



State of the Insurers

**Exploring Insurers' Financial Landscape
in the First Year of IFRS 17 Reporting**



2024 edition

KPMG The Netherlands

kpmg.nl/financialservices

Foreword

It is with great pleasure that we present this year's edition of the State of the Insurers report, marking a significant milestone as the first year of insurance reporting under IFRS 17. The adoption of IFRS 17 represents a fundamental shift in insurance accounting, introducing a comprehensive framework aimed at enhancing transparency, comparability, and consistency in the financial reporting of insurance contracts.

This report provides a detailed analysis of the leading Dutch insurers' performance and adaptation to the new financial reporting standard. As we navigate through the initial year of IFRS 17 implementation, we aim to highlight the key trends reflected under the insurers' disclosures, offering valuable insights into the financial health and strategic direction of the four biggest insurers in the Netherlands.

The transition to IFRS 17 has been a journey of considerable preparation and transformation for the insurance sector. Dutch insurers have invested significant resources in upgrading their financial reporting systems, recalibrating actuarial models, and training personnel to ensure compliance with the new requirements. This transition underscores the industry's commitment to fostering greater clarity and robustness in financial disclosures, which are essential for maintaining stakeholder confidence and supporting sustainable growth.

The first year of IFRS 17 implementation has been a critical period of learning and adaptation. As insurers continue to refine their approaches and optimize their systems, we anticipate further improvements in the quality, utility, and comparability of financial information across insurers.

We hope this report provides valuable knowledge and fosters a deeper understanding of the evolving dynamics within the Dutch insurance industry.

Please feel free to reach out to us for more information.



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Executive summary

In 2023, the implementation of IFRS 17 by Achmea, a.s.r., Athora Netherlands, and Nationale Nederlanden marked a significant shift in the financial reporting of Dutch insurers. IFRS 17 provides a more detailed view of insurance contracts, with specific key metrics such as the Contractual Service Margin (CSM) and Loss Component (LC) offering insights into business growth and profitability. The CSM represents unearned profit that will be recognized as insurance coverage is provided, while the LC reflects the value of loss-making contracts.

In 2023, for the combined Life and Non-Life business, a.s.r. and Nationale Nederlanden showed an increase in their unearned profit, as evidenced by their CSM balances, while Achmea and Athora Netherlands reported lower closing CSM balances, resulting in lower reportable future profit margins.

The Life portfolio continued to see Gross Written Premium (GWP) decrease year-on-year, a decline in its CSM balance and further consolidation in the market – most notably through the acquisition of Aegon Netherlands by a.s.r., which resulted in an increase in the GWP of a.s.r.'s Life portfolio and a shift in value from Aegon Netherlands to a.s.r. Despite several business lines being in run-off and signs of a shrinking market, new opportunities for new business for Life insurance arise – such as the Defined Contribution products driven by the Dutch pension reform. The unearned profit from the Life insurers' profitable new business contracts (CSM) surpassed the loss component (LC) from any onerous new business. Whilst Nationale Nederlanden has the largest Life portfolio (based on GWP), it also reported the highest LC along with a.s.r. in 2023. Achmea and Athora Netherlands have maintained stable loss components with slight increases, while a.s.r.'s loss component decreased slightly in 2023.

In general, the Non-Life portfolio experienced growth, as evidenced by higher GWP and a new business CSM (related mainly to the disability portfolio) that exceeded the CSM release in 2023 – underscoring the sector's profitability. Favorable changes in interest rates and inflation expectations have significantly improved profitability in 2023, making Non-Life insurance a key driver of overall CSM growth. Achmea's Non-Life portfolio, mainly consisting of Health insurance, is the largest of the four insurers. The disability portfolio, for which a.s.r. is the largest insurer based on GWP, showed notable CSM growth. From a LC perspective, Achmea and a.s.r. reported the highest impact for loss-making contracts in the Non-Life portfolio.

Overall, the insurers' Profit and Loss (P&L) results improved in 2023, driven by increased investment income in a more favorable economic climate due to interest rate changes. However, insurers also exhibited volatility in their P&L statements due to changes in onerous contracts and the negative impact of Woekerpolis Settlements on P&L results. Nationale Nederlanden and Athora Netherlands maintained a stable insurance service result between 2022 and 2023, while a.s.r. and Achmea reported a profit in one year and a loss in the other. The choice of accounting policies has the potential to significantly impact the profit before tax for insurers, highlighting the importance of careful consideration related to the accounting policy choices.

In terms of capital and financial positions, Solvency II ratios varied amongst the insurers – with decreases for a.s.r. and Achmea due to acquisitions and dividends, while Athora Netherlands and Nationale Nederlanden maintained stability. Capital generation trends were mixed, with Achmea experiencing negative total Free Capital Generation, while Nationale Nederlanden and a.s.r. saw increases due to their respective commercial and financial performance, asset allocation and acquisition strategies. Fixed income remain dominant in the insurers' investment assets portfolio in 2023, despite shifts in equity investments and derivatives.

The remainder of the report provides a detailed analysis how the Dutch insurers have embraced the initial year of IFRS 17 implementation and includes further insights on the aforementioned topics based on the insurers' disclosures.

General Disclaimer:

This KPMG analysis is constructed with data stemming from the 2023 edition of the annual reports of Achmea, a.s.r., Nationale Nederlanden, Athora Netherlands respectively.

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Scope of this report

Following up on the inaugural State of the Insurers report last year, this edition maintains its focus on the analyses of yearly financial data of the following insurers within the Netherlands: Achmea B.V. (Achmea), ASR Nederland N.V. (a.s.r.), Athora Netherlands N.V. (Athora Netherlands), and NN Group N.V. (Nationale Nederlanden). When compared to last year's edition, the total number of in-scope insurers has decreased from five to four because of the acquisition of Aegon Netherlands by a.s.r.

With the transition to IFRS 17, insurers' financial information and disclosures within the respective annual reports do not remain comparable with those of prior years. Therefore, this year's State of the Insurers report focuses on the analyses of key metrics under IFRS 17 to ensure meaningful analyses of the financial information of the in-scope insurers.

Furthermore, as IFRS 17 is implemented starting this year, only the full-year 2023 annual reports of the four in-scope insurers are examined in this report. In other words, analyses of financial data of the four in-scope insurers are conducted for 2022 and 2023, owing to information availability for solely those two years under IFRS 17.

In line with last year, given the different business activities, geographical distribution, and nuances between the reporting of their annual figures, the data for each insurer was analyzed as follows, to allow for better comparability:

- **Achmea:** Analyzed at a group level, as international activities account for a minor portion of the portfolio. In 2023, business outside of the Netherlands represented 4% of the insurance contract liability balance, 7% of the insurance revenue and 9% of the insurance service expenses.
- **a.s.r.:** Analyzed at a group level, as a.s.r. does not operate outside the Netherlands.
- **Athora Netherlands:** Analyzed at the Netherlands level for comparability purposes, as the Group is based in Bermuda.
- **Nationale Nederlanden:** Analyzed at a group level, as there is no annual report available on the consolidated Dutch enterprise level. Wherever feasible via information published within the 2023 annual report, information related to the Dutch portfolio is used to ensure relatively more comparability. In 2023, business outside of the Netherlands represented 24% of the insurance contract liability balance and 23% of the insurance revenue.

This report offers a thorough examination of the insurance industry (largely focusing on the above in-scope insurers), addressing key trends, financial performance, and capital standings. It begins by introducing IFRS 17, discussing its impact on insurers' operations, results, and disclosures. The report then outlines major macroeconomic trends and provides an in-depth analysis of insurers' financial performance under IFRS 17 (both from a balance sheet and an income statement perspective). Subsequent sections evaluate insurers' capital and financial positions. Throughout this report current hot topics are also explored, including artificial intelligence, the Dutch brokerage sector, actuarial transformation, and customer remediation. Detailed analyses of IFRS 17 metrics are available in the appendix for further insights.



Embracing IFRS 17

As 2023 is the first year wherein Dutch insurers disclose their annual reports under the International Financial Reporting Standard 17 (IFRS 17), it is vital to understand the changes in grouping, measurement, and disclosure requirements in transiting from IFRS 4 to IFRS 17. IFRS 17 represents a fundamental shift in the accounting practices for insurance companies, aiming to provide more transparent and relevant information to investors, regulators, and other stakeholders.

The new standard aims to enhance global consistency and comparability among insurers. As insurers embrace the principles and requirements detailed under IFRS 17, it is important to consider the following when examining financials of insurers from here on:

Insurance contracts

Similar to IFRS 4, IFRS 17 focuses on types of contracts, rather than types of entities in assessing the scoping requirements. Therefore, it applies to all entities that write insurance contracts – irrespective of whether they are regulated as insurance entities or not. IFRS 17 defines an insurance contract as a contract under which one party – the issuer – accepts ‘significant insurance risk’ from another party – typically, the policyholder or counterparty, by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder [1].

The scoping requirements of IFRS 17 are stricter than those of IFRS 4, specifically in relation to:

- (i) Assessment of significant insurance risk, wherein IFRS 17 requires that there should be a possibility of a loss, and that the time value of money should be considered as part of the analysis.
- (ii) Performing the scoping assessment for insurance contracts acquired either as a transfer of a portfolio or by means of a business combination in scope of IFRS 3 *Business Combinations*. Under IFRS 17, a company needs to assess insurance contracts acquired as at the acquisition date, not the date of inception (or previous modification). This is especially relevant for Dutch insurers considering that:
 - Historically, the *Wet toezicht verzekeringsbedrijf* (Wtv) required that for more than half the term of an insurance policy, the death benefit must deviate by at least 10% from the value of the insurance policy for there to be a significant insurance risk. Any such policy acquired after 1 January 2023, which is in the second half of the policy term, might no longer have any insurance risk and would therefore be in scope of IFRS 9 instead of IFRS 17.
 - The Dutch Life insurance market has undergone significant consolidation in recent years. Within the Life insurance market, there have been several acquisitions that have taken place, with a.s.r., Athora Netherlands, Waard Leven, De Goudse and Lifetri Group actively participating in business and portfolio acquisitions.

Other than differences in relation to the scoping requirements, IFRS 17 is more prescriptive than IFRS 4 in various aspects, such as the level of aggregation at which contracts are grouped for measurement, classification, measurement methods, and disclosures. The paragraphs below provide more insights into these key IFRS 17 requirements.

Aggregation and disaggregation of insurance contracts

Under IFRS 17, insurance contracts are aggregated into groups on initial recognition. The grouping is conducted in a way that limits the offsetting of profitable contracts by loss-making contracts (i.e. onerous contracts), in order to provide transparent disclosures with regard to the profitability of the insurance contracts. In determining the level of aggregation, an insurer identifies portfolios of insurance contracts, wherein contracts with similar risks (often contracts in the same product line) that are managed together can form part of the same portfolio [2].

Each portfolio is divided into a minimum of:

- (i) a group of contracts that are onerous on initial recognition (which results in a loss being recognized immediately in the statement(s) of profit or loss for the entire net cash outflow);
- (ii) a group of contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently;
- (iii) a group of remaining contracts within the portfolio.

Furthermore, an entity cannot include contracts issued more than one year apart in the same group. Therefore, each portfolio will be disaggregated into annual cohorts, or cohorts consisting of periods of less than one year. Consequently, financial performance results, detailed in the section **Financial Performance**, incorporate the results of contracts issued or acquired in 2023, as well as the 2023 results of contracts issued before this period. All the insurers within this report make use of annual cohorts, except for Athora Netherlands, where quarterly cohorts¹ are applied.

Measurement of insurance contracts

At its core, IFRS 17 requires insurers to report financial performance of (a group of) insurance contracts to reflect both the timing and uncertainty of cash flows.

Furthermore, under IFRS 17, the actuarial and finance amounts related to the insurance liabilities are combined, whereas these were disclosed separately as part of the IFRS 4 reporting. The actuarially determined technical provisions are combined with the amounts determined by the finance team, for example, claims payables, or premium receivables. IFRS 4 had several separate line items on the balance sheet related to the insurance contract measurement, whereas IFRS 17 includes a single line item that incorporates all these elements (to be further disaggregated within the note disclosure).

