

RatingsDirect®

Research Update:

ASR Nederland And Core Subsidiaries Ratings Affirmed; Outlook Stable

Primary Credit Analyst:

Tatiana Grineva, London (44) 20-7176-7061; tatiana.grineva@standardandpoors.com

Secondary Contact:

Mark D Nicholson, London (44) 20-7176-7991; mark.nicholson@standardandpoors.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Ratings Score Snapshot

Related Criteria And Research

Ratings List

Research Update:

ASR Nederland And Core Subsidiaries Ratings Affirmed; Outlook Stable

Overview

- We regard Netherlands-based ASR Nederland's (ASR's) business and financial risk profiles as strong, based on its diversified business position in The Netherlands and its very strong capital and earnings assessment.
- We are consequently affirming our 'A' ratings on ASR's core insurance operating entities, ASR Levensverzekering N.V. and ASR Schadeverzekering N.V.
- The stable outlook reflects our expectation that ASR will maintain its very strong capital adequacy over the next two years, supported by improved earnings, while preserving a healthy capacity to service its debt costs amid suboptimal underwriting conditions in a low-interest-rate environment.

Rating Action

On July 7, 2015, Standard & Poor's Ratings Services affirmed its 'A' insurer financial strength and counterparty credit ratings on Netherlands-based ASR Nederland's (ASR's) core insurance operating entities, ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. At the same time, we affirmed our 'BBB+' counterparty credit rating on holding company ASR Nederland N.V. The outlook is stable.

We also affirmed the ratings on all outstanding hybrid instruments.

Rationale

The affirmation reflects our view of the group's ongoing strong business and financial risk profiles and the resilience of its balance sheet amid suboptimal underwriting conditions in a low-interest-rate environment.

Under our criteria, we combine our business and financial risk profile assessments to derive an anchor of 'a' or 'a-'. We select the higher of the two to derive our ratings on ASR, reflecting our view that its balance sheet retains a sufficient capital cushion.

ASR's operating earnings have improved year-on-year since 2011. We expect this trend will continue and strengthen in 2015-2017. Although ASR has recently underwritten unprofitable defined benefit pension business, which could mean weaker earnings and higher risk, we expect any negative effects to remain

limited as ASR will have scaled down this business by about end-2016 in favor of defined contribution business. ASR's overall return on equity and return on embedded value will remain supportive of our assessment of its competitive position and capital adequacy.

Our view of ASR's competitive position remains unaffected by its recently announced bolt-on acquisitions. We believe that the impact of these acquisitions on market share, brand, diversification, and future earnings is likely to be limited in the next 12-18 months.

Our base-case assumptions for the next two years include flat organic growth in the non-life segment and a continuing premium decline in the life segment (excluding acquisitions), reflecting the trend in the Dutch market. The non-life combined ratio should remain about 100%-102%, based on Standard & Poor's calculations. This should lead to net annual income (after tax) above €330 million in 2015-2017.

We also expect to continue to assess ASR's capital and earnings as very strong in 2015-2017, despite its increased reliance on "softer" forms of capital (such as unrealized gains, hybrids, and future profits). We expect that ASR will maintain its current asset risk profile and that growth in earnings will cover capital requirements. Both factors support our capital and earnings assessment.

Outlook

The stable outlook reflects our expectation that ASR will maintain its very strong capital adequacy over the next two years, supported by improved earnings, while preserving a healthy capacity to service its debt costs amid suboptimal underwriting conditions in a low-interest-rate environment.

Upside scenario

We see limited upside for the ratings over the next 12-24 months. Nevertheless, we could raise the ratings if we saw a material reduction in ASR's risk profile and a materially stronger-than-expected improvement in capital adequacy sustainably into the 'AAA' range.

Downside scenario

We could lower the ratings if:

- We revised our capital and earnings assessment to strong from very strong, if capital adequacy is not maintained at the very strong level.
- If ASR's profitability does not improve in line with our expectations. This could be the case if the P/C combined ratio is above 102%, or new business value remains negative, or net income falls sustainably below €330 million annually in 2015-2017.
- If fixed charge coverage ratios fall below 4x.

Ratings Score Snapshot

	To	From
Financial Strength Rating	A/Stable	A/Stable
Anchor	a	a
Business Risk Profile	Strong	Strong
IICRA*	Low Risk	Low Risk
Competitive Position	Strong	Strong
Financial Risk Profile	Strong	Strong
Capital and Earnings	Very Strong	Very Strong
Risk Position	Moderate Risk	Moderate Risk
Financial Flexibility	Adequate	Adequate
Modifiers	0	0
ERM and Management	0	0
Enterprise Risk Management	Adequate	Adequate
Management and Governance		
Holistic Analysis	0	0
Liquidity	Exceptional	Exceptional
Support		
Group Support	0	0
Government Support	0	0

IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria And Research

Related Criteria

- Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- Group Rating Methodology, Nov. 19, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Enterprise Risk Management, May 7, 2013
- Insurers: Rating Methodology, May 7, 2013
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Ratings List

Ratings Affirmed

Research Update: ASR Nederland And Core Subsidiaries Ratings Affirmed; Outlook Stable

ASR Nederland N.V.

Counterparty Credit Rating

Local Currency

BBB+/Stable/--

Junior Subordinated

BBB+

Junior Subordinated

BBB-

ASR Levensverzekering N.V.

ASR Schadeverzekering N.V.

Counterparty Credit Rating

Local Currency

A/Stable/--

Financial Strength Rating

Local Currency

A/Stable/--

Additional Contact:

Insurance Ratings Europe; InsuranceInteractive_Europe@standardandpoors.com

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.