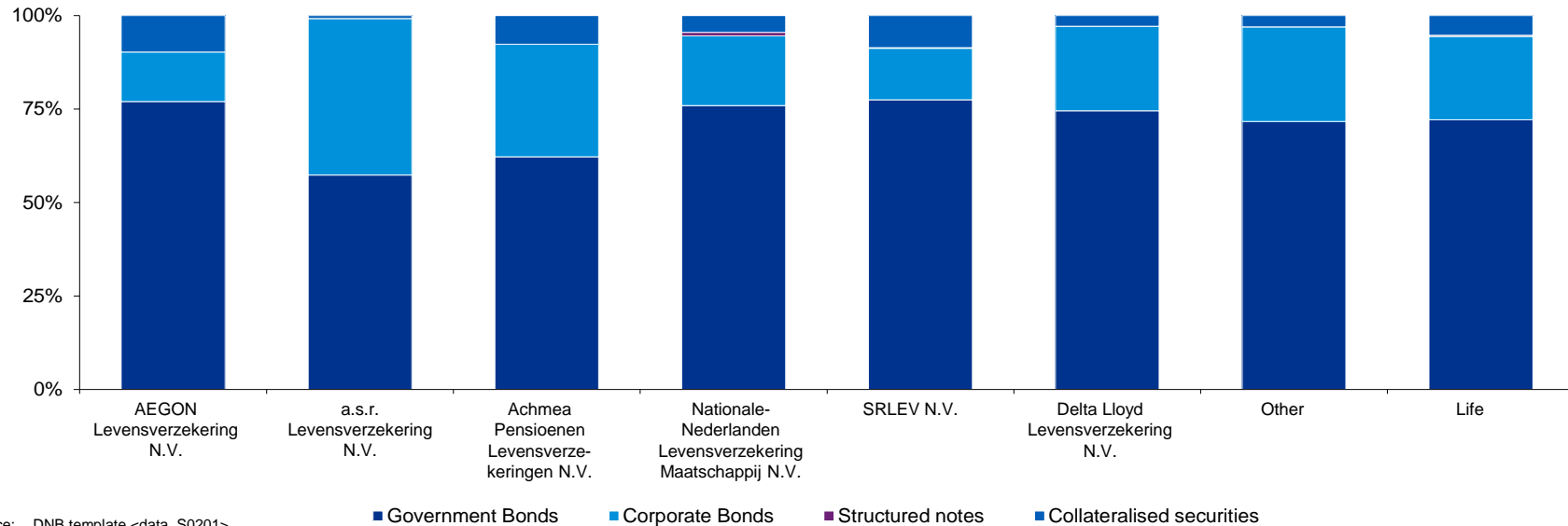


Notes

- Breakdown of the investment portfolio in assets other than unit linked or index assets
- Life insurance companies invest heavily in bonds. On average 72% of total investments is invested in bonds
- The 22% of investments of a.s.r. indicated as other, consist for 11% of derivatives, for 6% of deposits other than cash equivalents and for 5.2% of property (other than for own use)
- 24% of the investments of AEGON consist of holdings in related undertakings (including participations) as AEGON Leven Beleggingen B.V. and AEGON Vastgoed Holding B.V.

Breakdown of investments in bonds

Figure 2.9 Breakdown of the position invested in bonds (2016)



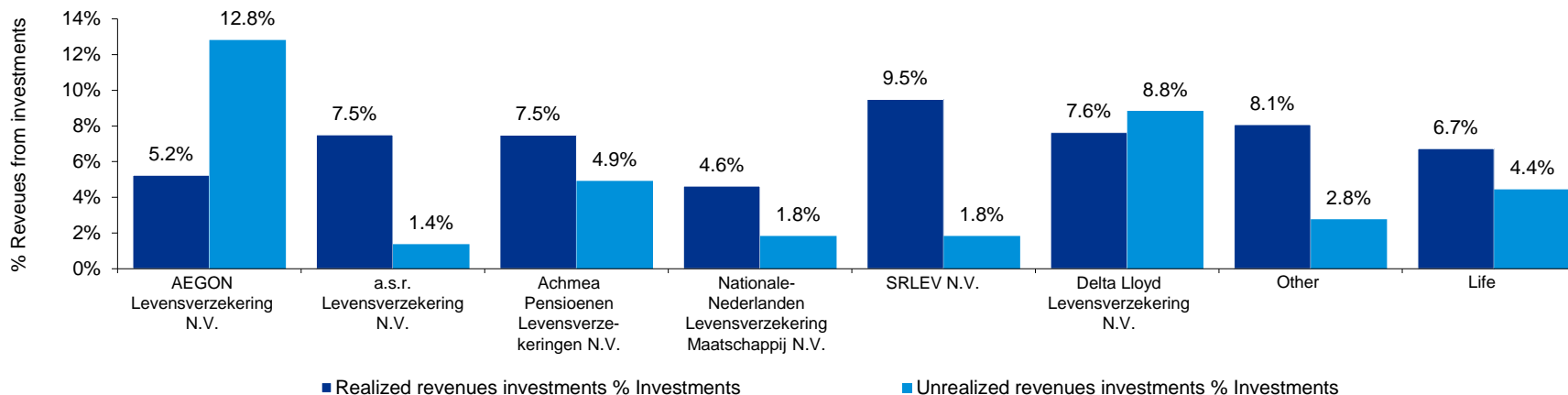
Source: DNB template <data_S0201>

Notes

- In the life insurance market, companies are on average investing 72% in bonds, which can be broken down into government bonds, structured notes, corporate bonds and collateralized securities
- Of the total investments in bonds, about 75% is invested in government bonds, only a.s.r. is far below the average % of investments in government bonds. a.s.r. chooses to hold a diversified portfolio of government, corporate and financials bonds, with at least rating BBB (Source: SFCR a.s.r. Leven 2016)
- Only small differences in the breakdown of types of bonds for the other life insurers

Gross result on investments of life insurers

Figure 2.10 Revenues from investments as % of total investment portfolio (2016)



Source: DNB template <data_T2_leven> and <data_S0201>

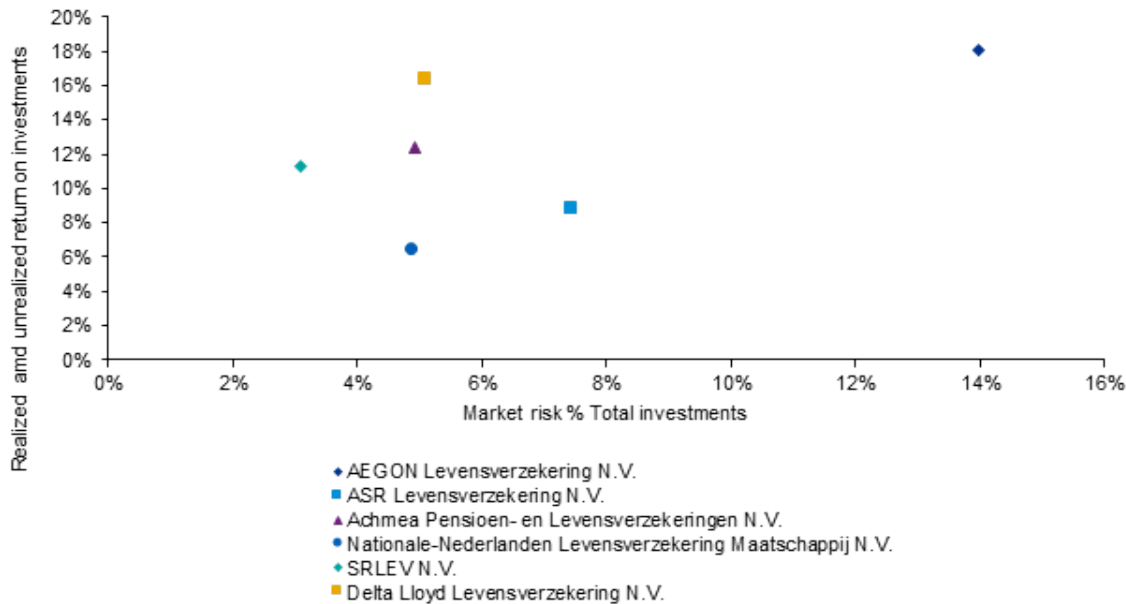


Notes

- Realized revenues are the gross total revenues from investments. Unrealized revenues are the non-realized revenues from investments accounted in the P&L
- Values are divided by the total value of investments other than unit linked or index linked
- AEGON shows high unrealized revenues (12.8%) given the large amount of investments designated as fair value through profit and loss

Gross result on investments and market risk

Figure 2.11 Return on investments and market risk (2016)



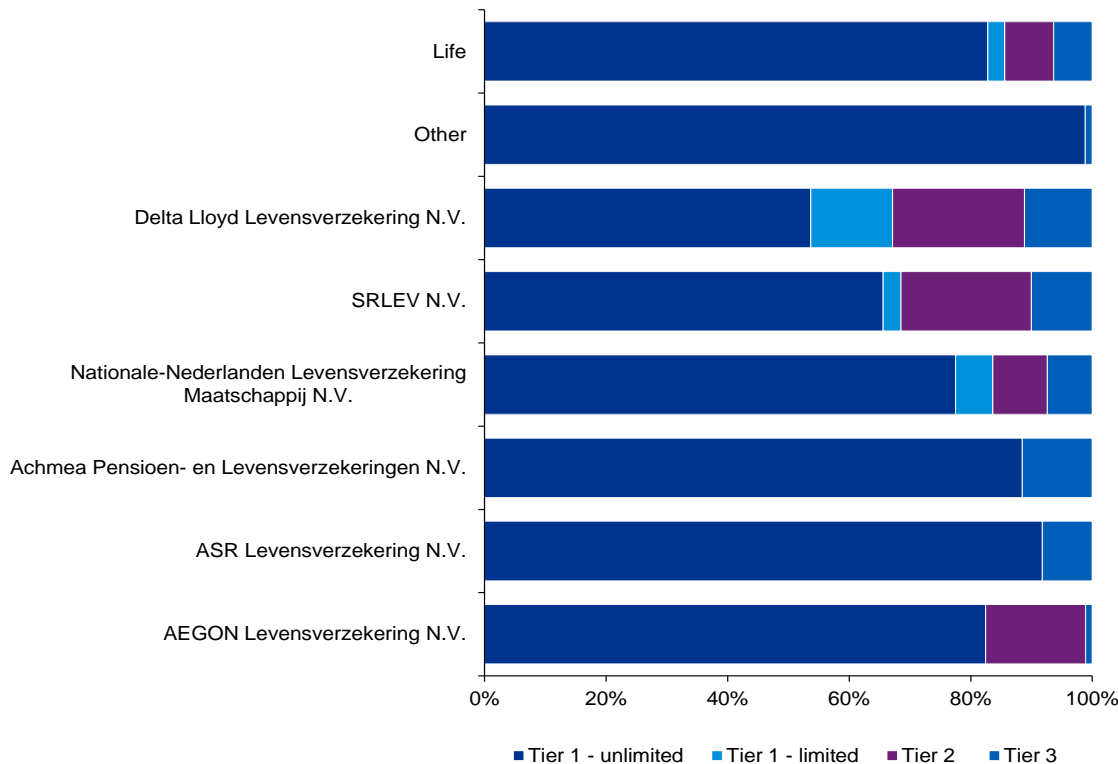
Notes

- Realized revenues and unrealized revenues are the total revenues recorded in the P&L. Values are divided by the total value of investments other than unit linked or index linked
- The market risk is divided by total value of investment other than unit linked or index linked
- Main market risks of a.s.r. are spread, property and equity risk (Source: a.s.r. Levensverzekering N.V. annual report 2016)
- Main market risks of AEGON, before tax and diversification benefits (EUR 4,043 million), are credit spread, default and migration risk. AEGON Leven operates an interest rate risk policy that limits the amount of interest rate risk to which it is exposed (Source: SFCR AEGON Leven 2016)

Source: DNB template <data_T2_leven> and <data_S0201>, <data_S2501> and <data_S2502>

Own Funds – Tiering of life insurers

Figure 2.12 Own Funds – Tiering (2016)



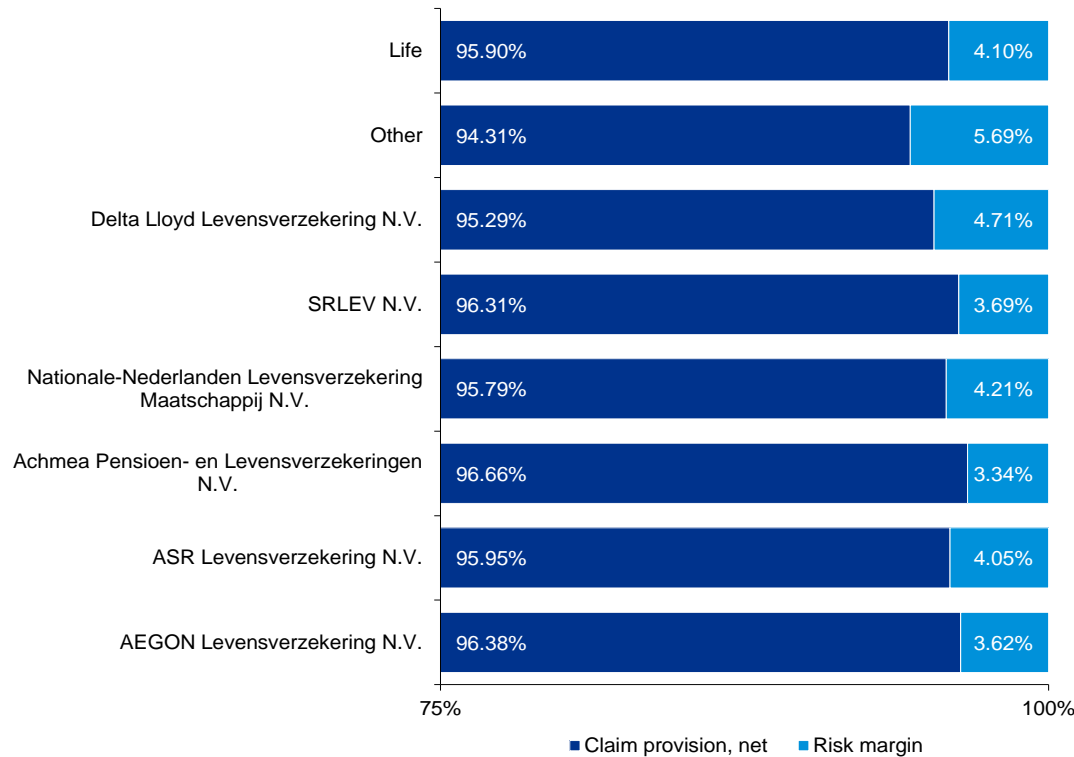
Source: DNB template <data_S2301>

Notes

- Solvency II acknowledges differences in the quality of own funds, in terms of availability and risk absorbency. There are 3 different tiers, with Tier 1 being the highest quality and Tier 3 the lowest quality
- Compared to the other life insurers Delta Lloyd has a lot of diversity in type of own funds. The main items classified as other than Tier 1 are net deferred tax asset (Tier 3) and subordinated debt (Tier 1 – restricted and Tier 2)
- Tier 3 items for almost all life insurers are the deferred tax assets
- Apart from the top six life insurers, own funds in the life insurers market mainly consist of Tier 1 own funds

Best estimate of the technical provision and risk margin

Figure 2.13 Best estimate of the technical provision and risk margin (2016)



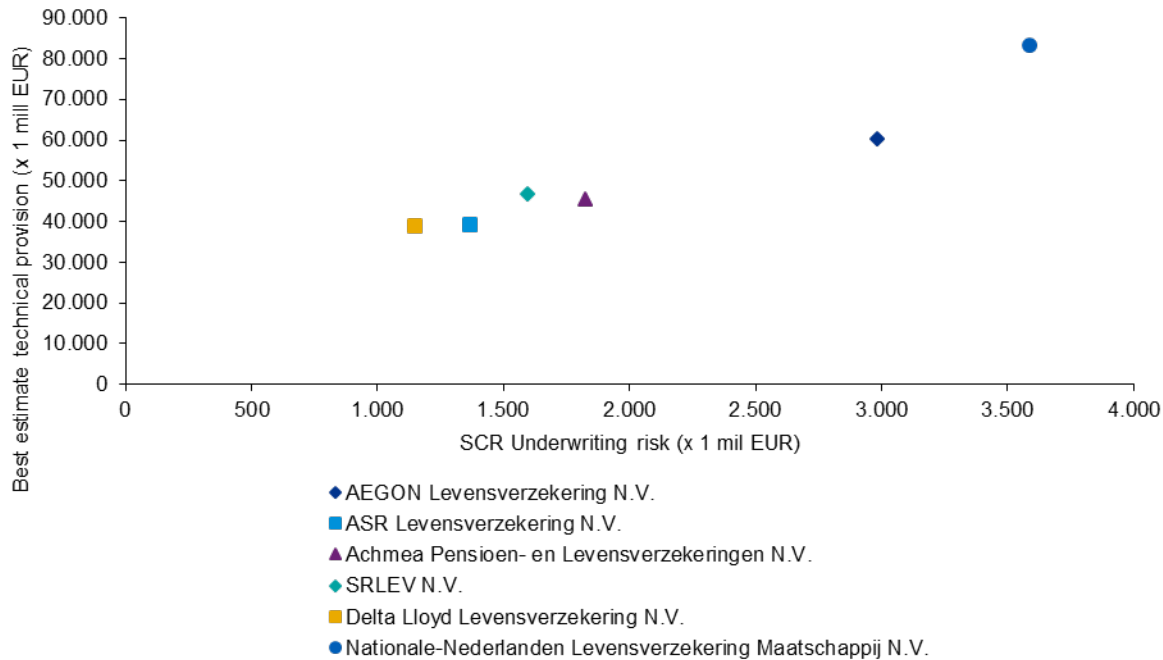
Notes

- The risk margin ensures that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance obligations
- No significant differences in risk margin between the large insurers
- The top six life insurers have a lower risk margin compared to market average
- To calculate the risk margin the Cost-of-Capital rate is used. This rate is set at 6%

Source: DNB template <data_S1201>

Relation between the technical provision and life underwriting risk

Figure 2.14 The relation between technical provision and life underwriting risk (2016)



✎
Notes

- Underwriting risk is the risk of a change in value due to a deviation of the actual claims payments from the expected amount of claims payments (including expenses)
- A higher best estimate technical provision results in more underwriting risk