IFRS 17 sets out three measurement models to be used by insurers to measure insurance contracts, depending on the characteristics of the contracts:

- (i) **General Measurement Model (“GMM”):**
This is the default measurement model used in IFRS 17 for measuring insurance contracts.
- (ii) **Variable Fee Approach (“VFA”):**
This model is mandatory for contracts with direct participating features. It modifies the treatment of the contractual service margin under GMM to accommodate those direct participating contracts.
- (iii) **Premium Allocation Approach (“PAA”):**
This is a simplified measurement model for the liability of remaining coverage that can be used for short-term contracts (with coverage of less than 1 year), or if the measurement outcome would not differ materially compared to if the GMM was applied.

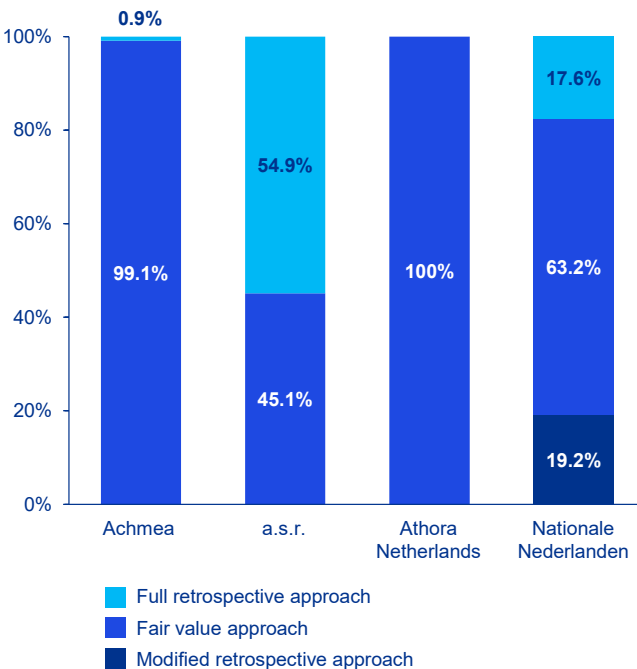
These different measurement models significantly impact insurers’ financial performance. Therefore, the upcoming sections will analyze insurers’ results, distinguishing between contracts measured by GMM, VFA, and PAA as applicable.

Transition approach to IFRS 17

In transiting to IFRS 17, insurers must apply the requirements of IFRS 17 retrospectively, unless it is considered to be impracticable. Insurers must apply what is known as Full Retrospective Approach (FRA). The FRA requires companies to account for existing contracts as if IFRS 17 has always been applied since inception of a contract and to roll this forward to the transition date. As noted in graph 1 below, this is impracticable for a large part of the insurance business of the in-scope insurers. If it is impracticable to apply the FRA, either the Modified Retrospective Approach (MRA) or the Fair Value Approach (FVA) can be applied.

The objective of the MRA is to use reasonable and supportable information that is available without undue cost or effort to achieve the closest possible outcome to the FRA. The MRA has its own challenges and limitations. In many cases the MRA is not practicable to apply, considering that reasonable and supportable information is not available to apply the relevant modifications to the FRA requirements set out within IFRS 17. If the MRA can also not be applied or an entity chooses not to apply the MRA when the FRA is impracticable, then the FVA must be applied.

Graph 1: Breakdown of the CSM per transition approaches as of 1 January, 2022 (in percentages)



¹ The use of quarterly cohorts goes hand in hand with the accounting policy choice of Athora Netherlands to apply period-to-period accounting. In applying period-to-period accounting, Athora Netherlands does not change the impact of accounting estimates made in previous interim financial statements at each reporting period, resulting in more accurate interim financial results. This could complicate the comparison of the financial performance (specifically related to the CSM) of the insurers that apply year-to-date reporting compared to Athora Netherlands, which applies period-to-period accounting, especially if there are changes in estimates during the reporting period.

In determining a fair value for the contracts to which the FVA is applied, the uncertainty in the risk is considered. An average market participant will require higher compensation for uncertainty. For example, in a merger and acquisition context, when contracts are riskier or are expected to earn less premiums compared to expected outcomes, an average market participant will only be willing to take over such a liability if they are properly compensated for the uncertainty by means of a higher fair value. The higher fair value will result in contracts being profitable.

It is important to note that the different transition approaches impacted the measurement of the insurance liabilities at the transition date, and thus impact the opening position on which subsequent measurement is based.

The impact of the different transition approaches on the financial results will be highlighted, where applicable, in the following chapter **Financial Performance**.

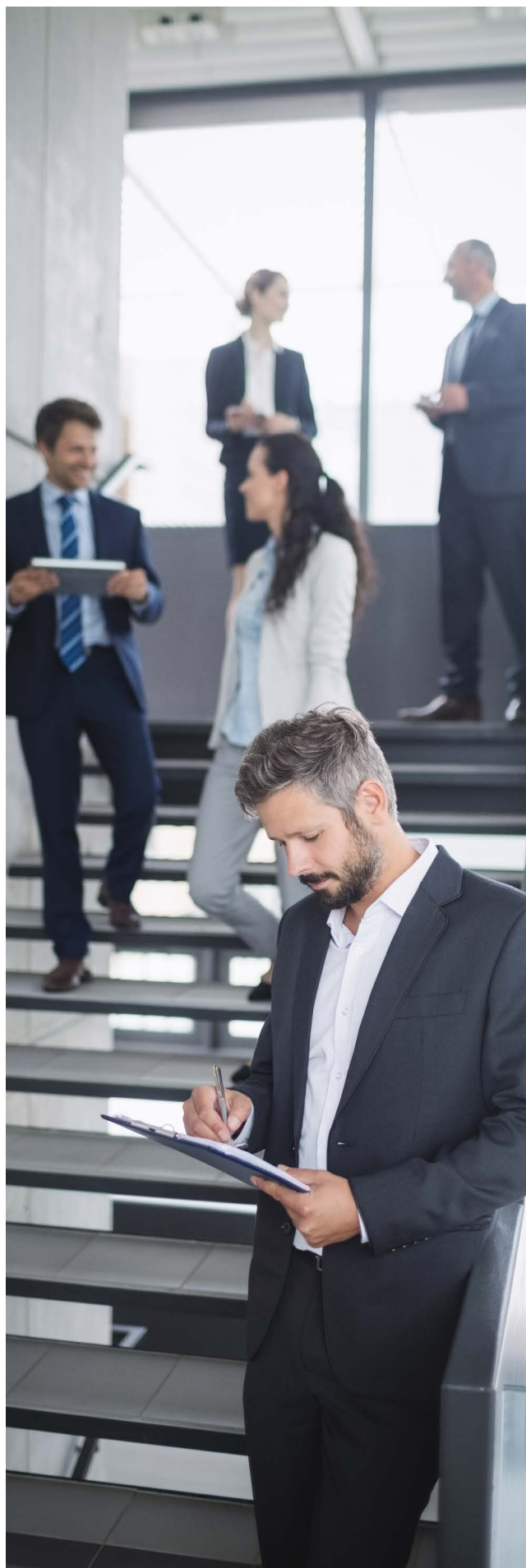
Impact on financials and disclosures

The financial statements of insurers are significantly influenced by the implementation of IFRS 17, with more prescriptive and comprehensive information requirements about the insurance obligations, assets, and financial standing. Amongst others, insurers must:

- (i) present separately insurance contract and reinsurance contracts on the **balance sheet** applying the measurement models as prescribed under IFRS 17;
- (ii) present separately in the **statement of profit or loss**, insurance service results, investment results and other results;
- (iii) adhere to the additional requirements on **note disclosures** reflecting the assumptions used in the calculation of the insurance liabilities, and other disclosure reconciliation tables required for various components of IFRS 17.

In anticipation of the first IFRS 17 reporting in the annual financial statements, insurers have been continually working towards developing the right capabilities, systems, and processes to analyze and report data that would support the implementation of the standard. Implementation of the standard has also been a challenge, as it is complex and necessitates significant investments in training, knowledge sharing, as well as resources to ensure a successful transition.

This year's State of the Insurers report will examine the first year of IFRS 17 results among the largest Dutch insurers. Hence, the structure of this edition of State of the Insurers will not mimic that of last year. The differences between the new concepts and those previously reported by in-scope insurers will be emphasized across this report within the text as well as via 'call-out boxes' in all relevant sections.



At a glance

In the latest set of financial statements, the four in-scope Dutch insurers reported their annual financial statements applying IFRS 17 for the first time. In analyzing the results, it is essential to consider the new information available and key performance indicators associated with IFRS 17 reporting. This is relevant both from a balance sheet perspective and a Profit and Loss (P&L) point of view. This analysis provides crucial insights into an insurer's financial health, performance, and strategic decision-making.

IFRS 17 provides new data for the insurance contracts, which could unlock deeper insights into an insurer's growth and profit dynamics. Additional analysis of new IFRS 17 information provides valuable quantitative measures to assess business growth and analyze profit drivers. The additional data has impacted the new business and profitability metrics used to assess the financial performance of the insurers.

New business performance

IFRS 17-specific quantitative measures to consider in assessing business growth, especially in relation to new business issued or acquired, include:

- (i) the Contractual Service Margin (CSM); and
- (ii) Loss Component (LC).

The CSM represents the unearned profit expected to be recognized as insurance coverage is provided. Examining the CSM balance and the movement in the CSM balance during a reporting period provides insurers with insights about the deferred profit that will still be released to the P&L over time. The CSM development during a reporting period reflects the deferred profit from new business at the date of issuing or acquiring the contracts; therefore, the CSM is also widely being used by insurers as a new business metric.²

The loss component, on the other hand, reflects the extent to which groups of insurance contracts are loss-making or onerous (either at initial recognition or as a result of subsequent development of cash flow expectations negatively impacting the remaining deferred profit not yet released). Monitoring these performance indicators, provide useful insights to understand and compare the profitability of insurance contracts across insurers based on IFRS 17 measurement principles. While the CSM is specific to GMM and VFA measurement, the loss component also applies to PAA measurement.

Table 1: New business performance metrics per insurer, 2022-2023 (in millions of Euros)³

	Achmea		a.s.r.		Athora Netherlands		Nationale Nederlanden	
	2022	2023	2022	2023	2022	2023	2022	2023
Financial performance – Balance sheet items								
CSM – opening balance	1,539	1,246	2,062	1,833	2,104	2,240	6,228	6,850
CSM – closing balance	1,246	1,243	1,833	5,168	2,240	1,876	6,850	6,972
LC (GMM/VFA) – opening balance	27	53	255	331	-	37	22	112
LC (GMM/VFA) – closing balance	53	55	331	321	37	63	112	321
LC (PAA) – opening balance	513	40	2	9	-	-	3	9
LC (PAA) – closing balance	40	57	9	3	-	-	9	2

² Some insurers group new CSM with new Risk Adjustment (RA) to present 'deferred profit' or make certain adjustments – e.g., adjustments for reinsurance or non-directly attributable expenses.

³ The financial results presented in this table are derived from the 2023 Annual Reports of the in-scope insurers. To ensure consistency and comparability across insurers, small calculations were made, which may cause small discrepancies between the reported values and the ones presented in this table.

Profit before tax

In 2023, a.s.r. and Nationale Nederlanden showed an increase in the deferred profit, as evidenced by their CSM balances. Conversely, Achmea and Athora Netherlands reported lower closing CSM balances than opening values, resulting in lower reportable future profit margins. Achmea and Nationale Nederlanden also reported an increasing trend in loss-making contracts for the year.

While the CSM and Loss Component are widely being used as new business metrics, the P&L continues to play a role as one of the profitability metrics used by insurers. Insurers have specifically focused on operating results as one of the metrics to assess profitability, with operating results not being consistently defined across the insurers. Within the analysis, profit before tax will be considered.

In deriving the profit before tax, the impact of financial risks on the insurance liability measurement netted with the investment income, will be presented separately from insurance performance, providing a clearer picture of profit drivers.

For contracts measured applying GMM or VFA, the insurance service result within the P&L is expected to be mainly driven by the CSM release and the risk adjustment release, and an offsetting impact from the losses and reversal of losses from loss-making (i.e., onerous) contracts. While the CSM release represents the allocation of the unearned profit to the extent that insurance contract services are provided in the reporting period, the risk adjustment release reflects the compensation related to the expected uncertainty regarding the amount and timing of cash flows within the reporting period.

