

# NETHERLANDS

## Key characteristics of the insurance market



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# 1 Introduction

## 1.1 General

At the end of 2017 (2017 Q4), 139 insurance companies<sup>1</sup> in the Netherlands submitted their Solvency II related reporting package to the Dutch National Supervisory Authority (NSA). These companies accounted for 4,312% of Total assets of insurance undertakings operating within the European Union (EU).

Table 1 depicts the number of Solvency II reporting submissions in the Netherlands by insurance activities and the importance of the country within the EU, based on Total assets.

**Table 1 - Insurance reporting submissions**

Insurance reporting submissions	#
Life undertakings	31
Non-Life undertakings	101
Reinsurance undertakings	6
Composite undertakings	1
<b>Total</b>	<b>139</b>
<b>Total assets NL / Total assets EU %</b>	<b>4,312%</b>
<b>Ranking NL based on Total assets EU</b>	<b>5</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

## 1.2 Balance sheet

At the end of 2017 (2017 Q4), the Netherlands was the number 5 country in the EU insurance market in terms of assets held with an amount of 487 billion EUR reported under Solvency II rules.

With regards to the Assets held for index-linked and unit-linked contracts, the Netherlands ranked number 9 in terms of absolute amount with 92 billion EUR invested in this category. However, with 18,9% of Total assets of this category, the Netherlands was below the EU average, i.e. 24,3% in terms of Total assets.

In terms of technical provisions, 53,8% of the total balance sheet relates to the life business (i.e. non-index-linked and unit-linked business), while 5,7% represented non-life obligations.

**Table 2 - Solvency II balance sheet (S.02.01) and EU comparison (solo)**

in Mio EUR	NL			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Investments, deposits, cash and cash equivalents	348 410	5	71,6%	67,8%	67,3%	22,6%	90,1%	17,2%
Assets held for index-linked and unit-linked contracts	91 846	9	18,9%	24,2%	24,3%	2,5%	59,3%	16,2%
Other assets	46 661	5	9,6%	8,1%	8,4%	2,1%	19,5%	4,9%
<b>Total assets</b>	<b>486 916</b>	<b>5</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>
Technical provisions - life	261 789	5	53,8%	46,3%	32,2%	3,0%	64,2%	17,9%
Technical provisions - non-life	27 702	6	5,7%	6,6%	12,9%	2,4%	38,5%	9,1%
Technical provisions - index-linked and unit-linked	102 974	9	21,1%	25,1%	23,4%	2,4%	58,4%	16,0%
Other liabilities	36 288	7	7,5%	8,9%	9,0%	4,0%	21,3%	3,9%
<b>Total liabilities</b>	<b>428 753</b>	<b>5</b>	<b>88,1%</b>	<b>86,9%</b>	<b>77,6%</b>	<b>49,1%</b>	<b>92,7%</b>	<b>11,1%</b>
Excess of assets over liabilities	58 164	6	11,9%	13,1%	22,4%	7,3%	50,9%	11,1%
<b>Total liabilities + Excess of assets over liabilities</b>	<b>486 916</b>	<b>5</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

<sup>1</sup> In the report, the term 'insurance companies' indicates both direct insurance and reinsurance companies. The insurance market therefore also refers to insurers and reinsurers.



The balance sheet item Investments, deposits, cash and cash equivalents will be further detailed in section 2, while section 3 will focus on Assets held for index-linked and unit-linked contracts.

### 1.3 Solvency II ratios

At the end of 2017 (2017 Q4), the Netherlands insurance market as a whole had available own funds that were significantly above the Solvency Capital Requirement (SCR) levels required by the European Solvency II Directive. The reported SCR ratio amounted to 185% with long-term guarantee (LTG) and transitional measures and is significantly lower than that the EU, which amounted to 237% at year-end 2017. Out of the 28 EU Member States, the Netherlands is ranked at the 22<sup>nd</sup> position in terms of the reported SCR ratios.

**Table 3 - Solvency II own funds and SCR (S.23.01) and EU comparison (solo)**

in Mio EUR	NL		EU				
	Amount	Rank	%	Avg	Min	Max	StD
Total available own funds to meet the SCR	59 751	6	-	-	-	-	-
SCR	31 408	5	-	-	-	-	-
<b>Surplus available own funds</b>	<b>28 343</b>	<b>7</b>	-	-	-	-	-
<b>Ratio of Eligible own funds to SCR</b>	<b>185%</b>	<b>22</b>	<b>237%</b>	<b>225%</b>	<b>135%</b>	<b>361%</b>	<b>52%</b>
Ratio of Eligible own funds to SCR (10th percentile)	132%	16	136%	138%	110%	193%	19%
Ratio of Eligible own funds to SCR (25th percentile)	154%	15	162%	164%	128%	214%	24%
Ratio of Eligible own funds to SCR (50th percentile)	191%	18	215%	208%	144%	300%	37%
Ratio of Eligible own funds to SCR (75th percentile)	258%	16	306%	280%	164%	445%	59%
Ratio of Eligible own funds to SCR (90th percentile)	387%	15	457%	396%	173%	643%	99%
<b>Ratio of Eligible own funds to MCR</b>	<b>436%</b>	<b>25</b>	<b>640%</b>	<b>613%</b>	<b>282%</b>	<b>933%</b>	<b>170%</b>

Source: EIOPA statistics and Deloitte-CEPS analysis

EIOPA's report on long-term guarantees measures and measures on equity risk published on 18 December 2018 mentions the average impact of the use of LTG and transitional measures. According to that report, at year-end 2017, Dutch participants reported an SCR ratio of 183% including the application of LTGs and transitionals. Removing the measures caused a significant decrease of the SCR ratio to 152%.<sup>2</sup>

<sup>2</sup> [https://eiopa.europa.eu/Publications/Reports/2018-12-18%20\\_LTG%20AnnualReport2018.pdf](https://eiopa.europa.eu/Publications/Reports/2018-12-18%20_LTG%20AnnualReport2018.pdf)

## 2 Investments, deposits, cash and cash equivalents

### 2.1 Scope

The asset allocation of Dutch insurance undertakings is mainly analysed through the reported Solvency II Exposure List (S.06.02). The classification of the Solvency II Balance Sheet (S.02.01) follows the legal nature of the assets in terms of classification, which can differ, from the exposures reporting.

Based upon the comparative view below, we note that amounts reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01) do not differ. In terms of allocation in percentage, we note a shift from Holdings in related undertakings (including participations and equities) towards Collective Investments Undertakings, when going from Solvency II Balance Sheet to the Exposure list. Furthermore, we also note a small shift from Deposits towards Cash and cash equivalents, when going from Solvency II Balance Sheet to the Exposure list.

**Table 4 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison**

in number	Exposure list NL		Solvency II balance sheet NL		Difference
	#	%	#	%	#
Life undertakings	31	22,3%	31	22,3%	0
Non-Life undertakings	101	72,7%	101	72,7%	0
Reinsurance undertakings	6	4,3%	6	4,3%	0
Undertakings pursuing both life and non-life insurance activity	1	0,7%	1	0,7%	0
<b>Total</b>	<b>139</b>	<b>100,0%</b>	<b>139</b>	<b>100,0%</b>	<b>0</b>

in Mio EUR	Exposure list NL		Solvency II balance sheet NL		Difference
	Amount	%	Amount	%	%
Holdings in related undertakings, incl. participations and equities	19 665	5,6%	25 605	7,3%	-1,7%
Holdings in related undertakings, including participations	n/a	n/a	15 464	4,4%	n/a
Equities	n/a	n/a	10 141	2,9%	n/a
Equities - listed	n/a	n/a	8 876	2,5%	n/a
Equities - unlisted	n/a	n/a	1 265	0,4%	n/a
Collective Investments Undertakings	27 898	8,0%	21 960	6,3%	1,7%
Bonds	179 902	51,6%	180 040	51,7%	0,0%
Loans and mortgages	91 568	26,3%	91 568	26,3%	0,0%
Property	6 926	2,0%	6 926	2,0%	0,0%
Deposits	4 433	1,3%	4 771	1,4%	-0,1%
Cash and cash equivalents	14 767	4,2%	14 430	4,1%	0,1%
Other investments	3 111	0,9%	3 111	0,9%	0,0%
<b>Total</b>	<b>348 410</b>	<b>100,0%</b>	<b>348 410</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

#### 2.1.1 Listed and unlisted equity

The distinction between listed and unlisted equity is made based upon the reported Solvency II Balance Sheet (S.02.01). Table 5 compares the listed and unlisted equity whereby Holdings in related undertakings (including participations) are excluded.

**Table 5 - Listed and unlisted equity exposure based upon the Solvency II balance sheet (S.02.01)**

in Mio EUR	NL			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equities - listed	8 876	6	87,5%	83,7%	75,0%	12,8%	99,6%	21,1%
Equities - unlisted	1 265	7	12,5%	16,3%	25,0%	0,4%	87,0%	21,1%
<b>Total equities</b>	<b>10 141</b>	<b>8</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis



Based upon the quarterly reporting as of Q4 2017, Dutch insurers invested 87,5% of their directly-held equity positions in listed equity in comparison to an average of 75,0% in the EU. With an amount of 8 876 million EUR, the Netherlands ranked number 6 in the EU. With an invested amount of 1 265 million EUR, unlisted equity constituted a significant portion of the equity investment category of the directly-held equity investments, i.e. 12,5%. This placed the Netherlands as the number 7 in the EU. With respect to the size of the investees of the listed and unlisted equity, no information following the Solvency II reporting structure was made publicly available.

## **2.2 Asset exposure**

From an asset exposure perspective, the insurance market in the Netherlands was mainly invested in Government bonds and Corporate bonds (in total 49,3% of Total Investments, deposits, cash and cash equivalents), Mortgages and loans (26,3%), and Collective Investments Undertakings (8,0%).

Within the bond categories, the insurance market was more than twice as much exposed to government securities (35,2%) as to corporate debt (14,1%), categories for which the Netherlands ranked number 7 and number 9 in the EU, respectively. Comparing the different assets classes, we note that the government bonds asset class shows the highest standard deviation of 18,9%.

The category of Collective Investment Undertakings was the fourth most important for the Dutch insurance market in terms of asset exposures. Within this category, the industry was mainly exposed to Real estate funds, Money market funds, and Debt funds for which the Netherlands ranked respectively number 5, number 3, and number 7 in the EU.

Equity was the fifth category to which the Dutch insurers had the most exposure. Equity of real estate related corporation constitutes 0,1% within the 5,6% of the total equity exposure.



