FitchRatings

FITCH AFFIRMS VIVAT'S INSURANCE ENTITIES AT 'BBB'; OFF RWE; OUTLOOK POSITIVE

Fitch Ratings-London-13 November 2015: Fitch Ratings has affirmed VIVAT NV's (VIVAT) insurance entities, SRLEV N.V. and REAAL Schadeverzekeringen N.V. (together, VIVAT Insurance), at 'BBB' Insurer Financial Strength (IFS) ratings and removed them from Rating Watch Evolving (RWE). This follows the completion of the acquisition of VIVAT by China-based Anbang Group Holdings Co. Ltd (Anbang). The Outlooks are Positive.

KEY RATING DRIVERS

Fitch understands from VIVAT that the regulatory framework in which it operates protects the company's capital position through restrictions on the minimum capital position and dividend payments. In Fitch's view these regulatory restrictions are intended to preserve VIVAT's capitalisation and protect policyholders.

The Positive Outlook reflects Fitch's expectations that VIVAT will improve its earnings and debt servicing capabilities through operational efficiencies, portfolio adjustments, re-branding and streamlining distribution channels.

VIVAT (formerly REAAL NV) was sold in July 2015 by SNS REAAL NV to Anbang. Fitch views VIVAT as strategically 'Important' to its parent and Anbang's ownership of VIVAT as neutral.

VIVAT Insurance's ratings benefit from strong capitalisation following a capital injection of EUR1.35bn by Anbang, renewed strategic focus following the acquisition, and a strong franchise in the Dutch insurance market. Rating weaknesses include weak profitability.

Pre-capital injection, VIVAT Insurance had an adequate solvency position and high financial leverage. At end-December 2014, VIVAT Insurance's regulatory solvency was 136%, down from 172% at end-2013, mainly as a result of weak profitability in 2014. As a result of the capital injection, the Solvency I ratio of VIVAT will increase to 233% (based on pro-forma 30 June 2015 figures) and the Solvency II ratio to above 150% (based on standard model pro-forma 30 June 2015 figures). Post-capital injection, VIVAT Insurance's financial leverage ratio (FLR) will improve to just under 26% based on pro-forma end-2014 financials, from 38% pre-injection, a level Fitch views as manageable.

Fitch views VIVAT's profitability and interest coverage as weak. VIVAT posted a EUR612m loss in 2014 (2013: loss of EUR625m), driven by reserve strengthening in the IFRS accounts following a liability adequacy test (LAT). Fitch believes that VIVAT's underlying profitability is likely to remain under pressure in the coming years from low interest rates and fierce competition in the Dutch insurance market.

VIVAT's new ownership has facilitated a normalisation of the business, which includes the resumption of coupon payments by SRLEV N.V. on its subordinated bonds, a new commercial strategy of cancelling non-profitable distribution agreements for the VIVAT group, and planned simplification of balances between VIVAT and its former parent company SNS REAAL NV.

VIVAT Insurance's ratings are underpinned by the companies' strong presence in the Dutch insurance market, notably in life and pensions. SRLEV N.V. ranks third among Dutch life insurers, with a market share of around 15%. REAAL Schadeverzekeringen is a significant, albeit smaller, non-life player, with a 5% market share.

RATING SENSITIVITIES
VIVAT Insurance's ratings could be upgraded if the companies return to profitability in line with the 'BBB' rating category (for example, if return on equity improves to 3% and is expected to remain at that level), while maintaining overall capital strength.

VIVAT Insurance's ratings may be downgraded if there are material losses in 2015 or 2016, or if the group regulatory solvency ratio (on a Solvency II basis) falls below 150%.

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Applicable Criteria
Insurance Rating Methodology (pub. 16 Sep 2015)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=871172