Additionally, the expected versus actual incurred claims and attributable expenses impact the insurance performance, providing insights into the accuracy of the assumptions applied by an insurer. The closer the actual incurred claims and attributable expenses are to the expected results, the smaller the impact on the insurance performance.

Since CSM is a specific metric for GMM and VFA-measured contracts, PAA results provide an overview of the profitability of short-duration contracts and others eligible for PAA.

Table 2: Breakdown of the profit before tax per insurer, 2022-2023 (in millions of Euros)⁴

	Achmea		a.s.r.		Athora Netherlands		Nationale Nederlanden	
	2022	2023	2022	2023	2022	2023	2022	2023
Financial performance – P&L items								
Insurance result	525	-119	-40	468	203	174	1,152	1,200
<i>CSM release</i>	72	82	121	280	171	172	774	778
<i>Risk adjustment release</i>	80	81	136	154	60	22	181	168
<i>Losses and reversal of losses</i>	-34	-19	-330	-44	-40	-32	-111	-232
<i>Expected vs. actual claims and attributable expenses</i>	-84	-166	68	-181	7	22	-4	-12
<i>PAA results</i>	442	-186	124	133	-	-	238	504
<i>Other</i>	43	86	-158	125	5	-10	74	-6
Reinsurance result	-52	429	-23	-27	-35	-13	-52	-236
Net investment results	-1,133	980	-2,189	1,383	-1,069	1,127	283	1,947
Other results	-395	-336	-71	-434	-33	-141	-735	-1,379
Profit before tax	-1,055	954	-2,323	1,390	-934	1,147	648	1,532

⁴ The financial results presented in this table are derived from the 2023 Annual Reports of the in-scope insurers. To ensure consistency and comparability across insurers, small calculations were made, which may cause small discrepancies between the reported values and the ones presented in this table.

Investment and capital position

Insurers reported improved P&L results in 2023 compared to 2022, largely due to a more favorable economic environment resulting in increased investment income, which was offset by higher liability balances as a result of the higher discount rates. For both 2023 and 2022, the profit before tax for all the in-scope insurers is sensitive to the net investment results. This is more clearly visible in the IFRS 17 reporting considering that the financial risks that impact the insurance liability measurement is separated from the non-financial drivers, which are included in the insurance results. Both Achmea and Athora Netherlands reported a decrease in the insurance results compared to 2022, while a.s.r. and Nationale Nederlanden disclosed higher insurance results in 2023. For Achmea, this is driven by the final settlement related to the *Woekerpolis*, which is included within the insurance results, in contrast to the other insurers, which included the settlement as part of the other results. The decrease for Athora Netherlands is caused by a lower risk adjustment release, driven by the accounting policy choice not to disaggregate financial risk changes from the risk adjustment release (in contrast to the other in-scope insurers, which do make the disaggregation).

In addition to understanding the new business and profitability metrics, additional insights can be obtained on how insurers manage their asset, liabilities, and capital by considering the Solvency II capital requirements, capital generation and investment asset mix.

Table 3 illustrates insurers' investment portfolios in 2023, which increased by 24% compared to 2022, totaling €421,490 million. The four insurers had diverse investment strategies, with variations seen in equity, fixed income, and real estate investments.

Fixed income investments remain the primary focus, accounting for the majority of insurers' investment assets. Insurers expanded their equity investments, with a.s.r. and Athora Netherlands making significant movements, while Nationale Nederlanden Group and Achmea maintained a stable approach. Notable shifts were seen in other asset categories, including an increased allocation to money market funds by Nationale Nederlanden Group and a more significant role played by derivatives in Athora Netherlands' strategy. Achmea's investment asset mix remained stable in 2023, reflecting the company's strategic responses to changing market conditions and risk management practices.

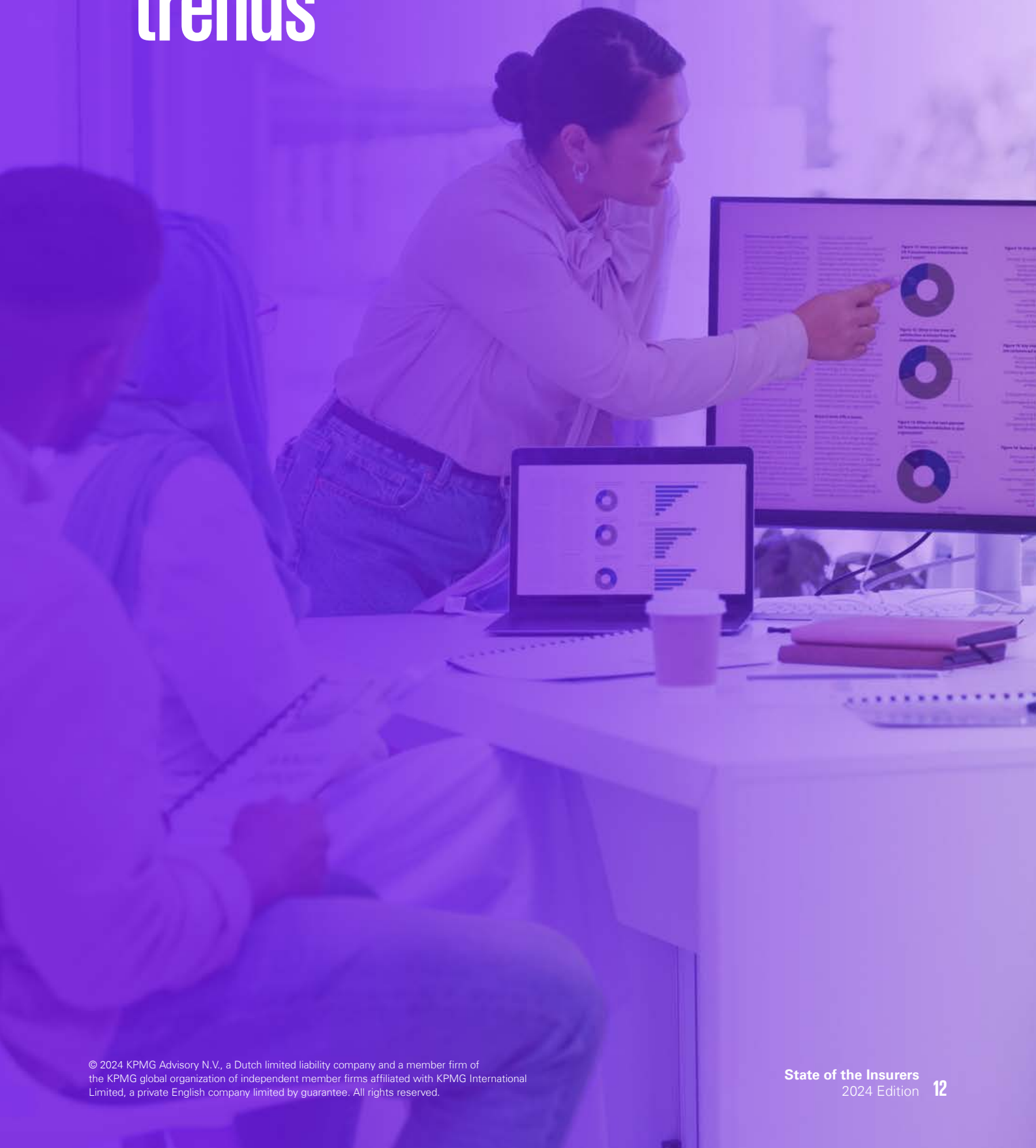
Some insurers experienced significant fluctuations in their Solvency II ratios from 2022 to 2023, with Achmea experiencing a decrease due to factors such as an increase in required capital and repurchase of preference shares. However, Athora Netherlands and Nationale Nederlanden were able to maintain their financial resilience within acceptable ranges amidst evolving operating landscapes, with Nationale Nederlanden navigating through capital flows to shareholders and positive impacts from operating capital generation and two longevity transactions.

Table 3: Investment and capital position per insurer, 2022-2023 (in millions of euros)

	Achmea		a.s.r.		Athora Netherlands		Nationale Nederlanden	
	2022	2023	2022	2023	2022	2023	2022	2023
Investment asset mix – Financial Position								
Money market funds, deposits & similar	-	-	-	-	-	-	9,295	10,682
Derivatives	5,990	5,051	5,761	13,004	-2,614	-1,480	2,452	2,486
Equity (excl. associates and JVs)	6,114	8,656	9,741	17,781	20,854	26,587	7,811	8,441
Fixed income (loans, bonds, and mortgages)	48,064	50,500	35,485	91,430	25,735	25,903	139,893	136,530
Real estate	850	725	664	3,051	1,012	986	12,887	12,007
Other investments	8,720	5,770	82	3,380	-	-	-	-
Total investment assets	69,738	70,702	51,733	128,646	44,987	51,996	172,338	170,146
Capital position								
Solvency II	209%	183%	221%	176%	205%	206%	197%	197%
Capital generated	-137	-301	653	938	271	457	1.902	1.711

The subsequent chapters of this report will provide a detailed analysis of these factors and trends, including a view into the underlying reasons for the trends wherever feasible/available.

Introduction & macroeconomic trends



Performance of the Dutch economy

In 2023, the Dutch economy has shown limited growth, thereby halting the recovery of the post-COVID-19 pandemic. The economy (i.e., Gross Domestic Product – GDP) grew by 0.1%, which is significantly lower compared to 4.5% growth in 2022. Different from 2022, the Dutch GDP growth is lower than of its European peers, which grew by 0.5% on average. From one quarter to the next, the GDP suffered a decline of 0.5%, 0.4%, and 0.3% in the first three quarters of 2023. Such a sequence of three consecutive quarters with descending GDP levels is exceptional, with the last instance occurring during the credit crisis of 2008-2009. High inflation rates eroded households' disposable incomes, affecting private consumption spending. At the same time, a slowdown in economic activity in the Netherlands' main trading partners resulted in a decrease in export volumes [3]. The final quarter, however, experienced a growth of 0.3%. The marginal growth in 2023 can be attributed to increased government consumption, increased household spending, and an increase in the number of worked hours. Whereas trade balance and labor productivity negatively impacted overall growth in comparison to 2022 [4].

Despite the Dutch economy cooling down, the unemployment rate remained low at 3.6% in 2023, compared to 3.5% in the previous year. Although the tightness in the job market slightly improved compared to 2022, the shortage of personnel persists over various sectors. In combination with a high inflation rate, this has led to a sharp increase in average collective agreement wages. In 2023, these wages rose by 6.1%, marking the highest increase in over 40 years. However, the real wage development turned out negative at -1.6%, indicating wages gradually falling behind the surge in prices. In 2023, the number of companies and institutions that filed for bankruptcy surged to 3,272, which is a significant 52% increase compared to the previous year. Almost all industries were affected by this significant rise. Despite this, the number of bankruptcies in 2023 remained lower than pre-COVID-19 levels in 2019 [4].

(Inter)national economic developments

The prices of commodities continued to rise in 2023, with consumer goods and services averaging an inflation increase of 3.8% compared to last year. The inflation rate significantly dropped from 2022, when inflation reached 10.0%. Commodity and energy prices played a large role in 2023's inflation rates, with commodity costs especially high – rising 12.1% compared to the previous year. The price of restaurant and café visits also contributed to the inflation rate, with an average of 8.8% increase in 2023. However, energy prices saw a significant drop of 37.0% compared to 2022 when prices spiked in October of that year following the Russian invasion of Ukraine [4].

Since the summer of 2022, the ECB (European Central Bank) has taken steps to increase its policy rate to tackle the high inflation that has been experienced in recent years. As a result, the rate has been raised to 4%, which marks the highest level since the Euro was first introduced [4].