Table 6 - Asset exposures based upon the Solvency II exposure list (S.06.02)

in Mio EUR	NL			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>19 665</b>	<b>8</b>	<b>5,6%</b>	<b>12,0%</b>	<b>9,5%</b>	<b>1,1%</b>	<b>28,1%</b>	<b>6,5%</b>
Common equity	12 600	9	3,6%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	387	12	0,1%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	6 678	4	1,9%	0,6%	0,6%	0,0%	2,0%	0,7%
<b>Collective Investment Undertakings</b>	<b>27 898</b>	<b>7</b>	<b>8,0%</b>	<b>19,2%</b>	<b>12,8%</b>	<b>1,5%</b>	<b>41,6%</b>	<b>9,3%</b>
Equity funds	3 453	7	1,0%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	1 819	8	0,5%	0,5%	0,5%	0,0%	6,9%	1,3%
Debt funds	6 586	7	1,9%	7,8%	5,6%	0,8%	18,0%	4,9%
Money market funds	6 768	3	1,9%	2,3%	1,1%	0,0%	6,3%	1,6%
Asset allocation funds	123	11	0,0%	1,1%	0,8%	0,0%	3,9%	1,0%
Real estate funds	7 531	5	2,2%	1,6%	0,8%	0,0%	3,3%	0,9%
Alternative funds	222	9	0,1%	0,4%	0,3%	0,0%	3,1%	0,6%
Infrastructure funds	337	6	0,1%	0,2%	0,1%	0,0%	0,9%	0,2%
Other	1 059	9	0,3%	2,0%	0,9%	0,0%	7,2%	1,7%
<b>Government bonds</b>	<b>122 712</b>	<b>7</b>	<b>35,2%</b>	<b>28,7%</b>	<b>39,7%</b>	<b>10,0%</b>	<b>77,0%</b>	<b>18,9%</b>
<b>Corporate bonds</b>	<b>49 164</b>	<b>9</b>	<b>14,1%</b>	<b>26,9%</b>	<b>21,6%</b>	<b>1,8%</b>	<b>47,3%</b>	<b>11,2%</b>
<b>Structured notes</b>	<b>598</b>	<b>8</b>	<b>0,2%</b>	<b>1,3%</b>	<b>0,5%</b>	<b>0,0%</b>	<b>2,5%</b>	<b>0,6%</b>
<b>Collateralised securities</b>	<b>7 427</b>	<b>2</b>	<b>2,1%</b>	<b>0,6%</b>	<b>0,6%</b>	<b>0,0%</b>	<b>9,3%</b>	<b>1,8%</b>
<b>Mortgages and loans</b>	<b>91 568</b>	<b>2</b>	<b>26,3%</b>	<b>4,8%</b>	<b>3,8%</b>	<b>0,3%</b>	<b>26,3%</b>	<b>5,2%</b>
<b>Property</b>	<b>6 926</b>	<b>8</b>	<b>2,0%</b>	<b>2,0%</b>	<b>3,5%</b>	<b>0,8%</b>	<b>11,6%</b>	<b>2,6%</b>
<b>Deposits</b>	<b>4 433</b>	<b>7</b>	<b>1,3%</b>	<b>2,8%</b>	<b>3,6%</b>	<b>0,2%</b>	<b>16,6%</b>	<b>3,6%</b>
<b>Cash and cash equivalents</b>	<b>14 767</b>	<b>2</b>	<b>4,2%</b>	<b>1,4%</b>	<b>4,3%</b>	<b>0,5%</b>	<b>16,6%</b>	<b>3,5%</b>
<b>Other investments</b>	<b>3 111</b>	<b>2</b>	<b>0,9%</b>	<b>0,1%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,9%</b>	<b>0,3%</b>
<b>Not reported</b>	<b>139</b>	<b>4</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,3%</b>	<b>0,1%</b>
<b>Total Investments, deposits, cash and cash equivalents</b>	<b>348 410</b>	<b>5</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

### 2.2.1 Asset exposures between Life, Non-Life and Composite insurance undertakings, and reinsurers

Table 7 based upon the Asset Exposure reporting (S.06.02) of Q4 2017, gives further insight into the investment behaviour of Life, Non-Life and Composite insurance companies, and reinsurers in the Netherlands.

**Table 7 - Asset exposure based upon Solvency II exposure list (S.06.02) for Life, Non-Life, and Composite insurance undertakings, and reinsurers**

in %	NL			EU		
	Life	Non-life	Composite and reinsurance	Life	Non-life	Composite and reinsurance
<b>Equity</b>	<b>4,1%</b>	<b>14,9%</b>	<b>5,3%</b>	<b>6,6%</b>	<b>18,3%</b>	<b>16,5%</b>
Common equity	2,4%	10,8%	4,8%	5,0%	16,2%	14,9%
Equity of real estate related corporation	0,1%	0,1%	0,1%	1,0%	0,8%	1,2%
Other equity	1,6%	3,9%	0,4%	0,6%	1,3%	0,4%
<b>Collective Investment Undertakings</b>	<b>6,3%</b>	<b>17,9%</b>	<b>6,5%</b>	<b>22,4%</b>	<b>22,3%</b>	<b>13,8%</b>
Equity funds	0,6%	3,1%	1,6%	3,7%	2,9%	2,7%
Private equity funds	0,6%	0,4%	0,0%	0,5%	0,5%	0,5%
Debt funds	1,3%	5,1%	2,6%	9,7%	9,3%	4,7%
Money market funds	1,2%	6,5%	0,5%	2,8%	1,4%	2,0%
Asset allocation funds	0,0%	0,1%	0,0%	1,3%	1,2%	0,9%
Real estate funds	2,3%	1,6%	0,0%	1,6%	1,8%	1,4%
Alternative funds	0,1%	0,1%	0,0%	0,3%	0,3%	0,5%
Infrastructure funds	0,1%	0,1%	0,0%	0,2%	0,2%	0,3%
Other	0,2%	0,9%	1,7%	2,3%	4,3%	0,8%
<b>Government bonds</b>	<b>36,6%</b>	<b>28,2%</b>	<b>13,9%</b>	<b>28,1%</b>	<b>19,1%</b>	<b>33,4%</b>
<b>Corporate bonds</b>	<b>12,7%</b>	<b>22,4%</b>	<b>10,7%</b>	<b>29,2%</b>	<b>29,3%</b>	<b>22,9%</b>
<b>Structured notes</b>	<b>0,2%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>1,4%</b>	<b>0,6%</b>	<b>1,5%</b>
<b>Collateralised securities</b>	<b>2,3%</b>	<b>1,1%</b>	<b>0,0%</b>	<b>0,8%</b>	<b>0,6%</b>	<b>0,5%</b>
<b>Mortgages and loans</b>	<b>30,0%</b>	<b>6,0%</b>	<b>0,9%</b>	<b>7,4%</b>	<b>3,2%</b>	<b>2,3%</b>
<b>Property</b>	<b>2,2%</b>	<b>0,8%</b>	<b>0,0%</b>	<b>2,0%</b>	<b>2,5%</b>	<b>1,7%</b>
<b>Deposits</b>	<b>0,9%</b>	<b>0,8%</b>	<b>52,2%</b>	<b>0,8%</b>	<b>1,6%</b>	<b>5,8%</b>
<b>Cash and cash equivalents</b>	<b>3,4%</b>	<b>7,9%</b>	<b>10,5%</b>	<b>1,0%</b>	<b>2,5%</b>	<b>1,4%</b>
<b>Other investments</b>	<b>1,1%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,2%</b>	<b>0,0%</b>	<b>0,1%</b>
<b>Not reported</b>	<b>0,0%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>Total Investments, deposits, cash and cash equivalents</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

At EU level Non-Life insurers invested a significantly higher portion of their Investments in Equity (18,3% equity investments) in comparison to pure Life insurers (6,6% equity investments). In The Netherlands, this difference was comparable, and we note that Non-Life insurers invested 3 times more of their assets into this category than their composite and life counterparts.

A contrast in behaviour between Dutch Life insurers and their counterpart at EU level can be noted with regards to the Mortgages and loans: Dutch Life insurers reported 30,0% of their investments in this category, in sharp contrast to the EU level which amounted to 7,4%.

## 2.3 Equity exposure

Based upon the information included in the Solvency II Exposure List (S.06.02) and Balance Sheet (S.02.01), equity exposures can be calculated and presented in different ways:

- Equity exposure as the sum of Equity (Common equity, Equity of real estate related corporation and Other equity), Equity and Private equity funds, and Equity risk included in structured notes;
- Equity of real estate related corporation could be seen as a property exposure. Therefore equity exposures are presented including and excluding Equity of real estate related corporation;
- The equity amounts of the Solvency II Exposure List does not provide further details whether the equity exposures relate to listed or unlisted equity positions. In addition, the Solvency II Exposure List does not mention whether the equity relates to Holdings in related undertakings, including participations;
- Therefore, the listed and unlisted share amounts reported in the Solvency II Balance Sheet are considered and integrated as an equity exposure indicator. A rescaling is performed in case a difference is noted between the two Solvency II information sets (Exposure List versus Balance Sheet). The adjusted equity exposure stemming from this analysis excludes the Equity exposure coming from Holdings in related undertakings, including participations. These holdings can potentially be important within insurance groups.

**Table 8 - Equity exposure based upon the Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02)**

in Mio EUR	NL			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>19 665</b>	<b>8</b>	<b>5,6%</b>	<b>12,0%</b>	<b>9,5%</b>	<b>1,1%</b>	<b>28,1%</b>	<b>6,5%</b>
Common equity	12 600	9	3,6%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	387	12	0,1%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	6 678	4	1,9%	0,6%	0,6%	0,0%	2,0%	0,7%
<b>Collective Investment Undertakings - Equity funds</b>	<b>5 272</b>	<b>7</b>	<b>1,5%</b>	<b>3,8%</b>	<b>3,2%</b>	<b>0,4%</b>	<b>14,7%</b>	<b>3,5%</b>
Equity funds	3 453	7	1,0%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	1 819	8	0,5%	0,5%	0,5%	0,0%	6,9%	1,3%
<b>Structured notes - Equity risk</b>	<b>3</b>	<b>14</b>	<b>0,0%</b>	<b>0,2%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,6%</b>	<b>0,1%</b>
<b>Total Equity exposure</b>	<b>24 940</b>	<b>7</b>	<b>7,2%</b>	<b>16,0%</b>	<b>12,7%</b>	<b>2,5%</b>	<b>37,4%</b>	<b>8,4%</b>
<b>Equity without Equity of real estate related corporation</b>	<b>19 278</b>	<b>7</b>	<b>5,5%</b>	<b>11,0%</b>	<b>8,4%</b>	<b>1,1%</b>	<b>24,1%</b>	<b>6,1%</b>
<b>Equity exposure without Equity of real estate related corporation</b>	<b>24 553</b>	<b>7</b>	<b>7,0%</b>	<b>15,0%</b>	<b>11,7%</b>	<b>2,4%</b>	<b>33,3%</b>	<b>7,9%</b>
<b>Equities market value balance sheet (rescaled to CIC scope)</b>	<b>10 141</b>	<b>8</b>	<b>2,9%</b>	<b>3,6%</b>	<b>3,2%</b>	<b>0,1%</b>	<b>20,6%</b>	<b>4,0%</b>
Equities - listed (rescaled to CIC scope)	8 876	6	2,5%	3,0%	2,6%	0,0%	15,4%	3,2%
Equities - unlisted (rescaled to CIC scope)	1 265	7	0,4%	0,6%	0,6%	0,0%	5,2%	1,0%
<b>Equity exposure based upon (Un)Listed equities (rescaled)</b>	<b>15 416</b>	<b>7</b>	<b>4,4%</b>	<b>7,6%</b>	<b>6,5%</b>	<b>1,2%</b>	<b>29,8%</b>	<b>6,7%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The observed standard deviations at EU level are relatively high given the asset allocation in percentage between the different asset classes at EU level.

In the Netherlands, we note that equity exposures coming from Collective Investment Undertakings amount to 1,5% and are lower than the listed and unlisted equity exposures which in total amount to 2,9%. Hereby the listed and unlisted equities in the Netherlands are very similar to the asset allocation at EU level.