Source: DNB template <data_S2201>, <data_S2501> and <data_S2502>

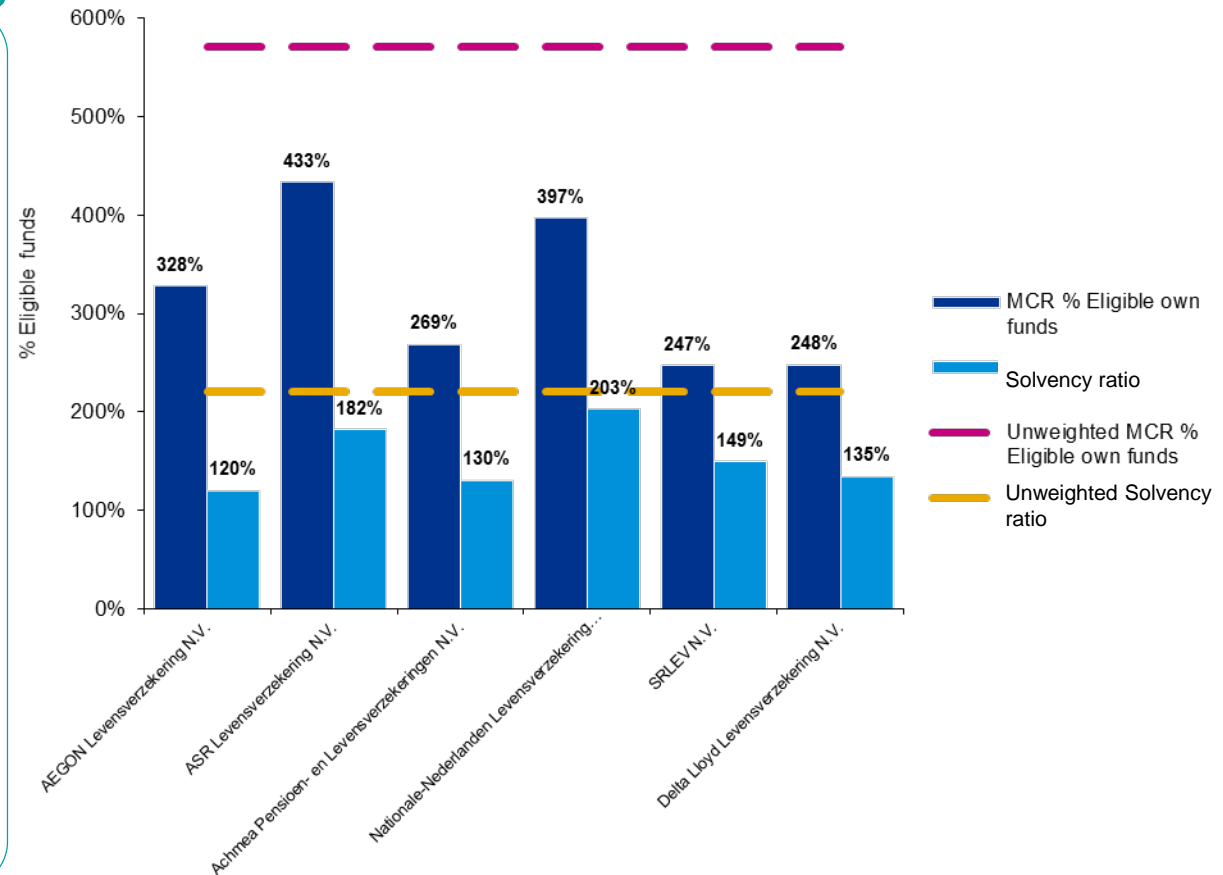
Capital requirements



Notes

- This graph represents the unweighted averages of the ratios of eligible funds to MCR and SCR (Solvency ratio)
- MCR is the lower capital requirement of Solvency II. An irreparable breach of the MCR would lead to the withdrawal of the insurance license
- The relation between own funds/MCR and own funds/SCR (Solvency ratio) does not show the same pattern for all insurers as the formula of MCR and SCR are structured differently
- The Solvency ratio of AEGON is with 120% below the Solvency II SCR target range of AEGON (between 130% - 150%) and management has identified actions to bring the ratio back in the target range (Source: AEGON Levensverzekering N.V. annual report 2016)

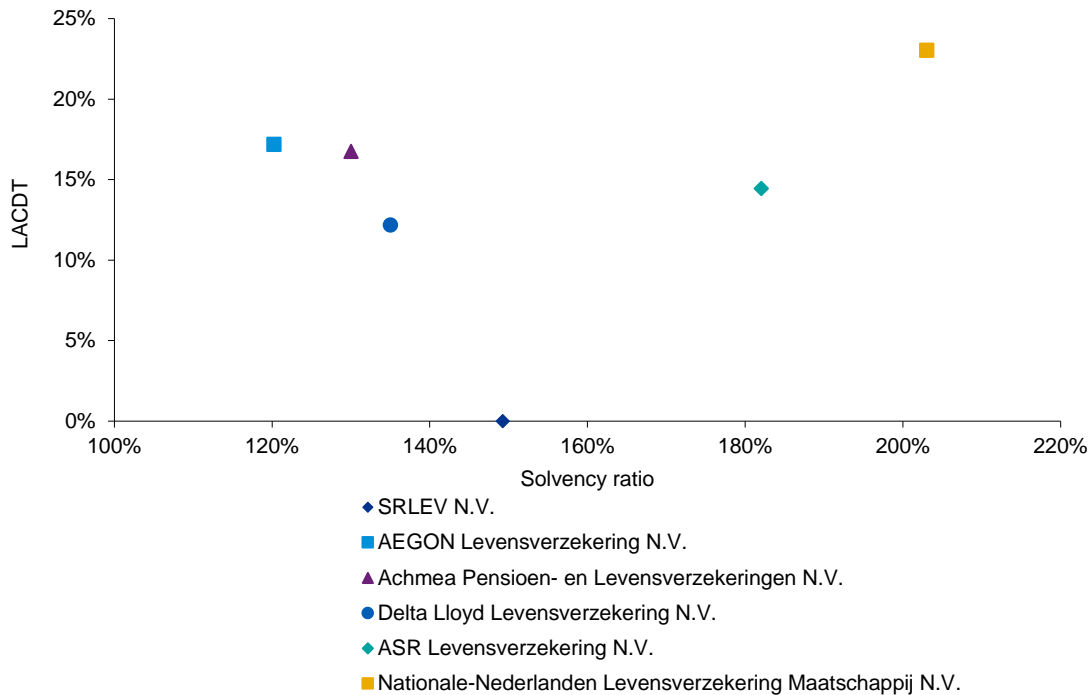
Figure 2.15 MCR and SCR to own funds in 2016



Source: DNB template <data_S2301>

The relation between SCR and LACDT

Figure 2.16 LACDT and SCR (2016)



Source: DNB template <data_S2301>, <data_S2501> and <data_S2502>



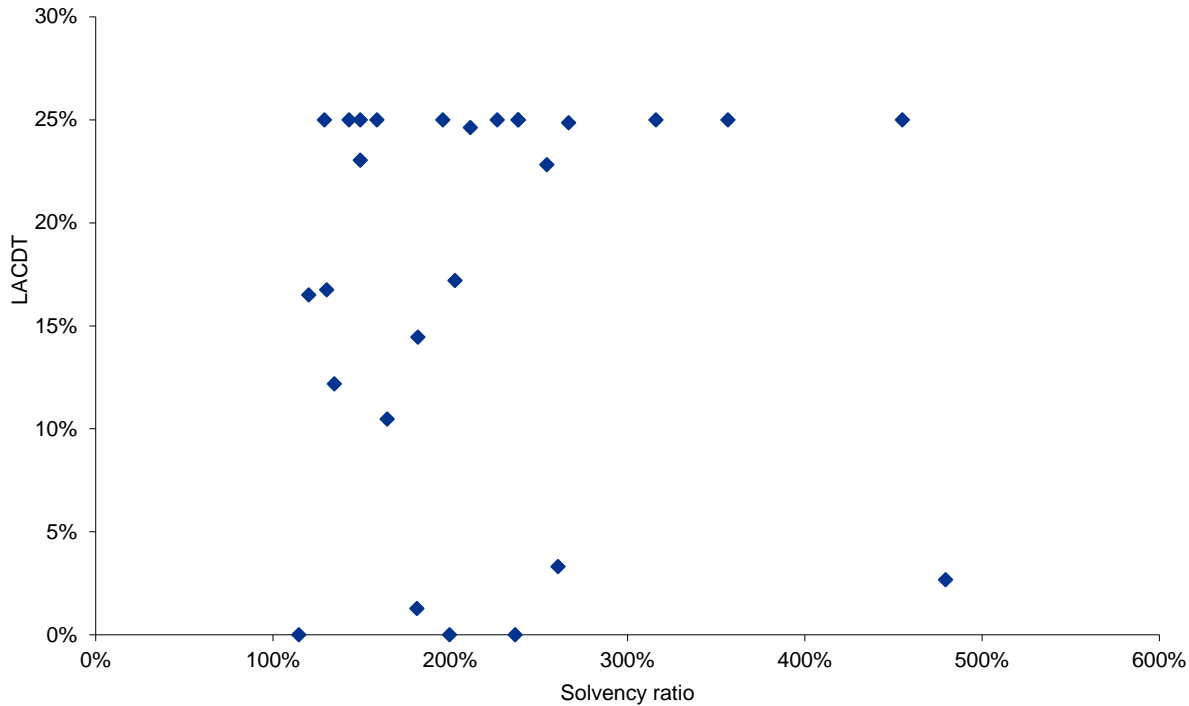
Notes

- This graph represents the relation between the loss absorbing capacity of deferred taxes (LACDT) ratio and the Solvency ratio
- The LACDT ratio is calculated as follows:

$$\text{LACDT} / (\text{Basic Solvency Capital Requirement} + \text{Diversification} + \text{Operational Risk})$$
- LACDT may lower an insurer's Solvency capital requirements (SCR). The maximum LACDT ratio is 25%
- SRLEV has set LACDT equal to EUR 0 based on DNB guidance (source: Annual Report SRLEV NV 2016)

The relation between SCR and LACDT

Figure 2.17 LACDT and SCR (2016)



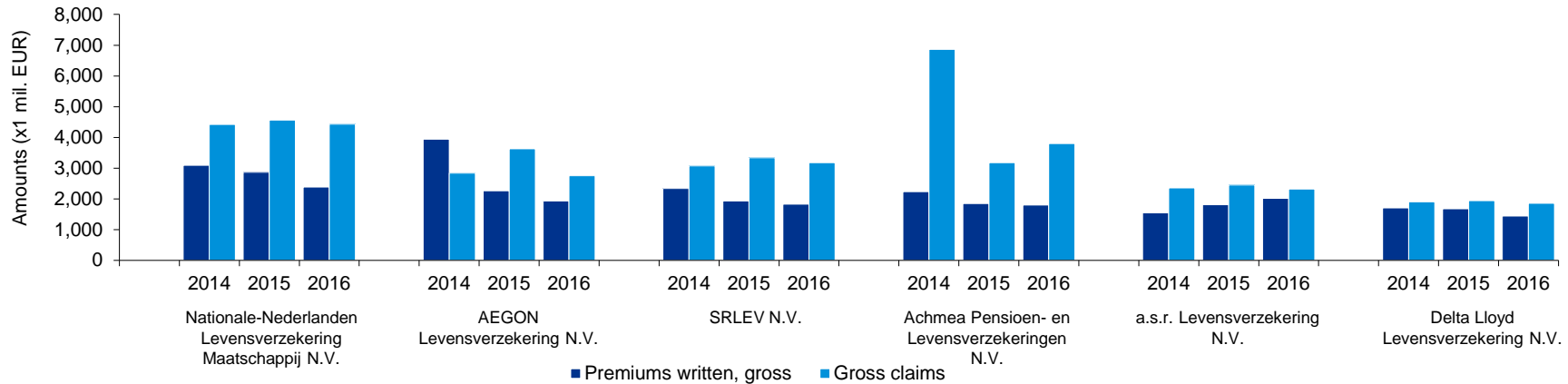
Notes

- This graph represents the relationship between LACDT and the solvency ratio in the whole life market.
- The dots represent the positions of all life insurers in the non-life market.
- There is no clear pattern visible whether life insurers adjust the SCR by using LACDT. However, mainly every life insurer adjust the SCR by LACDT (only three life insurers do not use LACDT).

Source: DNB template <data_S2301>, <data_S2501> and <data_S2502>

Comparing gross premiums written and gross claims of the biggest life insurers over time

Figure 2.18 Gross premiums written and underwriting expenditures 2014-2016



Source: DNB template <data_T2_leven>, insurance presentation KPMG (2016)

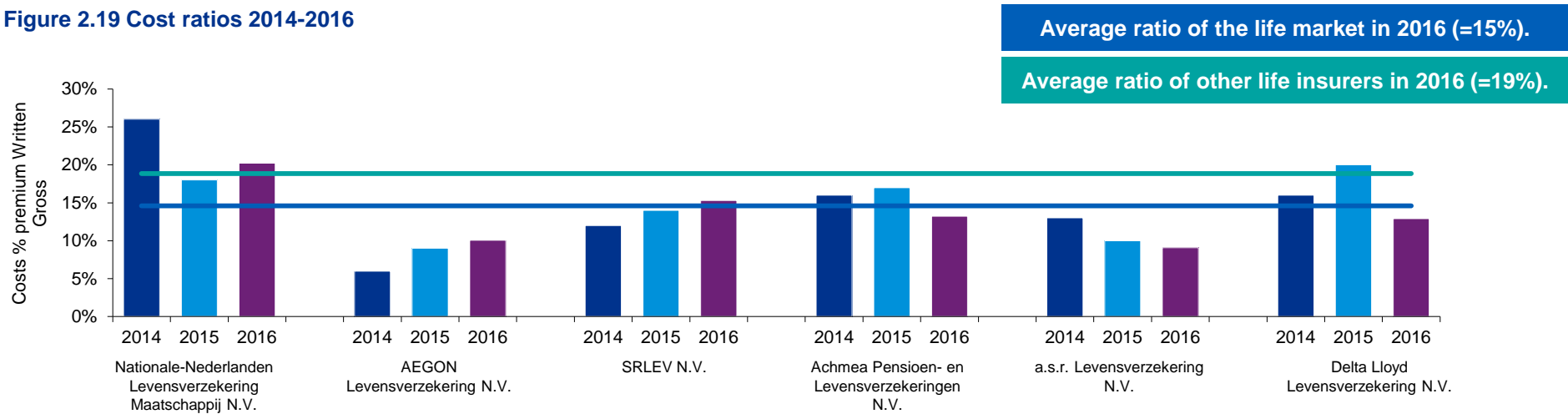


Notes

- This graph shows the values of gross premiums written and gross claims over time (2014-2016) of the six biggest insurers
- The general market for life insurance in the Netherlands is decreasing
- Outlier of Achmea in 2014 was explained: “The paid claims, where policyholders bear investment risk, increased by EUR 3,178 mln. This increase was due to the termination of several separate accounts including the contract with the pension fund for Achmea employees”
- Achmea shows an increase in claims in 2016. This is explained by ending the contract with one relation of EUR 520 million
- a.s.r. is the only life insurer that shows an increase in gross written premiums (10%)

Comparing premiums costs of the biggest life insurers over time

Figure 2.19 Cost ratios 2014-2016



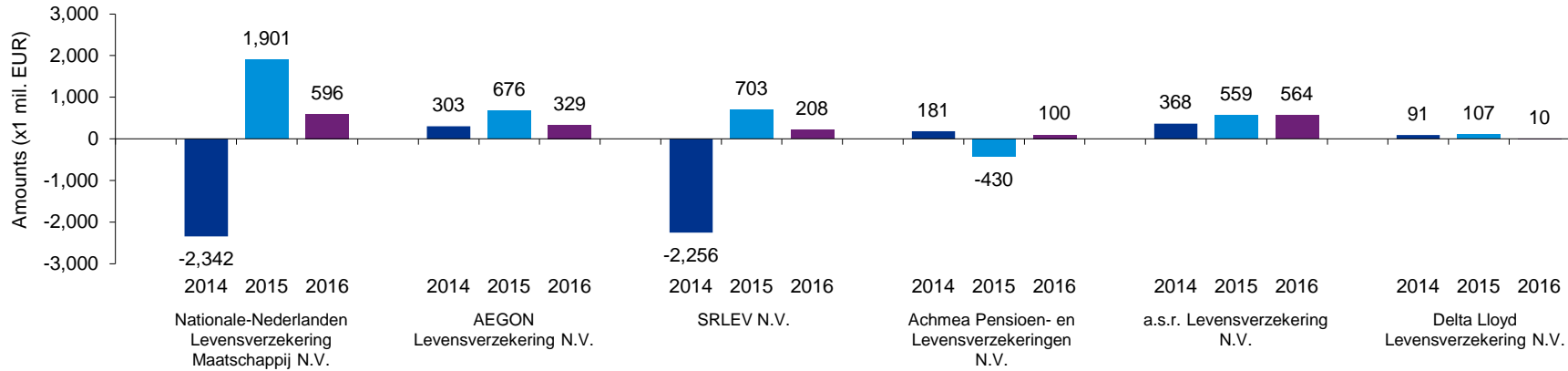
Source: DNB template <data_T2_leven>, insurance presentation KPMG (2016)

Notes

- This graph shows the cost ratios of the biggest life insurers over the period 2014-2016
- NN and SRLEV show cost ratios that touch or exceed the 15% ratio which is higher than the average cost ratio in the life market of 15%
- a.s.r. has with 9.1% the lowest cost ratio of the top six life insurance players

Comparing net results of the biggest life insurers over time

Figure 2.20 Net results 2014-2016



Source: DNB template <data_T2_leven>, insurance presentation KPMG (2016)

Notes

- This graph shows the value of net results of life insurers over time (2014-2016)
- All of the top six Dutch life insurers realize a positive net result in 2016
- a.s.r. is the only life insurer that shows an increasing positive result over the last 3 years

Developments in the market 2017

Rekenrente verzekeraars na jaren praten omlaag

De rekenrente die verzekeraars mogen gebruiken, gaat omlaag. Na jaren onderhandelen heeft de Europese koepel van toezichthouders Eiopa, waar ook De Nederlandsche Bank (DNB) bij is aangesloten, besloten het percentage stapsgewijs te verlagen.

Een lagere rekenrente ligt zeer gevoelig in de verzekeringssector. De solvabiliteit – maatstaf voor degelijkheid – van veel maatschappijen zal fors dalen door de aanpassing.

Het Financieele Dagblad, 7 april 2017

Rente gedaald

Sinds 2012 mogen verzekeraars een kunstmatige rente gebruiken van 4,2% voor verplichtingen, zoals pensioenverzekeringen, op de zeer lange termijn. De marktrente is sindsdien echter stevig gedaald. DNB pleit er al langer voor om de rekenrente in lijn te brengen met die van de markt, omdat anders de verzekeraars gezonder lijken dan ze in werkelijkheid zijn.

Eiopa is woensdag met een nieuwe methode gekomen om de rekenrente, die bekendstaat als UFR, te bepalen. Onder die methode zou de UFR nu geen 4,2%, maar slechts 3,65% moeten zijn. Omdat dat voor veel verzekeraars een grote stap is, gebeuren aanpassingen met hooguit 0,15 procentpunt per jaar.

Het Financieele Dagblad, 4 april 2017

Verzekeraars vinden beter de weg naar eigen tech-domein

Terwijl het volstrekt normaal is om te bankieren met je mobiele telefoon, houden verzekeraars zich stil. De fintech-revolutie lijkt aan hen voorbij te gaan. Op de achtergrond gebeurt er echter al veel. Verzekeraars kijken naar nieuwe partijen, zoeken de samenwerking en beginnen nieuwe online maatschappijen.

Een aantal van deze vernieuwers liet zich afgelopen week zien op het evenement Digital Insurance Agenda (DIA) in Amsterdam. Zoals het Amerikaanse Ladder, waar je binnen enkele minuten online een levensverzekering afsluit, het eveneens uit de VS afkomstige Hover, dat met enkele smartphone foto's vastgoedinspecties verzorgt, en het Britse Sherpa, dat met individuele risico-analyses maatwerkverzekeringen levert.

Het Financieele Dagblad, 18 mei 2017

a.s.r. zet weer hogere winst neer

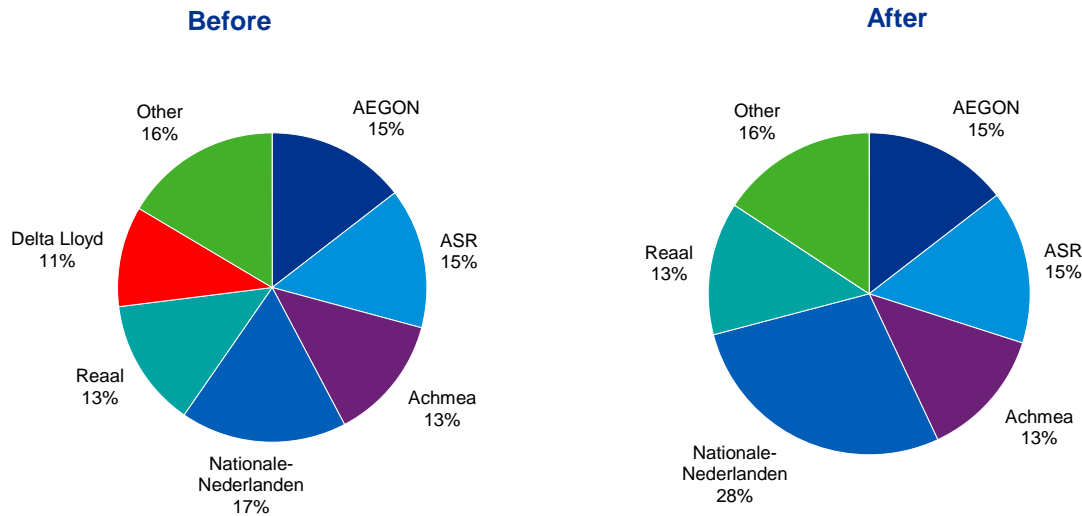
De winststijging is niet alleen aan meevallers te danken. De beleggingswinst bij het levenbedrijf, een belangrijke pijler voor de winst van het hele concern, nam toe doordat a.s.r. iets risicovoller is gaan beleggen. De verzekeraar heeft zo'n €140 mln aan vastrentende waarden ingeruild voor aandelen.

