MILLIMAN RESEARCH REPORT

Analysis of Belgian insurers' Solvency and Financial Condition Reports

Year-end 2017

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Management summary

In May 2018, the first Solvency and Financial Condition reports (SFCRs) were published for year-end 2017. These reports contain a significant amount of data in the Quantitative Reporting Templates (QRTs), including information concerning the company's performance over the reporting period, system of governance, risk profile valuation basis and capital requirements.

In this report a summary is provided of SFCRs and the main players in the market for both life and non-life undertakings. This report focuses on a subset of the largest insurers in the Belgian market. Most of these larger undertakings are composite entities, meaning they write both life and non-life business in the same legal entity. In most European markets this is an uncommon phenomenon. In most of Europe life and non-life business cannot operate under one legal entity. Out of 15 insurers in this report, 12 are composite insurers covering 75% of the insurance market.

A summary is provided of the factors determining the Solvency Capital Requirement (SCR) ratio. An overview is given of the composition of the SCR as well as an analysis of own funds under Solvency II requirements. Because this is the second year the SFCRs have been published, we compare the results of year-end 2017 with the results of year-end 2016 in terms of the SCR, written premiums, technical provisions and technical result. At year-end 2017 the Belgian insurers have a higher average SCR ratio, 206% opposed to 189% for the same sample in 2016. At year-end 2017, on an aggregate level, our sample of insurers has €28.4 billion eligible own funds to cover €14.4 billion of Solvency II required capital. In comparison, at year-end 2016 the business of the same insurance entities had €27.1 billion eligible own funds to cover €15.2 billion of Solvency II required capital.

The assets, liabilities and underwriting for life and non-life business in Belgium are also considered in this report, providing further insight into the solvency positions and stability of the Belgian insurance entities considered.

We hope you enjoy reading this report.

Introduction

BACKGROUND

Solvency II (SII) came into effect on 1 January 2016 and introduced a number of disclosure requirements for European insurers. Under the new requirements, the majority of European insurers were required to publish detailed Solvency and Financial Condition Reports (SFCRs) for the first time in June 2017.[1] The SFCRs contain a significant amount of information on the insurance companies, including details on their business performances, risk profiles, balance sheets and capital positions, amongst other things. Insurers are also required to publish a great deal of quantitative information in the public Quantitative Reporting Templates (QRTs) included within the SFCRs.

One year later, the majority of the European insurers have published their SFCRs for year-end 2017. This enables us to have a more detailed comparison between insurers over the last two years.

The main basis for this analysis has been the information included in the QRTs. However, we have also reviewed the SFCRs to supplement the quantitative analysis. The object of this analysis is to compare the information provided in the QRTs and SFCRs to provide additional insights on the balance sheets and risk exposures of Belgian insurers and how they have performed in 2017 compared to 2016.

COMPANIES INCLUDED IN THIS ANALYSIS

In this report, we have focused on a subset of the Belgian insurance market for our analysis. Our focus was the largest insurers in the market. By selecting 15 companies, we have covered 91% of the market in 2017 in terms of gross written premiums (GWP). The selected 15 companies consist of SFCR reports of 12 solo entities and three groups. The three SFCR group reports included are P&V Group (consisting of insurance entities P&V and Vivium), Belfius (consisting of Belfius Insurance) and Federale Group (consisting of their different entities for life, non-life and disability business). The figures in the next section of the report on the Belgian insurance market are based on all 15 companies. In the remainder of the report we have based our analysis on the 12 solo insurance entities. For these entities, besides the SCR on an entity level, we also analyse the composition of the underlying life and non-life business. Most insurers in Belgium are so-called composite insurers, writing both life and non-life business in the same legal entity. In this respect the Belgium market differs from most European countries, where life and non-life is mostly required to be written in different legal entities.

UNDERLYING DATA

The data underlying this report is based on the publicly available SFCR and QRTs provided as collected by Solvency II Wire.[2] The data for the total Belgian market are based on National Bank of Belgium (NBB) statistics.[3] The analysis underlying this report focuses on the quantitative information contained in the public QRTs of the insurers. We also studied the individual SFCRs of the companies where needed to get further insights into a company.

[1] Group SFCRs were published in June 2018. Some insurers were required to publish their SFCRs earlier where they had a year-end reporting date between 30 June 2016 and 31 December 2017.

[2] The data used in our report are drawn from the Solvency II Wire database licenced by Milliman with data captured as per 30 October 2018.

[3] National Bank of Belgium. Aggregated Statistical Data. Retrieved 31 January 2019 from https://www.nbb.be/nl/financieel-toezicht/prudentieel-toezicht/toezichtsdomeinen/verzekerings-herverzekeringsonderneming-7.

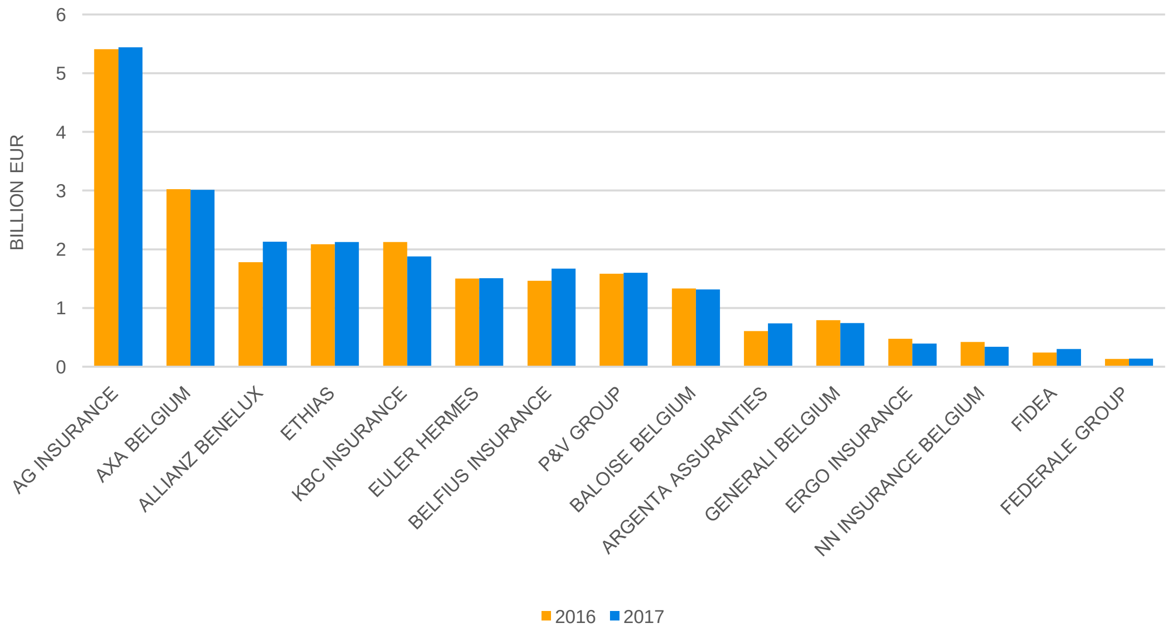
Analysis of the Belgian insurance market

In this overview of the Belgian insurance market, we have analysed 15 insurance companies. Together they represent 91% of the market in 2017, and around 89% in 2016 in terms of gross written premiums.

In Figure 1 and Figure 2 an overview of the written premiums, assets and technical provisions per insurance entity is given. From these figures, it is clear that AG Insurance is the largest undertaking in both years, with market shares of 21% in terms of written premiums, and covering almost 28% of the total assets. We note that the largest four insurers, i.e., AG Insurance, AXA Belgium, Allianz and Ethias, cover over 47% of the market in terms of written premiums while they cover almost 60% of the market in terms of assets. Note that in 2016 KBC Insurance was third in the market. Due to a decrease of written premiums by KBC and an increase by Ethias, Ethias has surpassed KBC and Allianz Benelux.