### 2.3.1 Direct and indirect equity exposure

**Table 9 - Direct and indirect equity exposures based upon the Solvency II exposure list (S.06.02)**

in Mio EUR	NL			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Direct equity</b>	<b>19 665</b>	<b>8</b>	<b>78,8%</b>	<b>75,2%</b>	<b>73,4%</b>	<b>39,2%</b>	<b>94,5%</b>	<b>15,9%</b>
Common equity	12 600	9	50,5%	64,8%	59,4%	28,6%	93,3%	19,0%
Equity of real estate related corporation	387	12	1,6%	6,4%	8,4%	0,0%	39,1%	9,6%
Other equity	6 678	4	26,8%	3,9%	5,7%	0,0%	35,3%	8,8%
<b>Indirect equity</b>	<b>5 275</b>	<b>7</b>	<b>21,2%</b>	<b>24,8%</b>	<b>26,6%</b>	<b>5,5%</b>	<b>60,8%</b>	<b>15,9%</b>
Collective Investment Undertakings - Equity funds	5 272	7	21,1%	23,6%	25,9%	4,6%	60,6%	15,7%
Equity funds	3 453	7	13,8%	20,2%	22,8%	4,6%	52,9%	13,4%
Private equity funds	1 819	8	7,3%	3,3%	3,1%	0,0%	28,4%	5,7%
Structured notes - Equity risk	3	14	0,0%	1,3%	0,7%	0,0%	4,0%	1,0%
<b>Total Equity exposure</b>	<b>24 940</b>	<b>7</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, the insurance market in the Netherlands was invested more than thrice as much in Direct equity (78,8% of Total equity) than in Indirect equity (21,2% of Total equity).

In terms of direct equity exposure, the Netherlands ranked number 9 and number 12 in the EU, with regards respectively to the exposure amount to Common equity and Equity of real estate related corporation.

Within the Indirect equity category, Equity funds constituted the bulk of investments with 13,8% of Total equity, almost more than 2 times the amount invested in Private equity funds.

### 2.3.2 Equity by location

**Table 10 - Equity exposure by location based upon the Solvency II exposure list (S.06.02)**

in Mio EUR	NL			
	EU home	EU other	outside EU (1)	Total
<b>Equity</b>	<b>12 512</b>	<b>3 553</b>	<b>3 600</b>	<b>19 665</b>
Common equity	5 907	3 400	3 294	12 600
Equity of real estate related corporation	221	81	86	387
Other	6 384	73	221	6 678
<b>Collective Investment Undertakings - Equity funds</b>	<b>2 816</b>	<b>1 564</b>	<b>892</b>	<b>5 272</b>
Equity funds	1 673	1 194	586	3 453
Private equity funds	1 143	370	306	1 819
<b>Structured notes - Equity risk</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>
<b>Total Equity exposure</b>	<b>15 328</b>	<b>5 117</b>	<b>4 496</b>	<b>24 940</b>

in %	NL			
	EU home	EU other	outside EU (1)	Total
<b>Equity</b>	<b>63,6%</b>	<b>18,1%</b>	<b>18,3%</b>	<b>100,0%</b>
Common equity	46,9%	27,0%	26,1%	100,0%
Equity of real estate related corporation	57,0%	20,8%	22,1%	100,0%
Other	95,6%	1,1%	3,3%	100,0%
<b>Collective Investment Undertakings - Equity funds</b>	<b>53,4%</b>	<b>29,7%</b>	<b>16,9%</b>	<b>100,0%</b>
Equity funds	48,4%	34,6%	17,0%	100,0%
Private equity funds	62,9%	20,3%	16,8%	100,0%
<b>Structured notes - Equity risk</b>	<b>0,0%</b>	<b>0,0%</b>	<b>100,0%</b>	<b>100,0%</b>
<b>Total Equity exposure</b>	<b>61,5%</b>	<b>20,5%</b>	<b>18,0%</b>	<b>100,0%</b>

(1) The following countries are included in the class 'outside EU': IS, LI, NO, AU, CA, JP, US, CH and countries grouped under the caption 'Rest of World'. In addition some investments are not assigned to an individual country and are also included in this class.

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis



Based upon the Q4 2017 reporting with regards to the location of equity investments, insurers established in the Netherlands favoured domestic investments to a large extent, dedicating to these 63,6% of their direct equity investments, and 53,4% of their indirect investments.

Table 11 also showed that besides the home market, the Netherlands insurers invested slightly more in equity of other EU Member States than that of non-EU Member States. The United States of America, Germany and France were the preferred destinations.

**Table 11 - Direct equity exposure by location based upon the Solvency II exposure list (S.06.02)**

in Mio EUR	NL	
	Amount	%
<b>Home country</b>	<b>12 512</b>	<b>63,6%</b>
NL	12 512	63,6%
<b>Top 5 countries (outside home country)</b>	<b>5 211</b>	<b>26,5%</b>
US	1 654	8,4%
DE	1 121	5,7%
FR	1 085	5,5%
Rest of World and unassigned	824	4,2%
CH	527	2,7%
<b>Home + Top 5 countries (outside home country)</b>	<b>17 722</b>	<b>90,1%</b>
<b>Total Direct equity exposure (with real estate corporation)</b>	<b>19 665</b>	<b>100,0%</b>

in Mio EUR	NL	
	Amount	%
<b>Home country</b>	<b>12 291</b>	<b>63,8%</b>
NL	12 291	63,8%
<b>Top 5 countries (outside home country)</b>	<b>5 089</b>	<b>26,4%</b>
US	1 627	8,4%
DE	1 094	5,7%
FR	1 053	5,5%
Rest of World and unassigned	798	4,1%
CH	517	2,7%
<b>Home + Top 5 countries (outside home country)</b>	<b>17 380</b>	<b>90,2%</b>
<b>Total Direct equity exposure (without real estate corporation)</b>	<b>19 278</b>	<b>100,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

### 3 Index-linked and unit-linked investments

#### 3.1 Scope

Based upon the comparative view below, we note a minor difference with respect to the Assets held for index-linked and unit-linked investments reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01).

**Table 12 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison**

in number	Exposure list NL		Solvency II balance sheet NL		Difference
	#	%	#	%	#
Life undertakings	31	22,3%	31	22,3%	0
Non-Life undertakings	101	72,7%	101	72,7%	0
Reinsurance undertakings	6	4,3%	6	4,3%	0
Undertakings pursuing both life and non-life insurance activity	1	0,7%	1	0,7%	0
<b>Total</b>	<b>139</b>	<b>100,0%</b>	<b>139</b>	<b>100,0%</b>	<b>0</b>

in Mio EUR	Exposure list NL		Solvency II balance sheet NL		Difference
	Amount	%	Amount	%	%
Assets held for index-linked and unit-linked contracts	91 735	100,0%	91 846	100,0%	-0,1%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

#### 3.2 Asset exposure

Table 13 depicts a more detailed view of the Assets held for index-linked and unit-linked contracts, based upon the Solvency II exposure list (S.06.02).

**Table 13 - Asset exposure based upon the Solvency II exposure list (S.06.02)**

in Mio EUR	NL			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>828</b>	<b>9</b>	<b>0,9%</b>	<b>19,3%</b>	<b>4,5%</b>	<b>0,0%</b>	<b>30,1%</b>	<b>7,1%</b>
Common equity	718	10	0,8%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	46	9	0,1%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	64	6	0,1%	0,4%	0,3%	0,0%	4,1%	0,9%
<b>Collective Investment Undertakings</b>	<b>76 704</b>	<b>8</b>	<b>83,6%</b>	<b>63,2%</b>	<b>73,1%</b>	<b>30,1%</b>	<b>97,5%</b>	<b>16,3%</b>
Equity funds	21 886	9	23,9%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	112	5	0,1%	0,1%	0,2%	0,0%	2,9%	0,6%
Debt funds	23 470	5	25,6%	12,1%	19,0%	4,8%	47,5%	11,4%
Money market funds	443	10	0,5%	2,2%	1,7%	0,0%	7,5%	1,8%
Asset allocation funds	23 421	5	25,5%	14,8%	13,1%	0,4%	30,5%	7,7%
Real estate funds	934	4	1,0%	1,4%	0,6%	0,0%	6,2%	1,2%
Alternative funds	53	13	0,1%	1,6%	2,4%	0,0%	16,3%	3,8%
Infrastructure funds	0	-	0,0%	0,0%	0,1%	0,0%	2,4%	0,5%
Other	6 385	9	7,0%	4,6%	6,9%	0,0%	44,3%	10,0%
<b>Government bonds</b>	<b>3 004</b>	<b>6</b>	<b>3,3%</b>	<b>6,4%</b>	<b>6,9%</b>	<b>0,0%</b>	<b>31,4%</b>	<b>8,4%</b>
<b>Corporate bonds</b>	<b>539</b>	<b>14</b>	<b>0,6%</b>	<b>3,9%</b>	<b>6,0%</b>	<b>0,0%</b>	<b>22,7%</b>	<b>6,9%</b>
<b>Structured notes</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>1,6%</b>	<b>4,1%</b>	<b>0,0%</b>	<b>18,9%</b>	<b>4,9%</b>
<b>Collateralised securities</b>	<b>88</b>	<b>3</b>	<b>0,1%</b>	<b>0,1%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,9%</b>	<b>0,2%</b>
<b>Mortgages and loans</b>	<b>2 115</b>	<b>2</b>	<b>2,3%</b>	<b>0,2%</b>	<b>0,2%</b>	<b>-3,7%</b>	<b>2,5%</b>	<b>1,0%</b>
<b>Property</b>	<b>350</b>	<b>6</b>	<b>0,4%</b>	<b>1,3%</b>	<b>0,6%</b>	<b>0,0%</b>	<b>7,6%</b>	<b>1,5%</b>
<b>Deposits</b>	<b>-319</b>	<b>-</b>	<b>-0,3%</b>	<b>1,2%</b>	<b>2,0%</b>	<b>-0,3%</b>	<b>14,5%</b>	<b>3,3%</b>
<b>Cash and cash equivalents</b>	<b>952</b>	<b>8</b>	<b>1,0%</b>	<b>1,2%</b>	<b>2,2%</b>	<b>0,0%</b>	<b>8,5%</b>	<b>2,5%</b>
<b>Other investments</b>	<b>7 474</b>	<b>1</b>	<b>8,1%</b>	<b>0,4%</b>	<b>0,3%</b>	<b>0,0%</b>	<b>8,1%</b>	<b>1,5%</b>
<b>Not reported</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>1,2%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>2,3%</b>	<b>0,4%</b>
<b>Total Investments, deposits, cash and cash equivalents</b>	<b>91 735</b>	<b>9</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The Collective Investment Undertakings (83,6%) and the Other investments (8,1%) represent the most important asset classes of the index-linked and unit-linked investments. Overall, we note a significantly different asset exposure allocation in comparison to the

asset exposure for non index-linked and unit-linked investments. Hereby we refer to section 2 for further details.

Relatively to the EU average, we observe a significant difference between the portion of index-linked and unit-linked related assets that were invested in Other investments, 0,3% in the Netherlands compared to 8,1% in the EU.

### 3.3 Equity exposure

The Solvency II balance sheet (S.02.01) does not include a further split in different asset classes for the Assets held for index-linked and unit-linked contracts. Hence the rescaling exercise as presented in section 2 cannot be performed here.