Wel ging de draai in de beleggingsportefeuille ten koste van de solvabiliteit. Hoe risicovoller de beleggingen, hoe hoger de kapitaalbuffer die de toezichthouder vereist in de complexe berekeningen van het toezichtstelsel Solvency II. De maatregel kostte 5 procentpunt solvabiliteit. Maar omdat a.s.r. afgelopen kwartaal ook winst kon bijschrijven, bleef deze ratio voor degelijkheid uiteindelijk vrijwel constant, op 188% per eind maart.

Het Financieele Dagblad, 31 mei 2017

Special: Outlook 2017 life at a concern level

Figure 2.21: Effect of acquisitions and consolidation within the life market at a concern level



Source: DNB template <data_T2_leven>

Note: Legal entities after acquisitions include:

Achmea = Achmea Levensverzekering N.V.

a.s.r. = a.s.r. Levensverzekering N.V. and Generali levensverzekering maatschappij N.V.

Nationale-Nederlanden = Nationale-Nederlanden Levensverzekering N.V., Delta-Lloyd Levensverzekering N.V.

Reaal = SRLEV N.V.

AEGON = AEGON Levensverzekering N.V. and AEGON Spaarkas N.V.



Notes

- This figure reports the gross value of written premiums for the life market of 2016. This graph represents the market share at a concern level (see the legal entities included below) based on 2016 figures after consolidation and acquisitions
- After the acquisition of Delta Lloyd, NN is by far the biggest player in the life market with a market share of 28% (market share 2016 17%)

Contents

1	Overview of Dutch insurance market 2016
2	Life insurers
3	Non-life insurers
4	Health insurers

The non-life insurance market in a nutshell

Gross premium slightly increased in 2016 and claims show a strong increase. Net results are relatively stable over time

The hailstorm of June 2016 had a strong impact on the insurance companies and increased total claims

Market saturation and fierce competition put a damper on growth opportunities

Six large market parties retain their top position, however they have changed positions due to acquisitions by a.s.r.

The gross combined ratio is stable over the past years and hits 100% in 2016

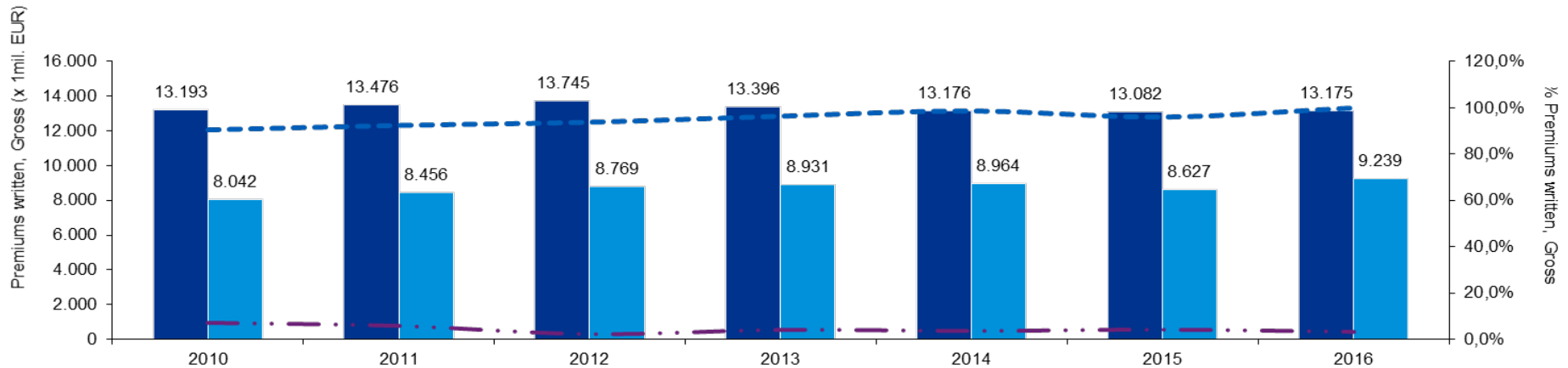
More acquisitions in 2017, which increases the position of the top players: NN acquired Delta Lloyd and a.s.r. acquired Generali

Non-life insurance companies have challenges in the future, such as low margins and climate changes

All of the top six Dutch non-life insurers report a SII ratio above 100%

Developments in the non-life market

Figure 3.1 Total overview of developments in the non-life industry (2010-2016)



Source: DNB template <data_T2_schade> ■ Premiums written, Gross ■ Claims, Gross ■ % Net result ■ % Gross combined ratio

Notes

- Net result expressed in gross premiums written and gross combined ratio is the ratio of costs and gross claims expressed as gross premiums written (therefore before taking reinsurance activities with respect to both premiums and claims into account)
- In our market analysis we are only included insurance entities with are under DNB regime 2016. This impact is mainly visibly for the non-life insurance market.
- The average value of gross premium showed a decline until 2015. Per 2016 there is a slight increase in total premiums, mainly in segments motor and fire
- The gross claims increased compared to prior year and are at the highest level of the past 7 years. This is mainly due to the large hailstorm in June 2016 which had an impact of approximately EUR 500 million
- The increase in premiums is not sufficient to cover the increase in claims in 2016. The gross combined ratio slightly increased over the past years and almost hits 100% in 2016

Developments of costs, net and underwriting results

Figure 3.2 Costs development in the non-life market (2010-2016)

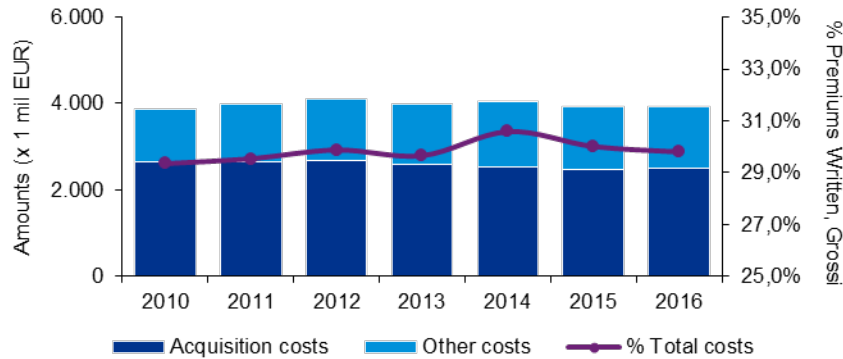
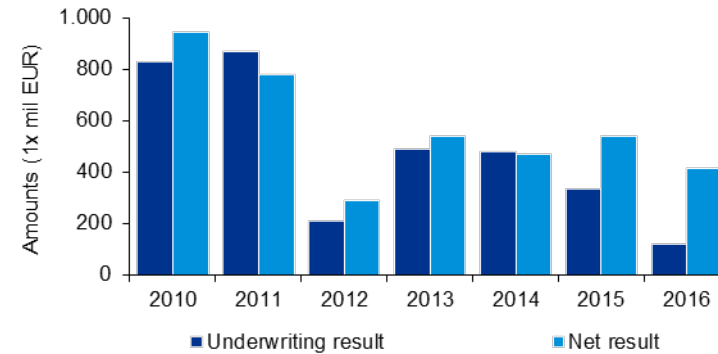


Figure 3.3 Underwriting vs net results in the non-life market (2010-2016)

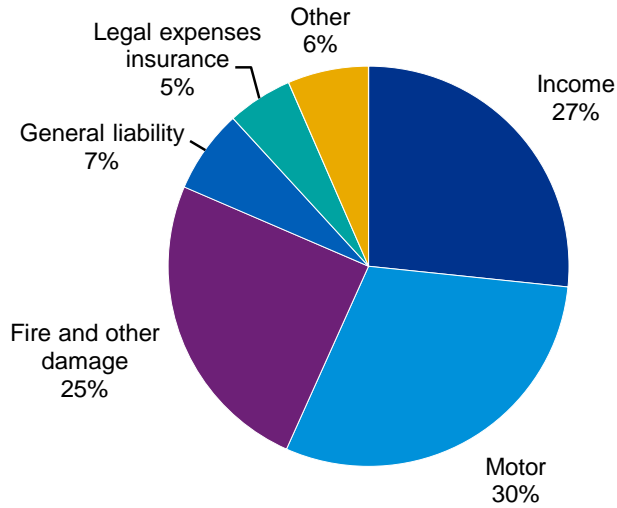


Notes

- Total costs are in line with prior years. The gross premiums written have increased and therefore the total costs percentage of gross premiums written slightly declined
- The underwriting result of the market shows a strong decrease compared to the last three years. The decrease in 2016 compared to 2015 is mainly caused by a decrease in underwriting results due to the storm in June 2016. The net result remains positive which emphasizes the importance of the investment income
- The net result in the non-life market is almost 4 times as high as the underwriting result for 2016, which is mainly caused by the result on investments

Breaking down the non-life market into segments

Figure 3.4 Non-life market breakdown in segments (2016)



Source: DNB template <data_S0501L> and <data_S050NL>



Notes

- This figure shows the breakdown of the non-life market based on premiums written, gross
- The main segments of the non-life markets are income, motor and fire and other damage
- The breakdown is based on 2016 QRT templates. Comparison with prior year is not relevant due to different categories in QRT templates compared to Wft categories

The key players in the non-life market

Position 2016	Position 2015	Position 2014	Entity	Market share 2016	Market share 2015	Market share 2014	Market position 2016 vs. 2015
1	1	1	Achmea Schadeverzekeringen N.V.	23.6%	21.1%	21.1%	↔
2	4	4	a.s.r. Schadeverzekering N.V.	13.8%	6.8%	6.7%	↑
3	2	2	Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	9.7%	8.5%	8.7%	↓
4	3	3	Delta Lloyd Schadeverzekering N.V.	8.9%	7.4%	7.2%	↓
5	6	5	REAAL Schadeverzekeringen N.V.	4.9%	4.6%	5.0%	↑
6	5	6	AEGON Schadeverzekering N.V.	3.6%	4.8%	5.0%	↓

Source: DNB template <data_T2_schade>

Notes

- The non-life market is characterized by a high degree of saturation and competition
- Market share of a.s.r. increased to a level of 13.8% in 2016 because the former single reporting entities De Amersfoortse and De Europeesche are included in a.s.r.'s statements of 2016. In 2015, these entities had a market share of 3.9% and 1.1% respectively
- NN acquired Delta Lloyd and will therefore probably take position 2 after reporting as a single entity
- a.s.r. acquired Generali (share 2016: 2.1%) in 2017, which would further increase its market share

Non-life market segments: motor

Figure 3.5 Market share motor (2016)

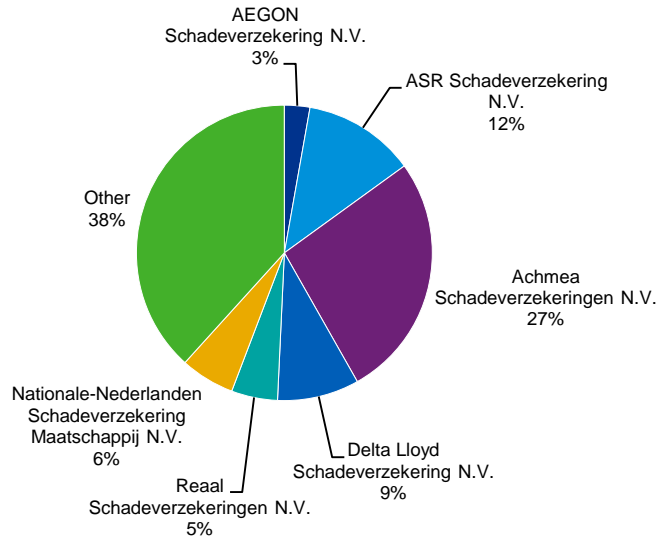
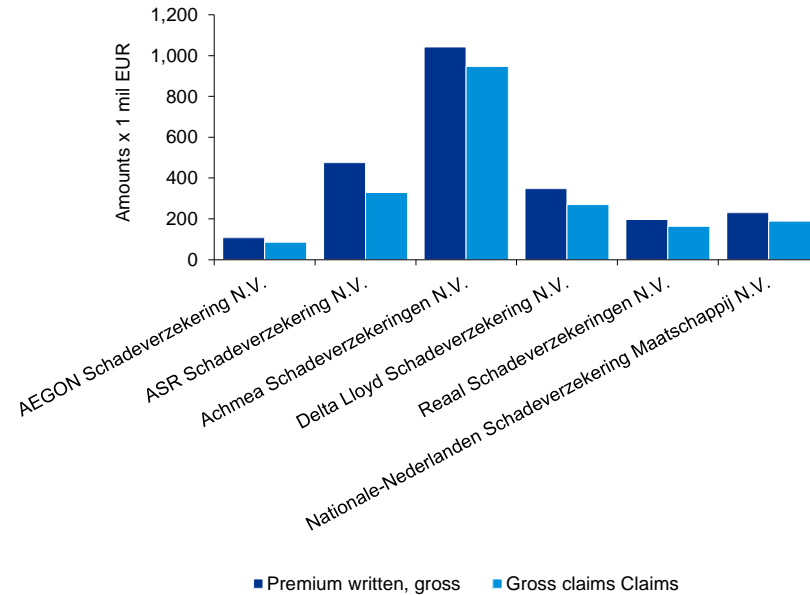


Figure 3.6 Gross premiums and gross claims in the motor market (2016)



Source: DNB template <data_S050NL> and <data_S0501L>



Notes

- Achmea is the largest player in the motor segment
- The margins on the products in segment motor are low. The premium volume increased in 2016, however not as much as the increase in claims. This is mainly due to the impact of increasing technology in cars, more theft of vehicles and more traffic deaths and injuries

Non-life market segments: income

Figure 3.7 Market share income (2016)

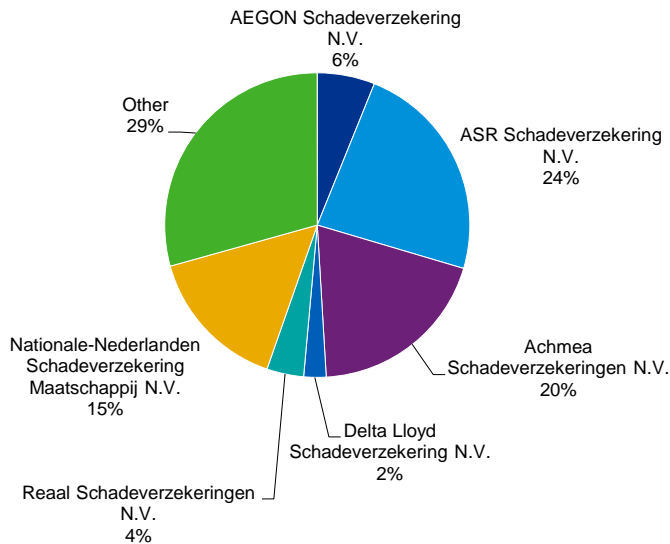
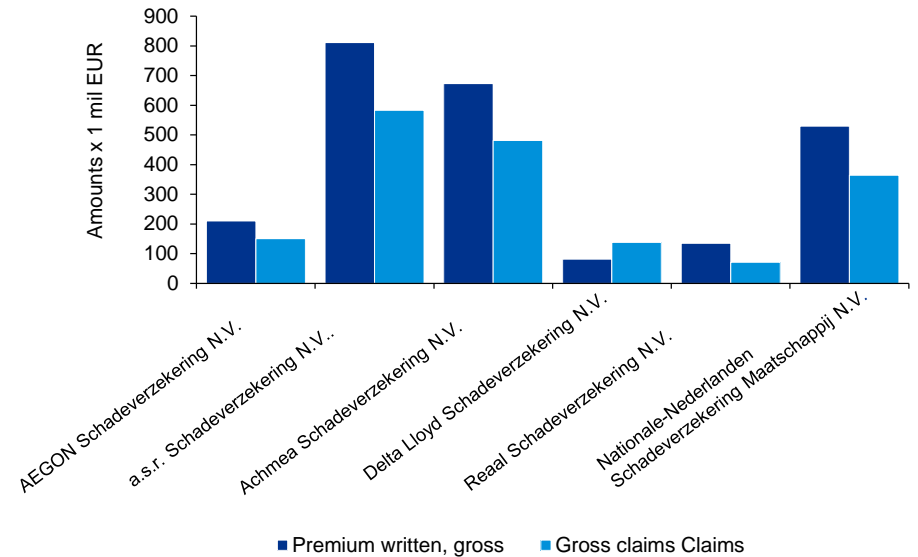


Figure 3.8 Gross premiums and gross claims in the income market (2016)



Source: DNB template <data_S050NL> and <data_S0501L>

Notes

- The figure shows the distribution of market share for the segment income, based on gross premiums written
- a.s.r. is the largest player in the income segment. However, it should be noted that a.s.r. now includes De Amersfoortse, whereas Movir (subsidiary of NN Group, market share of 6%) is not included in the figures for NN. Including Movir would increase the market share of NN to 21%
- The gross claims income for Delta Lloyd is higher than the gross premiums written because of strengthening of the reserves

Non-life market segments: fire and other damage

Figure 3.9 Market share fire and other damage (2016)

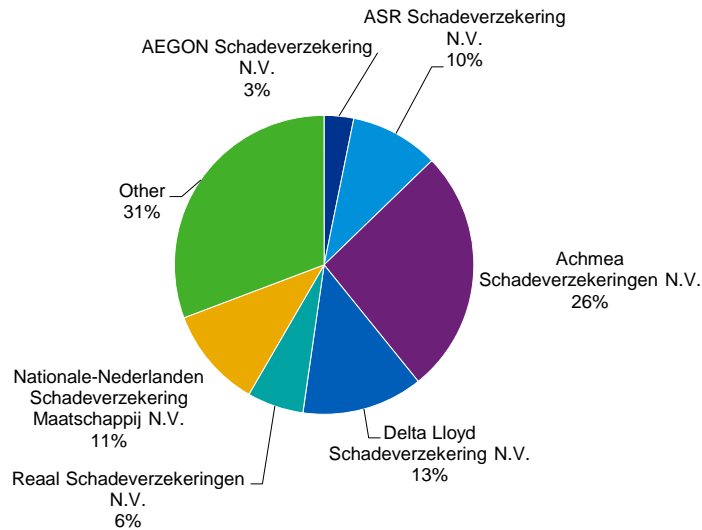
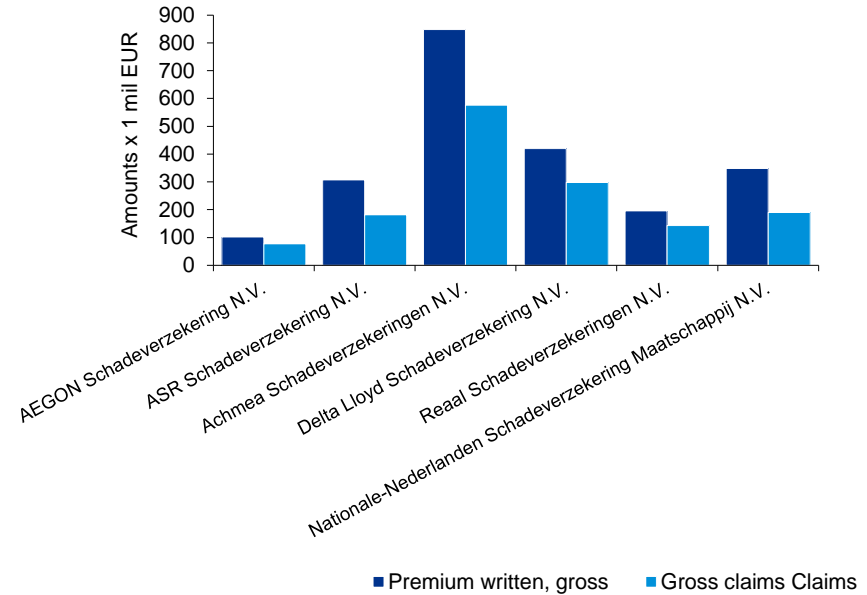


Figure 3.10 Gross premiums and gross claims in the fire and other damage market (2016)