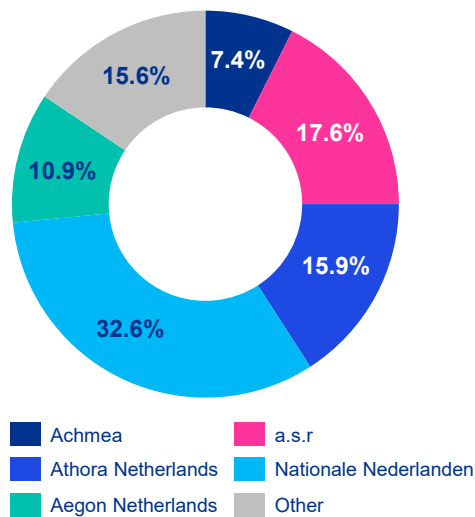
In the latter part of 2023, the Netherlands was hit by a series of storms that caused extensive damage. As a result, Dutch insurers had to pay out substantial claims to their policyholders. The *Verbond van Verzekeraars* (Dutch Association of Insurers) has cautioned both insurers and consumers that extreme weather events are likely to become more frequent because of climate change, leading to an increase in damage claims [5]. Furthermore, in 2023, the average price of an existing home in the Netherlands was 2.99 lower than in 2022, marking the first time in ten years that prices were lower compared to the previous year. Mortgage interest and inflation rates rose over the course of 2022, however, reducing buyers' financing options and, accordingly, house prices started to decline from August 2022, negatively affecting the performance of mortgage portfolios. However, prices of owner-occupied have been increasing from June 2023 again [6], as rising wages and slightly lower mortgage rates enable homebuyers to borrow more, and this comes against the backdrop of the drying up supply of houses.

Dutch insurance landscape in 2022

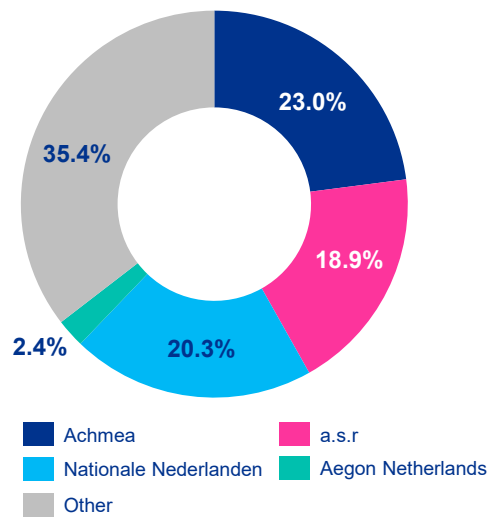
Although the financials being analyzed within this report have changed and, owing to the transition to IFRS 17, Gross Written Premium (GWP) is no longer required to be disclosed by all in-scope insurers in their annual reports. However, GWP is still an essential metric to understand the insurance business, hence it is worth noting that the in-scope insurers (Achmea, a.s.r., Athora Netherlands, and Nationale Nederlanden) constitute the majority of the Dutch insurance market share in 2022. The four insurers enjoyed a combined market share of 84.4% in the Life insurance market and 64.6% in the Non-Life insurance market. Compared to 2021, the dominance of the in-scope insurers has decreased in the Life space (2021: 86.2%), while increasing slightly within the Non-Life insurance market (2021: 64.2%).

It should be noted that the market share percentages below include Aegon Netherlands separate from a.s.r., considering that the acquisition of Aegon Netherlands by a.s.r. only occurred as of July 2023. The Aegon Netherlands market share can however be considered with the a.s.r., as the value of the Aegon Netherlands business is known to have transferred to a.s.r. The acquisition continues to trend within the Life insurance market, where the business is being consolidated through acquisitions, consistent with what was also cited in the previous report [7].

Graph 2: Dutch market shares by Gross Written Premium of Life insurers, 2022 (in percentages) [10]



Graph 3: Dutch market shares by Gross Written Premium of Non-Life insurers, 2022 (in percentages) [11]



The overall market data for 2023 is not yet available and therefore the 2022 data is being used. As part of understanding the insurance products at the in-scope insurers, the 2023 GWP for each of the in-scope insurers (not for the market as a whole) are further considered in the analysis of the *overview of insurance products*.

It is also an interesting point to note that not only have the in-scope insurers declined in terms of their market share in Life insurance in 2022, but the overall market for Life insurance in the Netherlands has been in sharp decline. This has been driven particularly by the low interest rate trend of recent years, which has propelled customers to switch to banking products. As a result, there are several lines of business that are in run-off and are not actively being sold anymore. Moreover, some of the Life insurers within the Dutch market have switched to offering simpler savings products in an attempt to compete with banks and, while doing so, also potentially save on administrative costs [7].

In contrast to the Life portfolio, the Non-Life insurance market in the Netherlands experienced a growth of c. 4.8% in 2022 [8] and is expected to continue on the same path.



Financial performance

A close-up photograph of a person's hands using a black calculator. The person is wearing a light-colored, vertically striped shirt. The background is blurred, showing what appears to be a desk with various papers and documents, some of which contain charts and graphs. The entire image has a strong purple/blue color cast.

When analyzing the financial performance of the insurers, it is necessary to understand the composition of the insurance portfolios, specifically the key components that make up the insurance liabilities. For comparability purposes, a distinction is made between Life insurance contracts and Non-Life contracts (which includes the health insurance portfolios). A distinction is necessary considering that not all the in-scope insurers have both a Life and a Non-Life portfolio (e.g. Athora Netherlands is a monoline Life insurer). Furthermore, different trends have been observed within the Netherlands when considering Life versus Non-Life business. Over the couple of years, the Life insurance sector within the Netherlands has been consolidating, with Life insurance premiums declining. In contrast, the Non-Life business has continued to grow.

For the IFRS 4 reporting, profitability and financial performance were primarily assessed based on the P&L of the insurance business, with the initial profit on insurance contracts recognized within the P&L on day 1 as well as any subsequent changes in the insurance technical provisions impacting the P&L directly. IFRS 17 deviates from recognizing a gain within the P&L on day 1. Instead, no profit is recognized on initial recognition, as it is deferred on the balance sheet and recognized over time as insurance contract services are provided.



As noted earlier, IFRS 17 include three measurement models: GMM, VFA and PAA. To provide further context to IFRS 17 measurement, specifically with a focus on understanding the impact on financial performance, another distinction is made between (i) GMM or VFA measurement, and (ii) PAA measurement, given the impact of the different models in distinct metrics of performance analysis:

- **New business analysis:** GMM and VFA contract measurement includes a CSM for profitable groups of insurance contracts. The CSM related to newly issued or acquired contracts is a key metric in assessing the new business for an insurer. Together with the organic CSM movement (i.e. the roll forward development of the CSM balance during the reporting period), it provides insights around the profitability of the insurance business measured in accordance with GMM or VFA. Since there is no CSM for PAA measurement, most Non-Life insurers (which tend to apply PAA), continue to report written premium growth as a key metric in assessing the new business related to PAA.

While there is no CSM for PAA contracts, it is important to note that there is a possibility of a loss component if facts and circumstances indicate that the insurance contracts may be loss-making.

- **P&L profitability analysis:** For VFA and GMM measurement, the Liability for Remaining Coverage (LRC)⁵ is made up of the present value of expected future cash flows, a risk adjustment for non-financial risk and a CSM (if profitable). Each component of the LRC needs to be considered separately in assessing the insurance results in the P&L, therefore resulting in the following impacts on the P&L: (i) CSM release, (ii) Risk adjustment release, and (iii) release of the expected claims and attributable expenses (which is offset by the actual incurred claims and attributable expenses). Each component potentially has separate release patterns impacting when the insurance revenue is recognized.

PAA is a simplified measurement approach, therefore the insurance revenue is not disaggregated in a similar manner. Instead, the LRC is released using a single driver, generally being the passage of time (i.e. evenly over the coverage period). An exception to the use of passage of time exist when the expected pattern of release of risk during the coverage period differs significantly from the passage of time (e.g. due to seasonality etc.).

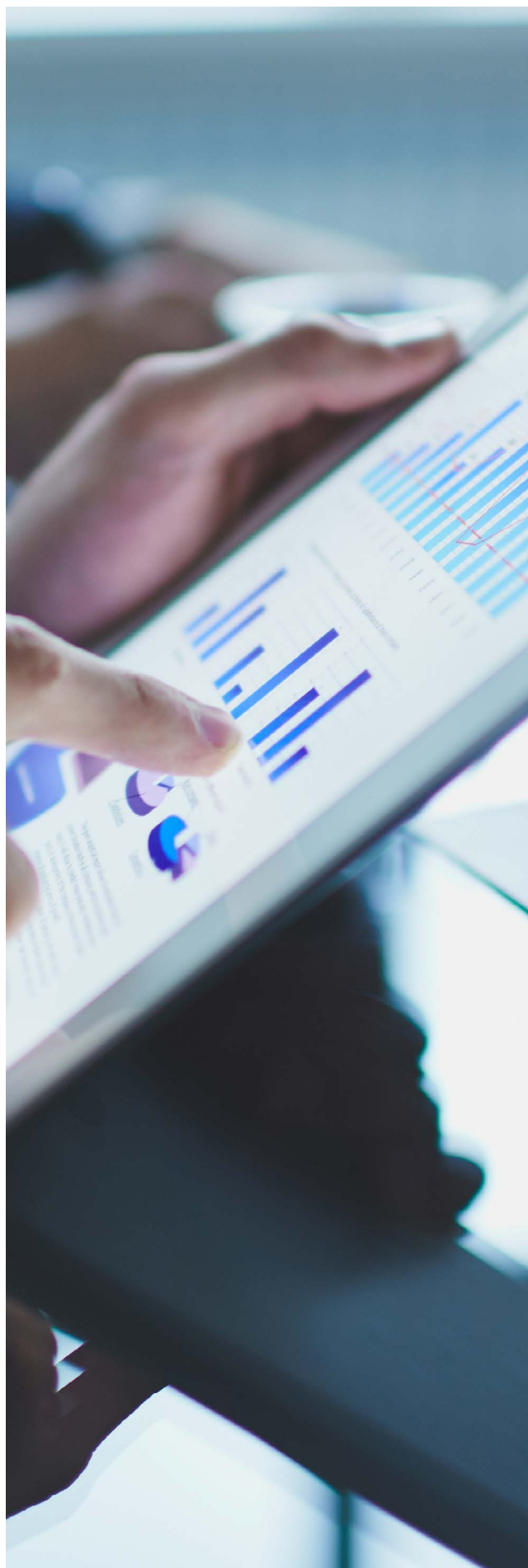
All of the in-scope insurers, except for Athora Netherlands, have contracts measured applying each of the three measurement models. Athora Netherlands only has contracts measured under GMM and VFA, which is consistent with expectation, since Athora Netherlands is a Life insurer and Life insurance contracts (due to having longer coverage periods) generally do not meet the requirements to apply PAA.

⁵ An insurer's obligation for insured events related to the unexpired portion of the coverage period.

The assessment on financial performance of the in-scope insurers will be sub-divided as follows:

- 1) **Overview of the insurance contract portfolio:**
Provides insights of the composition of the insurance portfolios based on the split between Life and Non-Life and the IFRS 17 measurement models. This provides the basis to better contextualize the balance sheet and P&L financial performed analysis.
- 2) **Financial performance analysis – Balance sheet:**
While the P&L remains a key measure in respect to assessing financial performance, components of the insurance liability included on the balance sheet provide insights into the profitability of the insurance contracts. The balance sheet financial performance assessment, includes an analysis of the deferred profit included within the CSM component, while also considering the loss component for the groups of insurance contracts that are loss-making (i.e. onerous) either at initial recognition or due to changes in expectations as part of subsequent measurement.
- 3) **Financial performance analysis – Profit and loss:**
The IFRS 17 P&L provide a clear distinction of the overall performance within a reporting period between insurance results, investment results and other results.

Each of the above will be addressed in more detail in the subsequent sub-chapters, highlighting key drivers observed within the financial performance across the insurers, differences in respect of accounting policy choices and other judgments applied within the insurance contract measurement. More in-depth analyses will be included in the **Appendices**.



Overview of insurance contract portfolios

KEY TAKEAWAYS



Key insights on the insurance portfolios of the insurers are as follows:

- **Non-Life portfolios grow year-on-year, while Life portfolios consolidate:** The Non-Life portfolio is continuing to show year-on-year growth based on the Gross Written Premiums ('GWP'). The Life portfolio has continued further consolidation, with amongst others, the acquisition of Aegon Netherlands by a.s.r. The acquisition resulted in an increase in GWP for the a.s.r. Life portfolio, however, this does not represent growth within the Dutch Life insurance market but instead a shift in value from Aegon Netherlands to a.s.r. Without considering the acquisition, the GWP seems to have decreased year-on-year aligning with the fact that several of the Life portfolios are in run-off.