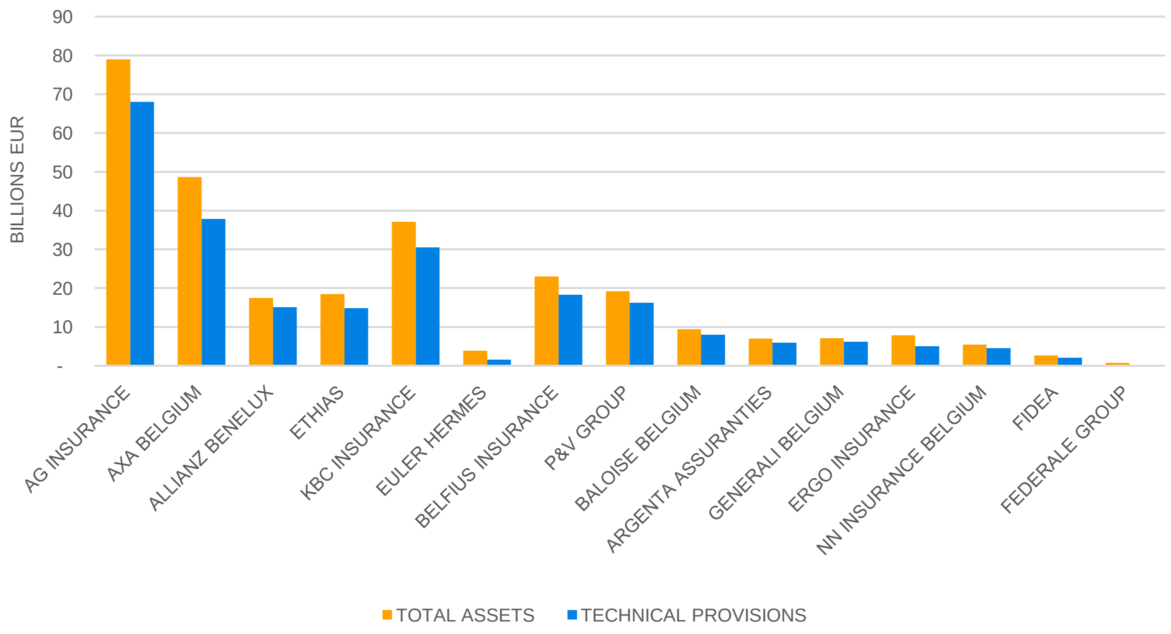
If we compare the written premiums for 2017 to the levels of 2016, we see that Allianz Benelux, Belfius Insurance and Argenta Insurance have significantly increased their insurance activities. Only KBC Insurance, the entity in Belgium, shows a relatively large decrease in terms of GWP in 2017 (- €0.24 billion).

FIGURE 1: GROSS WRITTEN PREMIUM, EXCLUDING THE PREMIUMS WRITTEN IN THE HEALTH BUSINESS, PER INSURER FOR YEAR-END 2016 AND 2017



Both in terms of total assets and technical provisions, AG and AXA are the largest insurers in the Belgium market (Figure 2). Primarily the insurers with large life insurance books such as KBC Insurance and Belfius Insurance typically have larger amounts of total assets and technical provisions, compared to the insurers that are relatively dominant in non-life, like Ethias and Allianz Benelux.

FIGURE 2: GROSS TECHNICAL PROVISIONS AND TOTAL ASSETS PER INSURER FOR YEAR-END IN 2017



On an aggregate level the insurance companies are well capitalised within our sample, with a total average SCR ratio of 206% (see Figure 3) and an average Minimum Capital Requirement (MCR) ratio of 459%. Seven out of 15 insurers (AG Insurance, KBC Insurance, Belfius Insurance, Ergo Insurance, Argenta Assurantíes, NN Insurance Belgium and Federale Group) have an SCR ratio above 200%, meaning that if a shock of the size of the SCR would occur, these insurers would still have an SCR ratio over 100%. Allianz Benelux (148%) and Baloise Belgium (139%) have the lowest SCR ratios, even though they have ratios well above 100%. Three entities do not use the standard formula (SF) for their capital requirements calculations: AG Insurance (partial internal model or PIM), AXA Belgium and Euler Hermes (both using a full internal model or FIM). Overall, the SCR calculation method remains unchanged per insurer from year-end 2016 to year-end 2017.

FIGURE 3: SOLVENCY II FIGURES FOR BELGIAN INSURERS PER YEAR-END 2017 (IN € MILLIONS).

NAME UNDERTAKING	ELIGIBLE OWN FUNDS TO SCR	SCR	SCR RATIO	MCR RATIO	RANK SCR RATIO	METHOD
AG Insurance	6.636	2.898	229%	443%	4	Partial Internal Model
AXA Belgium	4.032	2.269	178%	395%	10	Full Internal Model
Allianz Benelux	1.575	1.063	148%	329%	14	Standard Formula
Ethias	2.333	1.272	183%	326%	9	Standard Formula
KBC Insurance	3.899	1.797	217%	447%	6	Standard Formula
Euler Hermes	1.106	591	187%	482%	8	Full Internal Model
Belfius Insurance	2.469	1.128	219%	432%	5	Standard Formula
P&V Group	1.889	1.097	172%	101%	11	Standard Formula
Baloise Belgium	945	682	139%	298%	15	Standard Formula
Argenta Assurantíes	764	277	275%	612%	2	Standard Formula
Generali Belgium	532	350	152%	336%	13	Standard Formula
ERGO Insurance	782	361	217%	688%	7	Standard Formula
NN Insurance Belgium	688	197	350%	777%	1	Standard Formula
Fidea	506	306	165%	490%	12	Standard Formula
Federale group	286	110	261%	723%	3	Standard Formula
ALL	28.442	14.397	206%	459%		

Analysis of SCRs and own funds

This section provides an overview of the analysis of the breakdown of the SCR in comparison to the Netherlands and Luxembourg, the other countries with Belgium in the Benelux. It includes a comparison of the SCR ratios between 2017 and 2016 and the distribution of the own funds and investments of the different Belgian insurers. We have only included the 12 solo entities of our sample in this section.

BREAKDOWN OF THE BELGIAN SCR

In Figure 4 the breakdown of the SCR ratio on an aggregate basis is shown for Belgian insurers that make use of the standard formula. Market risk is by far the largest risk within the SCR of Belgian insurers, accounting for 82% of the risk associated with the SCR calculation. The second-largest risk is non-life underwriting, which accounts for 29% of the SCR, prior to diversification. The third-largest risk module is life underwriting risk, accounting for 22%. Diversification benefits account for 44% of the total SCR. To compare these values with those from 2016, we show the previous year in Figure 5.

The total SCR has seen a drop form year-end 2016 to year-end 2017 of approximately €0.37 billion, whereas the values of the different basic risk modules—before adding the loss-absorbing capacity—have not changed much in absolute value, causing these percentages to increase. There has been a large increase in the loss-absorbing capacity of Belgian Insurers. This is reflected in the increase of the portion of different risk modules. Note that the counterparty default risk is the only module that shows a larger decrease by percentage than the total SCR.

FIGURE 4: BREAKDOWN OF SCR BY RISK MODULE ON AN AGGREGATE BASIS (FOR COMPANIES THAT IMPLEMENT THE SOLVENCY II STANDARD FORMULA FOR CAPITAL REQUIREMENT CALCULATIONS) PER YEAR-END 2017