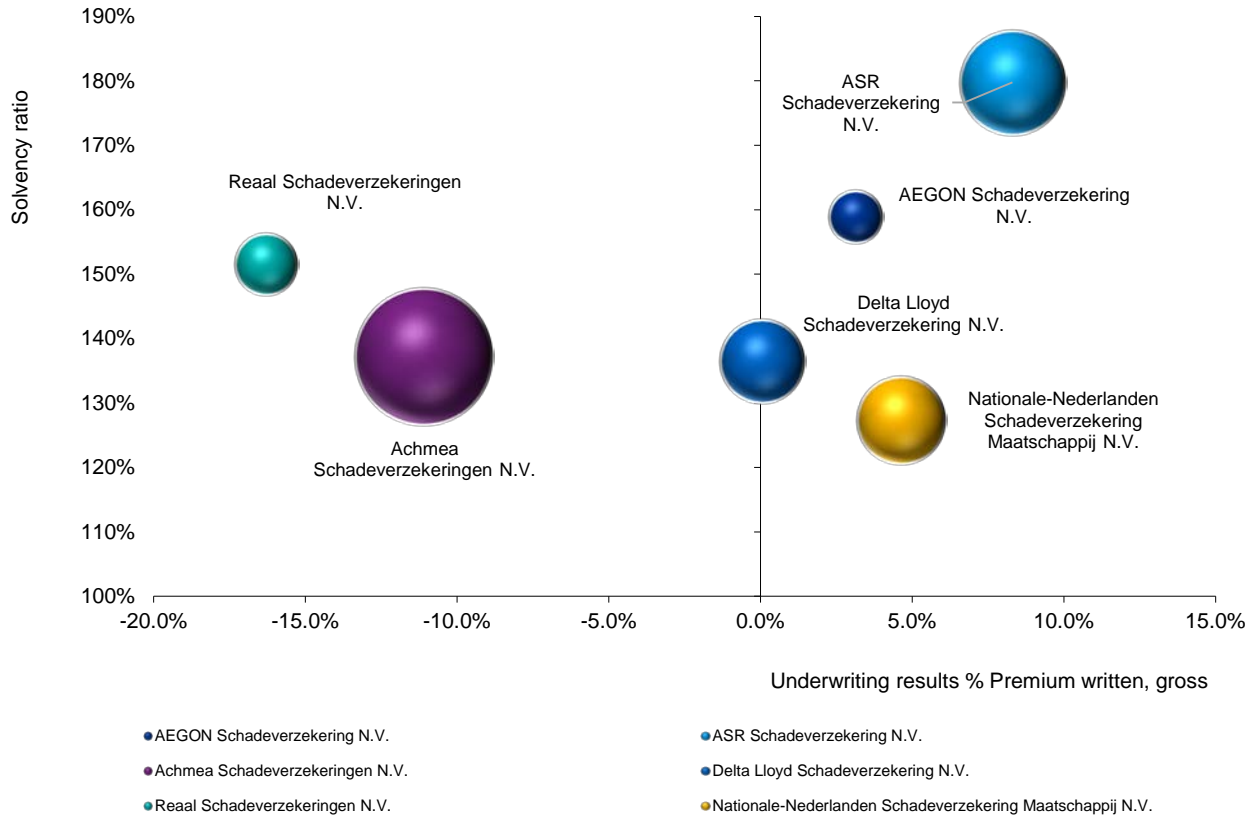
Source: DNB template <data_S050NL> and <data_S0501L>

Notes

- Achmea is the largest player in the segment fire and other damage (26%). The strongest brands of the company are Centraal Beheer and Interpolis
- The gross claims are lower than the gross premiums written, however the pressure on the net result for the segment was high, mainly due to the hailstorm

Snapshot of the biggest non-life insurers

Figure 3.11 SCR ratio, profitability and size (2016)



Source: DNB template <data_T2_schade>, <data_S2301>, <data_S2501> and <data_S2502>

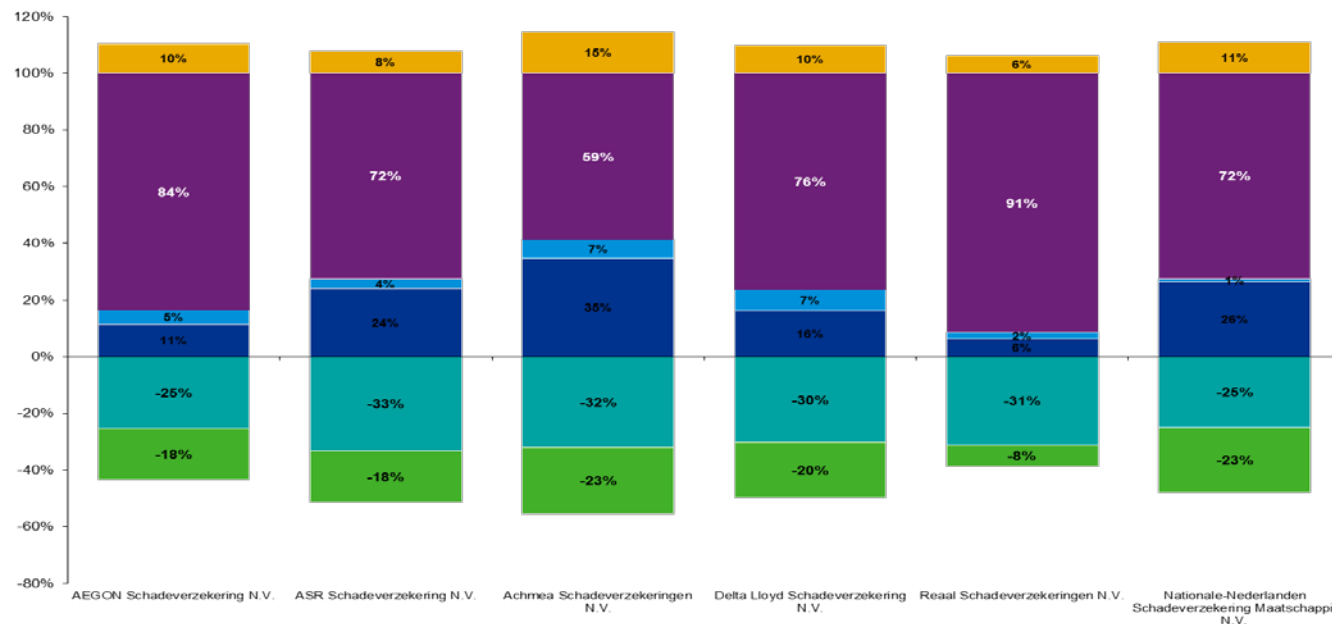
✎
Notes

- a.s.r. shows the highest underwriting result as a percentage of gross premiums written and the highest Solvency ratio
- The Solvency ratio is based on the own funds after dividend payment to the parent company. Differences between the companies are large:
 NN pays EUR 100 million to the group, while AEGON only pays EUR 20 million

Y-axis expresses the Solvency ratio (eligible funds % SCR), x-axis expresses the underwriting result as % of total gross premiums written and the size of the bubble represents the total value of gross premiums written.

SCR breakdown of non-life insurers

Figure 3.12 SCR breakdown by risk module (2016)



Source: DNB template <data_S2501> and <data_S2502>

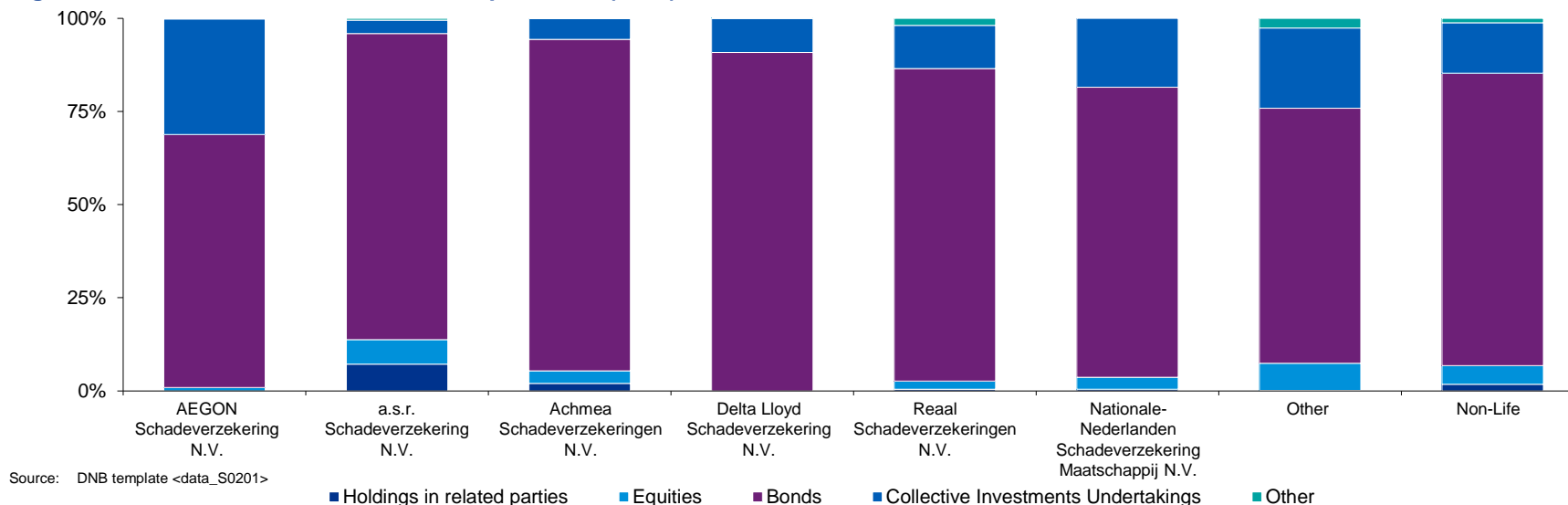
■ Market risk ■ Counterparty default risk ■ Intangible asset risk ■ Non-life underwriting risk ■ Diversification ■ Loss-absorbing capacity of deferred taxes ■ Operational risk

Notes

- This graph contains the SCR breakdown of the six largest non-life insurance companies
- The components non-life underwriting risk, health underwriting risk, credit default risk and market risk are expressing the Basic Solvency Capital Requirement (BSCR) before diversification
- The operational risk is added to this BSCR. The LACDT component is calculated as the BSCR after diversification plus the operational risk

Investment mix of non-life insurers

Figure 3.13 Breakdown of the investment portfolios (2016)

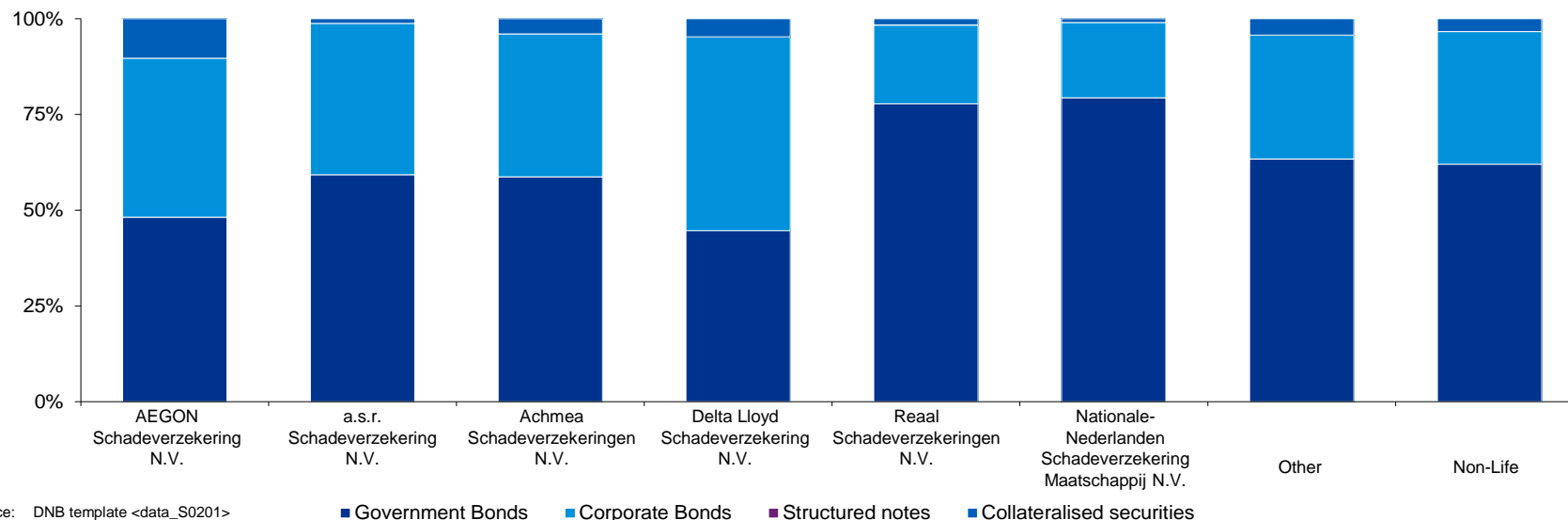


Notes

- Breakdown of the investment portfolio in assets other than unit linked or index linked assets
- Non-life insurance companies invest heavily in bonds. On average, 79% of total investments is invested in bonds
- AEGON is investing 31% in collective investments undertakings, which are mainly high-quality short-term investments. These are primarily level 1 quoted market prices in active markets
- Achmea is investing 89% in bonds, however the company states that its revenue from investments decreased strongly due to less realizations on bonds as a result of lower interest rates
- Compared to the other non-life insurance companies, Delta Lloyd is mainly investing in bonds (90.8%). Most of the bonds are listed in active markets and are level 1 investments. This is part of the de-risking strategy of the company by increasing the proportion of higher rated AAA and AA bonds

Breakdown of investments in bonds

Figure 3.14 Breakdown of the position invested in bonds (2016)



Source: DNB template <data_S0201>

■ Government Bonds ■ Corporate Bonds ■ Structured notes ■ Collateralised securities

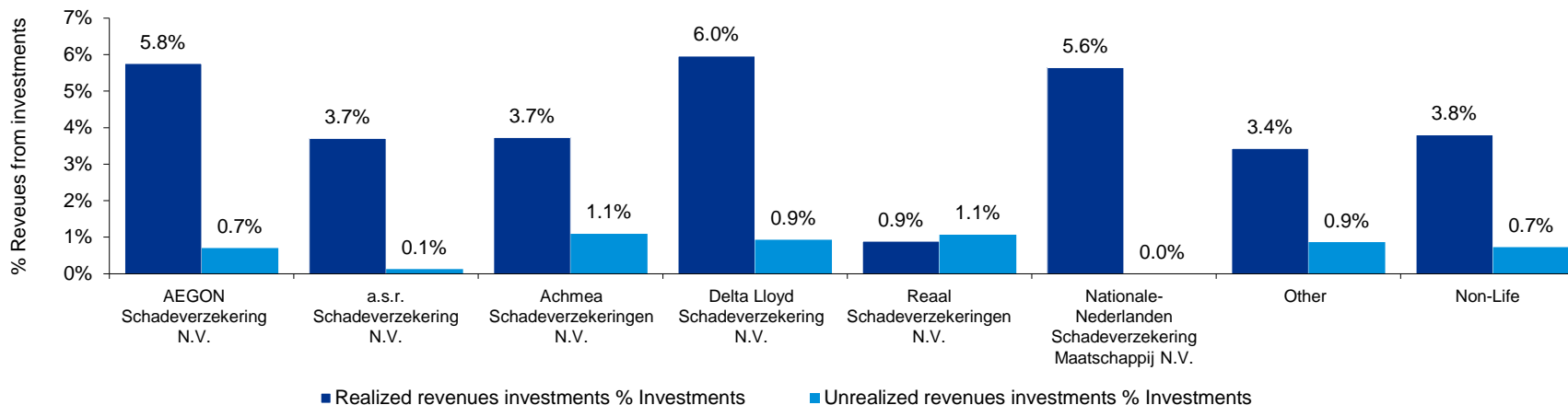


Notes

- In the non-life insurance market, companies are on average investing 79% in bonds, which can be broken down into: government bonds, structured notes, corporate bonds and collateralized securities
- Delta Lloyd is mainly investing in corporate bonds (51%) and has a relatively small amount of government bonds (41%). The corporate bonds are mainly level 1 investments, with limited risk
- NN primarily uses bonds issued by central governments to match its liabilities. Most of these are Dutch and German, with both an AAA-rating. This is in line with the strategy of the company to maintain a low-risk portfolio
- Reaal has a relatively low risk appetite. 84% of its investments are bonds, of which 78% are government bonds. These government bonds are predominantly European and 87% had an A rating or higher
- Achmea is investing most of its bonds in Dutch, German and French government bonds. This is in line with the company's prudent investment strategy. The largest part of the company's bonds has an AAA-rating

Gross result on investments

Figure 3.15 Revenues from investments as % of total investment portfolio (2016)



Source: DNB template <data_T2_schade> and <data_S0201>



Notes

- Realized revenues are the gross total revenues from investments. Unrealized revenues are the non-realized revenues from investments accounted for in the P&L
- Values are divided by the total value of investments other than unit linked or index linked
- AEGON, Delta Lloyd and NN report realized revenue on investments above market average. Delta Lloyd shows positive results due to the return on corporate bonds, while NN is showing good returns on investments in shares. AEGON shows high realized revenue due to the sale of investments in corporate bonds and shares
- Reaal has a relatively low realized return on investments, which is mainly due to its prudent investment strategy. However, the company's absolute investment income increased compared to prior year

Market risk and revenues on investments

Figure 3.16 Relationship between market risk and realized revenues on investments (2016)



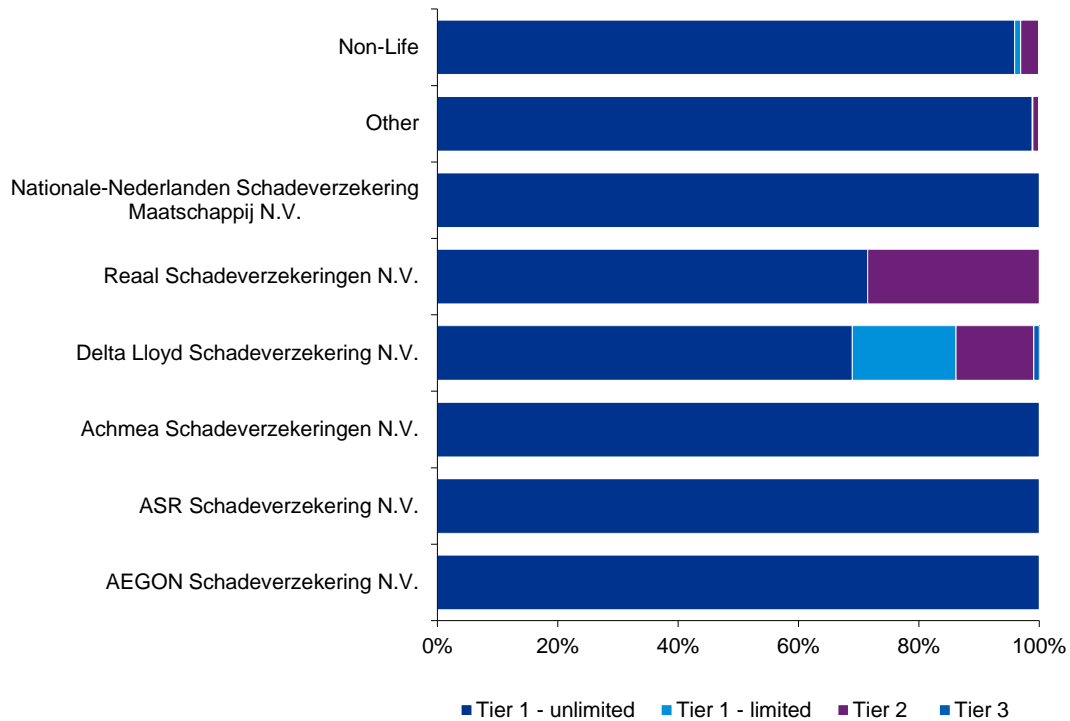
Notes

- Realized revenues are the gross total revenues from investments recorded in the P&L. Values are divided by the total value of investments other than unit linked or index linked
- The market risk is divided by the total value of the undiversified Basic Solvency Capital Requirement
- The figure underlines the prudent investment strategy of Reaal. The returns on investments are low and the market risk is low
- Delta Lloyd and AEGON show the highest returns on investments with a limited percentage of market risk

Source: DNB template <data_T2_schade> and <data_S0201>, <data_S2501> and <data_S2502>

Own Funds – Tiering of non-life insurers

Figure 3.17 Own funds – Tiering (2016)