Key Non-Life portfolio insights:

- Athora Netherlands is the only in-scope insurer without a Non-Life portfolio. The Non-Life portfolio consists of health insurance, disability insurance and Property & Casualty insurance ('P&C').
- Achmea has the largest Non-Life portfolio based on GWP, with a significant part of the portfolio consisting of the Health portfolio. Of the in-scope insurers, only Achmea and a.s.r. has a Health portfolio, with a.s.r. being significantly smaller in this domain compared to Achmea.
- From an IFRS 17 measurement perspective, the PAA is for a large part being applied to the Health and P&C portfolios, while GMM is being applied to the disability/income protection portfolios. Achmea therefore has the largest PAA portfolio.

Key Life portfolio insights:

- Nationale Nederlanden has the largest Life portfolio (based on GWP), despite the increase in a.s.r.'s Life portfolio through its acquisition of Aegon Netherlands.
- From an IFRS 17 measurement perspective, the majority of the Life contracts are measured applying GMM, with all the in-scope insurers also having contracts being measured applying VFA.

In order to give context to the financial performance observed, it is important to understand the composition of the respective insurance portfolios and to ensure comparability of information across the insurers. As noted earlier, to achieve the comparability across insurers, the insurance contract portfolios are disaggregated considering:

- Life versus Non-Life insurance products;
- measurement models (i.e. GMM/VFA versus PAA).

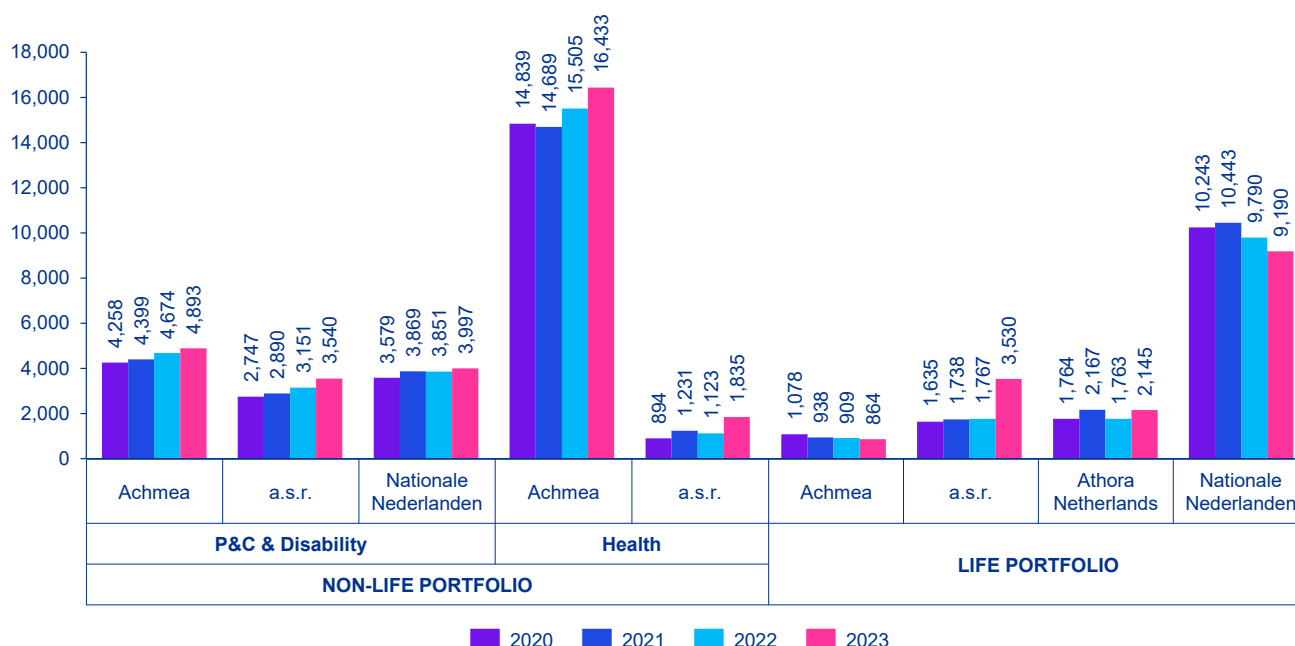
All of the in-scope insurers have Life insurance contracts, with the majority of the Life portfolio being measured applying GMM, while applying VFA measurement principles for some of their Life insurance contracts. Nationale Nederlanden has the largest Life insurance portfolio, based on GWP. The Life business has several run-off portfolios where no active business is being sold. A breakdown of the GWP between the products being actively sold (i.e. growth book) versus the products in run-off (i.e. service book) is not available for all the insurers.

Not all the in-scope insurers have a Non-Life insurance portfolio, with Athora Netherlands having previously disposed of their Non-Life portfolio and therefore only has a Life portfolio remaining. The Non-Life portfolios can be further disaggregated into:

- (i) **Property & Casualty ('P&C'):** Achmea measures the P&C portfolio applying PAA, while a.s.r. indicate that both GMM and PAA is applied⁶. Nationale Nederlanden applies PAA to all P&C contracts with a coverage period of 12 months or less.
- (ii) **Disability:** All three the in-scope insurers with Non-Life business have disability insurance and measures these policies applying GMM.

⁶ However, on closer inspection of the financial statements, it seems that only PAA is applied. The conclusion is based on the fact that a.s.r. disclosed that the FRA is applied to P&C and MRA or FVA is applied to disability. As part of the reconciliation of the insurance contract liabilities for Non-Life GMM, the full CSM on 1 January 2022 relates to contracts measured applying VFA (which then seems to be disability contracts).

Graph 4: Gross Written Premiums per in-scope insurer, 2020-2023 (in millions of Euros)⁷



Health insurance: In contrast to Achmea and a.s.r., Nationale Nederlanden does not have any health insurance policies. Both Achmea and a.s.r. measure the health insurance portfolio applying PAA. Achmea has an insignificant part of the Health portfolio measured applying GMM. The Health portfolio for Achmea is significantly bigger, in terms of GWP, compared to that of a.s.r. (2023: €16.433 versus €1.835). Due to the larger Health portfolio, the contracts measured applying PAA will be higher for Achmea. For a deep-dive analysis of the GWP, set out in the graph, refer to the **Appendix A. Deep dive – Overview of insurance contracts**.

While the GWP provide good insights regarding the composition of the insurance portfolio at the various in-scope insurers, as noted earlier, the CSM and loss component are some IFRS 17 specific quantitative measures to consider in assessing business growth, especially in relation to new business issued or acquired. The CSM and loss component is included as part of the insurance contract liability included on the balance sheet. A breakdown of the insurance liability balance is necessary to get insights around the CSM and the loss component balance.

From an insurance liability perspective, the majority of the liability is expected to be associated with the Life insurance products, considering the significantly longer duration of these products. Due to the longer duration, the insurance liability includes the expected obligation associated with premiums received over several reporting periods (related to insurance contracts that are paid-up and for which no premium is received). In contrast, the Non-Life products tend to have shorter durations.

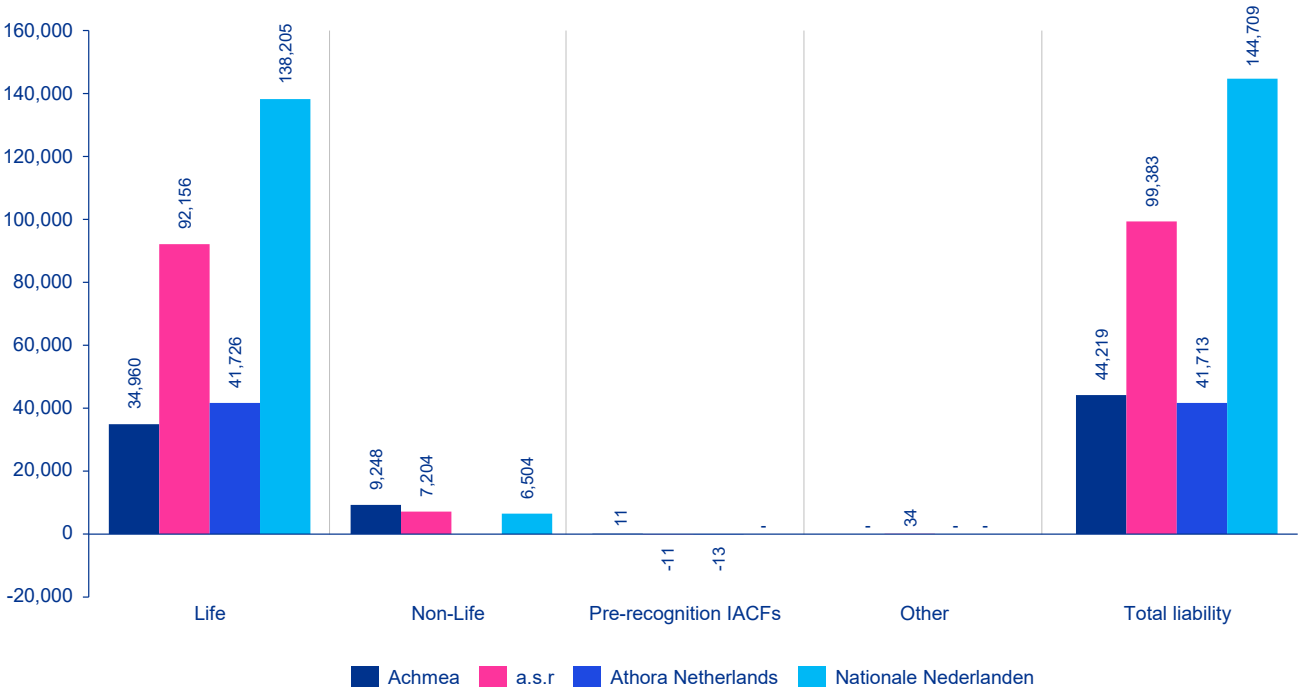
IFRS 17 requires an insurer to account for pre-recognition insurance acquisition cash flows paid as an asset and allocate these cash flows to existing or future insurance contracts on a systematic and rational basis as those contracts are recognized. These cash flows are included in the total insurance liability, as shown in the graph on the next page. The pre-recognition insurance acquisition cash flows relate to costs of selling, underwriting and starting a group of insurance contracts and is directly attributable to a portfolio of insurance contracts. However, the related insurance contracts are expected to only be recognized in the future.

Moreover, the systematic allocation ensures acquisition costs are matched with the contracts from which the associated revenues related to the acquisition cost will flow, enhancing the transparency and comparability of financial statements across insurers. It also ensures that the profitability for groups of insurance contracts is reflective of the costs incurred related to the services provided for the contracts.

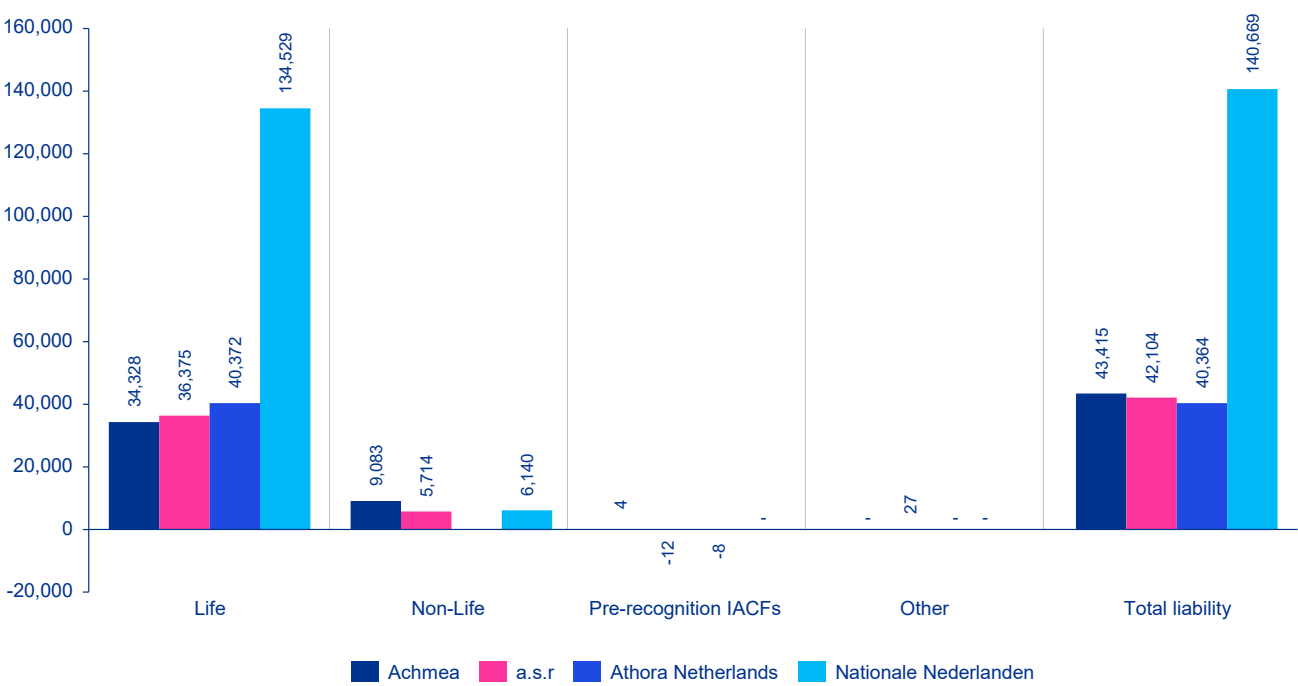
By not prescribing specific allocation methods, IFRS 17 allows insurers to adapt their approaches to their unique circumstances and specifically the product characteristics.