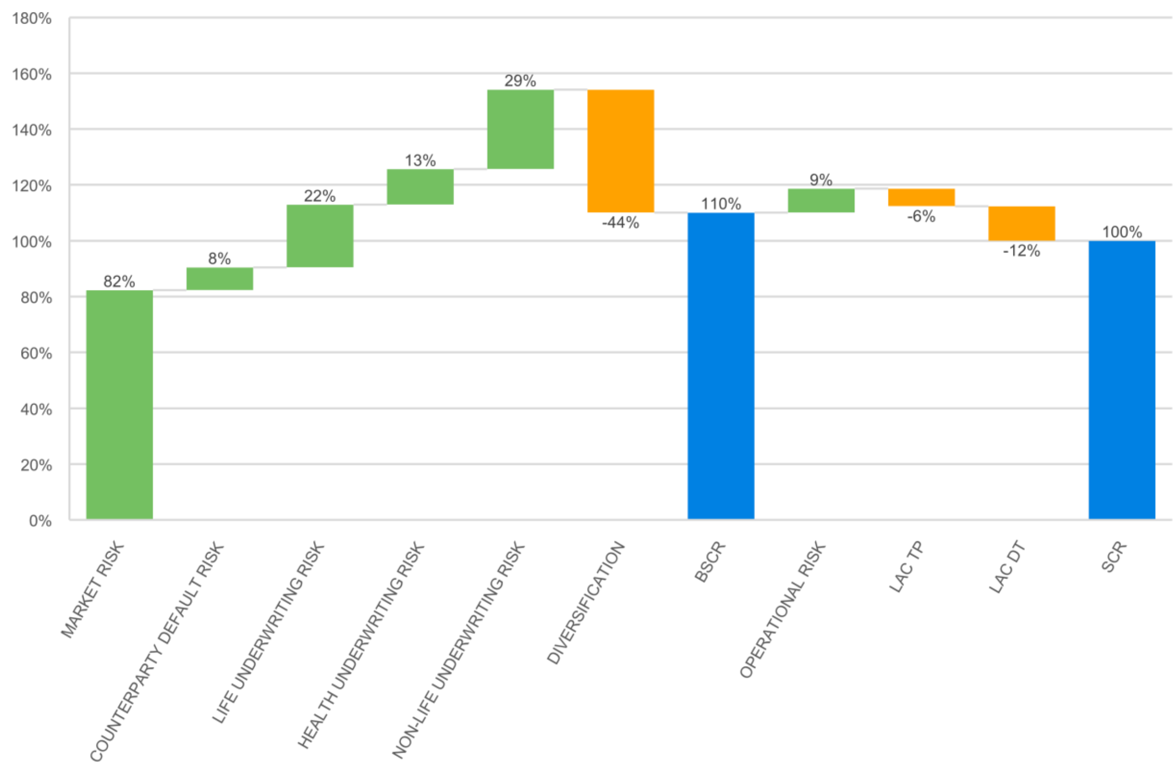
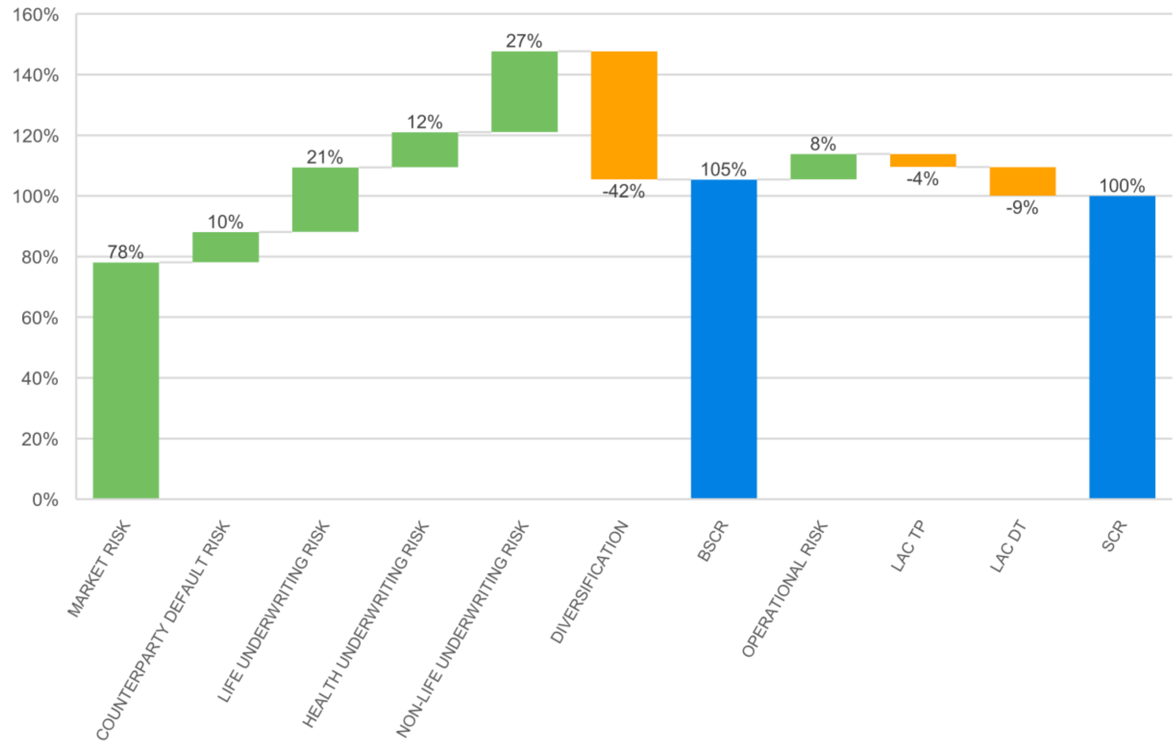


FIGURE 5: BREAKDOWN OF SCR BY RISK MODULE ON AN AGGREGATE BASIS (FOR COMPANIES IMPLEMENTING THE STANDARD FORMULA FOR CAPITAL REQUIREMENT CALCULATIONS) PER YEAR-END 2016



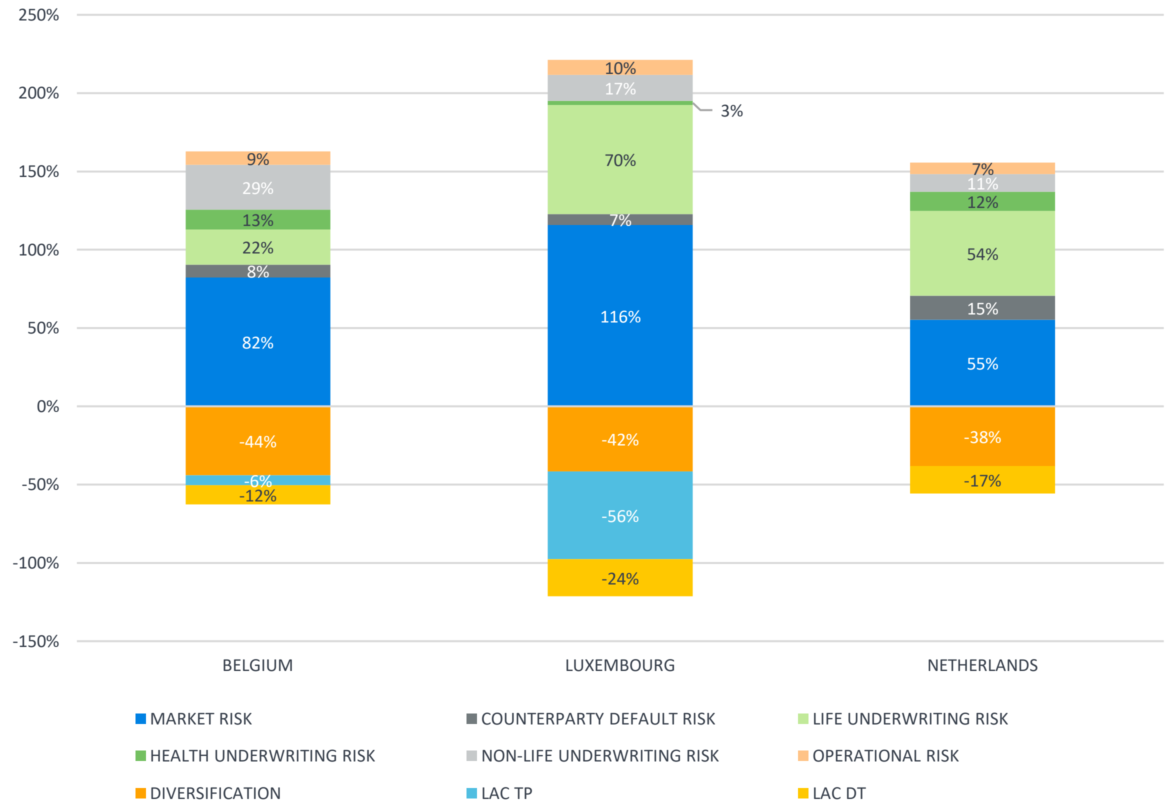
Comparison to Luxembourg and the Netherlands[4]

Comparing the breakdown of the different risk modules between Belgium, Luxembourg and the Netherlands for the sample of insurers used in each country (see Figure 6) we can draw the following conclusions regarding the different modules of risk for Belgium.

1. Although market risk is the largest risk module in each of the three counties, the differences between the three countries are big, with Luxembourg having a market risk of over 100% (before diversification with other risk types) followed by Belgium with 82%. The higher share of market risk for Belgium compared to the Netherlands is due to the larger portion of life underwriting risks in the Dutch insurers compared to Belgium.
2. The portion of non-life underwriting risk in Belgium is much higher compared to the Netherlands and Luxembourg. In addition, compared to the life underwriting risk, the difference between the two risk modules is smaller for Belgium. This can be explained by a larger proportion of technical provisions in the life business in the Netherlands and Luxembourg.
3. The diversification benefit is the largest in Belgium. This can be explained by the fact that most of the Belgian insurers considered by us are composite insurers, providing both life and non-life business in one entity.

[4] For this comparison we have used the Dutch main life and non-life entities of the six largest insurance groups (excluding their health business). For Luxembourg the companies selected are the 13 largest life entities, and the eight largest non-life entities.