**Table 14 - Equity exposure based upon the Solvency II exposure list (S.06.02)**

in Mio EUR	NL			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>828</b>	<b>9</b>	<b>0,9%</b>	<b>19,3%</b>	<b>4,5%</b>	<b>0,0%</b>	<b>30,1%</b>	<b>7,1%</b>
Common equity	718	10	0,8%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	46	9	0,1%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	64	6	0,1%	0,4%	0,3%	0,0%	4,1%	0,9%
<b>Collective Investment Undertakings - Equity funds</b>	<b>21 998</b>	<b>9</b>	<b>24,0%</b>	<b>26,5%</b>	<b>29,3%</b>	<b>11,2%</b>	<b>57,5%</b>	<b>10,4%</b>
Equity funds	21 886	9	23,9%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	112	5	0,1%	0,1%	0,2%	0,0%	2,9%	0,6%
<b>Structured notes - Equity risk</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>1,2%</b>	<b>2,7%</b>	<b>0,0%</b>	<b>15,0%</b>	<b>3,5%</b>
<b>Total Equity exposure</b>	<b>22 826</b>	<b>9</b>	<b>24,9%</b>	<b>47,1%</b>	<b>36,5%</b>	<b>11,7%</b>	<b>58,6%</b>	<b>10,9%</b>
<b>Equity without Equity of real estate related corporation</b>	<b>782</b>	<b>7</b>	<b>0,9%</b>	<b>16,0%</b>	<b>4,2%</b>	<b>0,0%</b>	<b>29,2%</b>	<b>6,8%</b>
<b>Equity exposure without Equity of real estate related corporation</b>	<b>22 780</b>	<b>9</b>	<b>24,8%</b>	<b>40,0%</b>	<b>36,2%</b>	<b>11,7%</b>	<b>58,6%</b>	<b>10,8%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In the Netherlands, we note that total equity exposures related to index-linked and unit-linked contracts (24,9%) are significantly higher in comparison to non index-linked and unit-linked contracts (7,2%). Equity funds are the main contributors to the total equity exposures.

#### 3.3.1 Direct and indirect equity exposure

**Table 15 - Direct and indirect equity exposure based upon the Solvency II exposure list (S.06.02)**

in Mio EUR	NL			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Direct equity</b>	<b>828</b>	<b>9</b>	<b>3,6%</b>	<b>38,3%</b>	<b>11,1%</b>	<b>0,0%</b>	<b>54,2%</b>	<b>15,2%</b>
Common equity	718	10	3,1%	35,4%	9,6%	0,0%	51,8%	13,2%
Equity of real estate related corporation	46	9	0,2%	1,7%	0,7%	0,0%	4,0%	1,1%
Other equity	64	6	0,3%	1,3%	0,8%	0,0%	9,7%	2,2%
<b>Indirect equity</b>	<b>21 998</b>	<b>9</b>	<b>96,4%</b>	<b>61,7%</b>	<b>88,9%</b>	<b>45,8%</b>	<b>100,0%</b>	<b>15,2%</b>
Collective Investment Undertakings - Equity funds	21 998	9	96,4%	59,1%	81,5%	45,7%	100,0%	15,5%
Equity funds	21 886	9	95,9%	58,6%	81,0%	44,9%	100,0%	16,0%
Private equity funds	112	5	0,5%	0,5%	0,5%	0,0%	6,9%	1,4%
Structured notes - Equity risk	0	-	0,0%	2,6%	7,4%	0,0%	35,8%	9,6%
<b>Total Equity exposure</b>	<b>22 826</b>	<b>9</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, Dutch Insurers invested almost all of their Assets held for index-linked and unit-linked contracts in Indirect equity (96,4% of Total equity). Direct equity constituting 3,6% of Total equity.



In terms of direct equity exposure, the Netherlands ranked number 10 and number 9 in the EU, with regards respectively to the exposure amount to Common equity and Equity of real estate related corporation.

Within the Indirect equity category, Equity funds constituted the bulk of investments, amounting to 95,9% of Total equity whereas allocation to Private equity funds were negligible.

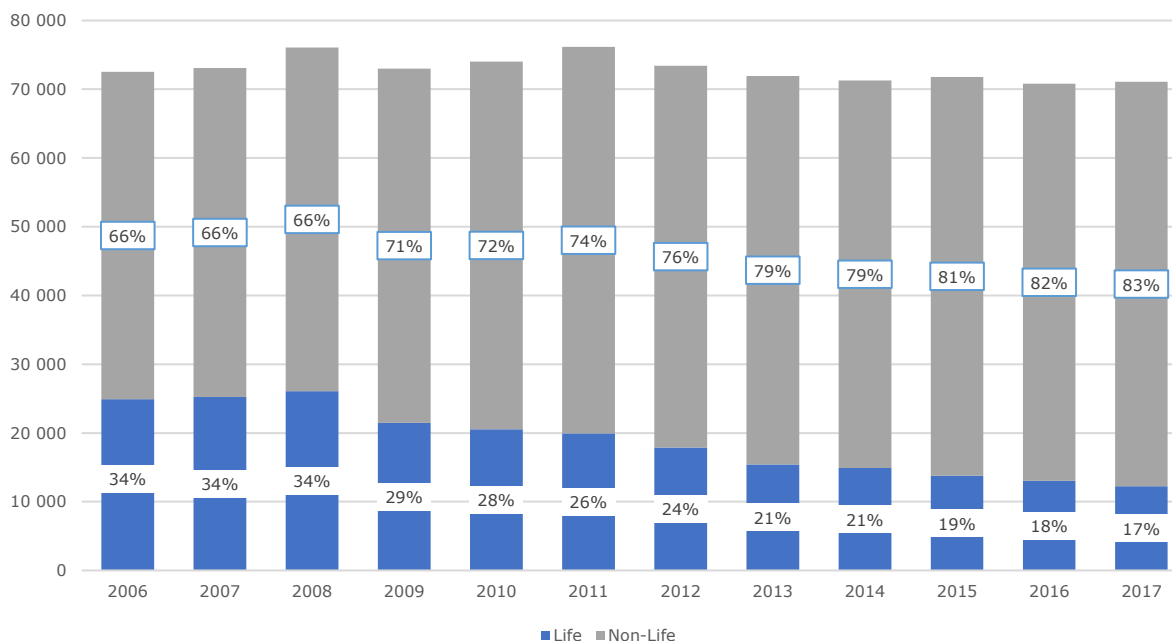
## 4 Insurance products

### 4.1 Overview

This section covers the most important insurance products offered in The Netherlands and the volume of the market. Data reported in this section obtained from the Dutch central bank (DNB)<sup>3</sup> and the Dutch insurance association (Verbond van Verzekeraars)<sup>45</sup>.

Premiums from direct domestic business totalled 71 billion EUR in 2017, of which 82,8% (or 59 billion EUR) from on-Life policies and 27,2% from non-life policies. The total gross premiums collected remains stable over the years around 70 billion EUR. The total gross premiums earned remained constant, mainly due to a steady increase in non-life premiums from 47 595 million EUR in 2006 until 58 814 million EUR in 2017. This growth translates into an increase of 23,4% over a period of eleven years. On the other hand, an overall decline in the gross life premiums is apparent. Gross life premiums dropped 50,2% over a period of eleven years, from 24 926 million EUR in 2006 to 12 256 million EUR in 2017.

**Graph 1 - Gross written premiums (in Mio EUR)**



Source: DNB

3 <https://statistiek.dnb.nl/en/downloads/index.aspx#/details/cash-flow-statement-of-insurance-corporations-year/dataset/8920e331-8903-4919-939f-ccb0f2e2e803/resource/7fa07cd0-c5e7-4f06-beac-7dbd4029b81f>

4 <https://www.verzekeraars.nl/media/4975/financieel-jaarverslag-verzekeringsbranche-2017.pdf>

5 <https://www.verzekeraars.nl/media/3545/verzekerd-van-cijfers-2016-eng.pdf>

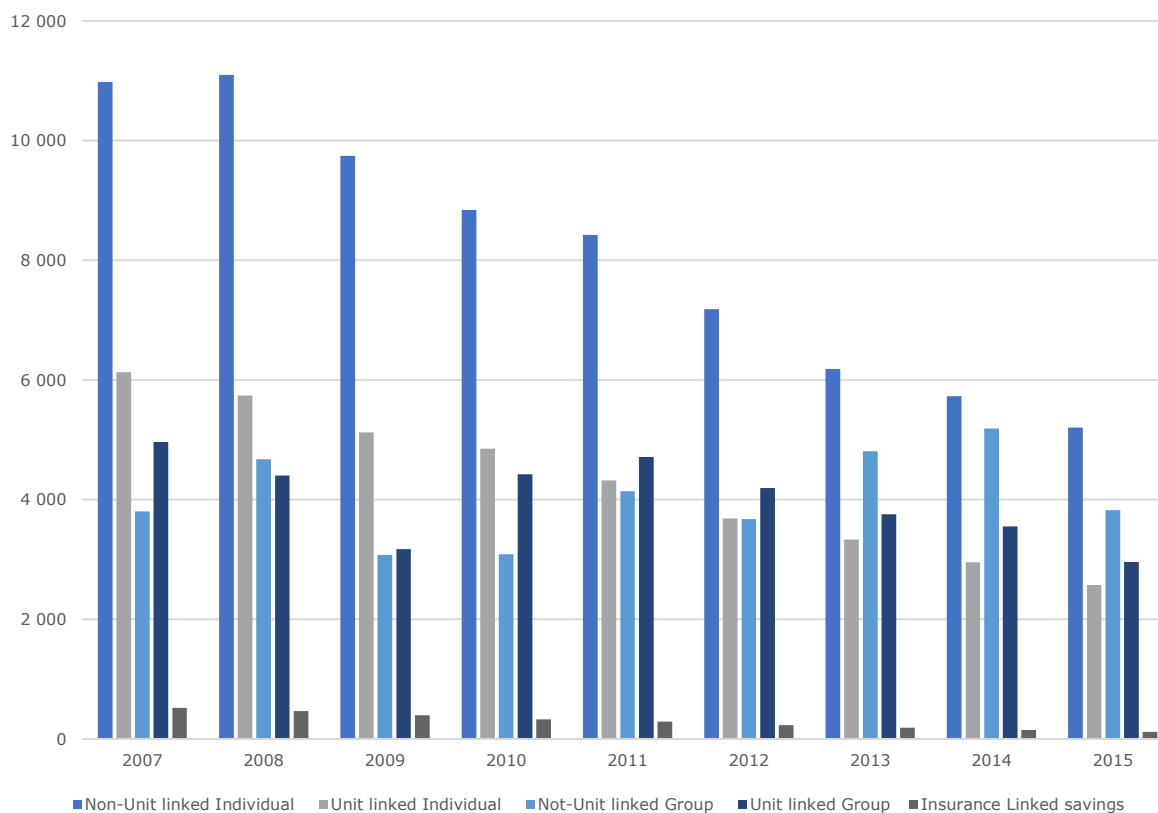
## 4.2 Life insurance products

In 2015 total gross life premiums amounted to 14 688 million EUR. The previous section already made clear that there is a decline in life insurance premiums. The decline is largely driven by a year-to-year decrease in individual contracts, both unit linked and non-unit linked. Although Non-Unit linked individual contracts still remains the largest segment of the market with 35,5% in 2015, Unit linked individual (17,5%) lost its second place in 2011 to Not-Unit linked group contracts with 26,1% of the market.