⁷ The 2023 GWP for the a.s.r. Life portfolio consist of both the GWP and customer funds deposited by the insured Direct Contribution products (which by definition is not GWP). The disclosure for the 2022 amount (using the same basis as 2023) amounts to €2,381 million, which means that customer funds amount to around €614 million in 2022.

Graph 5: Breakdown of insurance liabilities per in-scope insurer, 2023 (in millions of Euros)



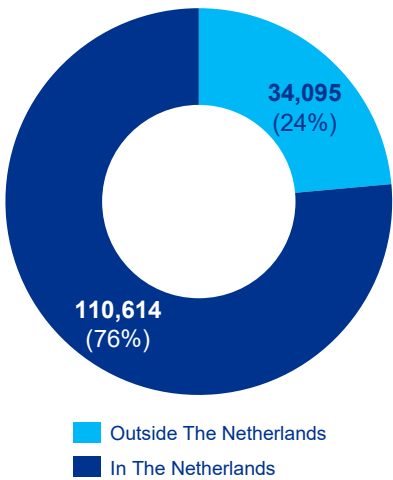
Graph 6: Breakdown of insurance liabilities per in-scope insurer, 2022 (in millions of Euros)



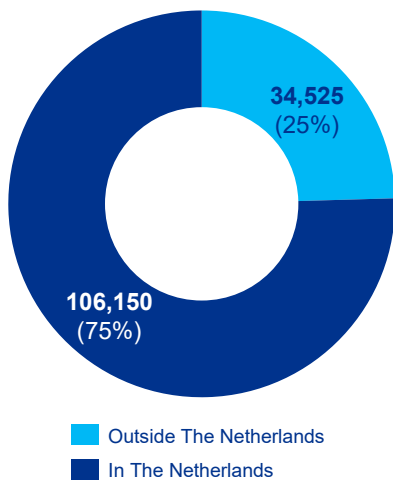
The increase in the total liability of the a.s.r. insurance portfolio in 2023 is associated with the Aegon Netherlands acquisition on 1 July 2023. At the acquisition date, the acquisition contributed €52,779 million in terms of insurance contract liabilities to the a.s.r. Life portfolio, and €986 million to the a.s.r. Non-Life portfolio.

Nationale Nederlanden has a significantly higher insurance contract liability position compared to the other insurers, especially in 2022. This is driven by the larger Life insurance portfolio, which includes business within the Netherlands and international business outside of the Netherlands. As noted in the graphs below, although the international insurance business accounts for a significant part of the portfolio, its insurance business within the Netherlands is still higher than that of the other insurers.

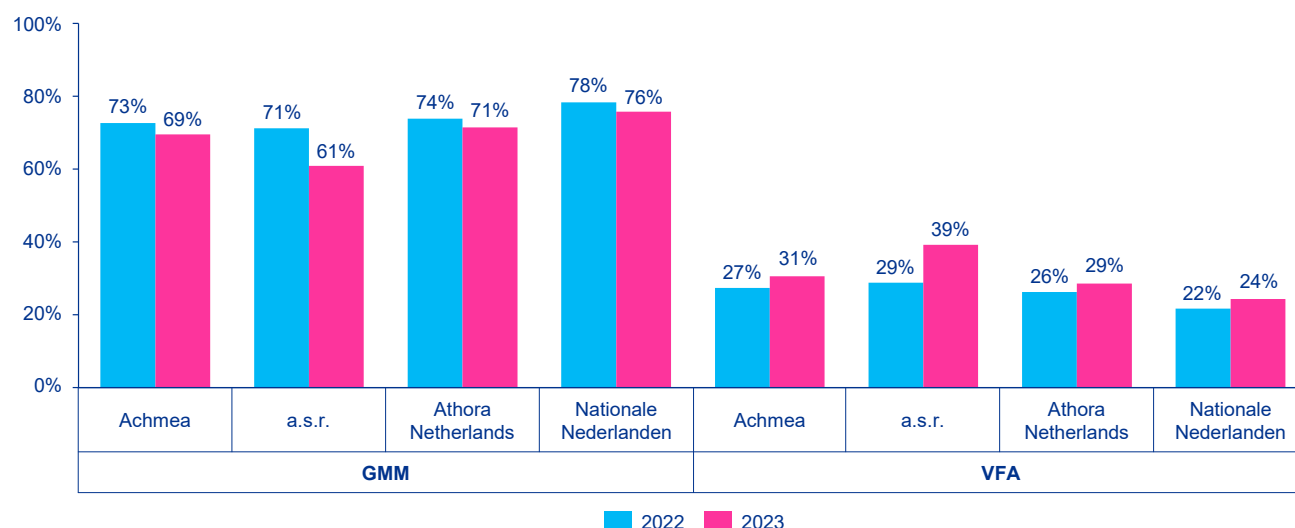
Graph 7: Breakdown of the Nationale Nederlanden insurance contract portfolio, 2023 (in millions of Euros)



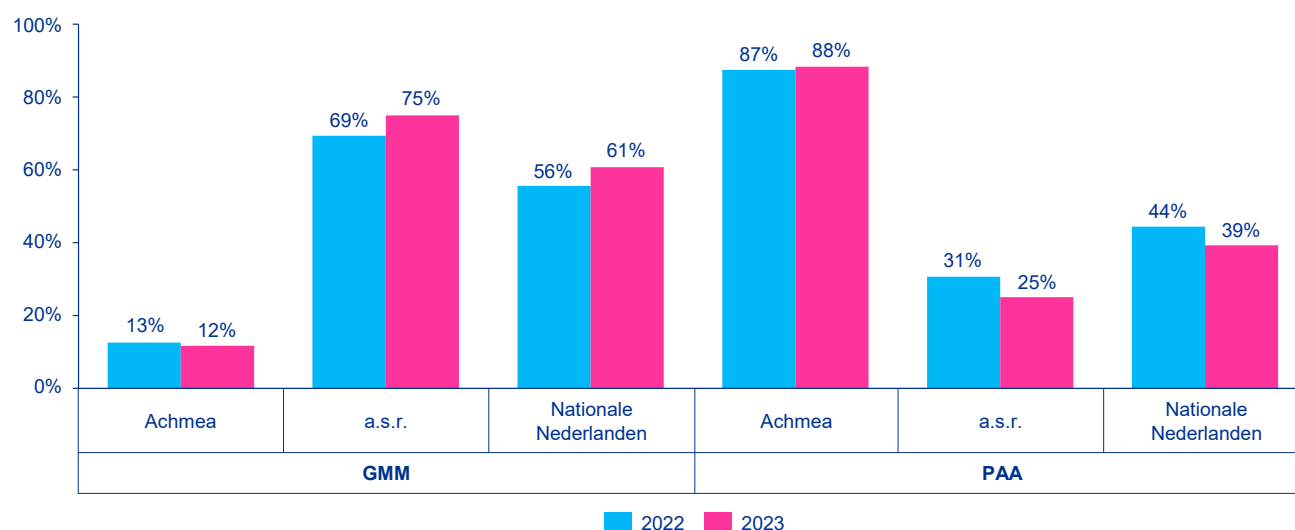
Graph 8: Breakdown of the Nationale Nederlanden insurance contract portfolio, 2022 (in millions of Euros)



Graph 9: Breakdown of the insurers' Life portfolio based on measurement model, 2022-2023 (in percentages)



Graph 10: Breakdown of the insurers' Non-Life portfolio based on measurement model, 2022-2023 (in percentages)



As noted earlier, Athora Netherlands only issues Life insurance products and, consistent with the other insurers, PAA measurement model is not applied to any of their Life products⁸. As a result, in assessing their new business it is sufficient to only consider the CSM related to the new business and the organic growth of the CSM.

The PAA contracts (included in the Non-Life portfolio) have remained stable year-on-year for Achmea and Nationale Nederlanden. For a.s.r., the proportion of PAA contracts decreased in 2023, primarily driven by the acquisition of Aegon Netherlands. The PAA contracts consisted of less than 0.03% of the liabilities acquired. Achmea, being the biggest Health and P&C insurer in the Netherlands (based on gross written premiums [9]), has the largest PAA portfolio in both 2022 and 2023.

Consistent with the PAA contracts, Achmea and Nationale Nederlanden have remained stable, while a.s.r. had a slight decrease due to the higher liability associated with the Life portfolio.

The extent of VFA contracts within the Life portfolio increased slightly year-on-year for all the insurers, except for a.s.r. where the increase was higher. The slight increase for the insurers other than a.s.r. is in line with expectation, because the real world returns earned in 2023 exceed the risk free rates used for projections. The higher return, result in an increase in the expected policyholder payments (offset by an increase in the entity's share of the fair value returns). As a result of the Aegon Netherlands acquisition in 2023, a.s.r. obtained more VFA contracts. The VFA contracts made up approximately 43% of its liabilities acquired.

The proportion of contracts evaluated by each of the three IFRS 17 measurement models is vital to accurately analyse the financial results in the upcoming sections, specifically in relation to the differences between PAA and GMM/VFA highlighted earlier in this section.

⁸ Note that in 2022 Nationale Nederlanden has an immaterial part of the Life business (i.e. €6 million) to which the PAA was applied.

Financial performance analysis – Balance sheet

KEY TAKEAWAYS



Key insights from the disaggregation of the insurance contract liabilities are as follows:

- **Insurers consistently separate insurance liabilities into those related to future insured events (LRC) and those related to past insured events (LIC) across Life, Non-Life - P&C and Health portfolios:** Life portfolios across all the in-scope insurers consist mainly of LRC, with limited LIC. This is due to longer coverage periods for the Life insurance contracts. Furthermore, there tends to be limited uncertainty regarding the amount and timing of settlement of the incurred claims. Non-Life contracts to which the PAA is applied, consisting (mainly) of the P&C and Health portfolios, have an insurance liability balance consisting of mainly LIC. This is as a result of the short duration of the contracts, therefore there are only limited future services for the release of the LRC. Achmea and a.s.r. have a negative LRC balance related to the premium receivable from the Healthcare Institute of the Netherlands (ZiNL).
- **Accounting policy choices on disability portfolios might lead to higher P&L volatility:** Non-Life contracts to which GMM is applied, consisting (mainly) of disability portfolios, are impacted by an accounting policy choice to account for future claim/benefit payments within the LRC or the LIC. Nationale Nederlanden account for the future claims/benefits within the LRC (i.e. LRC option), while a.s.r. and Achmea have applied the LIC option. The LIC option has a higher risk of P&L volatility in future periods.
- **Overall, Insurers' profitable contracts (CSM) surpass onerous ones (Loss Component):** Overall, the insurers have profitable insurance portfolios (both for Life and Non-Life), as evidenced by the total CSM exceeding the loss component (LC). Due to the nature of the Life portfolio contracts, having a longer duration over which services are provided, the CSM for the Life portfolio is higher compared to the Non-Life portfolio (consisting of the disability products).

