Summary:

AG Insurance

**Primary Credit Analyst:**
Marco Sindaco, Madrid (34) 91-788-7218; marco.sindaco@standardandpoors.com

**Secondary Contact:**
Marc-Philippe Juilliard, Paris +(33) 1-4075-2510; m-philippe.juilliard@standardandpoors.com

**Table Of Contents**

- Rationale
- Outlook
- Related Criteria And Research
Summary:
AG Insurance

| Local Currency | Credit Rating: A/Stable/-- |

Rationale

The ratings on Belgium-based insurer AG Insurance reflect its status as a core subsidiary of the international insurance group Ageas. As such, we believe AG Insurance is integral to the group's identity and vision, and our ratings on the insurer are aligned to the group credit profile of 'a'.

AG Insurance is 75% owned by Ageas. The remaining 25% is owned by BNP Paribas Fortis, which holds a put option to sell this stake to Ageas in 2018. AG Insurance is Ageas' oldest and largest operating subsidiary, accounting for 35% of the group net inflows and over 50% of the group's net insurance results and assets in 2014. Under Solvency II, AG Insurance holds 77% of the group's own funds, covering its solvency capital requirements 2.4x versus 2.1x at group level. As per Standard & Poor's capital model, the group capital adequacy, excluding potentials for acquisitions, buybacks, and legacy issues is extremely strong, while AG Insurance's capital adequacy is moderately strong. With Solvency II, the group is implementing clear risk tolerances at group and single entity level, enhancing both strategic risk management and risk modelling. Ageas is increasingly concentrating the group's excess capital at the holding company level, enhancing capital optimization and fungibility, and providing the holding company with a liquidity buffer to settle potential legacy issues. As a core entity of the Ageas group, we believe AG Insurance would receive financial support from the group if required, but would also be affected by financial stress at the parent level if it occurred.

AG Insurance reported €5.4 billion gross written premiums in 2014, ranking the leading player in the Belgian insurance market with an overall market share of 21.4%. In our opinion, AG Insurance's long-standing, No. 1 position in life and No. 2 spot in non-life (closely following Axa), and multi-channel distribution strategy, provide it with competitive advantages in the highly competitive Belgian insurance market. AG Insurance has strong distribution ties with BNP Paribas Fortis and Bpost Bank, which provided 33% of AG Insurance's life and 8% of the non-life premiums in 2014. Brokers accounted for 30% and 58%, respectively.

In response to the challenging environment resulting from persistently low interest rates, AG Insurance has reduced guarantees on its new life business. It reduced the average guarantee on the back book to 2.72% in 2014, compared with 2.80% at end-2013, and 2.89% at end-2012. In April 2015, AG Insurance reduced the guarantee on new business for individual traditional products to 1.00% from 1.25%. Regarding the new group life business, AG Insurance reduced the guarantee for products with interest guarantee on reserves only, to 1.5%, and the guarantee for contracts with interest guarantee on reserves and future premiums, to 1.0%. Offsetting risks associated with the low interest rates, AG Insurance's existing portfolio is well-matched, with limited cash flow and duration gaps, which are closely monitored on a monthly basis. We have a positive view on AG Insurance and, more widely, on the Ageas group's reserving and
AG Insurance is the group's major revenue and earning generator. In 2014, it reported net results of €522 million, of which 86% was from life business and 14% from non-life. It reported €5.9 billion net inflows (including life investment contracts, which are not accounted as premiums under International Financial Reporting Standards), in a slightly declining trend year-on-year driven by a lower demand of life saving products, which we expect have continued during 2015. Non-life premiums were up by 2% in 2014, and we estimate that they increased by a similar percentage in 2015. Regarding performance, the non-life combined ratio in 2014 (101%) was negatively impacted by some large storms across Belgium and we expect it to have substantially improved to 95% in 2015. Overall we expect lower, albeit still solid, net results for 2015 (around €450 million) as the stronger performance in non-life will be more than offset by weaker life investment performance.

AG Insurance management benefits from significant operational independence and operates within clear targets and risk tolerances set by the group, with close links to group enterprise risk management (ERM). We view AG Insurance and, more widely, Ageas group's management and governance as strong, based on the demonstrated strength of its strategic planning and implementation processes.

**Outlook**

The stable outlook on AG Insurance reflects that on the Ageas group's core operating entities.

**Related Criteria And Research**

**Related Criteria**

- Insurers: Rating Methodology, May 7, 2013
- Group Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

**Related Research**

- Ageas Group, Jan. 14, 2016

**Additional Contact:**

Insurance Ratings Europe; InsuranceInteractive_Europe@standardandpoors.com