Overall, gross premiums for group contracts decreased from 8 764 million EUR in 2007 to 6 788 million EUR in 2015, a drop of 22,5%. For individual contracts the drop was more severe, as individual contracts went from 17 111 million EUR in 2007 to 7 779 million EUR in 2015, a decline of 54,5%.

According to the Dutch insurance association, the decrease in premiums is caused by a change in tax framework, which made insurance products less attractive.

**Graph 2 - Gross written premiums for life insurance products (in Mio EUR)**



Source: DNB



### **4.3 Non-Life insurance products**

In 2015, non-life insurance premiums increased by 2,5% to 57 706 million EUR, compared to 2014. The non-life share of the industry's total premiums (non-life plus life) rose to 82,8% from 81,6% in 2015 as a consequence of the contraction in life premiums combined with the rise in non-life insurance premiums.

#### **4.3.1 Motor insurance**

The motor insurance segment accounted for 6,7% of overall non-life income, at the end of 2015. Despite that, motor premiums dropped by 1,2% to 3 885 million EUR. Motor insurance segment accounted for 34,8%.

#### **4.3.2 Accident and health insurance**

Premiums from direct domestic business related to accident and health totalled 46 544 million EUR and represented 80,7% of the non-life insurance premiums. Accident and health insurance reported a premium growth of 3,3%, mainly related to the increase in average premiums due to the increase in medical costs. From this, 92,5% was due to medical expenses, the medical expenses insurance is obligated by law. The remaining, 7,5% was due to income insurance.

#### **4.3.3 Fire and Property insurance**

The property insurance segment includes fire and natural forces, as well as other damage to property. The combined written premiums represented 5,6% or 3 456 million EUR of the total non-life premiums, at the end of 2015. Fire and property insurance remained more or less constant with only an increase of 0,2%, compared to 2014.

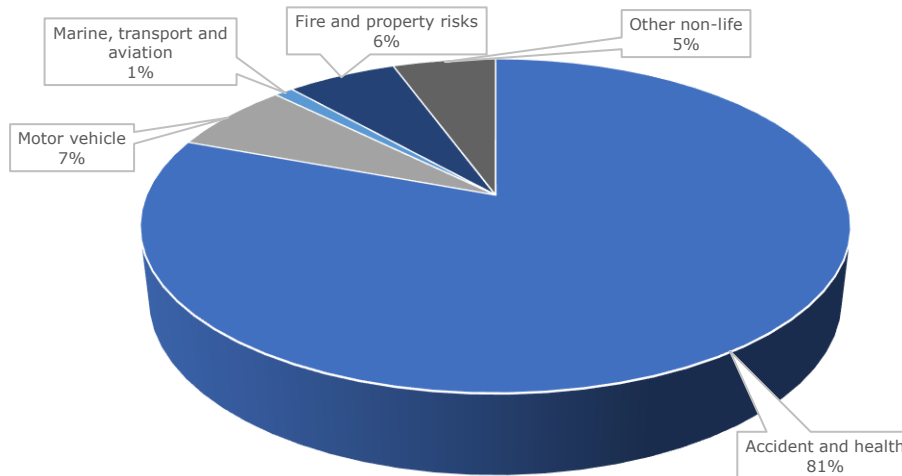
#### **4.3.4 Marine, transport and aviation**

General liability segment represented 6,0% or 595 million EUR of the non-life insurance products market, a decrease of 10,7% compared to 2014.

#### **4.3.5 Other insurance**

Written premium income for other non-life insurance products reached 3 226 million EUR and represented approximately 19,3% of the non-life premiums. Fire and property insurance, Other insurance remained nearly constant with only an increase of 0,7%



**Graph 3 - Allocation of gross written premiums for non-life insurance products (in %)**

Source: DNB

#### 4.4 Average duration

In 2016, EIOPA published their Insurance Stress Test Report<sup>6</sup>, which resulted in the following conclusions for the Netherlands:

- The approximate effective duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 14,67;
- The Macaulay duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 16,40.

In comparison, the approximate effective duration and Macaulay duration for the TP life for all lines of business for the EU/EEA are 8,23 and 13,97, respectively.

<sup>6</sup> EIOPA, 2016, 2016 EIOPA Insurance Stress Test Report. <https://eiopa.europa.eu/publications/surveys/eiopa-bos-16-302%20insurance%20stress%20test%202016%20report.pdf>



## 5 Accounting & Tax framework

### 5.1 Accounting framework

The EU has introduced rules, as laid down in Directive 2013/34/EU, to promote the convergence of accounting standards at global level and to ensure consistent and comparable financial reporting across the EU. Regulation 1606/2002/EC requires all listed companies to prepare their consolidated financial statements in accordance with a single set of international standards, the so-called IFRS.<sup>7</sup>

1. Applicable GAAP at consolidated level: IFRS required for all listed companies and permitted for all non-listed companies<sup>8</sup>;
2. Applicable GAAP at statutory level: IFRS permitted for listed companies that prepare financial statements in conformity with IFRS and permitted for all non-listed companies<sup>8</sup>;
3. Prudential regulatory framework: Solvency II for the calculation of the Solvency Capital Requirement.

### 5.2 Tax framework

#### 5.2.1 Capital gains on shares

Capital gains on shares are exempt if the participation exemption applies (conditions below). Gains arising on a (de-) merger may be exempt if certain requirements are met.

If the participation conditions are not complied with, this will result in taxation as whereby capital gains are fully taxable at the standard corporate income tax rate: 20-25%

#### 5.2.2 Capital losses on shares

There are no special provisions on capital losses. Losses on the alienation of assets are included in the ordinary income;

Losses incurred on the disposal of a qualifying participation are not taken into account because such losses fall under the participation exemption;

If, however, the subsidiary in which the qualifying participation is held is liquidated, the participation exemption may not apply. In such situation, and subject to certain conditions, the loss sustained is deductible.

#### 5.2.3 Taxation of dividends

An optional 95% exemption applies on dividends received by resident companies and permanent establishments of non-resident parent companies, subject to the general corporate income tax if the following conditions are met:

1. A holding requirement: minimum participation of 5%;
2. A second holding requirement: the subsidiary is not held as a mere portfolio investment;
3. A taxation requirement: the subsidiary must be 'subject to tax';

<sup>7</sup> [https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en)  
<sup>8</sup> <https://www.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/netherlands-ifrs-profile.pdf>



4. An "asset" requirement: less than 50% of the assets of the subsidiary consist of "passive" assets;
5. A deductibility requirement: dividends are taxable if the payment is tax deductible in the country of the payer.

If one or more of the above conditions is not met, the dividend is taxed at the ordinary tax rate, but a credit for the underlying tax may be obtained.

A 15% withholding tax (WHT) is levied on dividends paid to resident and non-resident shareholders unless the rate is reduced under an applicable tax treaty or the participation qualifies for an exemption under the EU parent-subsidiary directive or domestic law. The exemption also applies if the parent company is situated in a third country with whom The Netherlands has concluded a double tax treaty. Foreign withholding taxes can be credited under tax treaties. If there is no tax treaty, the foreign WHT can only be credited if the income comes from developing countries. Where a PE of a Dutch company is engaged in low-taxed portfolio activities, a credit will be granted for foreign tax paid on such activities.

## 6 Historical data

The following section contains historical overviews of Solvency I, Solvency II and ECB data in order to provide insights on possible short and long-term trends.

### 6.1 Index-linked and unit-linked investments in comparison to total assets

Based upon the Solvency I and Solvency II (S.02.01) historical information, the evolution of the index-linked and unit-linked investments in comparison to total assets of Ireland is compared to the EU. The break in Graph 4 shows the transition from the Solvency I to the Solvency II regulatory framework. Under Solvency II assets are presented based upon their market value.

**Graph 4 - Evolution index-linked and unit-linked investments based upon Solvency I and Solvency II**



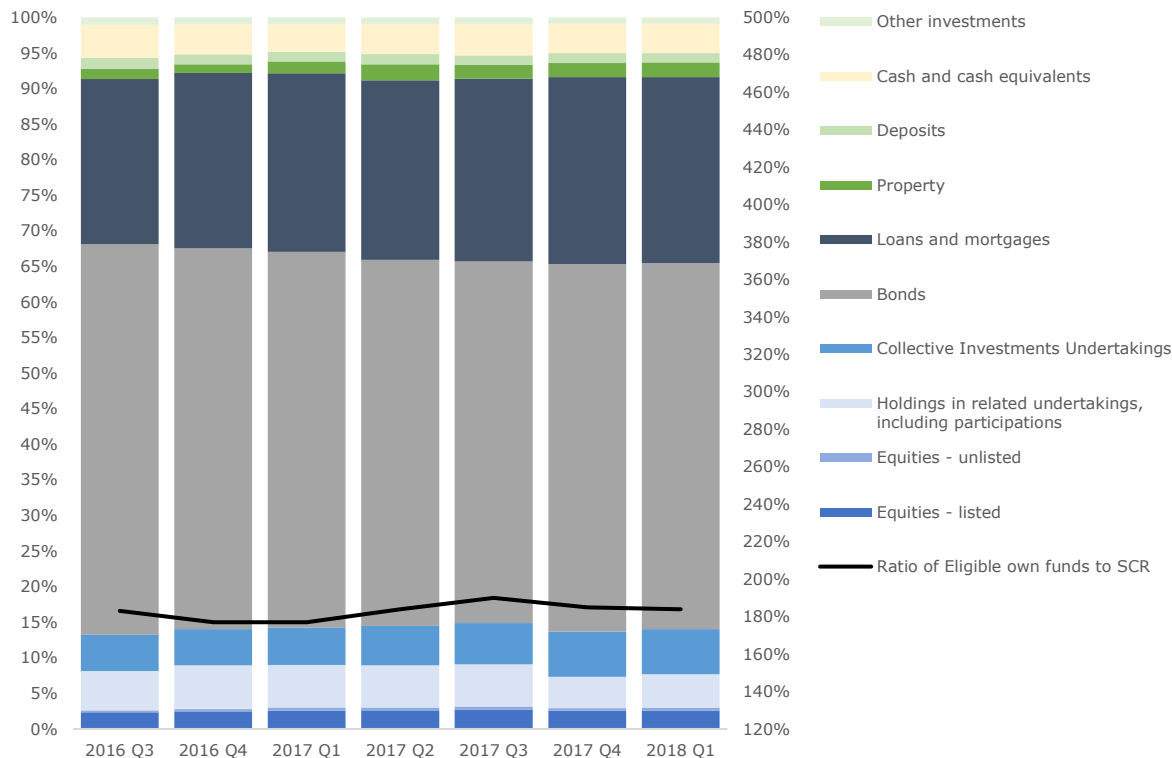
Source: EIOPA Solvency II and Solvency I statistics and Deloitte-CEPS analysis

As shown in Graph 4, the share of index-linked and unit-linked investments in comparison to total assets in the Netherlands depict a decreasing trend starting from 2009. The graph for the EU shows a relatively stable behaviour over the observation period, with a slightly increasing trend as from 2011. Furthermore, it is clear that in the Netherlands, starting from mid-2011 investments in index-linked and unit-linked contracts are lower compared to the EU.