FIGURE 6: SCR BREAKDOWN BY MODULE FOR UNDERTAKINGS USING THE STANDARD FORMULA IN BELGIUM, LUXEMBOURG AND THE NETHERLANDS

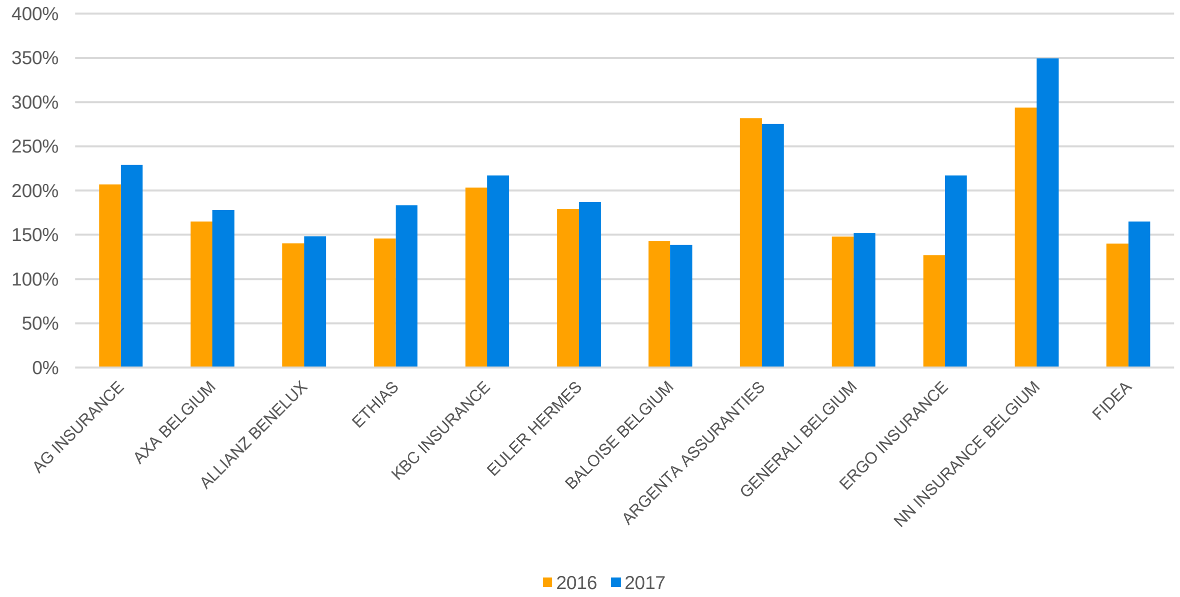


Comparison of SCR ratios

Figure 77 shows the SCR ratios of the companies in our sample for year-end 2017 and 2016.5 Most insurers have seen an increase in their SCR ratios per year-end 2017. The three insurers with the largest increases are Ergo Insurance (90 percentage points), NN Insurance Belgium (56 percentage points) and Ethias (38 percentage points). The SCR ratio of Ergo Insurance has gone up from 127% in 2016 to 217% in 2017. It has seen a rise in both its SCR and the eligible own funds. The increase in eligible own fund can be explained by a significant difference in the reserve reconciliation (excess of assets over liabilities) between year-end 2016, and 2017. In 2016, the excess of assets amounts to €348 million while the amount in 2017 is equal to €602 million. We understand from its 2017 SFCR report that this is the consequence of a new capital management strategy applied by Ergo Insurance in 2017 aiming to strengthen the company's solvency and capital position. NN Insurance Belgium has the second-largest increase in SCR ratio. According to its SFCR report, this is the consequence of a large decrease in SCR per year-end 2017 due to the sale of its equity position and runoff of one of its products. The increase in ratio of Ethias is mainly caused by the sale of its so-called 'First A' portfolio, which led to a significant decrease in capital required to cover its different types of risk.

[5] Because Generali Belgium did not have an entry in the Solvency II Wire database for 2016, we used the SCR ratio that was available in its SFCR from 2016.

FIGURE 7: SCR RATIO OF THE SOLO ENTITIES IN OUR SAMPLE



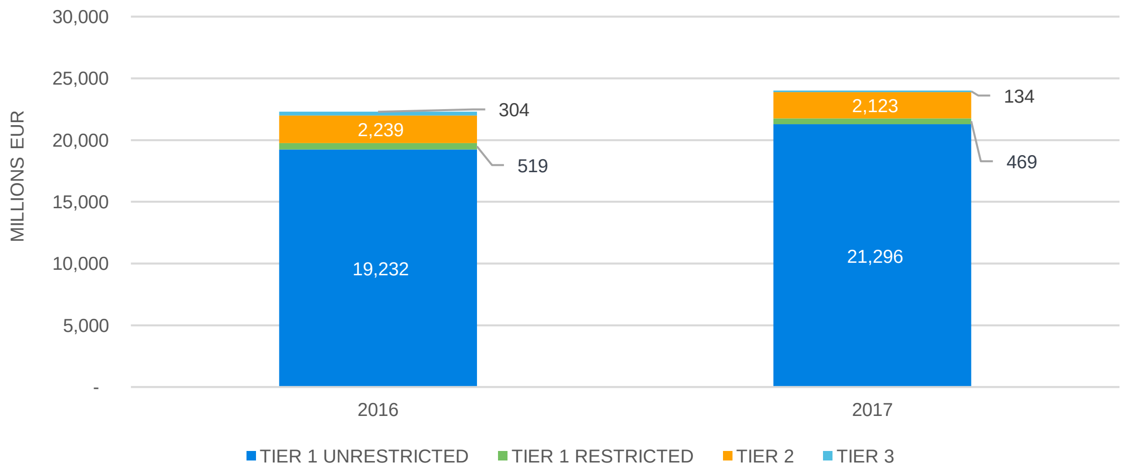
ANALYSIS OF OWN FUNDS AND TIERING[6]

In Figure 8 the eligible own funds to meet the SCR is shown for all insurers in our sample. Overall, the total eligible own funds have increased by 5%, with €23 billion in 2017 compared to €22 billion in 2016.

Tier 1 is capital with the highest ranking, meaning it has the highest loss-absorbing capacity, such as equity or bonds. Tier 2 is composed of hybrid debt, while tier 3 is made up of other capital. Figure 8 shows that tier 1 unrestricted capital makes up the largest part of the own funds for Belgian insurers. That means own funds are considered of good quality, with over 85% of the own funds being classified as tier 1 in the last two years. We further note that in 2017, compared to 2016, the only increase is shown in tier 1 unrestricted (€1.3 billion), where the other components all show a decrease in amounts. The biggest decrease (56%) is observed for tier 3, while the decrease for tier 1 restricted and tier 2 is less than 10%. There are four insurers whose actions have driven up the tier 1 unrestricted capital, Ethias (+€277 million), AXA Belgium (+€281 million), KBC Insurance (+€280 million) and Ergo Insurance (+€254 million). For Ethias this increase is caused by selling the 'First A' portfolio. The increase in unrestricted capital of AXA is mostly caused by high investment returns in 2017. According to KBC Insurance its tier 1 capital has increased due to a positive impact of the interest rate environment and the difference in dividend payout. Ergo Insurance is a subsidiary of a larger insurance group, namely the German Ergo group, from which it has received a capital increase in early 2017.

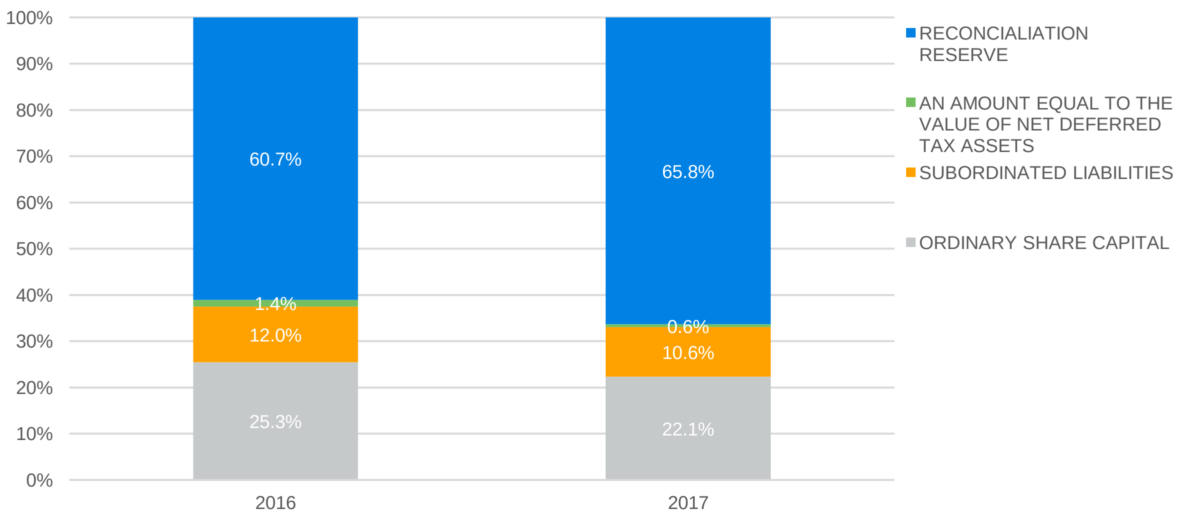
[6] We have excluded Argenta Assuranties in this section due to the missing values for 2016.

FIGURE 8: TIERING OF ELIGIBLE OWN FUNDS TO MEET THE SCR



In Figure 9, the allocation of the basic own funds by type is given for the insurers in our sample. The reconciliation reserve makes up the largest of the basic own funds of Belgian insurance companies, with 65.4% in 2017 compared to 60.7% in 2016, i.e., an increase by five percentage points. This shows an increase of margin in the technical provisions under statutory accounts which are presented as own funds under Solvency II. Ordinary share capital, the second-largest basic own fund, decreased by three percentage points, moving from 25.3% in 2016 to 22.1% in 2017.

