a.s.r.
de nederlandse
verzekerings
maatschappij
voor alle
verzekeringen

Press release

Utrecht, the Netherlands, May 20 2020, 07:00 hours CET

a.s.r. releases Q1 2020 trading update ahead of AGM today

ASR Nederland N.V. (a.s.r.) provides an extraordinary trading update[1] for the first quarter of 2020, ahead of the General Meeting of Shareholders (AGM) which is scheduled for 10.00am CET today. a.s.r. has decided to provide this additional information with the objective to keep the market informed on the (potential) impact of COVID-19 on its financial performance and business operations.

Limited impact of COVID-19 on operational performance in the first quarter

- Operating result amounted to € 184 million (Q1 2019: € 208 million) which include € 13 million of claims related to the storm in February and € 18 million negative impact from COVID-19 of which € 12 million due to an addition to unit-linked reserves and € 6 million in Disability.
- Combined ratio for P&C and Disability remained strong at 94.7% (Q1 2019: 94.3%), the increase in claims in disability by € 6 million due to COVID-19 is partly offset by a strong combined ratio of P&C despite the February storm.
- Gross written premium amounted to € 1,839 million, an increase of 18.3% compared to the first quarter last year; organic growth of P&C and Disability amounted to 7.6%.

Solvency II ratio remains solid

- Solvency II ratio amounted to approximately 235% at 31 March 2020 on standard formula (FY 2019: 194%), primarily driven by the significant increase in the volatility adjustment (VA) to 46 basis points. This ratio includes the future payment of the postponed 2019 final dividend and the buyback of own shares for a total amount of € 75 million (of which circa € 50 million has already been executed).

Impact from COVID-19

- Too early to make a realistic and credible assessment of what the full impact of the COVID-19 crisis will be on a.s.r.'s business and financial performance.
- Limited impact from the COVID-19 crisis in first quarter of this year.
- Operating result for the full year 2020 is expected to ease off from the record year of 2019 towards the level of 2018.
- Based on today's knowledge no need to adjust the medium term target (2021) for organic capital creation.

Jos Baeten (CEO): 'In these extraordinary times our prime concern is the personal well-being of our customers and our employees, their partners and their families. As a leading Dutch insurer, a.s.r. is committed to help its customers through this challenging period and to do everything in its power to help overcome the COVID-19 crisis in the Netherlands. For example, we continue to work on solutions for customers who have requested a temporary pause on premium payments, mortgage payments or rents. While this may impact the topline we believe this is the right thing to do and it will ultimately enhance customer retention and satisfaction. We have seamlessly moved to completely working from home and we are genuinely pleased to see that all of our business units have continued delivering their services to our customers uninterrupted.

We believe it is important to keep our investors and other stakeholders well informed on our financial performance and, to the extent possible, on the potential impact from the COVID-19 crisis. We therefore decided to provide an extra-ordinary interim update on a selected set of financial and business metrics for the first quarter of 2020.

Overall, we are pleased with the first quarter results which, include only limited impact from the COVID-19 crisis. While we expect to experience further adverse impact in the remainder of the year, it is still too early to make a realistic and credible assessment of what the full impact of the COVID-19 crisis will be on a.s.r.'s business and financial performance. This will depend on a number of factors, including the extent and duration of disruption and the impact on the global economy and financial markets.

[1] The figures contained in this press release have not been audited, nor have they been subjected to a limited review by an auditor.

Based on the knowledge and insights we have today we expect both positive as well as negative impact on our business and financial performance from the COVID-19 crisis. In the Life segment we believe that the insurance risks of our businesses in Pensions, Individual life and Funeral leaves us - on balance - exposed to longevity. Overall, we expect that the negative mortality impact on Individual life and Funeral will be offset by the development in Pensions. The Life segment represents the largest part of our investment portfolio, this will be the segment where we would expect to see impact from the decline in financial markets, particularly driven by impairments and revaluations, but also by lower direct investment income.

In the Non-life segment we see various product lines experience opposite and sometimes mutually offsetting impacts. Disability appears to be the product line whose operations are most directly affected by the lockdown and social distancing. At the start of the lock-down we witnessed an increase in claims, which more recently eased off somewhat. These claims cannot be properly assessed given the social distancing rules and reintegration programs are facing delays. In our Health business, we would expect higher COVID-19-related claims as customers have been or may become hospitalised. This will be partly compensated by fewer claims from regular medical treatments. However, we do believe that this will revert back to normal and there will be some catching up on the regular treatments. In P&C, the claims ratio benefitted for instance from the temporary effect of fewer car accidents and lower claims as the lock-down effectively halted daily commuter traffic. In our travel insurance we experience somewhat higher claims particularly from the holiday cancelation cover, for those clients who have selected this optional and additional coverage. Our fee generating asset management business may experience market movements which could impact the fees from third party asset management.

We are pleased with the growth of gross written premiums in the first quarter, which increased by 18% compared to the same period last year, reflecting growth in both the Non-life and the Life segment. The 7.6% organic growth in P&C and Disability combined exceeds the medium target of 3-5%. Due to COVID-19 we expect this growth will flatten during the remainder of this year.

Our investment portfolio is of high quality, primarily consisting of government bonds with an average credit rating of AAA/AA and our corporate and financials bond portfolio with an average credit rating of A-. We actively manage the credit portfolio to minimise the risk of defaults and downgrades. Due to our strict ESG criteria our exposure to Oil & Gas is very small. Our exposure to other sectors, heavily impacted by COVID-19 such as Leisure, Travel and Transportation is also very small. In terms of sensitivity to a potential rating migration: if 20% of the entire corporate and financials credit portfolio would experience a full letter downgrade (3 notches) this would result in approximately 5%-point impact on our Solvency II ratio, based on the required capital for spread risk. Our real estate portfolio is focused on higher quality properties in retail, offices and residential real estate. For example, our retail fund applies strict investment criteria, effectively allowing it only to invest in less than 10% of the Dutch retail real estate market covering selected high streets mainly in the large cities and selected regional shopping centers with a strong focus on supermarkets and food. The real estate portfolio also consists for about € 1.6 billion of rural property which tends to be a relatively stable asset. Our mortgage portfolio is well protected as 40% is NHG (government guarantee) and the average loan-to-value is 74%. It is likely that we may also experience defaults and revaluations in our investment portfolio, for instance in our real estate investments, but we feel comfortable with the composition and quality of our investment portfolio.

Given these effects on our businesses, we would expect an adverse impact on our operating earnings in the running year. Our earlier guidance for 2020 was that it would prove difficult to match the record performance of 2019, and while it remains uncertain, we currently believe that the operating result for this year will be closer to the result of 2018. At the same time, our organic capital generation is holding up well and based on today's knowledge there is no need to change our 2021 medium term target of € 500 million at this point in time.

We continue to run our company with a strong balance sheet to protect the interests of policyholders and to safeguard our dividend paying capability. Our Solvency II ratio remained solid since FY 2019, with the increase to approximately 235% at the end of the first quarter which eased off in April primarily by the EIOPA volatility adjustment. It remains our current intention to pay the remainder of the 2019 dividend and resume the share buyback program in the second half of 2020 in line with our existing dividend policy and when appropriate given the developments of COVID-19."

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About a.s.r.
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The figures contained in this press release have not been audited, nor have they been subjected to a limited review by an auditor. All amounts quoted in these financial statements are in euros and rounded to the nearest million, unless otherwise indicated. Calculations are made using unrounded figures. As a result rounding differences can occur.

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