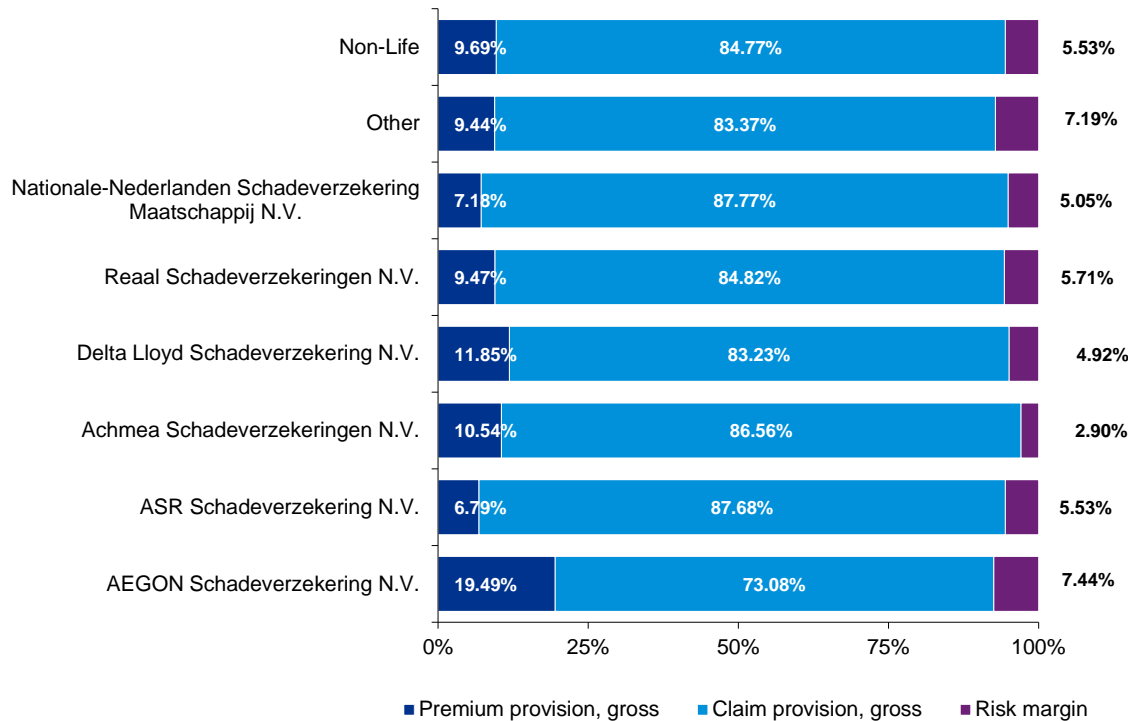
Source: DNB template <data_S2301>

Notes

- Solvency II acknowledges differences in the quality of own funds, in terms of availability and risk absorbency. There are three different tiers, with Tier 1 being the highest quality and Tier 3 the lowest quality
- Part of the own funds of REAAL exists of Tier 2 own funds (28.5%). These are subordinated liabilities, namely loans granted by the group entity (VIVAT) for a total of EUR 150 million
- Delta Lloyd has more restricted Tier 1 capital than allowed and therefore the subordinated loan is only partly classified as Tier 1 and partly as Tier 2

Best estimate of the technical provision and risk margin

Figure 3.18 Best estimate of the technical provision and risk margin (2016)



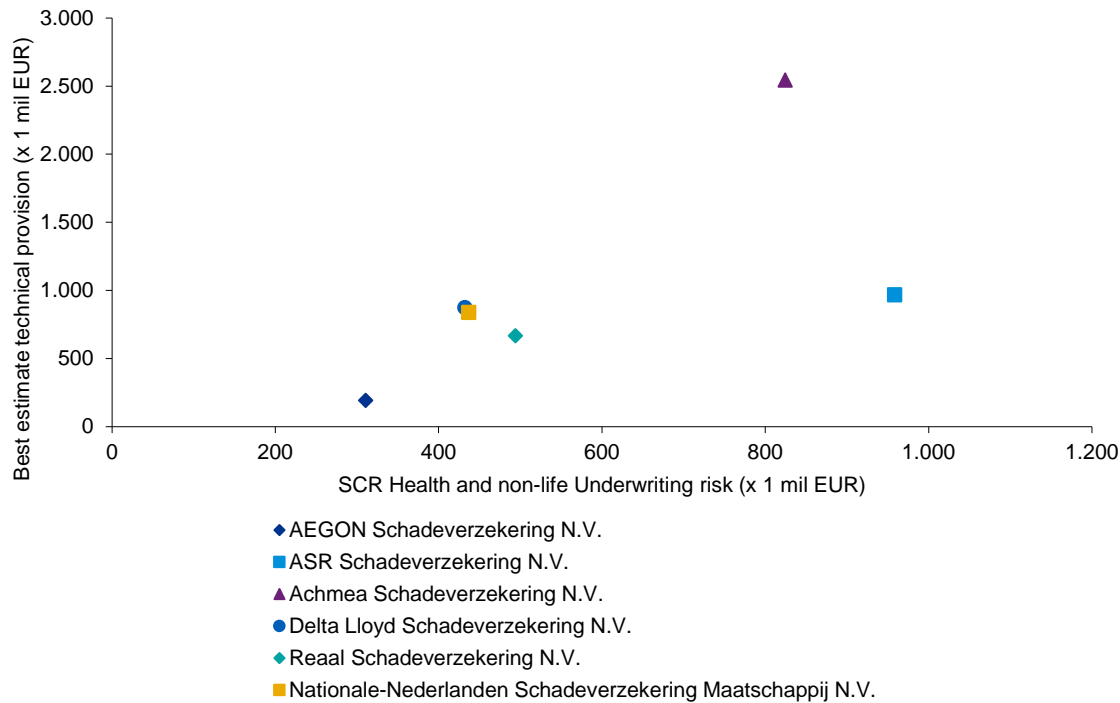
Source: DNB template <data_S1201>

Notes

- The risk margin ensures that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance obligations
- The premium provision is both dependent on the amount of multi-year contracts in the portfolio and underpriced products
- To calculate the risk margin the Cost-of-Capital rate is used. This rate is set at 6%

Technical provision and underwriting risk

Figure 3.19 Technical provision versus health and non-life underwriting risk (2016)



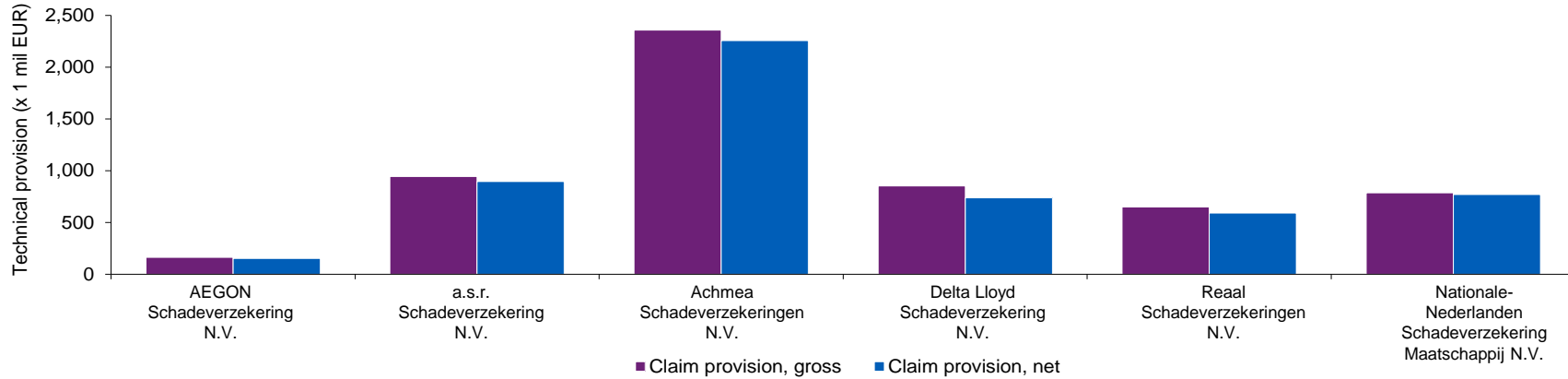
Notes

- The sum of health and non-life underwriting is plotted against the best estimate technical provision
- Underwriting risk is the risk of a change in value due to a deviation of the actual claims payments from the expected amount of claims payments (including expenses)

Source: DNB template <data_S1701>, data_S2501> and <data_S2502>

Best estimate of technical provision non-life insurers

Figure 3.20 Levels of technical provision, gross vs net. (2016)



Notes

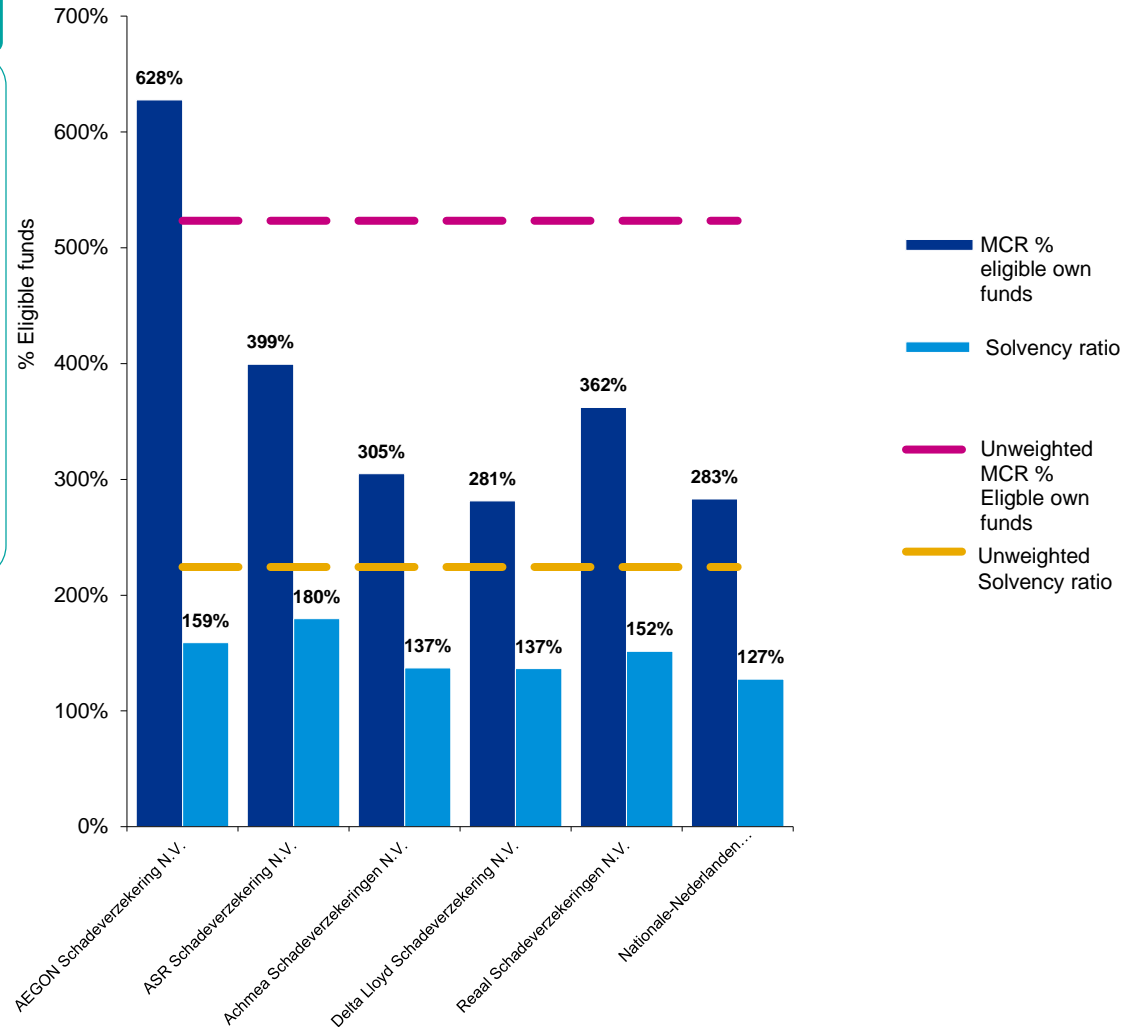
- The best estimate for the premium provision is the present value of the cash flows from future premium income and commission payments, service charges, claims handling costs and claim payments
- The levels of technical provisions per insurer are as expected based on the market share in the non-life insurance market
- Impact of reinsurance on total level of technical provision is limited for the top six non-life insurers

Capital requirements

Notes

- This graph represents the unweighted averages of the ratios of eligible funds to MCR and SCR (Solvency ratio), respectively
- MCR is the lower capital requirement of Solvency II. An irreparable breach of the MCR would lead to the withdrawal of the insurance license
- Based on the figures in the DNB data set, the average SCR ratio of non-life insurance companies is 221%. The top six non-life insurers have a much lower SCR ratio. Part of this is explained by dividend payments done by the larger insurance companies, which are part of a Group insurer. An example is NN, who has paid EUR 100 million to NN Group. If the company was a stand-alone insurance company, the own funds and Solvency ratio would be higher

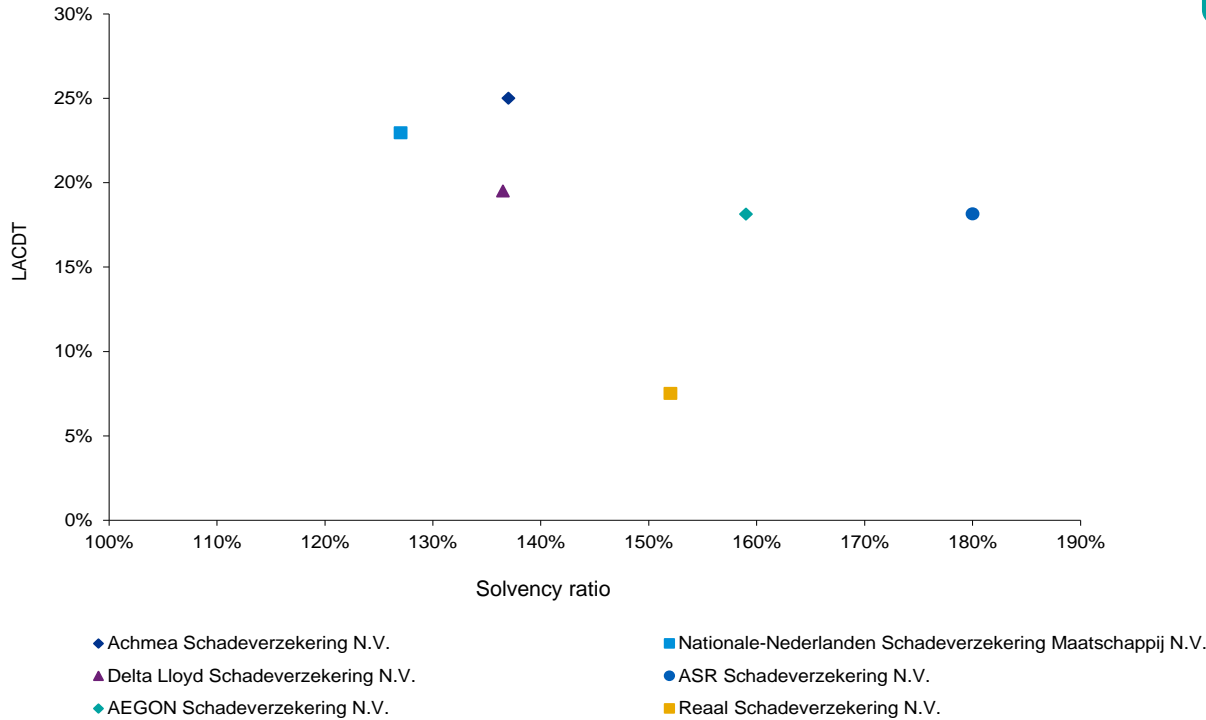
Figure 3.21 MCR and SCR to own funds (2016)



Source: DNB template <data_S2301>

The relation between SCR and LACDT

Figure 3.22 LACDT and SCR (2016)



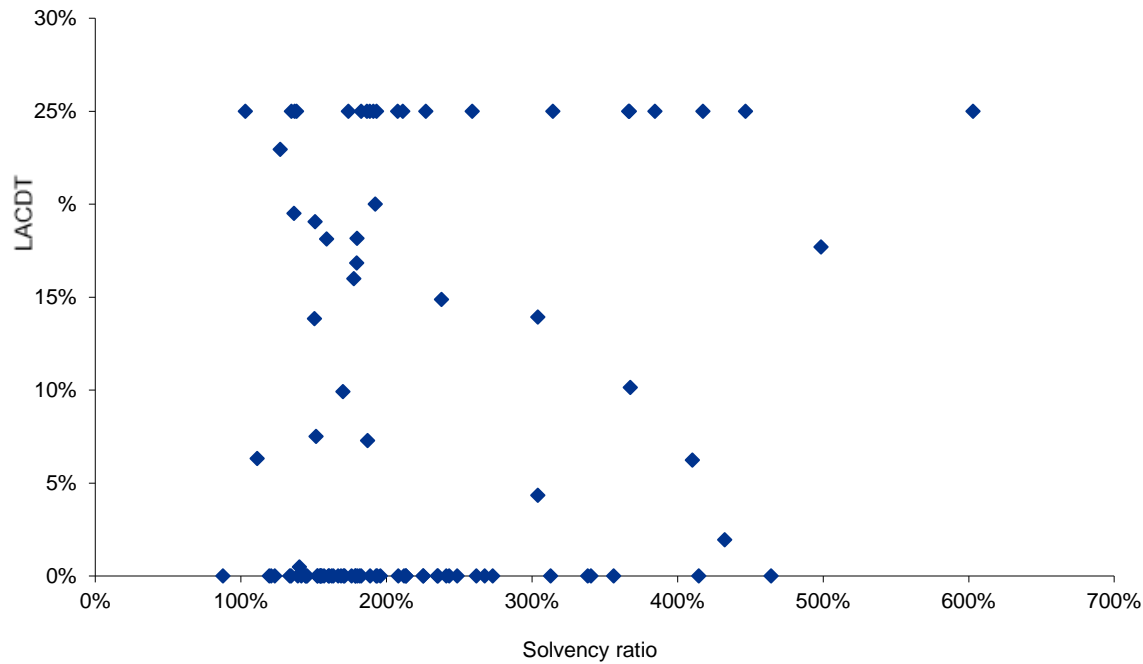
✎
Notes

- This graph represents the relation between the loss absorbing capacity of deferred taxes (LACDT) ratio and Solvency ratio
- The LACDT ratio is calculated as follows:
LACDT / (Basic Solvency Capital Requirement + Diversification + Operational Risk)
- LACDT may lower an insurer's solvency capital requirements (SCR). The maximum LACDT ratio is 25%
- The maximum LACDT ratio of 25% is applied by Achmea. They are expecting the deferred taxes to be fully recoverable, but have not taken into account the Q&A published by supervisor (Source: SFCR Achmea, 2016)
- AEGON expects to recover 75% of the maximum tax deductions. However, impact of the Q&A by the regulator will be tested in 2017 and might lead to a reduction of the LACDT percentage (Source: SFCR AEGON, 2016)

Source: DNB template <data_S2301>, <data_S2501> and <data_S2502>

The relation between SCR and LACDT whole market

Figure 3.23 LACDT and SCR (2016)



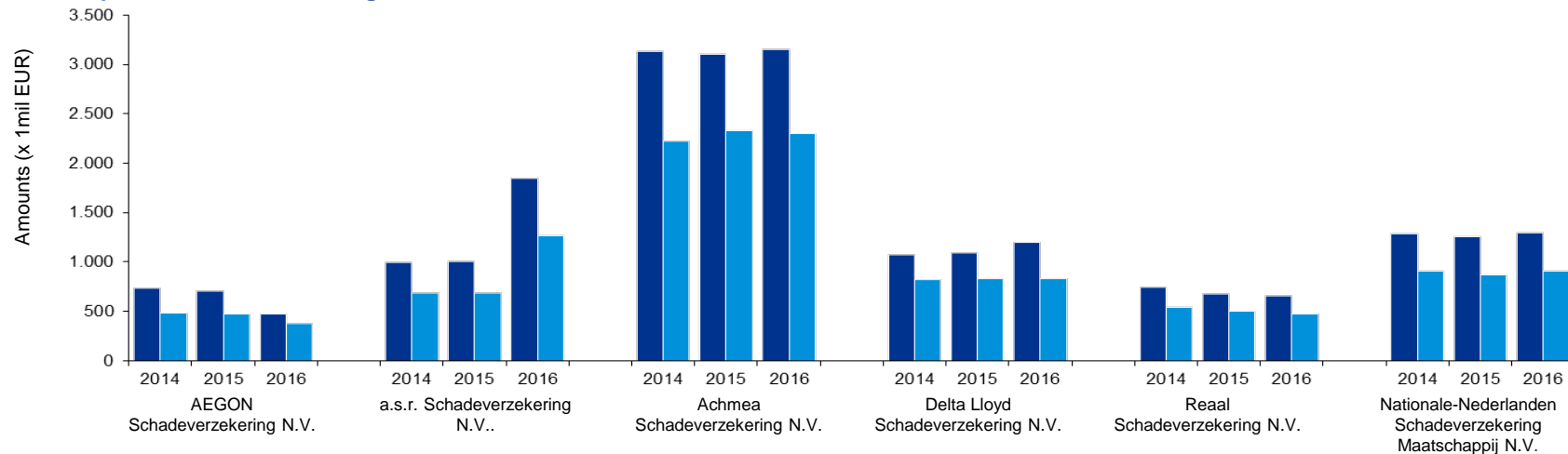
Source: DNB template <data_S2301>, <data_S2501> and <data_S2502>

Notes

- This graph represents the relationship between LACDT and the solvency ratio in the whole non-life market.
- The dots represent the positions of all non-life insurers in the non-life market.
- There is no clear pattern visible whether non-life insurers adjust the SCR by using LACDT as many non-life insurers do not adjust the LACDT.