## 6.2 Solvency II – excluding index-linked and unit-linked investments

Based upon the Solvency II (S.02.01) quarterly data from 2016 Q3 until 2018 Q1, the evolution of the different asset categories is depicted in Graph 5. Furthermore, the evolution of the SCR ratio is shown over the seven quarters.

**Graph 5 - Evolution Solvency II balance sheet (S.02.01) items (Total Investments, deposits, cash and cash equivalents) and SCR ratio**



Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The composition of the Dutch insurers' balance sheet has remained relatively stable over the quarters since the introduction of Solvency II on 1 January 2016<sup>9</sup>. This seems to be confirmed by the fact that the most dominant assets classes such as Bonds, Loans and mortgages remain the most important balance items, covering almost all the assets. Additionally, a slight decrease in the importance of Bonds in favour of Loans and mortgages is noticeable over the observation period. The other balance sheet items do not suggest a clear trend whether it be downwards or upwards.

Bonds have constituted the major part of the Dutch insurers' balance sheet since the introduction of Solvency II.

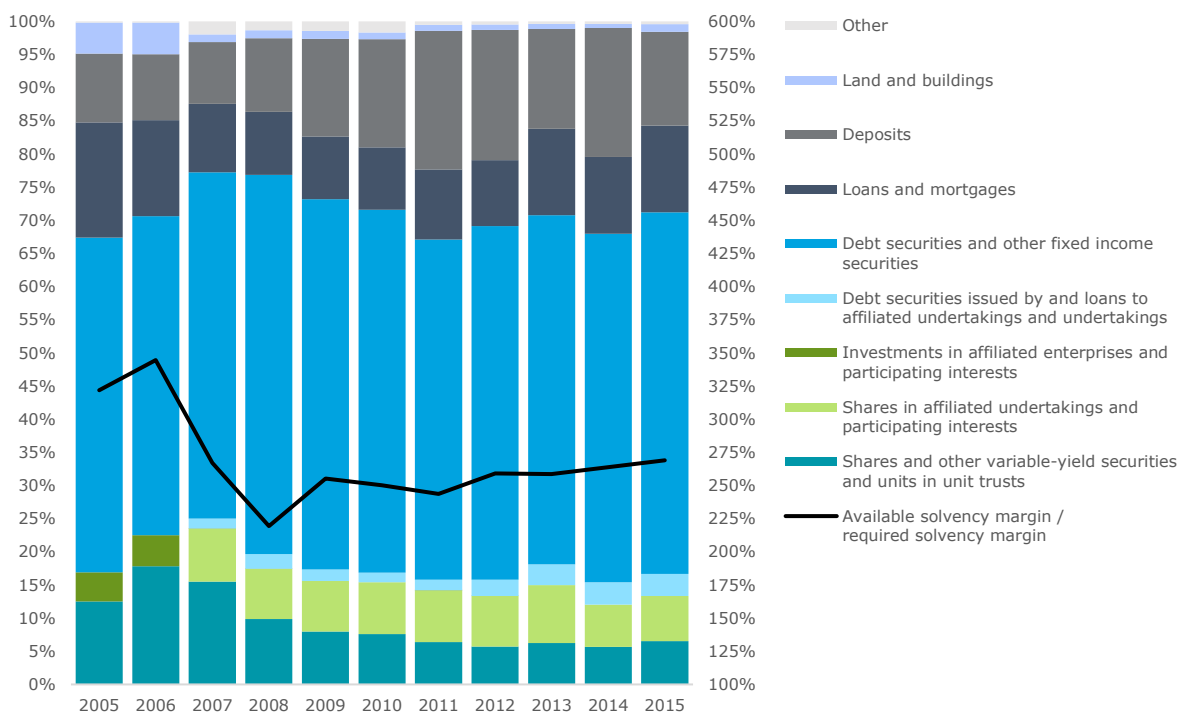
For the Netherlands, the SCR ratio remains stable over the observation period. Overall, no prominent changes in asset allocation are noticeable for the Dutch insurance market.

<sup>9</sup> Day one reporting, 2016 Q1 and Q2 are not publicly available

### 6.3 Solvency I – excluding index-linked and unit-linked assets

Based upon the Solvency I yearly data from 2005 until 2015, the evolution of the different investment asset categories is depicted in Graph 6. Furthermore, the evolution of the solvency ratio is shown over the history.

**Graph 6 - Evolution Solvency I balance sheet items (Total Investments, deposits, cash and cash equivalents)**



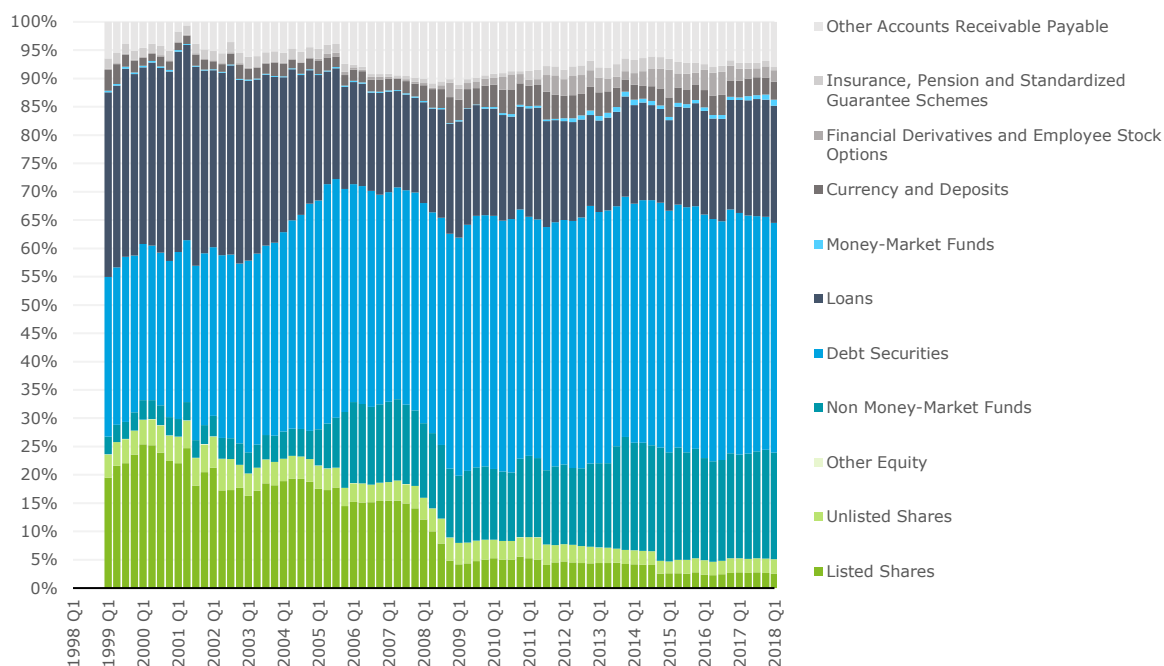
Note: There is no data available for 2014 regarding the solvency margin. The value is interpolated.

Source: EIOPA Solvency I statistics and Deloitte-CEPS analysis

Graph 6 above, which relates to Solvency I figures suggests the following observations. The dominance of Bonds that we observed under the rules of Solvency II has been a characteristic of the Dutch insurers' balance sheet for more than a decade. Furthermore, the solvency margin remains constant over the observation period. The 0% solvency margin is due to missing data for the year 2014.

## 6.5 European Central Bank – including index-linked and unit-linked assets

Graph 7 - Evolution ECB balance sheet items (asset categories)



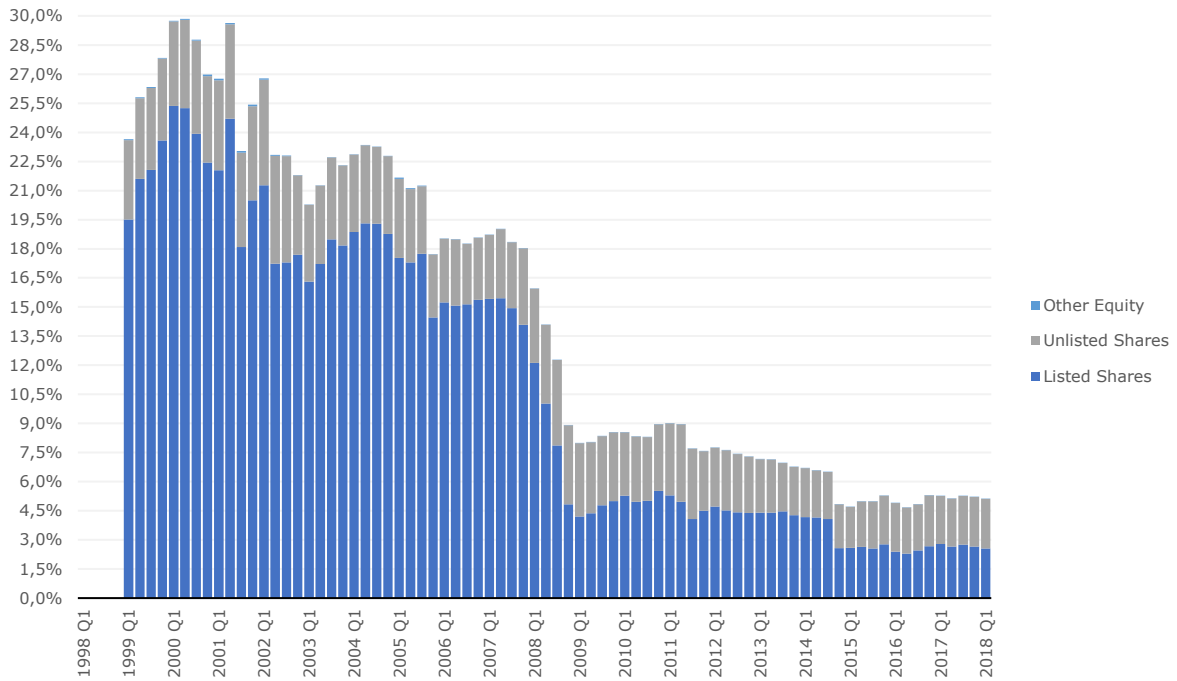
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 7 above relates to figures of investments by Dutch Insurers since 1999 Q1 as reported by the ECB. It can be observed that Debt security dominate the Dutch balance sheets starting from 2008 Q4. Moreover, a decrease in the importance of Listed Shares is observable. Additionally, there is a steady increase in Non Money-Market Funds starting from 2009 Q2.

On the next page, the Equity asset classes are presented in a more detailed view. Furthermore, the evolution of the listed shares (normalised to a start value of 100) of the Netherlands is plotted against the aggregated EU data.

