



Fitch Affirms VIVAT Insurance's IFS at 'BBB+'; Outlook Evolving

Fitch Ratings-London-10 December 2018: Fitch Ratings has affirmed SRLEV N.V.'s and VIVAT Schadeverzekeringen N.V.'s (together VIVAT Insurance) Insurer Financial Strength (IFS) Ratings at 'BBB+' (Good) and VIVAT N.V.'s Issuer Default Rating (IDR) at 'BBB' (Good). The Outlooks are Evolving.

The Evolving Outlook reflects uncertainty over whether Anbang Insurance Group Co. Ltd (Anbang) will remain VIVAT group's owner over the long-term. Fitch does not have any direct or indirect knowledge of any actions the China Insurance Regulatory Commission is contemplating in its oversight of Anbang.

KEY RATING DRIVERS

The ratings are driven by VIVAT group's strong capitalisation and leverage, and business profile, while profitability and debt servicing capabilities are rating weaknesses.

Fitch's assessment of VIVAT group's capitalisation, based on the end-2017 Fitch Prism Factor Based Model (FBM) score, is 'Extremely Strong', unchanged from 2016. The 1H18 Solvency II (S2) ratio stood at 167% (end-2017:162%). The sensitivity of VIVAT group's S2 ratio to various market factors is limited. Fitch expects VIVAT group to maintain its Prism FBM score at or near 'Extremely Strong'.

VIVAT group's Fitch-calculated financial leverage ratio (FLR) improved to around 29% at 1H18 from 32% at end-2017, due to the group's EUR300 million restricted tier 1 (RT1) note issuance in June 2018. The RT1 notes are treated as 100% capital in our FLR calculation. However, this was partially offset by lower shareholder's equity as a result of the group's 1H18 net loss. Fitch expects VIVAT group's FLR to stabilise below 30%, but to remain sensitive to fluctuating profitability.

VIVAT group has a stable presence in the Dutch insurance market, notably in life and pensions insurance. At end-2017 it ranked second in Dutch life with a 17% market share by gross written premiums (excluding health), and fifth in non-life with a 5% market share. VIVAT group's strategy is predominantly focused on client retention, cost savings and selective smaller-scale acquisitions in the corporate pensions segment due to limited growth opportunities in the Dutch life insurance market.

VIVAT group's underlying earnings (excluding fair value changes on assets and liabilities, and one-off expenses) improved to EUR115 million in 1H18 (1H17: EUR73 million; 2017: EUR172 million). However, this was due to a strong hedge result, which we view as a volatile item. Fitch expects underlying return on equity (ROE) to remain stable in the 3%-6% range but for net income to be volatile due to life assets' and liabilities' sensitivity to fair value changes and technical parameter adjustments such as longevity and expense risks.

The ratings reflect Fitch's view that VIVAT group's credit profile as a standalone Dutch insurer is not directly affected by that of its parent, Anbang. We believe the regulatory and governance framework under which VIVAT group operates ring-fences its capitalisation and policyholders through restrictions on the minimum capital position and capital flows to the shareholder.

RATING SENSITIVITIES

A change in VIVAT group's ownership could have positive or negative implications, or could be neutral for VIVAT group's ratings, depending on the credit quality of the new owner and Fitch's assessment on VIVAT's strategic importance to the new owner.

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

The ratings could be downgraded if net income ROE falls below 3%, if the FLR weakens to above 35% or if the S2 ratio falls below 130% for a sustained period.

Net income ROE sustained above 6% could lead to an upgrade.

FULL LIST OF RATING ACTIONS

VIVAT Schadeverzekeringen N.V.

--IFS Rating affirmed at 'BBB+'; Outlook Evolving

SRLEV N.V.

-- IFS Rating affirmed at 'BBB+'; Outlook Evolving

VIVAT N.V.

-- Long Term IDR affirmed at 'BBB'; Outlook Evolving

--Senior unsecured debt affirmed at 'BBB-'

--Subordinated debt affirmed at 'BB'

--Junior subordinated debt affirmed at 'BB-'

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Applicable Criteria

Exposure Draft: Insurance Rating Criteria (pub. 04 Oct 2018)

(<https://www.fitchratings.com/site/re/10044902>)

Insurance Rating Criteria (pub. 30 Nov 2017) (<https://www.fitchratings.com/site/re/905036>)

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