

## **FITCH DOWNGRADES ASR NEDERLAND OPERATING ENTITIES TO 'A-'; OUTLOOK STABLE**

Fitch Ratings-Paris/London-16 December 2010: Fitch Ratings has downgraded ASR Levensverzekering N.V.'s and ASR Schadeverzekering N.V.'s Insurer Financial Strength (IFS) ratings to 'A-' from 'A' and Long-term Issuer Default Ratings (IDR) to 'BBB+' from 'A-'. Fitch has also downgraded the holding company of the group, ASR Nederland N.V., to IDR 'BBB' from 'BBB+' and its subordinated debt to 'BBB-' from 'BBB'. The Outlooks on the IDRs and IFS ratings are Stable.

The downgrades mainly reflect uncertainty over the Dutch life insurance market and, in this context, over the group's ability to restore its profitability margins in life insurance in the foreseeable future within a still difficult financial environment and amid increasing competition from banking products in the Netherlands. In addition, Fitch considers that the group's duration mismatch between its assets and liabilities remains challenging for its profitability in an environment of low interest rates. The rating actions also reflect structural issues facing the mature and competitive Dutch insurance market, especially on individual life insurance, to which ASR Nederland group (ASR Nederland) is heavily exposed.

ASR Nederland reported a net result of EUR255m in 2009 and EUR226m at end-June 2010 compared with a net loss of EUR640m in 2008. However, the value of new life business was not significant at end-2009 mainly due to the low interest rate environment. Fitch notes that measures taken by the group to restore its technical results on non-life insurance are beginning to bear fruits as the group's net combined ratio decreased to 98% at end-June 2010 from 102% at end-2009. In addition, the group's capital adequacy has recovered since end-2008 and is now viewed as adequate by Fitch on a risk-adjusted basis. ASR Nederland's regulatory solvency margin reached 2.2 x the minimum requirements at end-June 2010 compared with 1.7x at end-2008. Although the group's solvency has a limited sensitivity to interest rates, Fitch notes that the group's capital adequacy remains somewhat dependent upon the volatility of unrealized capital gains.

The ratings continue to reflect ASR Nederland's sound business position in the Dutch insurance market as well as its prudent reserving policy. These strengths are somewhat offset by the group's lack of geographic diversification.

The Dutch government acquired 100% of ASR Nederland in October 2008 from the Fortis group. Although Fitch views the Dutch government ownership as positive, it has not factored this into ASR Nederland's ratings as the government stated its intention to dispose its shareholding in ASR Nederland over time. Fitch will continue to monitor closely the implementation of the new financial and business strategy at ASR Nederland and takes a positive view of the group's ambitious cost efficiency programme.

Key rating drivers for ASR Nederland that could lead to an upgrade include a clear demonstration of the group's ability to further develop its shareholder's funds through retained earnings and to substantially improve its underwriting results, especially in life insurance. Negative pressure on the ratings would derive from a further weakening of the current group's underwriting results although such likelihood has been reduced following the group's efforts to cut costs, to improve risk selection, and adapt tariffs in non-life insurance.

ASR Nederland is an established Dutch insurance group with life, property and casualty as well as accident and health insurance activities. The group is one of the top four largest insurers in the Netherlands, with around 11% market share and EUR5bn gross written premiums in 2009.

Contact:

Primary Analyst  
Vanessa Andre  
Director  
Fitch Ratings S.A.S.  
+33 1 4429 9142  
60 rue de Monceau  
75008 Paris

Secondary Analyst  
Marc-Philippe Juilliard  
Senior Director  
+33 1 4429 91 37

Committee Chairperson  
Harish Gohil  
Managing Director  
+44 (0) 20 3530 1257

Media Relations: Francoise Alos, Paris, Tel: +33 1 44 29 91 22, Email: francoise.alos@fitchratings.com; Hannah Warrington, London, Tel: +44 20 3530 1153, Email: hannah.warrington@fitchratings.com.

Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria, "Insurance Rating Methodology", dated 16 August 2010, "Non-Life Insurance Rating Methodology", dated 24 March 2010, and "Life Insurance Rating Methodology", dated 24 March 2010, are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

Insurance Rating Methodology

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=547766](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547766)

Life Insurance Rating Methodology

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=506285](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=506285)

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