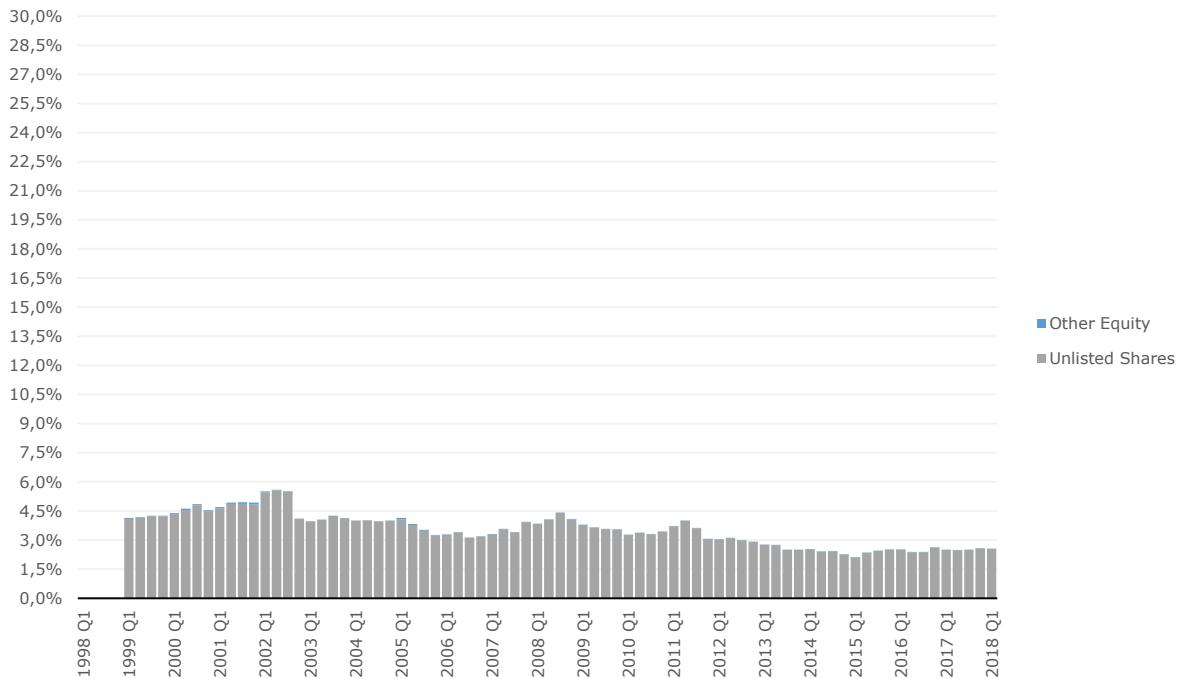
We remark that these graphs include index-linked and unit-linked assets, which cannot be individualised from the figures published by the ECB.

**Graph 8 - Evolution ECB balance sheet items (equity categories)**



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

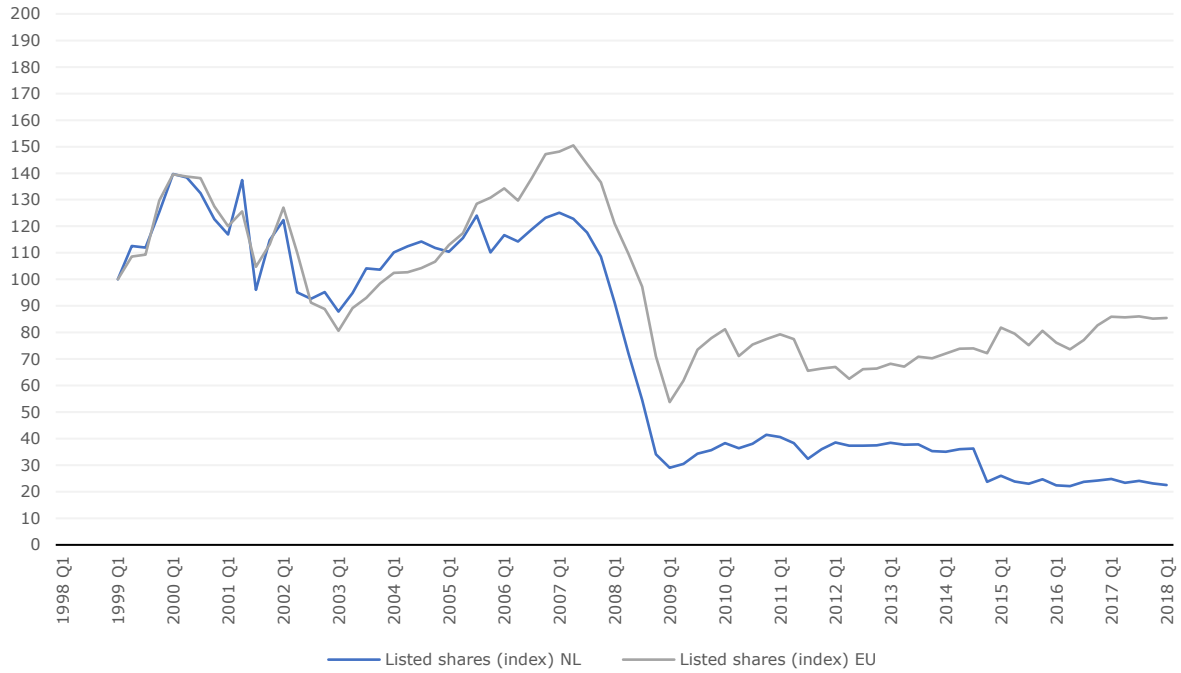
**Graph 9 - Evolution ECB balance sheet items (Unlisted Shares and Other Equity)**



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

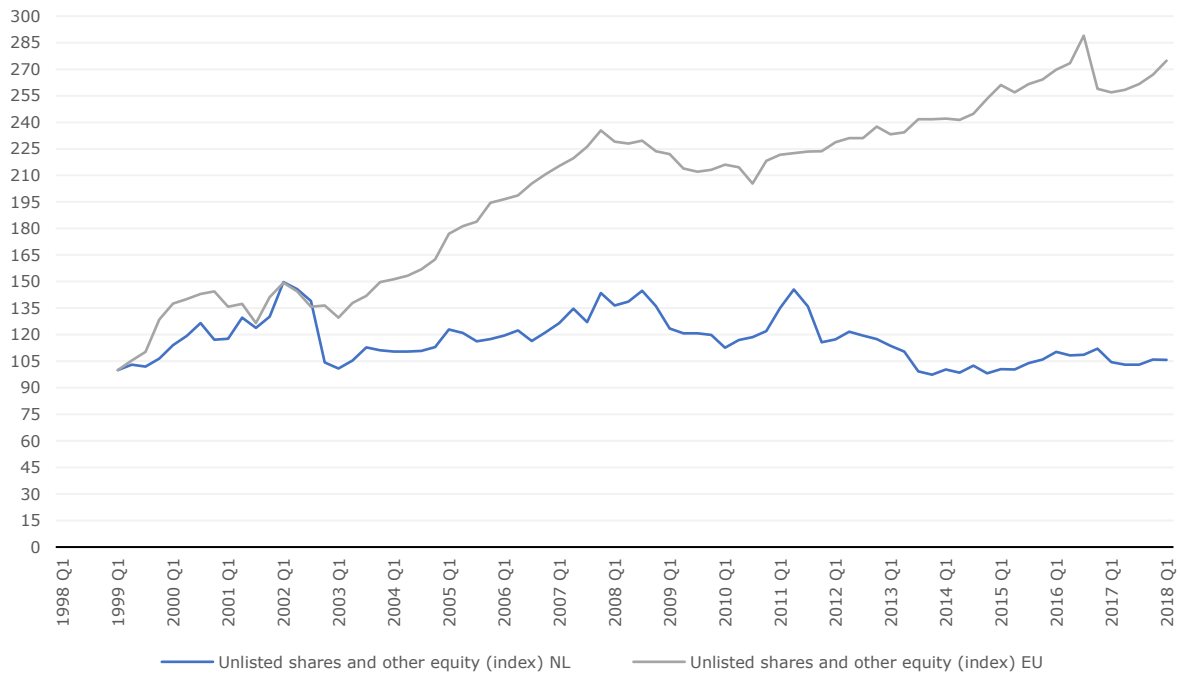


**Graph 10 - Evolution ECB listed shares NL and EU (as index)**



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 11 - Evolution ECB unlisted shares and other equity NL and EU (as index)**



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

## 6.6 Trends in Equity Investments



This section provides a trend analysis of the equity investments of insurers in the Netherlands using the balance sheet data of the insurance sector from the ECB Statistical Data Warehouse. Given the availability of the equity split in the ECB database, the analysis focuses on investments in listed shares and investments in unlisted shares and other equity.

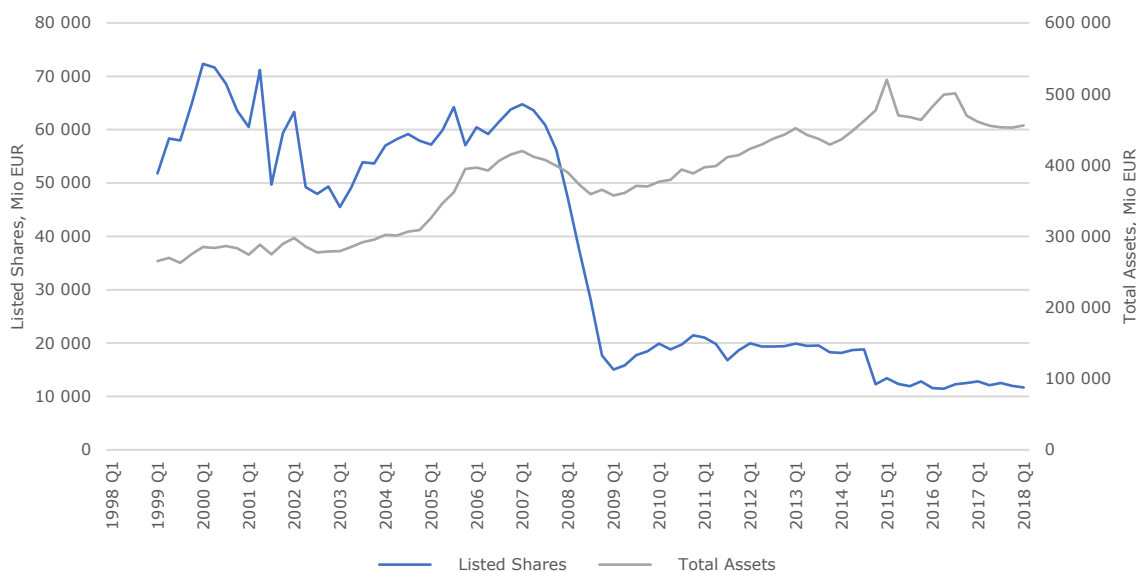
### 6.6.1 Listed Shares

In the analysis below, the listed shares of insurance corporations are plotted against the total assets in the industry both in amounts and in indexed values. The aim of this comparative analysis is to understand the evolution of listed shares in the overall insurance market. Similarity of the growth patterns in the listed shares and total assets can be considered as an indication of the extent to which the equity investments are driven by a good (or bad) economic environment in the industry at a certain point in time. A presentation of the variables only in amounts might dilute the magnitude of the growths for countries with large assets because in such a representation, the listed shares will be overstated. Therefore, we also plot each series as indexed to the initial point in their available history.