FIGURE 9: COMPOSITION OF BASIC OWN FUNDS FOR 2016 AND 2017 (IN % OF TOTAL IN OUR SAMPLE)



ANALYSIS OF THE ASSETS

The investment strategy used by Belgian insurers shows a clear preference for government and corporate bonds, which account for 58% and 25% of the total investments at market value, respectively. As shown in Figure 10, two undertakings of our sample have a deviating investment allocation that does not follow the overall strategy of the other insurers in Belgium. Namely Euler Hermes, which has 45% of its investments in corporate bonds and 25% in holdings,[7] and Fidea, which has 46% of its investments in corporate bonds. The second-largest investment branch for Fidea are collective investment undertakings (investment funds). Except for Euler Hermes and Fidea, overall, government and corporate bonds are dominating the investment branches for Belgian insurers, accounting for over 83% of total investments. Beyond the attractive structure—regular payments allowing insurers to match the future claims payments—bonds are also less expensive in terms of capital than more volatile assets such as equities.

[7] Holdings in related undertakings, including participation.

FIGURE 10: INVESTMENT BREAKDOWN FOR THE COMPANIES IN OUR SAMPLE

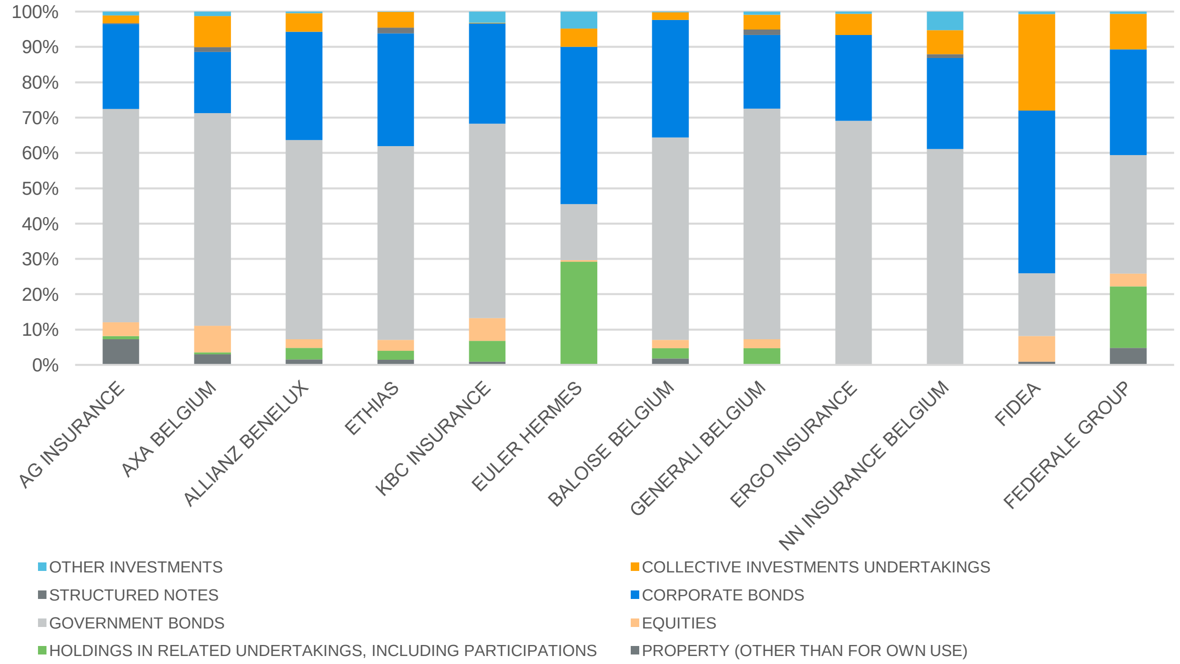
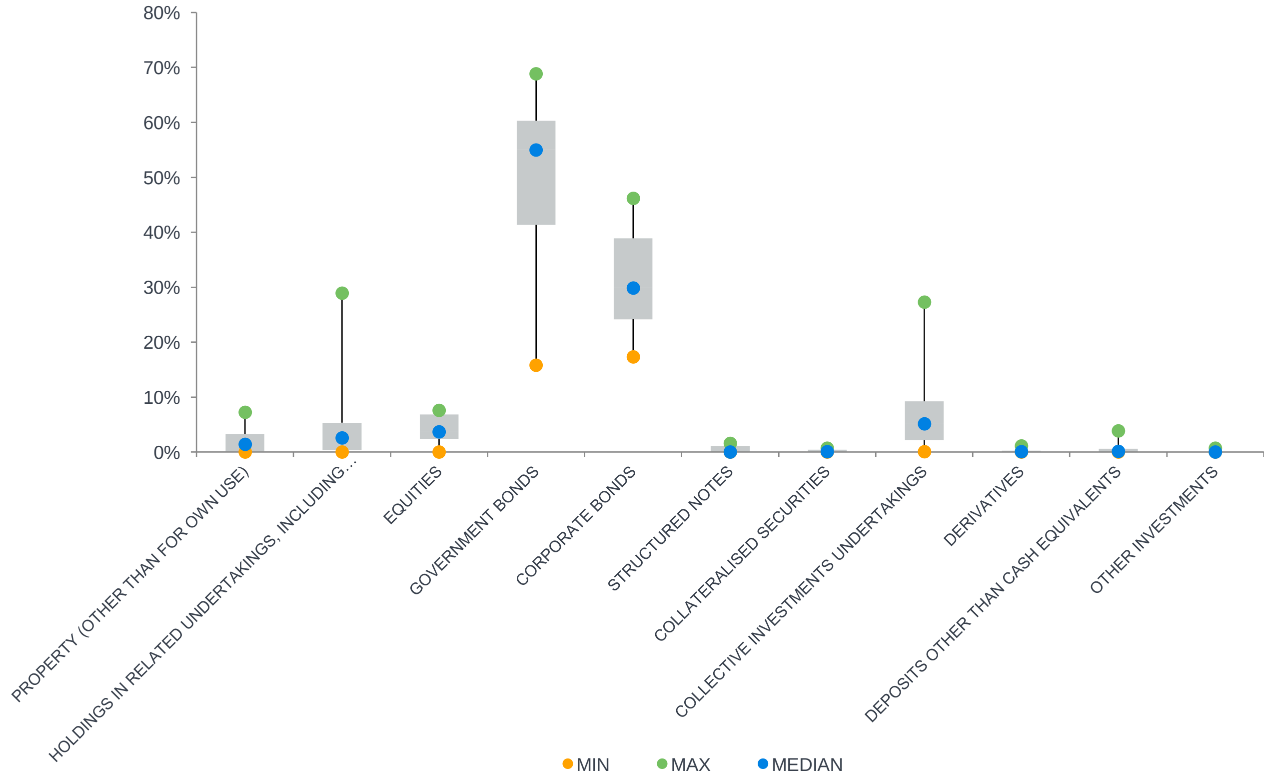


Figure 11 shows the distribution of the investments per asset class, where the black lines represent the range of the different asset classes for the insurers within our sample, the grey box representing the 25th to 75th percentiles of the range and the green dot the median of the range. The wide range observed for the bonds, both corporate and government, suggests different investment strategies for the insurers. The two companies with the smallest bond portfolios are Euler Hermes and Fidea. Both have a portfolio that makes up around 62% percent of total investments. All the undertakings show little to no interest in derivatives and structured notes. These classes, respectively, account for at most just over 1% and 1.5%.

