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**Summary:**
# ASR Nederland Group

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## Rationale

The ratings on the core operating entities of Netherlands-based multiline insurer ASR Nederland N.V. (ASR Nederland group, ASR, or the group) reflect Standard & Poor's Ratings Services' view that the group benefits from a strong competitive position, strong investments, and supportive (if temporary) government ownership. These factors are tempered by an operating performance that, although strong, is not in line with the rating.

In our view, the group's competitive position is strong, benefitting from a diversified product range and distribution through generalist and niche brands. ASR is the third-largest insurer by gross premium written (GPW) in the Dutch combined life and non-life markets (excluding health). That said, the group's business is concentrated in the highly competitive, mature Dutch market and is mostly distributed through intermediaries.

ASR's investment strategy is strong. It has no significant concentrations, and uses interest rate and equity hedging instruments to control risks. We consider the credit quality of the bond portfolio to be strong. ASR has relatively small exposure to market risk through investments in real estate and equities.

We consider the likelihood of extraordinary government support to ASR as low. We have not assigned any uplift to the group's stand-alone credit profile (SACP). This reflects the increasing probability that the Dutch government will relinquish its majority ownership of ASR within the next two years. Nonetheless, we continue to view state ownership as a supportive element given the current market environment, as it gives ASR time to establish itself as a stand-alone group and refine its strategy following its split from the Fortis group in 2008.

The group is working hard to reduce its cost base and manage changes in process and service efficiency, which we expect to deliver strong operating performance going forward. However, since the operating performance is not commensurate with this rating level, it remains a relative weakness in the rating; a failure to improve performance may trigger a negative rating action.

## Outlook

All else being equal, a return to a stable outlook would be considered if the group's operating performance continues to improve to the extent that it is no longer considered a relative weakness. This could occur if ASR can demonstrate that it can meet its own return on equity, net combined ratio, and life profitability targets by the end of 2012, or be in a position to do so in 2013.

We may lower the ratings if operating performance does not improve sufficiently over the rating horizon, or if the risk-based capital adequacy deteriorates.

## Related Criteria And Research

- Principles Of Credit Ratings, Feb. 16, 2011
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010

- Use Of CreditWatch and Outlooks, Sept. 14, 2009
- Holding Company Analysis, June 11, 2009
- Group Methodology, April 22, 2009
- Interactive Ratings Methodology, April 22, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15,2008
- Counterparty Credit Ratings And The Credit Framework, April 14, 2004

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