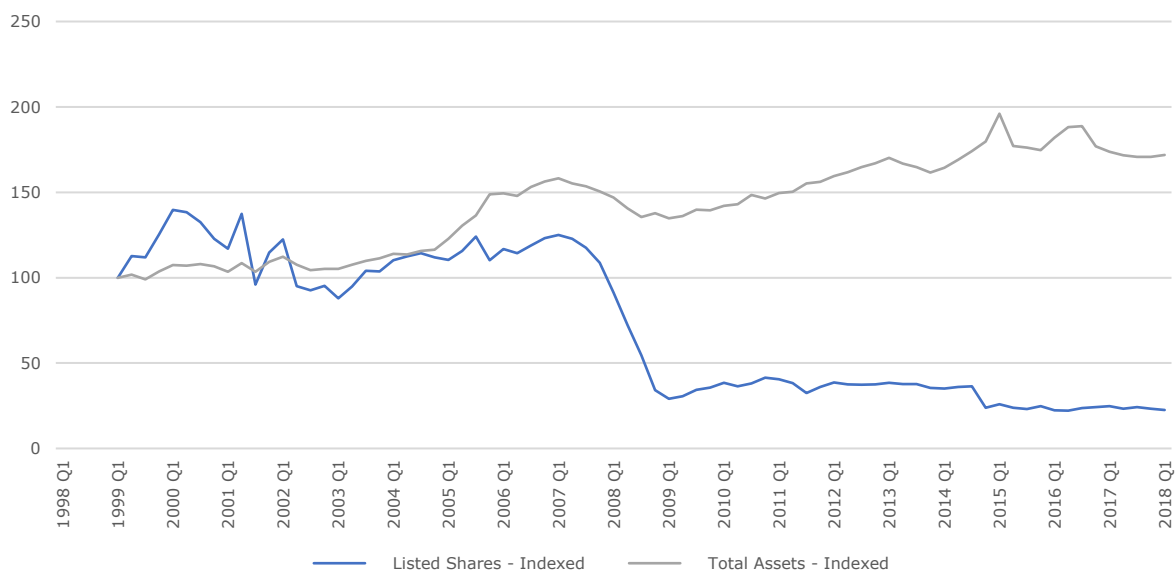
In the next step, we focus on the relationship with the listed shares and stock market indices. The ECB QSA balance sheet items are valued at market prices at the end of each quarter. Therefore, it is plausible to assume that the changes in the stock prices are reflected on the amounts held in listed shares. In order to remove this "price effect" from the observed amounts of listed shares and approximate the "real" amounts held in shares, we consider adjusting the observed amounts in listed shares. Even though we observe high correlations with listed shares and several stock indices, since the exact destinations of the portfolio invested in listed shares at each period is not observable, we build a "Weighted Equity Index" similar to the EIOPA Equity Dampener.

Amounts invested in listed shares and the total amount of assets of the insurance sector are plotted in Graph 12 while the indexed values of the series are presented in Graph 13. As it can be seen on the first graph, there is a long-term downward trend in the amounts invested in listed shares. The major part of the decrease in the investments can be attributed to the period between 2007 Q2 and 2011 Q3. At the end of 2011 Q3, the value of the investments drops to 16 801 Mio EUR from 64 760 Mio EUR in 2007 Q1. Even though there are periods of increases after 2011, a milder downward trend continues, and the investments drop to 11 691 Mio EUR at the end of the observation period. On the other hand, we observe a 72% increase in the value of the total investments during the observation period.

In the Netherlands, there has been a shift from listed equity towards debt securities and non money-market funds, where the percentage allocated to debt securities has increased from 28,2% in 1999 to 40,6% in 2018, whilst an increase was also noted for non money-market funds from 3,1% in 1999 to 18,8% in 2019.

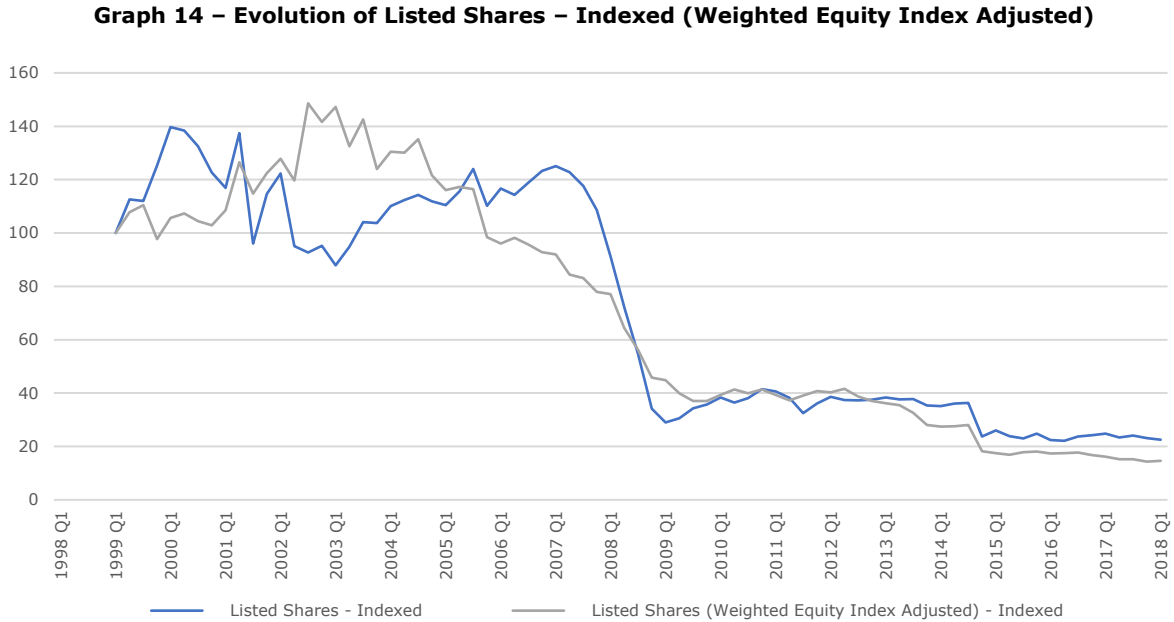
**Graph 12 – Evolution of Listed Shares and Total Assets, in Mio EUR**

Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 13 – Evolution of Listed Shares and Total Assets, Indexed Values**

Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 14 presents the indexed values of the amounts invested in listed shares against its Weighted Equity Index adjusted counterpart. The adjusted amounts suggest that, compared to what is suggested by the unadjusted investments, the divestment of the insurers start earlier. The adjusted investments in the listed shares reaches the highest point in 2002 Q3, and then a downward, which continues until the end of the observation period starts.

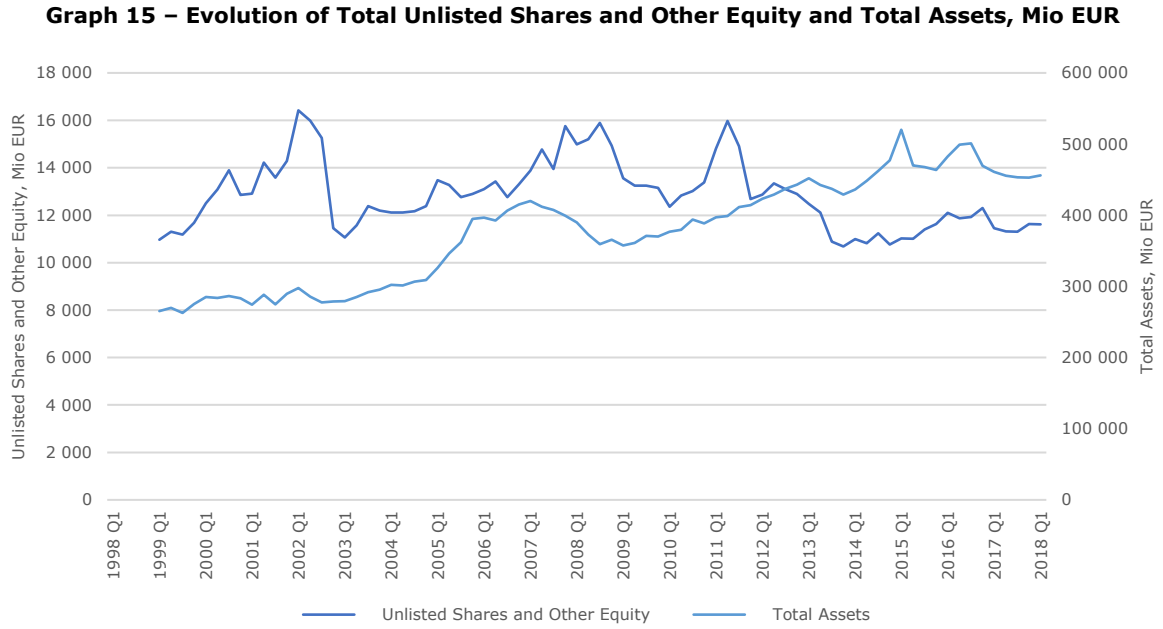


Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

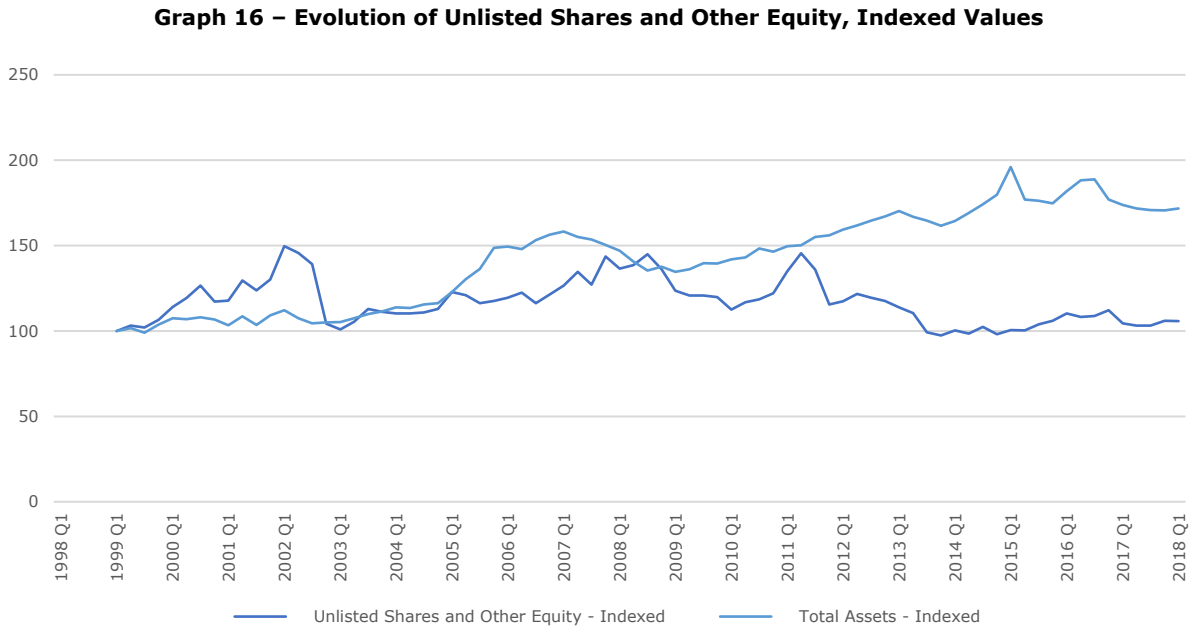
### 6.6.2 Unlisted Shares

Graph 15 depicts the amounts invested in unlisted shares and other equity plotted against the total assets in the insurance markets of while Graph 16 presents the indexed values of the series for an easier comparison of the movements in these two series.

Overall we observe a 6% increase in the amounts invested in unlisted shares and other equity at end of 2018 Q1 compared to 1991 Q1. On the other hand, the 72% increase in the total assets suggests that investments in unlisted shares and other equity decrease as a percentage of total assets. We also observe two periods of sharp decreases in the investments in unlisted shares and total assets: the first one is between 2002 Q2 and 2002 Q4 and the second one is between 2011 Q2 and 2011 Q4.



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis