



Fitch Revises VIVAT's Outlook to Negative; Affirms Ratings

Fitch Ratings-London-20 June 2017: Fitch Ratings has revised the Outlooks on VIVAT NV's (VIVAT) Issuer Default Rating (IDR) and SRLEV NV's and REAAL Schadeverzekeringen NV's (together, VIVAT Insurance) Insurer Financial Strength (IFS) Ratings to Negative from Stable. Fitch simultaneously affirmed VIVAT's IDR at 'BBB' and senior notes at 'BBB-', and VIVAT Insurance's IFS ratings at 'BBB+'.

The Negative Outlook follows Fitch's assessment that the credit profile of VIVAT's parent, China-based Anbang Insurance Group Co. Ltd (Anbang), has weakened, and that further widening in the relative credit strength would be credit-negative for VIVAT, as a result of uncertainties that could arise regarding VIVAT's future strategic direction. However, the affirmation of the ratings reflects our view that the credit profile of VIVAT as a standalone Dutch insurer is not directly affected by the credit profile of Anbang.

Anbang's weaker credit profile reflects a sharp decline in Anbang Life Insurance Co. Ltd's (Anbang Life's) comprehensive solvency ratio computed under China's Risk Oriented Solvency System (C-ROSS) framework. Fitch believes the announcement by Anbang that its chairman was unable to fulfil his role for personal reasons could impair the brand name and reputation of the group and its insurance subsidiaries. This may result in further credit weakness for Anbang, in Fitch's opinion.

KEY RATING DRIVERS

Under Fitch's criteria for assessing the impact of ownership, we view Anbang's current credit profile as neutral to VIVAT's ratings. We believe that the regulatory and governance framework under which VIVAT operates ring-fences its capitalisation and protects policyholders through restrictions on the minimum capital position and dividend payments.

VIVAT's ratings reflect the group's strong capitalisation, low investment risk and stable presence in the Dutch insurance market. The ratings also benefit from a sharpened strategic focus under the ownership of Anbang, and our expectation that VIVAT will remain profitable.

VIVAT's capital position is supportive of the group's ratings with a Prism factor-based capital model (FBM) score of "Very Strong" at end-2015. VIVAT reported an improved Solvency II ratio at 175% at end-2016 (end-2015: 161%).

The group's financial leverage ratio (FLR) was broadly stable at 21% at end-2016; however, we expect FLR to increase to around 30% on a pro forma basis following VIVAT's EUR650 million senior debt issue in May 2017. The higher FLR remains in line with the group's ratings.

VIVAT Insurance's presence in the Dutch insurance market has remained stable, 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.

VIVAT reported improved net income of EUR159 million in 2016 (2015: EUR109 million). Fitch expects VIVAT's profitability to improve from the current low base but remain under pressure in the medium term from low interest rates and fierce competition in the Dutch insurance market.

RATING SENSITIVITIES

Further deterioration in Fitch's assessment of Anbang's credit profile could lead to a downgrade of VIVAT's ratings.

An adverse change in our perception of the strength of the ring-fencing provided by the regulatory and governance framework under which VIVAT operates could also lead to a downgrade.

VIVAT's ratings may also be downgraded if the company fails to maintain profitability, as measured by net income return on equity (ROE) of at least 3% (2016: 4%), or if its Prism FBM score falls to the low end of the 'Strong' category, or financial leverage increases to more than 35% for a sustained period.

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Applicable Criteria

Insurance Rating Methodology (pub. 26 Apr 2017) (<https://www.fitchratings.com/site/re/897260>)

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