To accurately understand the insurers' financial position and obligations related to the insurance contracts, it is crucial to analyze the components of insurance contract liability reported under IFRS 17. The insurance liability can be disaggregated between:

- (i) **Liability for Remaining Coverage (LRC):** The LRC reflects the entity's obligation to investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred. It comprises of fulfilment cash flows relating to services that will be provided under the contracts in future periods, including a CSM – if profitable. The CSM represents the unearned profit that the entity will recognize as insurance contract services are provided in the future.

For onerous groups of insurance contracts (i.e. loss-making contracts), there is no CSM. Instead, the LRC is disaggregated between the part of the liability balance which represent the loss (i.e. Loss Component) and the remaining part of the liability. Specifically to provide transparency of the profitability of groups of insurance contracts.

- (ii) **Liability for Incurred Claims (LIC):** The LIC represents an entity's obligation to investigate and pay valid claims for insured events that have already occurred, consisting of both incurred and reported claims and incurred but not yet reported claims. In addition to the outstanding claims, the LIC also includes other attributable expenses not yet settled.

The above disaggregation of the insurance liability is necessary to give context to the insurance business growth, especially in relation to new business issued or acquired. The CSM is widely being used by insurers as a new business metric⁹ providing insights in relation to new business and profitability of insurance contracts. The loss component reflecting the extent to which groups of insurance contracts are loss making or onerous (either at initial recognition or on subsequent measurement).

Only considering the CSM, without considering the extent of the loss component, has the possibility of creating a skewed view regarding the total profitability of the insurance business. The CSM is determined for profitable groups of insurance contracts and therefore, only considering a CSM will exclude any insights from those groups of insurance contracts that are onerous and have a loss component.

While the CSM and Loss Component provide insight into the profitability of the insurance contracts, the remaining part of the LRC reflects the present value of future cashflows and risk adjustment, excluding those related to the loss component. The disaggregation of the insurance contract liability is further considered in the graphs below.

⁹ Some insurers group new CSM with new Risk Adjustment (RA) to present 'deferred profit' or make certain adjustments – e.g. adjustments for reinsurance or non-directly attributable expenses.

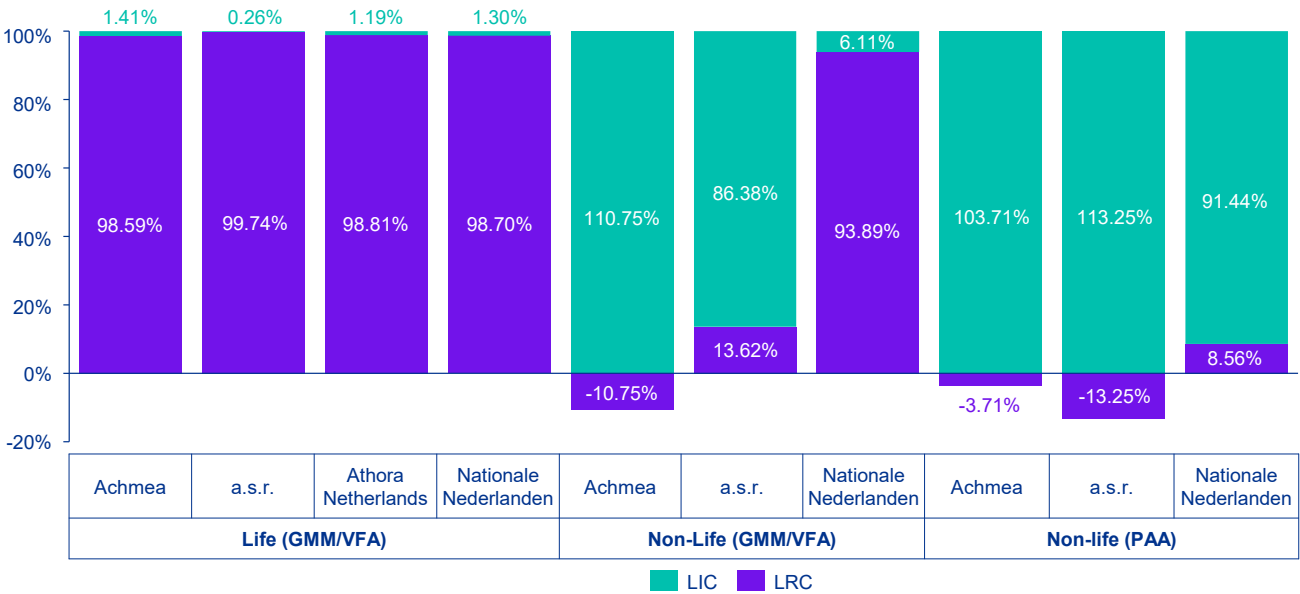
While it is important to consider the CSM and the loss component together when assessing the overall profitability of the insurance contracts, any changes in the CSM will impact the P&L over time while changes in the loss component results in an immediate P&L impact – thus also giving insight into possible (future) P&L volatility between the insurers. Any adjustment to the LIC (other than the actual payment of claims and attributable expenses), directly impacts the P&L.

For Life insurers, the difference in the insurance contract measurement between IFRS 17 and IFRS 4 specifically relates to the LRC. For Non-Life insurers, the LIC for IFRS 17 purposes generally includes a risk adjustment, which was not included previously as part of the IFRS 4 reporting, therefore resulting in a change in the methodology with which the LIC is determined.

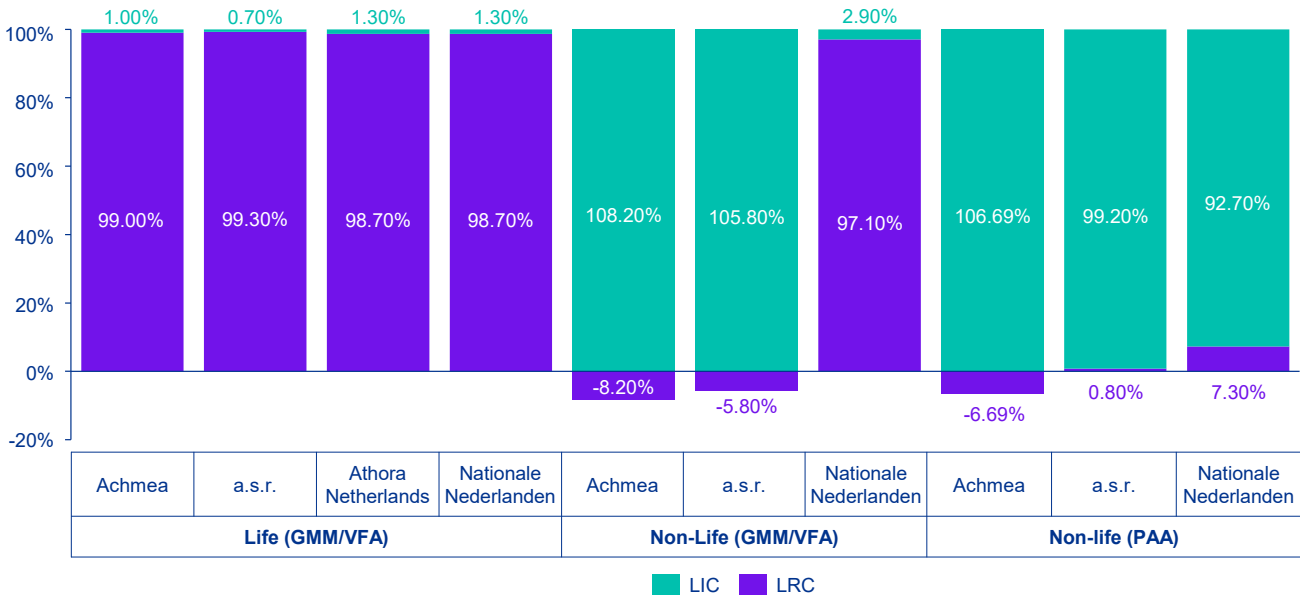
The distinction between liability components for different models measurement models is particularly relevant for the LRC component. GMM or VFA includes the present value of expected future cash flows, a risk adjustment for non-financial risk, and a CSM, impacting P&L over time rather than immediately and providing insights into insurers’ profitability. In contrast, PAA measures earned premiums net of acquisition cash flows which are recognised within the insurance results as a release from the LRC. There is no CSM for PAA measurement, but insurers are still required to assess if the contracts are onerous if facts and circumstances indicate that the contracts may be onerous. If contracts are onerous, an additional liability (i.e. Loss Component) is raised with a direct impact on the P&L. As a result of there not being any CSM, most Non-Life insurers (which tend to apply PAA), continue to report GWP growth as a key metric in assessing the new business related to PAA.

As noted earlier, to provide further context to the IFRS 17 measurement, specifically with a focus on understanding the impact on financial performance, an additional distinction is needed between the Life and Non-Life portfolio liability. These liability balances are further disaggregated into LRC and the LIC for the different measurement models in the graphs below.

Graph 11: Breakdown of the insurance liability between the LIC and LRC, 2023 (in percentages)



Graph 12: Breakdown of the insurance liability between the LIC and LRC, 2022 (in percentages)



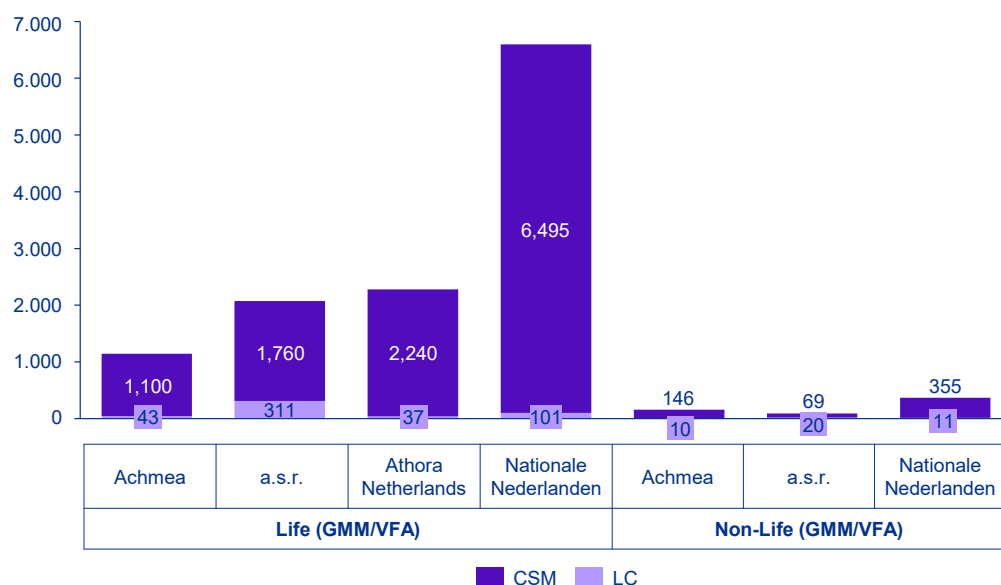
The Life portfolios across all the insurers consist mainly of LRC, with only a small part of the insurance contract liability consisting of LIC. This is in line with expectation considering that Life insurance contracts have a long duration, while there is limited uncertainty regarding the amount or timing of settling once a claim has been incurred, hence outstanding claims tend to be settled quickly after these were incurred. The ratio of the LIC versus LRC has remained relatively stable from 2022 to 2023.

In contrast to the Life portfolios, the Non-Life portfolio measured applying PAA (i.e. P&C and health insurance policies) consist mainly of LIC instead of LRC. The contracts have a shorter duration, mostly less than 12 months, therefore, a shorter remaining period for future services (which is reflected by the LRC). Additionally, the incurred claims tend to have greater uncertainty, in terms of amount and/or timing impacting the settlement period of these claims. It is noted that the Achmea and a.s.r. LRC tends to be negative, whereas the Nationale Nederlanden LRC is positive. This negative LRC for Achmea is mainly driven by the Health portfolios where there is a large premium receivable from the Healthcare Institute of the Netherlands (ZiNL). In 2023, a.s.r. also has a negative LRC for the PAA contracts. Although, additional information is not provided in relation to the negative LRC for a.s.r., considering that they also have health insurance, the same driver is expected to be applied.