FIGURE 11 DISTRIBUTION OF THE INVESTMENTS BY ASSET CLASS

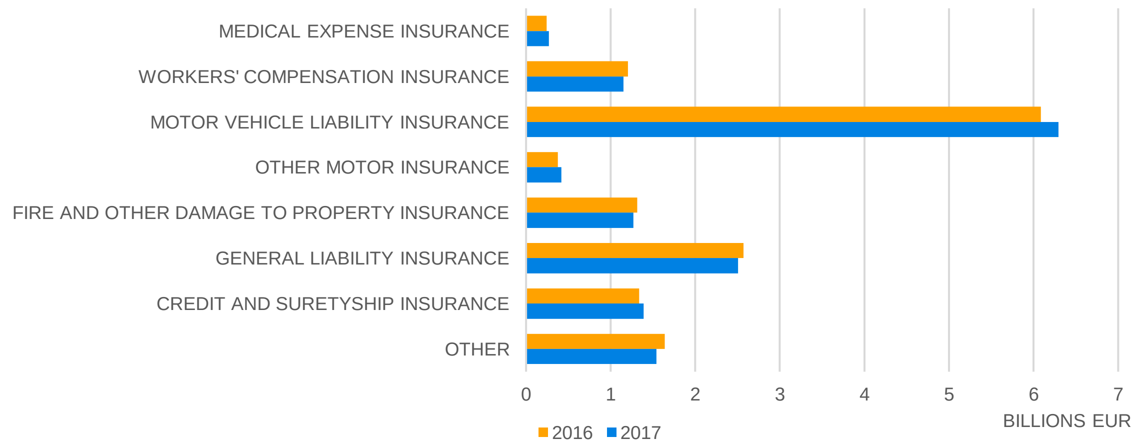


Analysis of liabilities and underwriting

NON-LIFE ACTIVITIES: TECHNICAL PROVISIONS

The undertakings in our sample have reserved technical provisions, gross of reinsurance, that amount to €14.85 billion in 2017, which is not materially changed compared to 2016 (€14.75 billion). Figure 12 shows the amount per line of business, for year-end 2017 and 2016. The presented technical provisions include the best estimate claims provision, the premium provision and the risk margin. 'Motor vehicle liability insurance' shows the most significant increase in absolute terms of €206 million to a total of €6.3 billion, which corresponds to an increase of 3%. In addition we see a strong increase in the line of business 'Other motor insurance' of 11.5% (€43 million in absolute terms). Within our sample, over 60% of the technical provisions in 2017 is allocated to long-tail business lines ('General liability insurance' and 'Motor vehicle liability insurance'). In 2016, this percentage was equal to 59% and as such remained relatively stable.

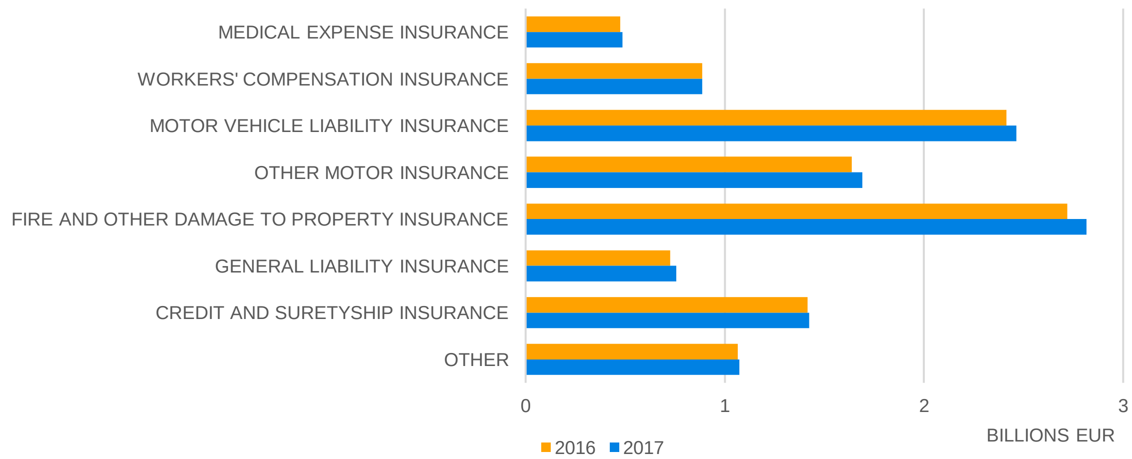
FIGURE 12: TECHNICAL PROVISIONS OF NON-LIFE ENTITIES BY LINE OF BUSINESS



NON-LIFE ACTIVITIES: ANALYSIS OF UNDERWRITING

In Figure 13 the gross written premiums per line of business is shown for 2017 compared to 2016. The gross written premiums have seen a rise in the last year from approximately €9.9 billion in 2016 to over €10.3 billion in 2017. 'Fire and other damage to property' accounts for the largest proportion of gross written premiums, in total €2.4 billion in 2017 (compared to €2.3 billion last year), which accounts for 23% of total gross written premiums. In 2017, the two long-tailed lines of business of our sample, 'Motor vehicle liability' and 'General liability' together account for almost 60% of the technical provisions, while the written premiums represent only 27%.

FIGURE 13: GROSS WRITTEN PREMIUM FOR THE NON-LIFE BRANCHES OF THE ENTITIES IN OUR SAMPLE



Loss ratios by line of business

Figure 14 and Figure 15 show the net and the gross loss ratio per line of business. The net loss ratio is defined as the net claims incurred divided by the net premium earned. Only the lines of business relating to direct business and proportional reinsurance are considered for analysis. This is motivated by the limited number of undertakings and the immateriality of the premiums observed in the lines of business relating to non-proportional reinsurance. For most lines of business both the gross and the net loss ratios have decreased. An exception is 'Motor vehicle liability' net of reinsurance, which shows an increase in loss ratio for 2017 compared to 2016.

FIGURE 14: GROSS LOSS RATIO PER LINE OF BUSINESS OF THE ENTITIES IN OUR SAMPLE

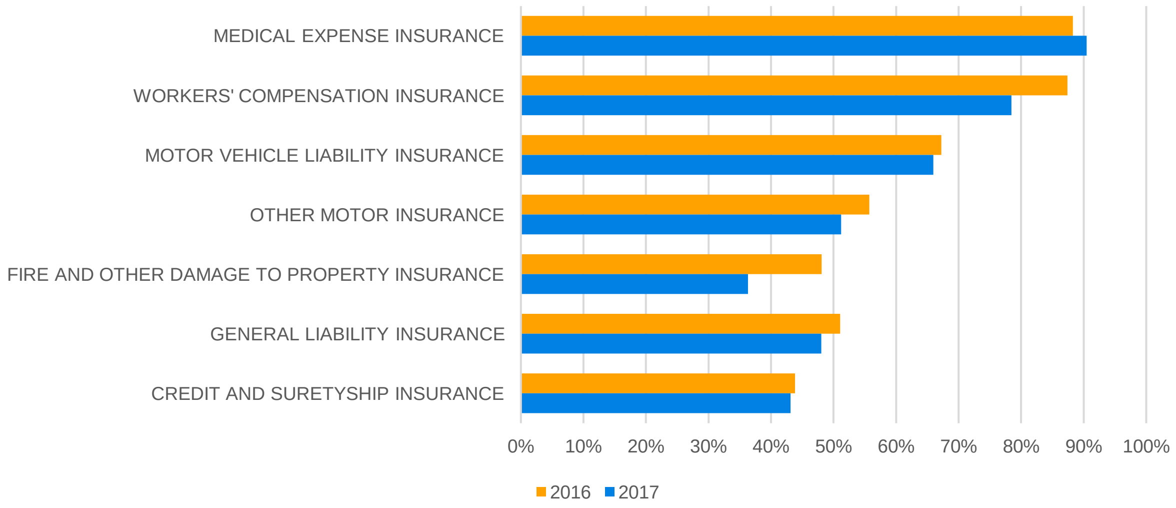


FIGURE 15: NET LOSS RATIO PER LINE OF BUSINESS OF THE ENTITIES IN OUR SAMPLE

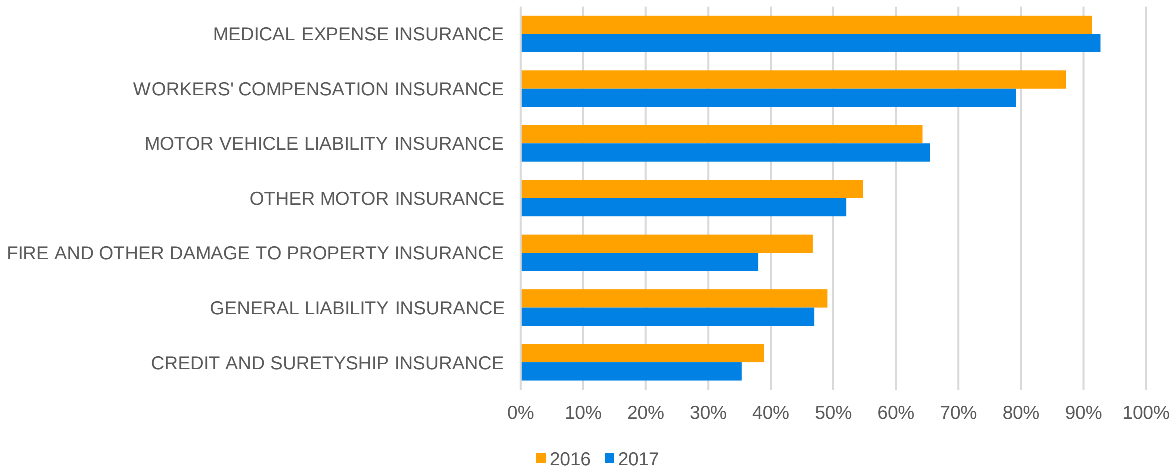


Figure 16 depicts some statistics regarding the loss ratios by line of business and their volatility among insurers in our sample.[8] The loss ratio is defined as the net claims incurred divided by the net premium earned and is based on the direct business. The figures are limited to the direct business due to the limited number of undertakings and the immateriality of the premiums observed in the proportional and non-proportional reinsurance lines of business.