Comparing gross written premiums and gross claims of the biggest non-life insurers over time

3.24 Gross premiums written and gross claims 2014-2016



Source: DNB template <data_T2_schade>, insurance presentation KPMG (2016)

■ Premiums written_gross ■ Gross claims

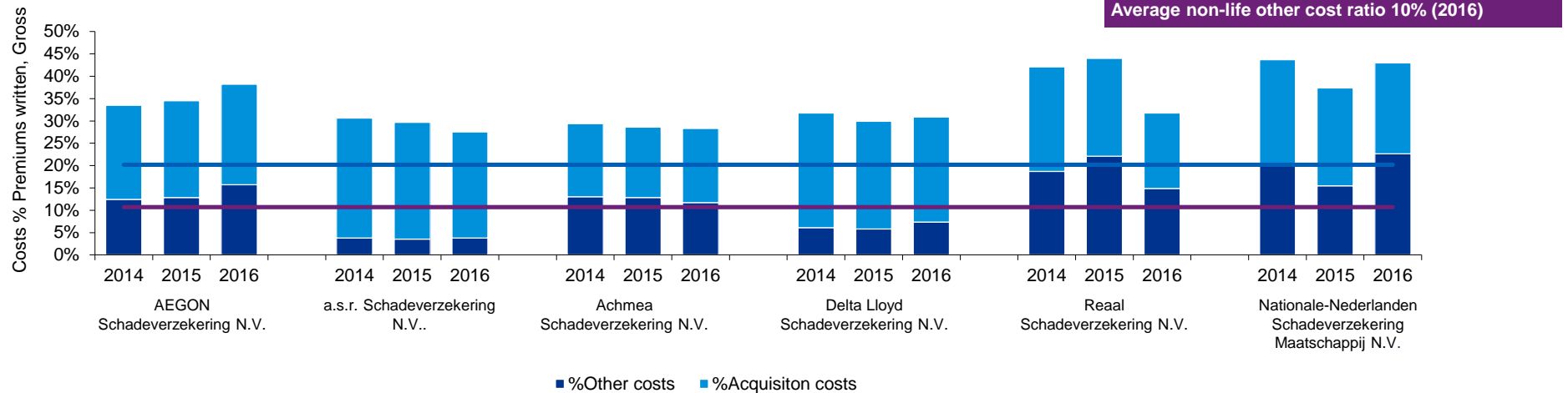


Notes

- This graph shows the values of gross premiums written and gross claims over time (2014-2016)
- The premiums of AEGON show a strong decrease (-33%). The claims declined as well, but only with 22%. The strong mutation is a result of the transfer of a large portfolio to Allianz Benelux (Source: Annual report AEGON, 2016)
- Delta Lloyd shows a strong improvement in 2016 compared to 2015: the gross premiums written increased with 9% while the claims were equal to 2015
- The impact of the storm was relatively limited for NN (EUR 31 mln), because the insurer has reinsured a large part of major storm damage (Source: Annual report NN, 2016)

Comparing costs of the biggest non-life insurers over time

3.25 Cost ratios 2014-2016



Source: DNB template <data_T2_schade>, insurance presentation KPMG (2016)

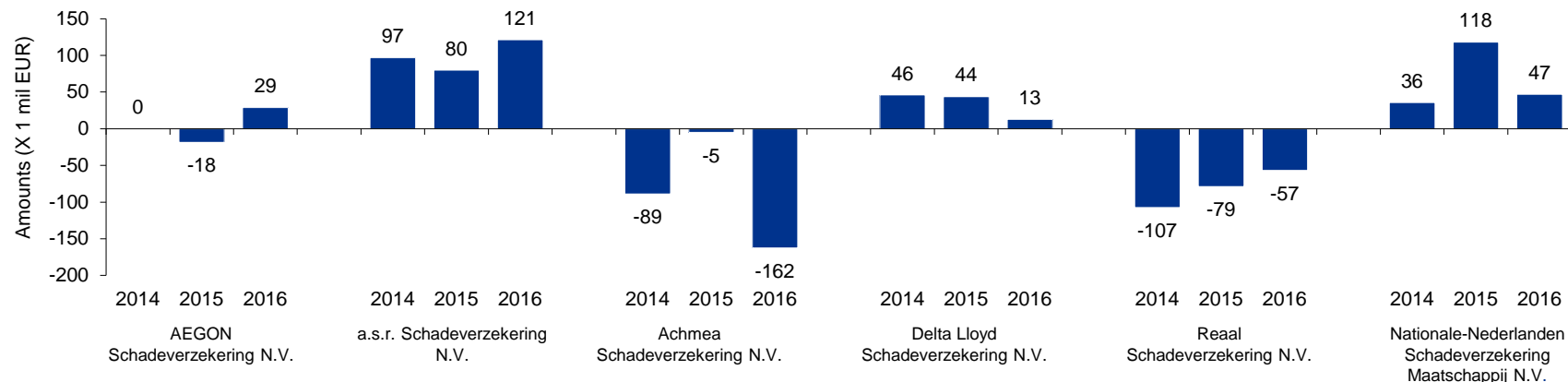


Notes

- This graph shows the cost ratios of the top 6 non-life insurers over time (2014-2016)
- The other costs ratio of a.s.r. and Delta Lloyd is low. This is in line with the allocation of costs within group companies compared to prior years
- a.s.r. shows a high percentage of acquisition costs (24%). This is in line with its strategy, which focuses on clients acquired through authorized agents because they are of higher quality and stay for a longer period (Source: Annual Report a.s.r., 2016)
- The new strategy of Reaal is successful: both costs ratio's show improvement (Source: Annual report Reaal, 2016)

Comparing net results of the biggest non-life insurers over time

3.26 Net results 2014-2016



Source: DNB template <data_T2_schade>, insurance presentation KPMG (2016)

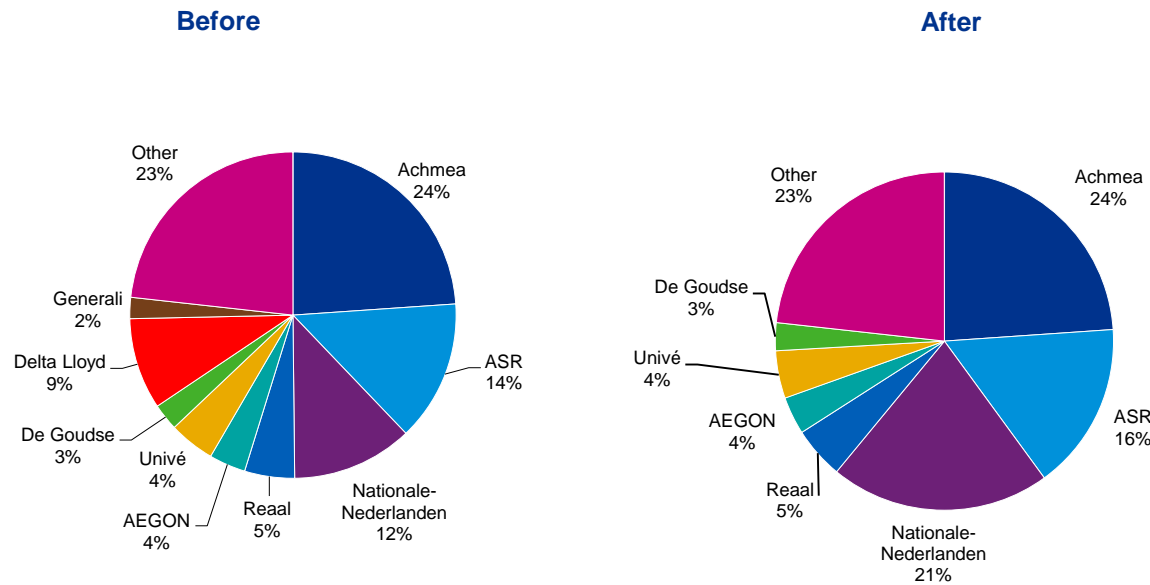


Notes

- This graph shows the value of net results of non-life insurers over time (2014-2016)
- a.s.r. is the only company with a positive and improved net result when comparing 2016 with 2015
- The net result of Achmea shows a strong decrease and is negative: EUR -162 million. This was mainly due to the hailstorm in June 2016 (EUR -152 million) and an increase in bodily injury claims due to changes in laws and regulations (EUR -178 million) (Source: Annual report Achmea, 2016)
- The net result of NN is still positive in 2016, however it strongly declined compared to 2015. This is due to the hailstorm (EUR -31 million), whereas 2015 benefited from EUR 26 million result on private equity dividends (Source: Annual report NN, 2016)
- Reaal is improving its net result compared to prior year (+21.3%), however the net result remains negative (EUR -57 million). The improvement compared to prior year is mainly due to lowering of the staff costs and acquisition costs. The change in staff costs is a result of the new allocation of expenses within the group company, VIVAT. Compared to the other, cost ratio is still relatively high (see previous page)

Special: Outlook 2017 non-life at a concern level

Figure 3.27: Effect of acquisitions and consolidation within the non-life market at a concern level



Notes

- This figure reports the gross value of written premiums for the non-life market of 2016. This graph represents the market share at a concern level (see the legal entities included below) based on 2016 figures after consolidation and acquisitions
- After the acquisition of Delta Lloyd, NN will become the second largest concern in the non-life market with a market share of 21% (market share 2016 9.7%)
- After the takeover of Generali, a.s.r. will be the third player in the non-life market with a market share of 16% (market share 2016 13.8%)
- For entities included, refer to appendix C

Developments in the market 2017

Toezichthouder DNB: 'Toekomstbeeld schadeverzekeraars zorgwekkend'

Alle inspanningen door de verzekeraars ten spijt betitelt De Nederlandsche Bank het toekomstbeeld voor Nederlandse schadeverzekeraars nog altijd als "zorgwekkend".

Voor schadeverzekeraars (exclusief inkomen) constateert DNB dat de prestaties tegen vallen, ondanks de strategische keuzes die zij hebben gemaakt. De premievolumes zijn sterker gedaald dan de kosten. Mede daardoor is het operationele resultaat nagenoeg verdampt. Ook de overall combined ratio is verslechterd in de afgelopen drie jaar.

DNB benadrukt dat het belangrijk is dat schadeverzekeraars realistisch zijn in hun toekomstverwachtingen en dat zij in hun veranderstrategie bewuste stappen zetten op het gebied van bijvoorbeeld pricing, de sanering van verlieslatende portefeuilles en de schaalbaarheid van de kosten. "De verwachtingen van de verzekeraars zijn echter niet altijd even realistisch", aldus DNB. "Zo verwachten verzekeraars in de komende jaren een sterk herstel van de schademarkt, ondanks de eerdere tegenvallers en de opkomst van nieuwe technologieën die de vraag naar schadeproducten kunnen verkleinen."

AMweb, 24 februari 2017

Achmea sluit kantoren om kosten te besparen

Verzekeraar Achmea gaat het kantorennetwerk de komende jaren terugbrengen naar vijf locaties. De verzekeraar stelt dat de ingreep voor 'forse kostenbesparingen' zal zorgen, maar dat er geen extra banen verloren zullen gaan. Volgens een woordvoerder gaat het om besparingen van circa €15 miljoen per jaar. Achmea is de grootste schade- en zorgverzekeraar van Nederland, maar heeft het al jaren moeilijk. Vooral de autoverzekering, een van de belangrijkste producten van Achmea, is voor de sector verlieslatend.

Het Financieele Dagblad, 9 mei 2017

ZZP'er speelt vaker zelf voor verzekeraar

Voor zzp'ers die verdwalen in het oerwoud van complexe en vaak onnodig dure verzekeringen voor arbeidsongeschiktheid, is er een uitvlucht die steeds populairder wordt: broodfondsen. Ze zijn laagdrempelig, en worden autonoom bestuurd door kleine groepjes collega-zzp'ers.

Afgemeten tegen de 1,2 miljoen zzp'ers die Nederland telt, is het broodfonds nog een bescheiden fenomeen. Toch schieten ze in 2017 als paddenstoelen uit de grond. De groei was de afgelopen zes maanden 12%. Per 1 mei zijn het er 257, met 11.200 deelnemers. Grote verzekeraars volgen het succes met belangstelling; zelf worstelen ze om zo'n ongreepbare doelgroep goed te bedienen.

Het Financieele Dagblad, 20 april 2017

DNB: 'Verzekeraars moeten meer rekening houden met klimaatrisico's'

Banken en verzekeraars moeten meer rekening gaan houden met de risico's van klimaatverandering en de overgang naar een klimaatneutrale economie. Dit stelt toezichthouder De Nederlandsche Bank op basis van een rapport naar de impact van klimaatrisico's op de Nederlandse financiële sector. De financiële gevolgen zijn volgens DNB divers en potentieel groot.

Het rapport gaat onder meer in op de gevolgen van klimaatverandering, zoals een toename van extreem weer en zeespiegelstijging. Schade als gevolg van storm, hagel en regen is in Nederland meestal verzekerd en heeft daarmee een directe impact op verzekeraars.

AMweb, 5 oktober 2017

Contents

1	Overview of Dutch insurance market 2016
2	Life insurers
3	Non-life insurers
4	Health insurers

The health insurance market in a nutshell

Nine health insurance groups and 25 health insurers

There are four large groups and some smaller ones

Hardly any shift in market share of the big four groups

The majority of both premiums written and claims paid comes from the basic insurance

Gross profit margin on basic insurance negative for all top four health insurance groups as well as for the market as a whole

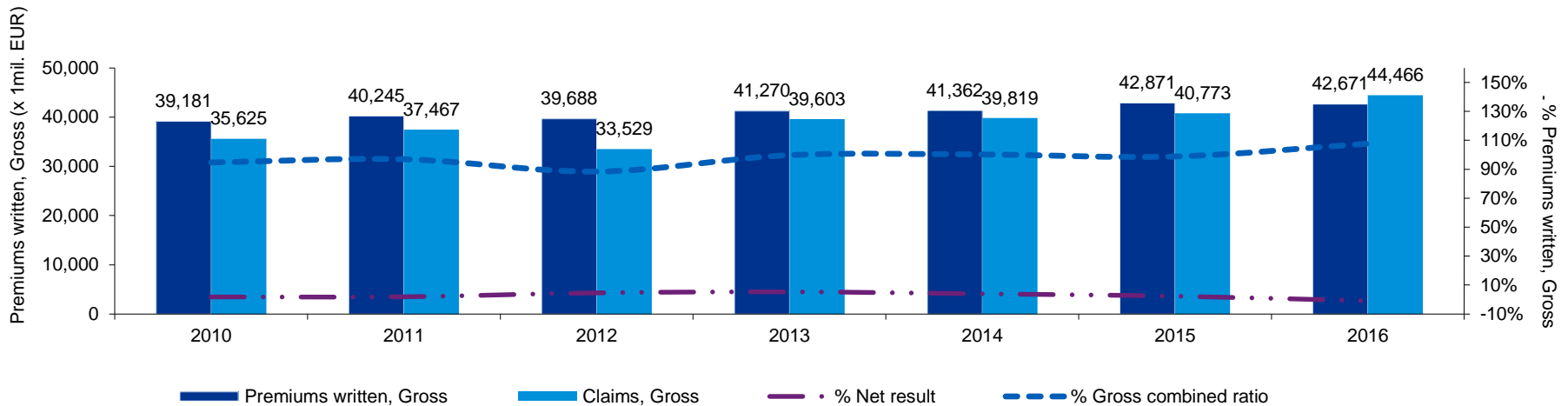
Several mergers within groups in 2017 and a new entrant is expected in 2018

One insurer has a Solvency ratio below 100%

Affordability of healthcare continues to be a focus point for health insurers, healthcare providers, and Dutch government

Developments in the healthcare market 2016

Figure 4.1 Total overview of developments in the healthcare industry



Source: DNB template <data_T2_schade>

Notes

- 2016 is the first year that gross claims exceed the premium income due to a small decrease in premiums and an increase of 9% of gross claims
- The net result was already showing a downward trend, but 2016 is the first year showing an overall negative net result for the market
- The negative net result can be explained by higher claims than expected and the decision of the health insurers to use part of their capital to keep premiums at a lower level. Health insurers are under public pressure to continue to use their capital to keep premiums low which is not a long-term sustainable business model, especially when taking the increasing claims into account

Developments of costs, net and underwriting results

Figure 4.2 Costs development in the healthcare market

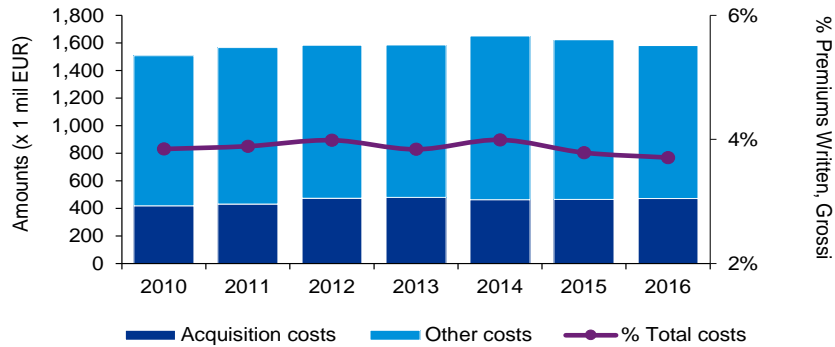
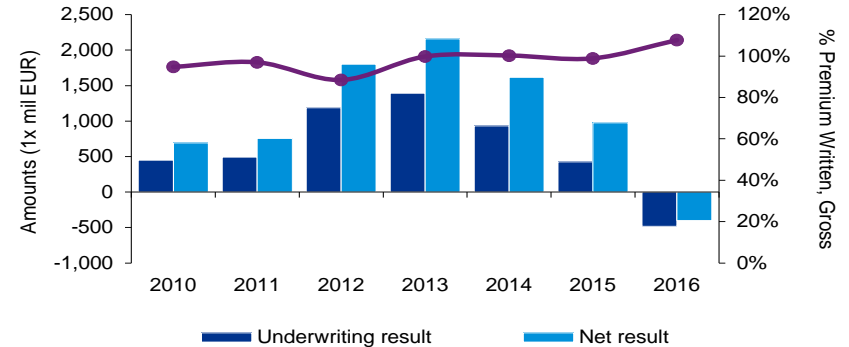


Figure 4.3 Underwriting vs net results in the healthcare market



Notes

- In 2015 the Dutch health insurers reached an accord within Zorgverzekeraars Nederland to be restrained with marketing and acquisition. This matches with the decrease in the cost ratio. Cost reductions have been implemented due to investment in IT
- The difference between net result and underwriting result is mostly explained by investment income

The key players in the health insurance market

Position 2016	Position 2015	Position 2014	Health insurance group	Market share 2016	Market share 2015	Market share 2014	2016 vs. 2015
1	1	1	Achmea Zorgverzekeringen	30.6%	31.4%	31.9%	↔
2	2	2	Coöperatie VGZ	24.6%	24.9%	25.3%	↔
3	3	3	CZ Groep OWM	20.6%	20.7%	20.1%	↔
4	4	4	Coöperatie Menzis	13.7%	13.0%	13.0%	↔

Source: DNB template <data_T2_schade>



Notes

- Market share is calculated based on gross premiums written at concern level
- In the health insurance market nine health insurance groups are active, consisting of 25 insurers in total
- The health insurance market is characterized by four large players which together have a market share of 89.7% in 2016. The remaining five divide 10.3% between them (DSW Zorgverzekeraar OWM 3.2%, Zorg en Zekerheid OWM 2.6%, Vereniging ONVZ 2.4%, a.s.r. Ziektekostenverzekeringen 1.4%, Coöperatie Eno 0.7%)
- Market share of the four largest health insurance groups has decreased by 0.3 percentage point compared to 2015, the same amount when comparing 2015 to 2014. This means the remaining five groups increased their market share in 2016, by 3%
- When looking at market share based on number of insured persons market share of the four large players is 88.5% in 2016 and slowly decreasing over time as well (source: NZa Marktscan 2016). This indicates total insurance premiums per person at the four largest groups are – on average – higher than at the other five. The difference can be the result of more customers at the four large groups having additional insurance policies on top of the basic policy, or a higher premium for the basic policy at the four large groups

Health insurance groups in 2016

<p>Achmea Zorgverzekeringen</p> 	<p>DE FRIESLAND ZORGVERZEKERAAR</p>  <p><i>Interpolis</i></p> 	<p>Jij kiest. FBTO</p> 	<p>CZ Groep OWM</p>  <p>OHRA Direct geregeld</p> 
<p>Coöperatie VGZ</p> 	<p>UNIVÉ VERZEKERINGEN</p> 	<p>ZZ Zorgverzekeraar</p> <p>umc zorgverzekering</p> <p>Cares</p>	<p>Coöperatie Menzis</p> <p>anderzorg ^{nl}</p>  <p>azivo <small>↳ samen met menzis</small></p>

 **Notes**

- All top four health insurance groups consist of multiple insurers. A single insurer within a group can be responsible for several health insurance brands.
- During 2016, there have not been any changes in either the individual health insurers, or in group composition. Looking to 2017, several mergers within health insurance groups have taken place:
 - Azivo merged with Menzis, both within Coöperatie Menzis (1 January 2017)
 - VGZ Cares merged with VGZ Zorgverzekeraar, both within Coöperatie VGZ (25 September 2017)
- In 2017 plans for a new insurer, Zorgeloos, stranded due to solvability requirements (source: Zorgeloos.care).
- As of 1 January 2018, a new entrant in the Dutch health insurance market is expected, the Swiss IptiQ, the first new entrant since 2006. IptiQ will take over three brands from Coöperatie VGZ: Promovendum, National Academic, and Besured (source: Zorgwijzer.nl: “Nieuwe zorgverzekeraar (IptiQ) betreedt Nederland in 2018”)

Development of gross premiums written and gross claims

Figure 4.4 Gross premiums written (2014-2016)

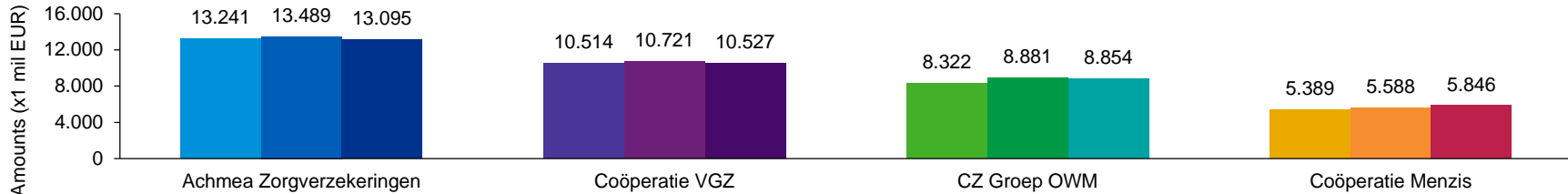
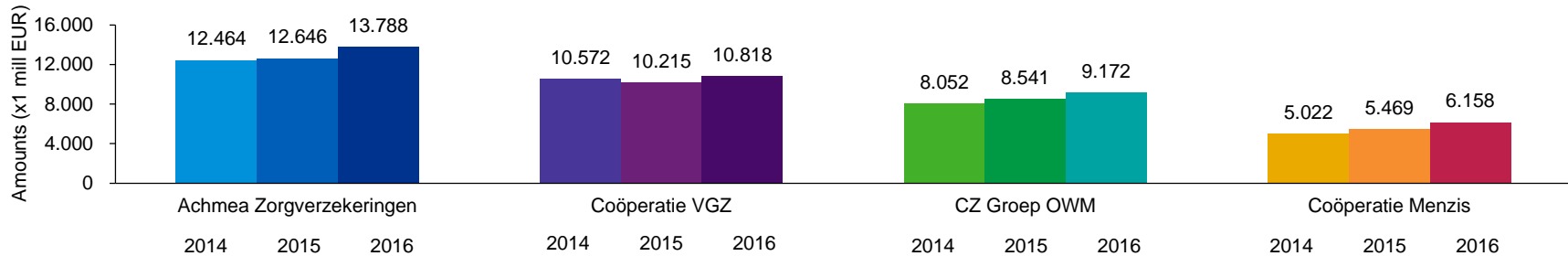


Figure 4.5 Gross claims (2014-2016)



Source: DNB staten 2014-2015 & DNB template <data_T2_schade>

Notes

- In 2016 gross claims increased at all top four health insurance groups, while gross premiums written decreased at two of the top four health insurance groups and remained the same at CZ. Menzis is the exception; an increase in gross premiums written is shown due to an increase in both the number of people insured and the premium per person (source: Annual report 2016 Coöperatie Menzis U.A.)
- Gross claims is higher than gross premiums written at all top four health insurance groups. This is in line with the negative net and underwriting results in the whole sector

Basic and supplementary insurance (1/2)

Figure 4.6 Gross profit margin basic insurance

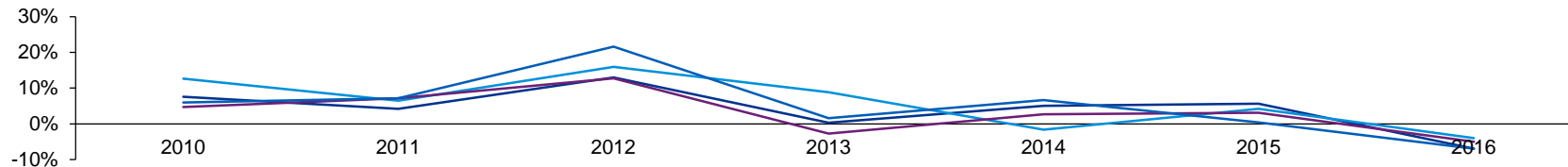
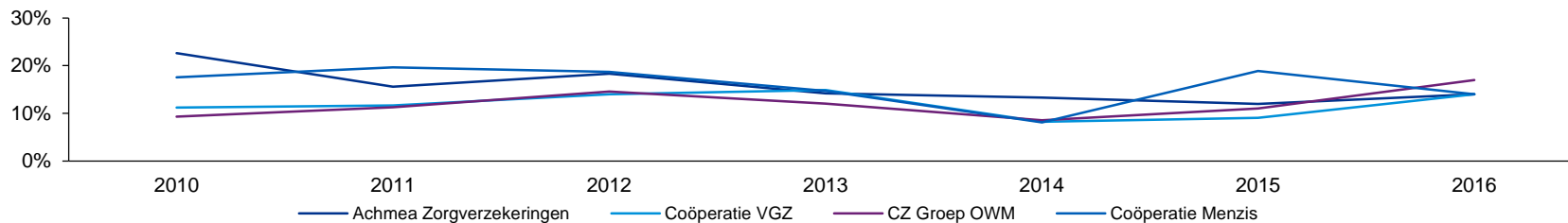


Figure 4.7 Gross profit margin supplementary insurance



Source: DNB staten 2007-2015 & DNB template <data_T2_schade> & annual reports of individual insurers



Notes

- Gross profit margin is calculated as (gross premiums written – gross claims) / gross claims
- In 2010-2012 a high gross profit margin was realized on basic insurance activities due to an estimation error by VWS. The health insurers received a higher contribution from VWS than was necessary. These profits are used in the next years to increase solvability and to keep premiums low resulting in a lower gross profit margin on basic insurance. 2016 is the first year in which all top four health insurance groups have a negative gross profit margin on basic insurance activities
- Gross profit margins on supplementary insurance activities, however, increased at all health insurance groups, with the exception of Menzis. Menzis saw an increase in number of insured persons, but also an increase in claims made by those persons (source: Annual report 2016 Menzis N.V.)
- Gross profit margins on supplementary insurance activities continue to be relatively stable due to increased possibilities to practice risk selection compared to basic insurance with a legal acceptance obligation, as well as keeping the premiums artificially low on basic insurance

Basic and supplementary insurance (2/2)

Figure 4.8 Gross premiums written and claims basic insurance (2016)

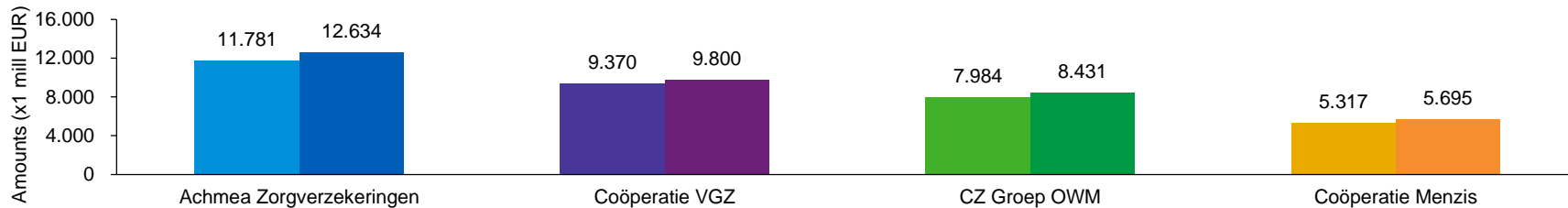
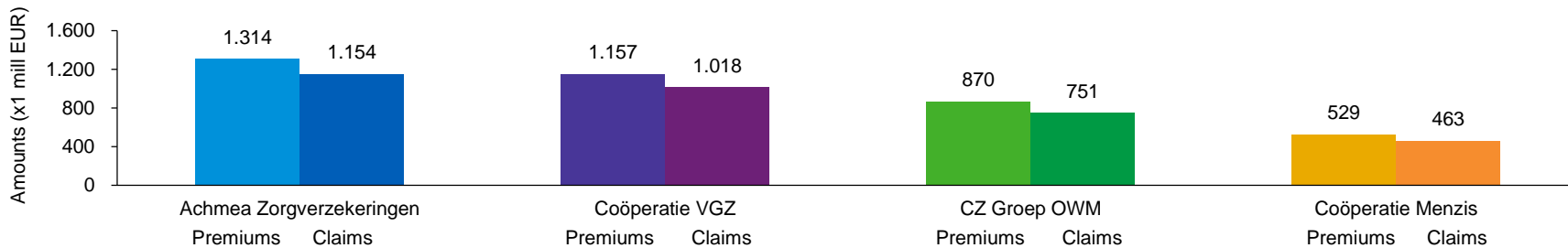


Figure 4.9 Gross premiums written and claims supplementary insurance (2016)

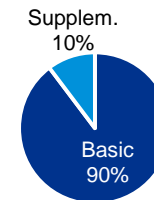


Source: DNB template <data_T2_schade> & annual reports of individual insurers

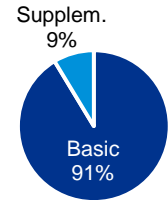
Notes

- Basic insurance continues to be responsible for about 90% of the health insurance market in 2016, even though the gross profit margin is lower, due to the legal requirement for all Dutch people to have health insurance and the higher premium per person for basic insurance
- At all top four health insurance groups gross premiums written are lower than gross claims for basic insurance, while for supplementary insurance the opposite is true. This is connected to keeping premiums on basic insurance low

Premiums written, gross 2016



Claims, gross 2016



Investment portfolios health insurers (1/2)

Figure 4.10 Investment mix Achmea Zorgverzekeringen (2016)

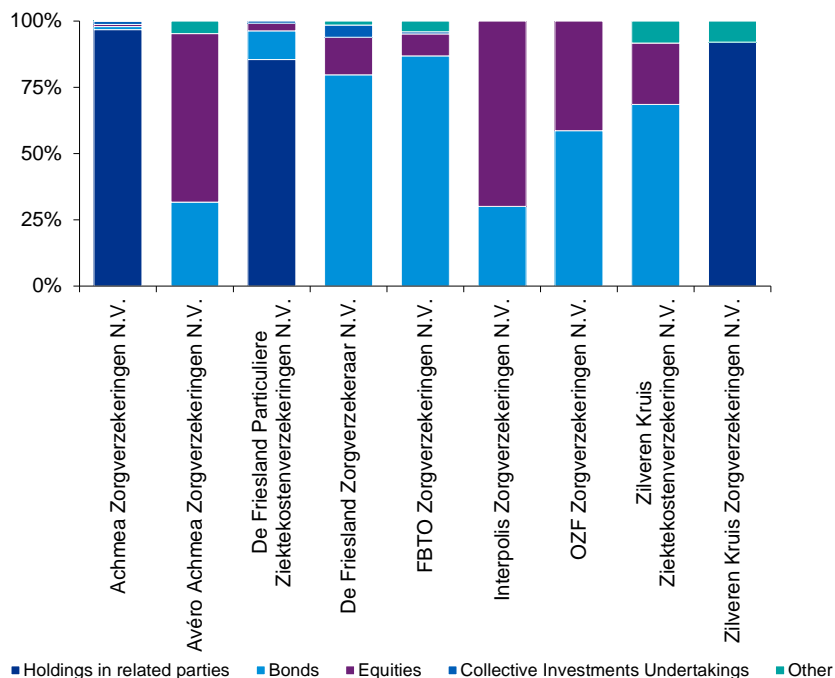
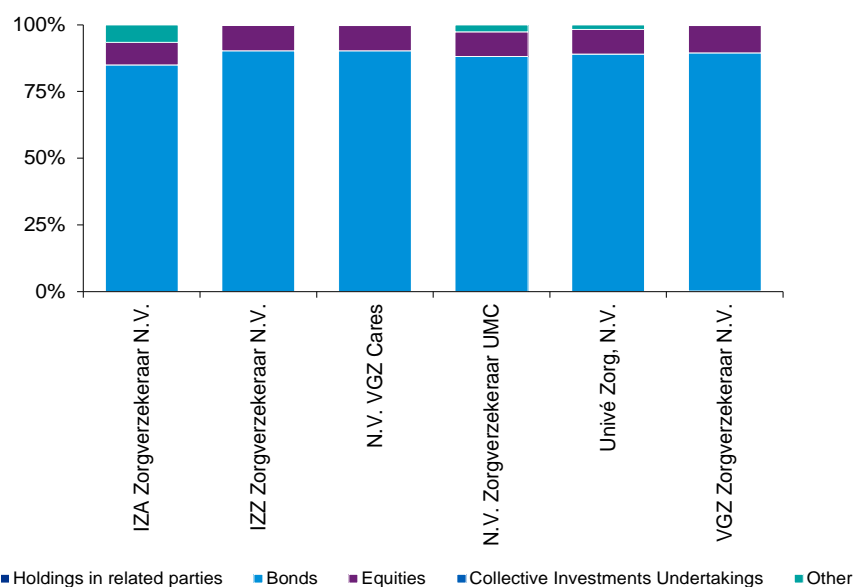


Figure 4.11 Investment mix Coöperatie VGZ (2016)



Source: DNB template <data_S0201>



Notes

- These graphs show the investment mix of health insurance groups Achmea and VGZ at entity level
- Holdings in related parties in the insurance group Achmea are other health insurers and its 'zorgkantoor' (97%) as well as participations in Achmea mutual funds (3%)
- All entities within VGZ show roughly the same make-up of their investment portfolio: mostly bonds, some equities and some deposits at banks, while Achmea shows a more varied image between entities. Achmea invests more in equities when the ratio of eligible own funds to SCR is higher (we refer to figure 4.15).

Investment portfolios health insurers (2/2)

Figure 4.12 Investment mix CZ Groep OWM (2016)

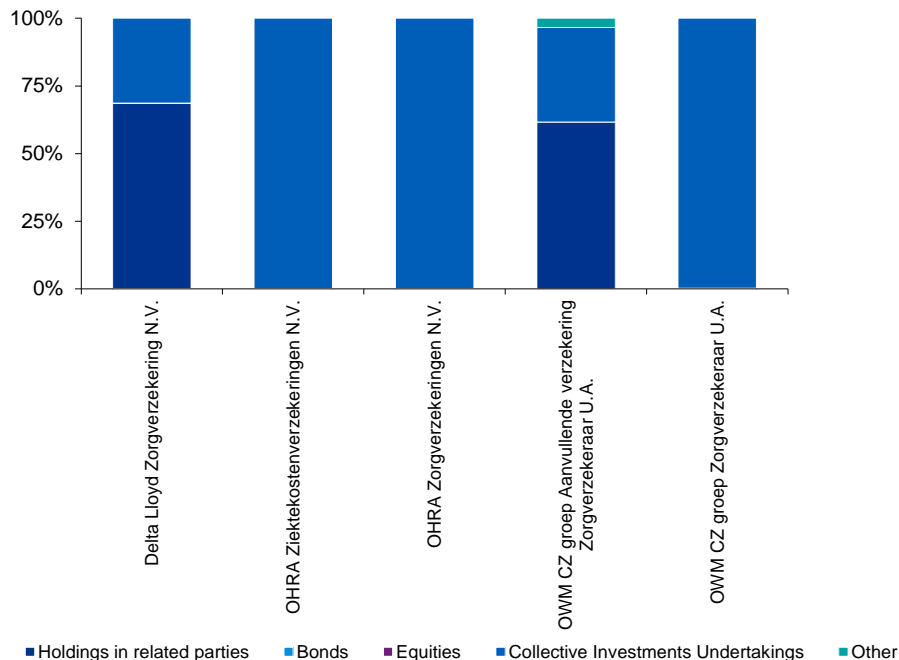
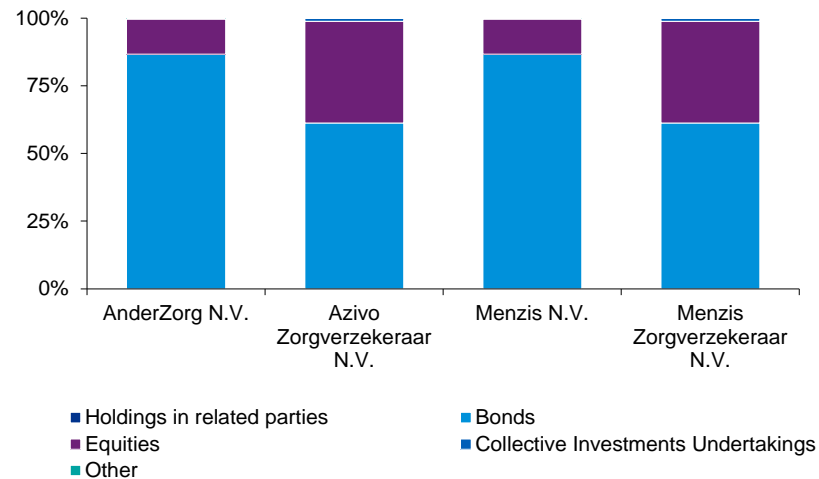


Figure 4.13 Investment mix Coöperatie Menzis (2016)



Source: DNB template <data_S0201>

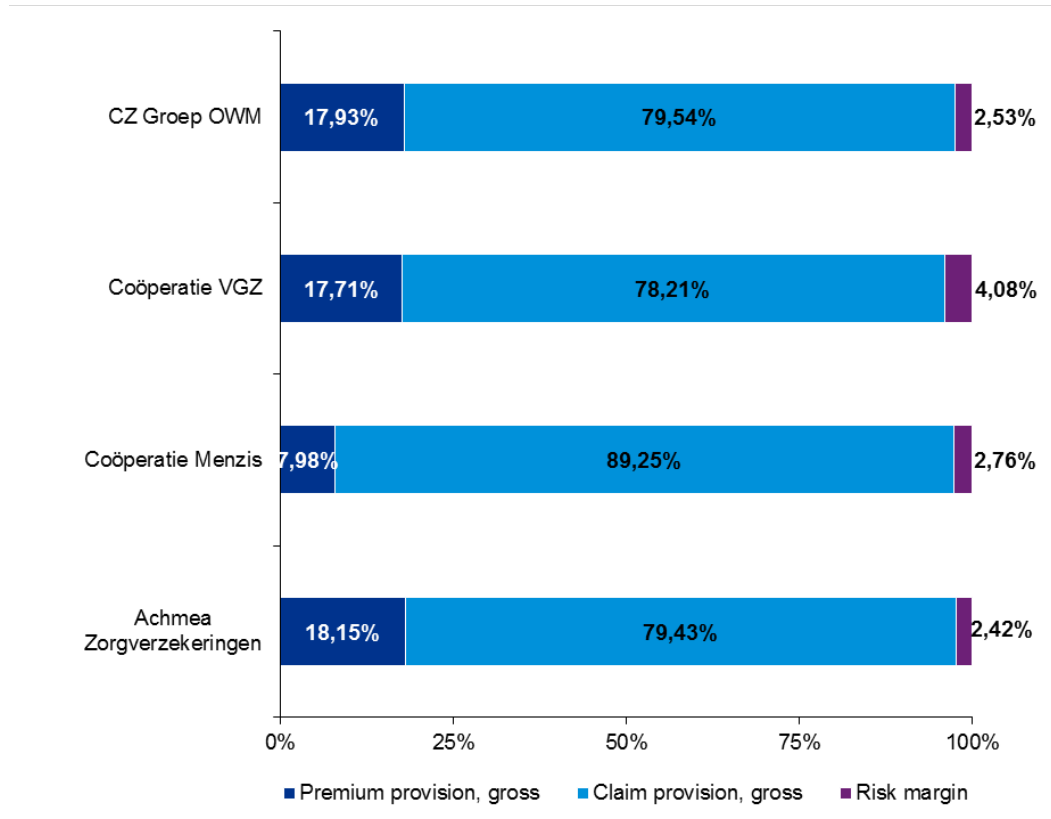
■ Holdings in related parties ■ Bonds ■ Equities ■ Collective Investments Undertakings ■ Other

Notes

- These graphs show the investment mix of health insurance groups CZ and Menzis at entity level
- CZ uses a mutual fund, CZ Beleggingsfonds, which is qualified as Collective Investment Undertaking. All entities in the group participate in this fund, which invests in bonds (± 34%), equities (± 15%), and other investments (± 51%) at year-end 2016 (source: Annual report 2016 Delta Lloyd Zorgverzekering N.V.). Holdings in related parties in the insurance group CZ are other health insurers (100%)
- Menzis mainly invests in bonds and equities, though the ratio between those differs between entities

Best estimate of technical provision and risk margin

Figure 4.14 Best estimate of the technical provision and risk margin (2016)



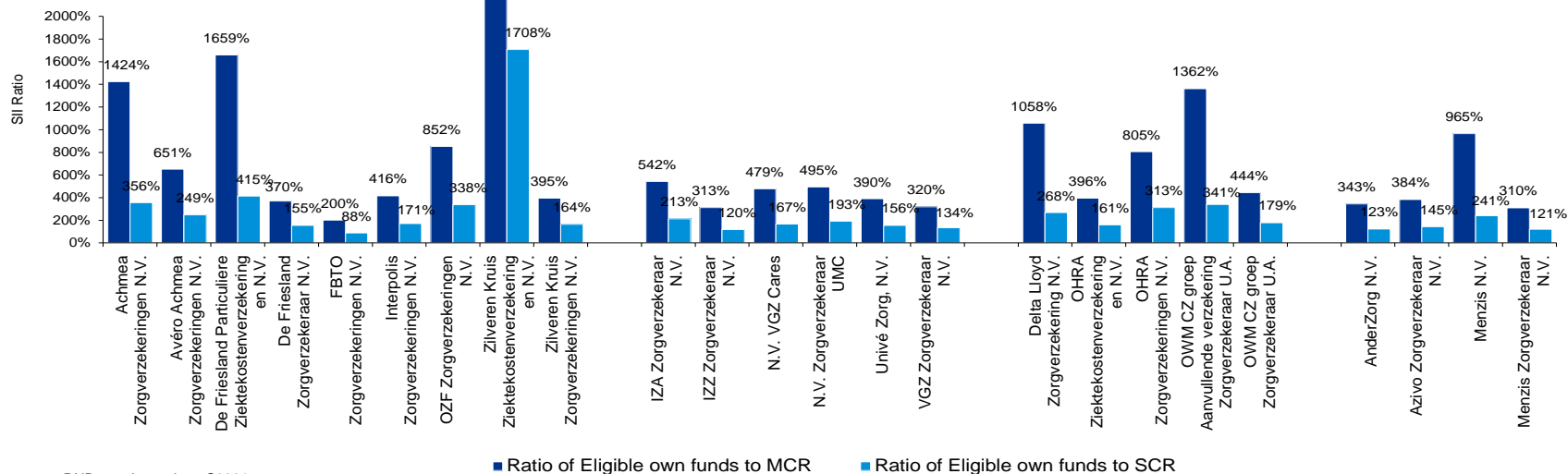
Source: DNB template <data_S1701>

Notes

- Premium provision relates to future events, while the claims provision relates to past events
- The risk margin ensures that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations
- On average, risk margin in the health insurance market is lower than for non-life insurers. This is as expected, since the health insurance market is more tightly regulated and risk is partially mitigated by government set risk equalization between health insurers
- To calculate the risk margin the Cost-of-Capital rate is used. This rate is set at 6%.
- A higher best estimate of the technical provision leads to an increase in underwriting risk, increasing capital requirements
- The best estimate of the premium provision relates mainly to loss-making contracts, as all policies end at 31 December at the latest for each health insurer. This is a smaller portion than average for Menzis due to using a lower portion of own funds to keep premium low in 2017 than other health insurance groups

Capital requirements of health insurers

Figure 4.15 Ratio of own funds to SCR and MCR of health insurers (2016)



Source: DNB template <data_S2301>

Notes

- All top four health insurance groups have 100% Tier 1 own funds, the highest quality tier of own funds
- For readability the vertical axis has been cut off at 2000%, as the MCR and SCR-ratios of Zilveren Kruis (former Agis) are very high compared to other health insurers. The ratio has increased sharply due to a decrease in health underwriting risk after the merger of Agis (source: Annual report 2016 Zilveren Kruis Ziektekostenverzekeringen N.V.). Entities only providing supplementary insurance also show a higher ratio of own funds to MCR and SCR
- Entities within the group Menzis have a lower than average Solvency ratio. This matches Menzis' decision to use a smaller portion of own funds to keep premiums low in 2017 than other health insurers
- FBTO has a Solvency ratio below the legally required limit of 100%. A recovery plan is being set up to make sure the ratio is 120% in the first quarter of 2018. In the short term, a subordinated loan from another group entity will be used to reach the legal limit again (source: Annual report 2016 FBTO Zorgverzekeringen N.V.)

SCR breakdown (1/2)

Figure 4.16 SCR by risk module Achmea Zorgverzekeringen (2016)

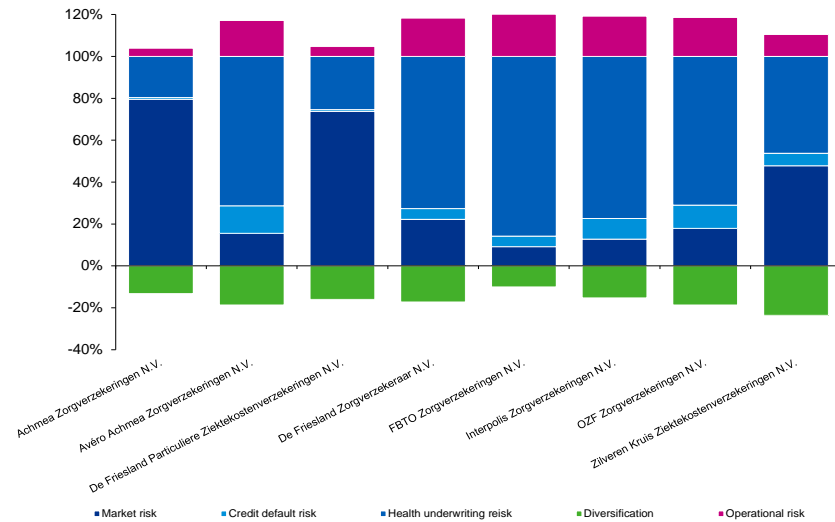
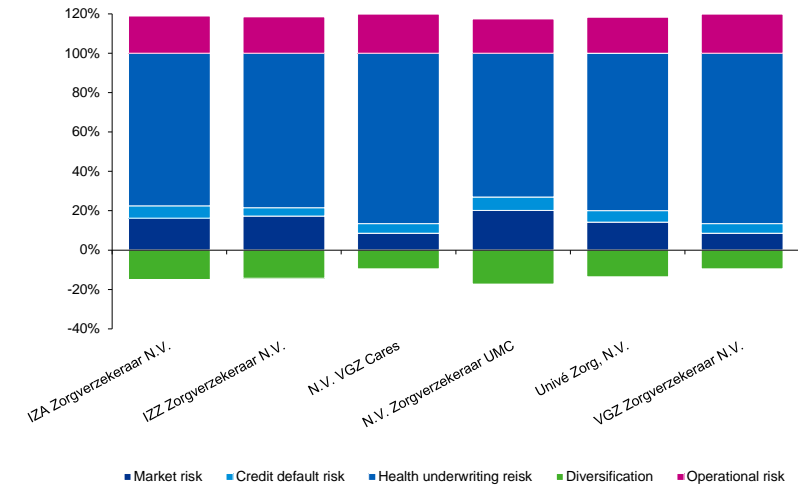


Figure 4.17 SCR by risk module Coöperatie VGZ (2016)



Source: DNB template <data_S2501> and <data_S2502>

Notes

- Market risk, credit default risk, health underwriting risk, and diversification are components of the Basic Solvency Capital Requirement (BSCR). Operational risk is added to BSCR to come to the SCR
- Market risk for Achmea Zorgverzekering, De Friesland Particuliere Ziektekostenverzekeringen and Zilveren Kruis Ziektekostenverzekeringen is mostly influenced by holdings in related parties

SCR breakdown (2/2)

Figure 4.18 SCR by risk module CZ Groep OWM (2016)

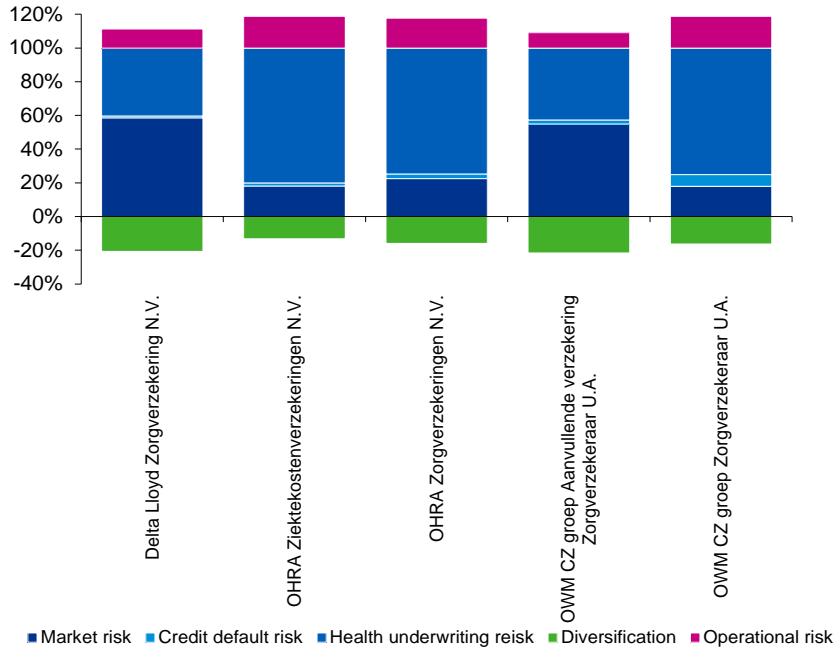
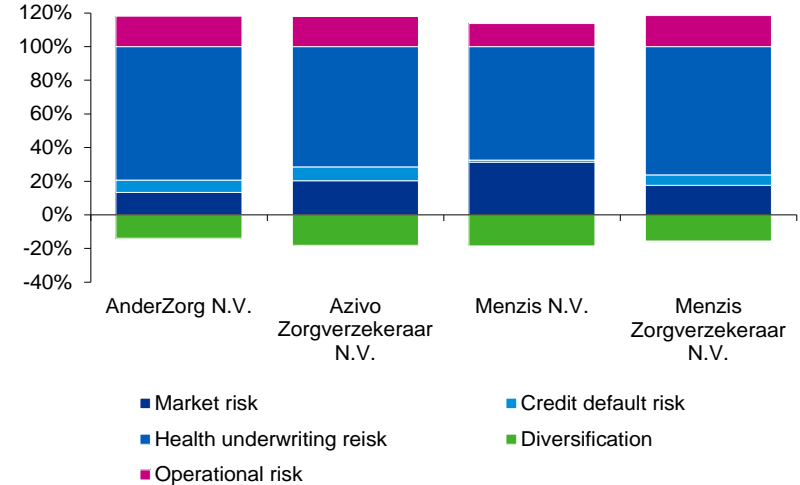


Figure 4.19 SCR by risk module Coöperatie Menzis (2016)



Source: DNB template <data_S2501> and <data_S2502>



Notes

- Market risk for Delta Lloyd Zorgverzekering and OWM CZ groep Aanvullende Zorgverzekeraar is mostly influenced by holdings in related parties
- Operational risk is a smaller factor of SCR for those entities only supplying supplementary insurance than for entities supplying basic insurance (as well). This is expected as operational risk is influenced by premiums earned in the previous 12 months and technical provisions, which tend to be lower at entities only providing supplementary insurance
- Health underwriting risk is the most important driver behind SCR for health insurers

Developments in the market 2017

Ziekenhuizen en zorgverzekeraars gaan samen dure medicijnen inkopen

Ziekenhuizen en zorgverzekeraars gaan samen dure medicijnen inkopen. De brancheorganisaties van de ziekenhuizen en zorgverzekeraars hebben daarover een akkoord gesloten, zo maakten zij vrijdag bekend. De samenwerking moet zorgen voor een sterkere onderhandelingspositie ten opzichte van de farmaceutische industrie.

Onder andere de politiek dringt al langer aan op gezamenlijke inkoop. Voor een ziekenhuis of zorgverzekeraar is het moeilijk om alleen op te boksen tegen de marktmacht van de multinationals in de farmaceutische industrie. Ze zouden daardoor een te hoge prijs betalen voor de medicijnen.

Eerder besloten de acht academische ziekenhuizen hun krachten al te bundelen op het gebied van de inkoop van dure geneesmiddelen. Nu sluiten de algemene ziekenhuizen en de zorgverzekeraars zich bij dit samenwerkingsverband aan.

Het Financieele Dagblad, 1 september 2017

Tweede Kamer stemt opnieuw over dividendverbod zorgverzekeraars

Het lot van het omstreden wetsvoorstel dat zorgverzekeraars verbiedt winst uit te keren is een stuk onzekerder geworden. De initiatiefwet wordt op dit moment aangepast door de drie initiatiefnemers en moet daarom opnieuw langs de Tweede Kamer.

De vraag is of het wetsvoorstel dan weer een meerderheid in de Tweede Kamer haalt, omdat de samenstelling van het parlement na de verkiezingen is veranderd en meerdere partijen zich kritisch tonen over het initiatief van CDA, SP en PvdA.

In januari stemde nog een ruime meerderheid van de Kamer in met het verbod. Maar na kritiek van De Nederlandsche Bank (DNB) en de Nederlandse Zorgautoriteit (NZa) van eind mei werken de initiatiefnemers aan technische aanpassingen van de wet. De Kamer stemt opnieuw over deze novelle.

CDA, SP en PvdA willen dat het huidige dividendverbod, dat zorgverzekeraars belemmert winst uit te keren maar dat eind dit jaar afloopt, permanent wordt gemaakt. Het argument van de initiatiefnemers is dat zorggeld in de zorgsector moet blijven en niet ten goede mag komen aan aandeelhouders.

Het Financieele Dagblad, 3 juli 2017

Zorgverzekeraar mengt zich in politiek debat over eigen risico

Het politieke debat over het eigen risico is een speler rijker. Zorgverzekeraar DSW verlaagde dinsdag tegen alle verwachtingen in niet alleen de premie, maar ook het eigen risico voor zijn verzekerden. Het is voor het eerst dat een zorgverzekeraar zich zo uitdrukkelijk in het debat over dit onderwerp mengt. De verzekeraar voert hiermee de druk in Den Haag op om nog eens kritisch naar de hoogte van het bedrag te kijken. Bovendien zet DSW met de lagere premie de markt voor zorgverzekeraars op scherp.

Het Financieele Dagblad, 27 september 2017

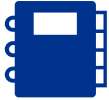
Appendix A: Definitions of Solvency II and Wft

Reading guide

This sheet contains the mapping of data published by the DNB of the QRT format and Wft format.

Definition in this paper	QRT Template	Wft Template
Income	Income protection insurance [direct business and accepted proportional reinsurance]	Arbeidsongeschiktheidverz. en overig ziekte- en ongevallenvrz.
Motor	<ul style="list-style-type: none"> * Motor vehicle liability insurance [direct business and accepted proportional reinsurance] * Other motor insurance [direct business and accepted proportional reinsurance] 	<ul style="list-style-type: none"> * Motorrijtuigen aansprakelijkheid * Motorrijtuigen casco
Marine, aviation and transport	Marine, aviation and transport insurance [direct business and accepted proportional reinsurance]	Aansprakelijk, wegvervoer, luchtvaartuigen en zee- en binneschepen & Cascovrzk spoorweg, luchtvaartuigen en zee-binnenschepen
Fire and other damage to property	Fire and other damage to property insurance [direct business and accepted proportional reinsurance]	Brand en natuurevenementen Andere schaden aan zaken
General liability	General liability insurance [direct business and accepted proportional reinsurance]	Algemene aansprakelijkheid
Legal expenses	Legal expenses insurance [direct business and accepted proportional reinsurance]	Rechtsbijstand
Miscellaneous financial loss	Miscellaneous financial loss [direct business and accepted proportional reinsurance]	Diverse geldelijke verliezen
Assistance	Assistance [direct business and accepted proportional reinsurance]	Hulpverlening

Appendix B: Reading guide of SCR calculations



Reading guide

This sheet contains information of the SCR calculations that will be presented in this paper on pages 29, 30, 46 and 47.

The following calculations have been used:

- ▶ Market risk, counterparty default risk, life-, health- or non-life underwriting risk, intangible asset risk are divided by the basic solvency capital requirement (100%)
- ▶ Diversification is divided by the basic solvency capital requirement (100%)
- ▶ Operational risk is divided by the basic solvency capital requirement (100%)
- ▶ LACDT is divided by the basic solvency capital requirement after diversification plus operational risk

Appendix C: Entities included on page 62

Source: DNB template <data_T2_schade>

Note: Legal entities after acquisitions include:

Achmea = Achmea Schadeverzekering N.V.

a.s.r. = a.s.r. Schadeverzekering N.V. and Generali schadeverzekering maatschappij N.V.

Nationale-Nederlanden = Nationale-Nederlanden Schadeverzekering N.V., Delta-Lloyd Schadeverzekering N.V., Movir N.V. and NN Non-Life Insurance N.V. a.s.r.

Reaal = Reaal Schadeverzekeringen N.V.

AEGON = AEGON Schadeverzekering N.V.

Univé = N.V. Univé Schade, Univé Dichtbij Brandverzekeraar N.V., Univé Stad en Land Brandverzekeraar, Univé Noord-Nederland Verzekeraar N.V., Univé Oost Brandverzekeraar N.V., Univé Rivierenland Brandverzekeraar N.V., Univé Regio + Brandverzekeraar N.V., Univé Zuid-Holland Brandverzekeraar N.V., Univé Hollands Noorden U.A., Onderlinge Waarborgmaatschappij, Onderlinge Verzekeringsmaatschappij Univé Samen U.A., N.V. Univé 'Het Zuiden' Schadeverzekeringen, Onderlinge Brandwaarborg Maatschappij Univé Leerbroek en Omstreken B.A.

De Goudse = De Goudse Schadeverzekering N.V.