The line of business 'Fire and other damage to property' represents 23% of the total premium earned. The range of loss ratios for the insurers in our panel for this line of business remains narrow.

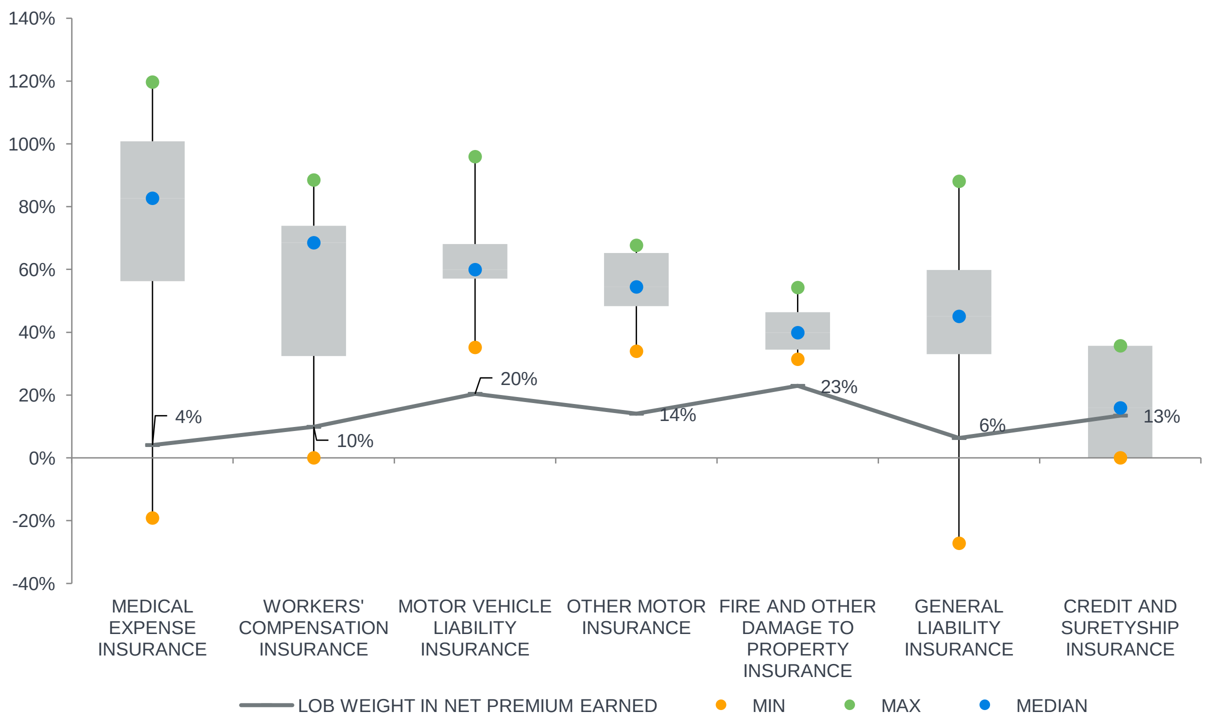
Although the lines of business 'Workers' compensation' and 'Medical expense insurance' are relatively small compared with other lines of business in terms of net earned premium, they show on average the highest loss

[8] The loss ratio of Generali Belgium is left out of this graph. Due to the relatively large reinsurance share the net loss ratio showed a large negative figure, which would have skewed our analysis.

ratios (respectively, 69% and 83%). In addition, the differences in loss ratios among the insurers are very large as reflected by the box-plot. There are even some insurers that show a negative loss ratio for these lines of business. These negative loss ratios can occur due to the analyses on accounting year bases. When measuring the (change in) incurred losses in an accounting year the figures are a combination of changes in prior accident years as well as the losses in the current year. A large runoff profit for prior years could lead to a negative loss ratio measured on an accounting year basis.

'Motor vehicle liability' and 'Other motor insurance' show, respectively, the third- and the fourth-highest loss ratios. They are very competitive lines of business. Although it shows that some insurers report much higher and lower loss ratios than the average, the ranges of the observed loss ratios for these two lines of business are relatively narrow, showing that the loss ratios of the different insurers are relatively in line with each other. This will also partly be driven by the relatively large premium volumes in these lines of business. Note that ‘Credit and suretyship insurance' is only written by three insurers, Euler Hermes (36%), Allianz Benelux (16%), and Ethias (0%). Thus, analysing its distribution is not of added value.

FIGURE 16: DISTRIBUTION OF NET LOSS RATIOS BY LINE OF BUSINESS FOR FINANCIAL YEAR 2017



Technical result by line of business

Figure 17 shows the technical result of both 2016 and 2017, and the weight of the line of business in terms of the gross written premium.9 The technical result is defined (and derived) as follows:

(net earned premium – net incurred claims – expenses incurred) / gross earned premium

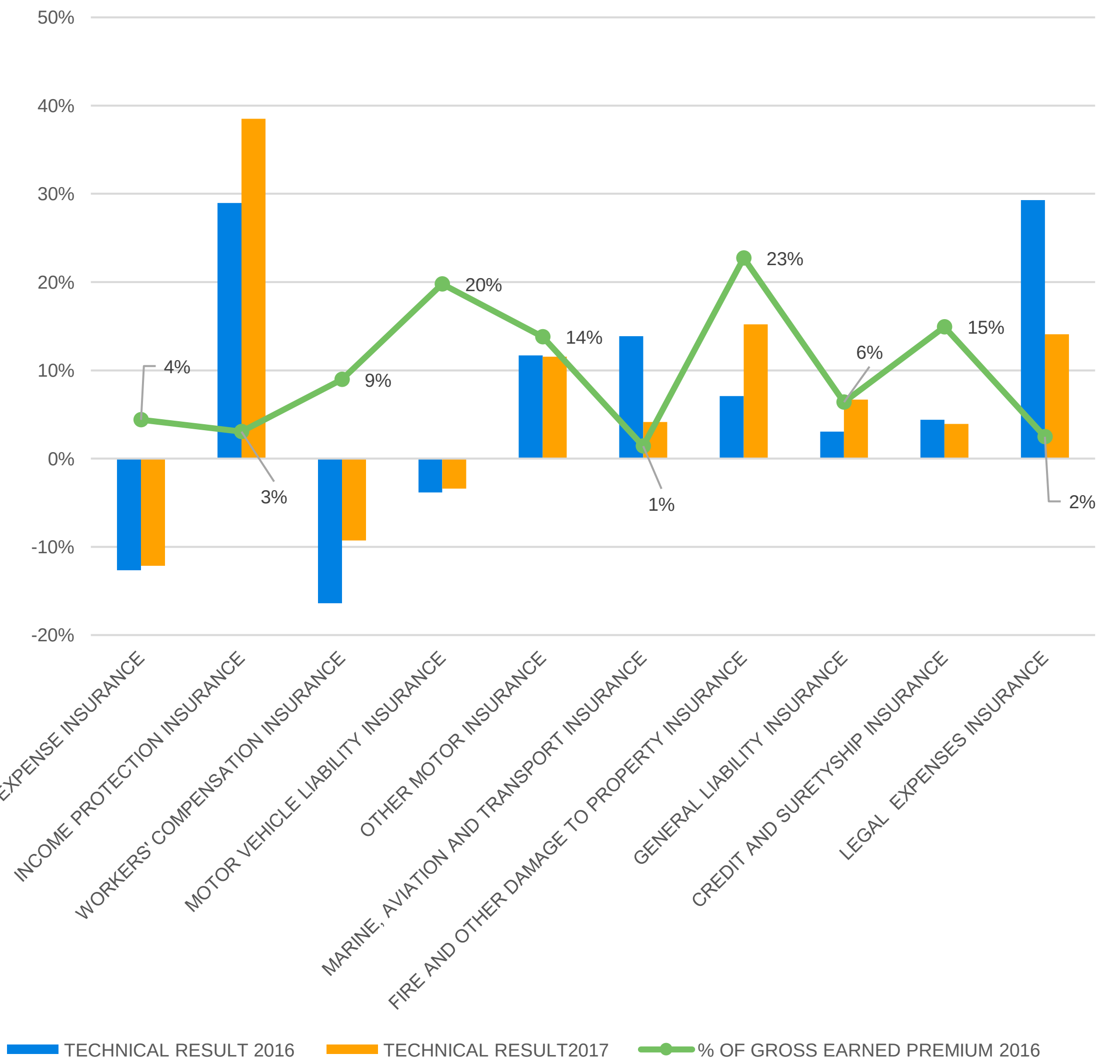
According to the definition of the technical result mentioned above, three lines of business, 'Medical expenses insurance,' 'Workers' compensation insurance' and 'Motor vehicle liability insurance' show negative technical results in 2017. This is in line with the observations of year-end 2016 as shown in Figure 17. However, 'Workers' compensation' shows better results in 2017 compared to 2016 as the technical results have improved by 7%, from -16% to -9%. For 'Medical expenses insurance' and 'Motor vehicle liability insurance' the technical results remain comparable for both years.

'Motor vehicle insurance,' 'Other motor insurance' and 'Fire and other damage' remain the three largest lines of business in terms of written premiums. It is noteworthy to mention the decrease in technical result for 'Legal

[9] We do not show the weights of 2016 because compared to 2017 there was no significant difference.

expenses insurance' by about 50% from almost 30% in 2016 to 15% in 2017. This is due to an increase of both incurred claims and expenses.

FIGURE 17: TECHNICAL RESULT BY SOLVENCY II LINE OF BUSINESS



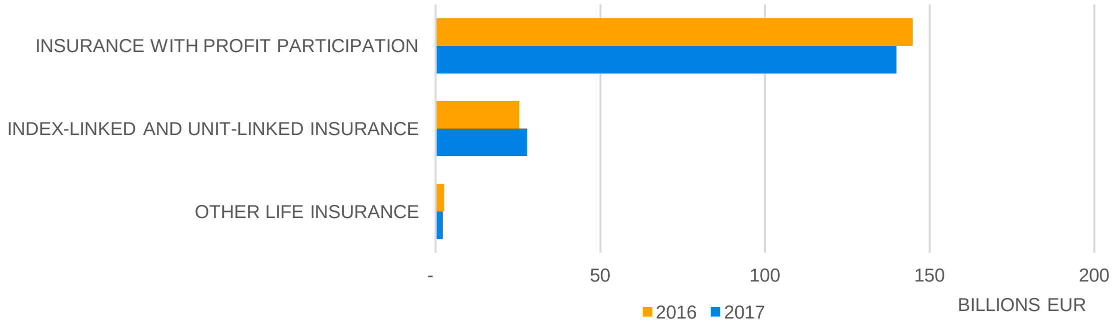
Note: Some of the smaller business lines are not included and therefore the weights do not sum up to 100%.

LIFE ACTIVITIES: TECHNICAL PROVISIONS[10]

Figure 18 shows the allocation of life technical provisions by type of product for year-end 2017 and for 2016. Overall, the life technical provisions for the companies in our sample have decreased 1.7%, from €173 billion to €170 billion. The decrease in technical provisions was mainly caused by 'Insurance with profit participation,' which is by far the largest life business for Belgian insurers, with a decrease of 3.4% to €140 billion. However, it still accounts for 82% of the total life technical provisions. Further, a small decrease of €0.37 billion in 'Other life insurance' has been shown for 2017. It still accounts for 1% of the total life technical provisions. The technical provisions of 'Index-linked and unit-linked insurance' have increased almost 10% to €28 billion.

[10] In this section we exclude Argenta assuranties because its values for 2016 are missing.

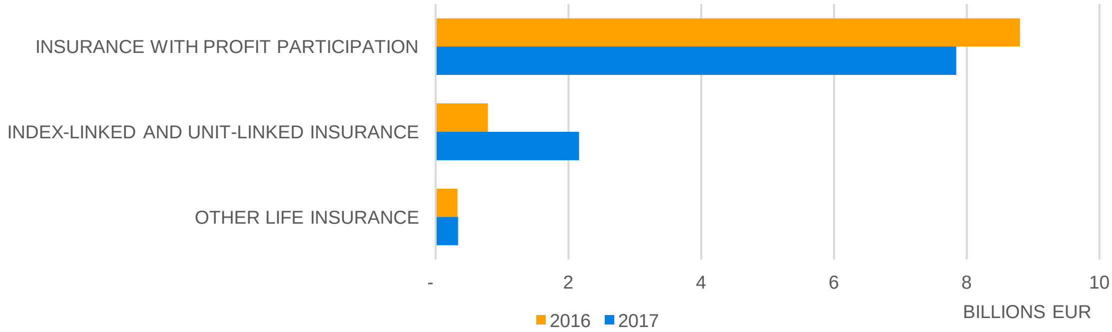
FIGURE 18: LIFE BUSINESS TECHNICAL PROVISIONS IN 2016 AND 2017 BY TYPE OF PRODUCT OF THE ENTITIES IN OUR SAMPLE



LIFE ACTIVITIES: ANALYSIS OF UNDERWRITING

Figure 19 shows the gross written premiums by line of business for 2017 compared to 2016. The gross written premium of the life business of the insurers in our sample was €9.7 billion compared to €9.9 billion in 2016, a decrease of 2.1%. The decrease is manly caused by 'Insurance with profit participation' products, which have shown a decline of 13.2% (€1.2 billion). This decrease is somewhat compensated by the 'Index-linked and unit-linked insurance' products, whose premiums more than doubled from €0.8 billion in 2016 to €1.8 billion in 2017. The variation in written premiums is mainly the consequence of a change of strategy for three insurers. AG Insurance, which had written €3.5 billion in products with profit participation in 2016, shows a significant decrease of €0.7 billion (i.e., -20%) over 2017 compared to 2016. At the same time, AG Insurance has written €0.7 billion more in 'Index-linked and unit-linked insurance,' which is a result of 'pursuing an active unit-linked product launch approach,' according to its SFCR report. This amount represents nearly 74% of the increase in gross written premium for index-linked and unit-linked products for the insurers in our sample. Allianz Benelux and Fidea have also increased their gross premiums for the 'Index-linked and unit-linked insurance' line of business by more than 100% compared to 2016. The increase in gross written premiums for 'Index-linked and unit-linked insurance' products of these three insurers accounts for 31% of the overall increase in written premiums of this product type in the Belgian market.

FIGURE 19: LIFE BUSINESS GROSS WRITTEN PREMIUMS IN 2016 AND 2017 BY TYPE OF PRODUCT OF THE ENTITIES IN OUR SAMPLE



Reliances and limitations

For those who have read our 2016 SFCR report concerning the Belgian insurance market, the figures that we have presented in this report are in some cases different from those presented in the previous report. The reasons for these differences relate to some differences in the selection of insurers for our analyses.

In carrying out our analysis and producing this research report, we relied on the data and information provided in the SFCRs and QRTs of our sample companies. We have not audited or verified this data or other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. It should be noted that in some cases errors were spotted in the underlying data. We made minor adjustments to the data to correct known errors such as inconsistencies across QRTs in order to better inform our analysis. However, we have not made any material changes to the underlying data. We have not made any changes to the data to reflect additional information or changes following the reporting date.

This research report is intended solely for educational purposes and presents information of a general nature. The underlying data and analysis have been reviewed on this basis. This report is not intended to guide or determine any specific individual situation and persons should consult qualified professionals before taking specific actions.

Appendix A: List of Belgian undertakings analysed

In the Analysis of the Belgian Insurance Market section above all listed insurers are included. In the table in Figure 20 you can find which of the insurers are included in the remainder of this report.

FIGURE 20: TABLE OVERVIEW OF THE INSURERS ANALYSED IN THIS REPORT

UNDERTAKING	LEGAL ENTITY	INCLUDED IN REMAINDER OF REPORT	SCR RATIO	MAIN LINE OF BUSINESS[11]
AG INSURANCE	AG INSURANCE S.A.	YES	229%	LIFE
AXA BELGIUM	AXA BELGIUM	YES	178%	NON-LIFE
ALLIANZ BENELUX	ALLIANZ BENELUX	YES	148%	LIFE
ETHIAS	ETHIAS SA	YES	183%	COMPOSITE
KBC INSURANCE	KBC INSURANCE NV BELGIUM	YES	217%	LIFE
BELFIUS INSURANCE	BELFIUS ASSURANCE SA	NO	219%	LIFE
P&V GROUP	P&V GROUP	NO	172%	LIFE
EULER HERMES	EULER HERMES SA	YES	187%	NON-LIFE
BALOISE BELGIUM	BALOISE BELGIUM NV	YES	139%	COMPOSITE
ARGENTA ASSURANTIES	ARGENTA ASSURANTIES NV	YES[12]	275%	LIFE
GENERALI BELGIUM	GENERALI BELGIUM S.A.	YES	152%	LIFE
ERGO INSURANCE	ERGO INSURANCE N.V.	YES	217%	LIFE
NN INSURANCE BELGIUM	NN INSURANCE BELGIUM	YES	350%	LIFE
FIDEA	FIDEA NV	YES	165%	NON-LIFE
FEDERALE GROUP	GROUPE FEDERALE ASSURANCE	NO	261%	COMPOSITE

[11] We make the distinction between life or non-life based on the line of business that writes the most premiums. If the difference is less than 10% the business is seen as composite.

[12] Argenta is included except fort the analyses of lines of business and own funds, because in 2016 Argenta reported as a group and as of 2017 it has reported as a solo entity. Because of this change the data we had for 2016 was missing or incorrect.

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