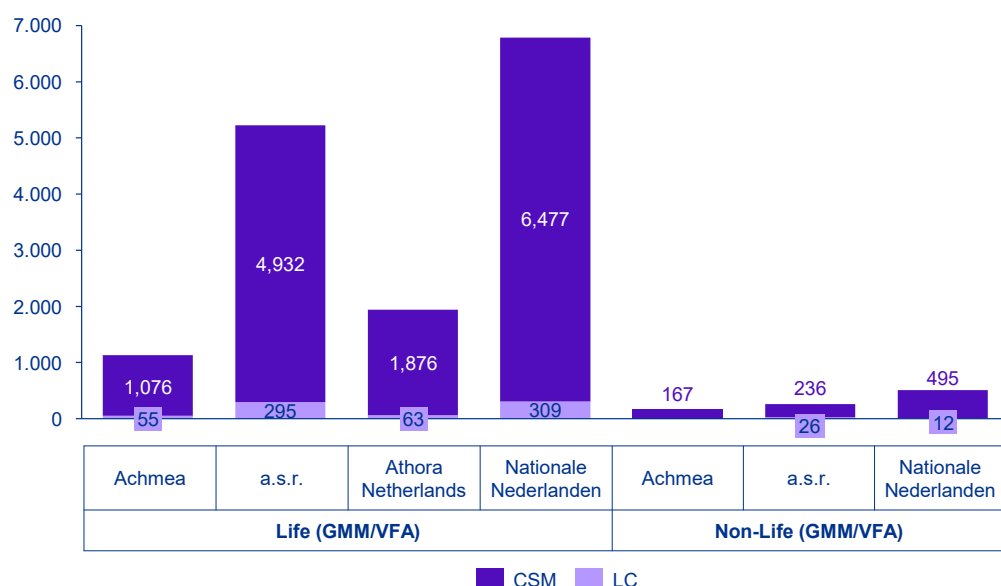
The insurance liability balance of the insurers for the Life portfolio consists of mainly LRC, whereas the insurance liability balance for the PAA contracts consist mainly of LIC. In contrast, the Non-Life portfolio measured applying GMM (i.e. disability contracts), is not consistent across the insurers. The Achmea and a.s.r. liability for the disability contracts, consist mainly of LIC compared to Nationale Nederlanden where the liability consists mainly of LRC. The reason for the difference between a.s.r. and Nationale Nederlanden, is attributed to the accounting policy choice on the accounting for future disability payments once someone has become disabled. Nationale Nederlanden accounts for the future disability payments within the LRC, while a.s.r. accounts for the disability payments in the LIC. While Achmea has not explicitly disclosed whether they apply the LRC or the LIC option, considering that the LIC exceed the LRC it can be assumed that the LIC option is being applied. The LIC option has the potential to result in higher volatility within the P&L statement, since all changes in the LIC (other than the actual payment of claims and attributable expenses) directly impact the P&L statement but not all LRC changes directly impact the P&L within the reporting period.

The LRC can be further disaggregated into the CSM and the loss component. While the CSM and loss component comprise a small part of the total LRC, they are the key items to consider as part of the profitability analysis.

Graph 13: Overview of CSM and loss component included within the LRC, 2022 (in millions of Euros)



Graph 14: Overview of CSM and loss component included within the LRC, 2023 (in millions of Euros)



While a more detailed analysis will be performed in the chapters below on the CSM and loss component balances year-on-year, key insights from Graph 13 and Graph 14, include:

- overall, the insurers have profitable insurance portfolios (both for Life and Non-Life), as evidenced by the total CSM exceeding the loss component (LC);
- the acquisition of Aegon Netherlands by a.s.r. proved to be a profitable acquisition from an IFRS 17 measurement perspective, resulting in a large increase in the CSM for the a.s.r. portfolio in 2023;
- due to the nature of the Life portfolio contracts, having a longer duration over which services are provided, the CSM for the Life portfolio is higher compared to the Non-Life portfolio (consisting of the disability products);
- in 2023, Achmea's Non-Life portfolio measured under GMM was entirely profitable.

In the sections **Contractual Service Margin** and **Loss component** a further detailed analyses into the results and relevance of these components for GMM/VFA measurement are provided, as part of the financial performance analysis associated with the balance sheet.



KEY TAKEAWAYS

The section below highlights the main developments on unearned profit generated by insurers (i.e. CSM).

- **Strategic acquisitions fuel CSM increase in 2023:** In both 2023 and 2022 there is an increase in the total CSM balance. The key driver of the 2023 increase is related to the Aegon Netherlands acquisition by a.s.r. - which represents the transfer of value from one insurer to another. In addition to the acquisition of Aegon Netherlands by a.s.r., Athora Netherlands also acquired a closed pension plan of employees from Onderlinge Levensverzekering-Maatschappij 's-Gravenhage UA and Levensverzekeringsmaatschappij de Hoop.
- **Life insurance shows continued run-offs and new opportunities:** For all the insurers, the CSM release exceeds the CSM from new insurance contracts issued (excluding acquisitions), indicating a shrinking Life portfolio. This aligns with the fact that several of the Life insurance lines of business are in run-off, therefore releasing CSM but not generating new business. Despite several business lines being in run-off, the focus from a new business perspective tends to be on term life, annuities, and pensions, specifically Defined Contribution products driven by the Dutch pension reform.
- **Profitable Life insurance new business exceeds loss-making contracts:** The total profitable new business exceeds onerous new business. While most insurers do not provide details to further disaggregate the CSM and loss component for the Life insurance products per product line, the split in the GMM versus VFA disclosures of a.s.r. highlight that VFA contracts contribute to the onerous new business (with no profitable VFA contracts in 2023 and 2022).
- **Non-Life insurance CSM shows a thriving sector:** The Non-Life insurance sector measured through GMM, mainly disability insurance, has shown strong performance with consistent CSM growth. In 2023, new business in the Non-Life segment exceeded the CSM release, underscoring the sector's generation of future profit.
- **Profitability of new business is mostly driven by Non-Life contracts in 2023:** For insurers with both Life and Non-Life policies, the Non-Life segment, mainly disability insurance, resulted in profitable new business in 2023, while the previous year saw some loss-making new business. Favorable changes in interest rates and inflation expectations have significantly improved profitability in 2023, making Non-Life insurance a key driver of overall CSM growth.
- **Impact of accounting policy choices on results and comparability:** Differences in accounting policies regarding the disaggregation of financial versus non-financial risk changes related to the risk adjustment, impact the comparability of the CSM development among insurers. Athora Netherlands' policy choice not to disaggregate was a key driver for the favorable CSM adjustment in 2022 while the other in-scope insurers reported a decrease in CSM. This highlights the possible impact of differences in accounting policies on the financial outcomes.
- **Pricing and IFRS 17 assumptions drive variability in new business CSM:** Divergence between pricing assumptions and IFRS 17 measurement assumptions (e.g. cost assumptions, discount rates, cost of capital) creates variability in the new business CSM which impacts comparability across insurers.
 - **Discount rates:** For the Life portfolio, Achmea has the lowest discount curve (which with all else being equal will result in contracts being more onerous), with Athora Netherlands having the highest discount curve.
 - **Cost of capital:** For the risk adjustment determination, a.s.r. applies the highest cost of capital using 6% (which with everything being equal will result in a lower CSM). Both Athora Netherlands and Nationale Nederlanden apply 4%, while Achmea applies 4,5%.



The CSM is a critical component in the measurement of insurance contract liabilities under IFRS 17, representing the unearned profit that an insurer expects to earn as it provides insurance services over the coverage period. The CSM is part of the IFRS 17 balance sheet, included within the LRC component of the insurance contract liabilities for groups of insurance contracts measured applying GMM or VFA. As noted earlier, there is no CSM for groups of insurance contracts measured applying PAA. The CSM releases the profits gradually over time as the insurer fulfils its obligations through providing insurance contract services. Thus, the CSM plays a pivotal role in the financial reporting of insurers, impacting both the balance sheet and the income statement (specifically in respect of the timing of profit recognition).

For profitable groups of contracts measured under the GMM and VFA, the CSM has an equal and opposite value on initial recognition to the fulfilment cash flows, plus any cash flows arising from the group at or before that date. This is because the entire value of the contracts relates to services to be provided in the future and, therefore, profit to be earned in the future.

After inception, the fulfilment cash flows are reassessed and remeasured at each reporting date using the prevailing assumptions. Changes to fulfilment cash flows related to future services (and changes in the entity's share of the fair value of the underlying items for VFA contracts), will not be taken to the P&L statement immediately. Instead, they adjust the CSM, which is gradually released and recognised in the P&L as insurance revenue over time.

CSM measurement differs for GMM and VFA contracts due to their distinct characteristics, with GMM adjusting CSM for new contracts, interest accretion based on a locked-in discount rate, future service cash flow changes, currency differences, and insurance revenue recognized during the period. Under VFA, the CSM is adjusted differently due to the unique profitability characteristics of direct participation contracts, which rely on variable fees tied to a pool of identifiable underlying items. Instead of having an explicit interest accretion, the CSM for VFA contracts is adjusted based on the entity's share of the fair value of underlying items. Consistent with GMM contracts, the CSM is adjusted for changes in future service cash flows, unless risk mitigation measures are applied, which can relocate some CSM adjustments to insurance financial income and expense.

IFRS 17 differs from IFRS 4 by introducing a standardized, principle-driven approach to calculate the unearned profit of insurance contracts, represented by the CSM.



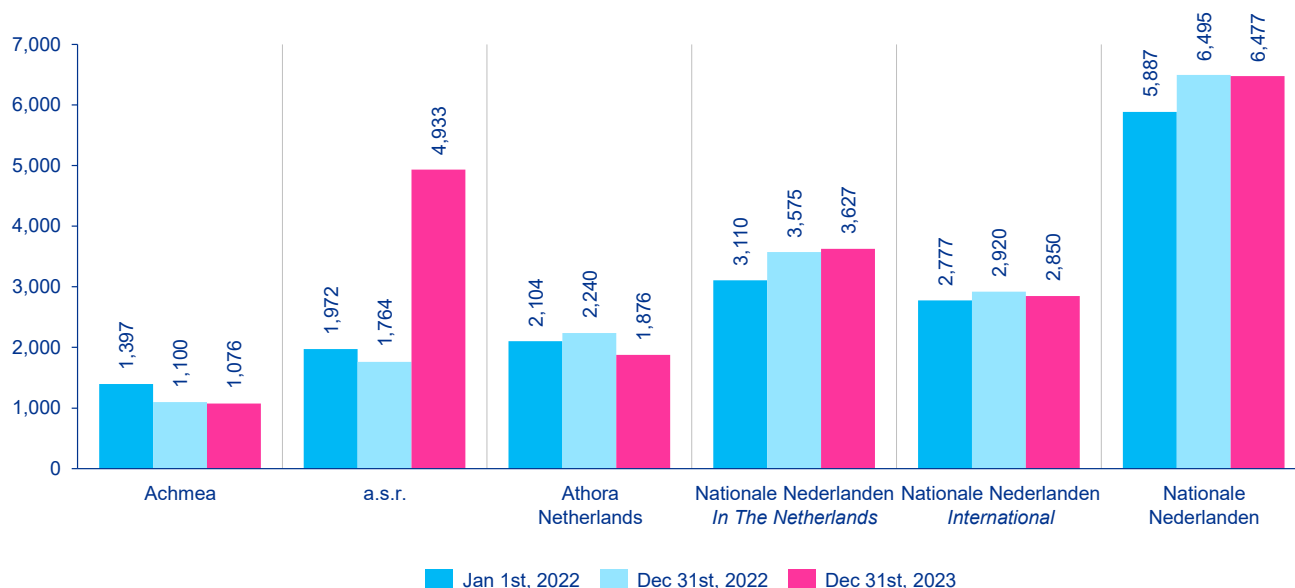
Measurement of insurance liabilities is based on the present value of probability weighted future cash flows to fulfil the contract, increased with a risk adjustment to reflect uncertainties in these cash flows. The CSM represents the difference between: (i) the present value of the expected cash inflows (e.g. premiums and fees), (ii) present value of the expected cash outflows related to insurance contracts (e.g. claims, benefits, and attributable expenses), and (iii) the risk adjustment; thereby reflecting expected profits for a group of insurance contracts over the duration of the contracts.

Embracing a uniform CSM determination empowers insurers to offer more reliable insights into the anticipated profitability of their in-force insurance contracts. By holding CSM, insurers can stabilize profit recognition over time.

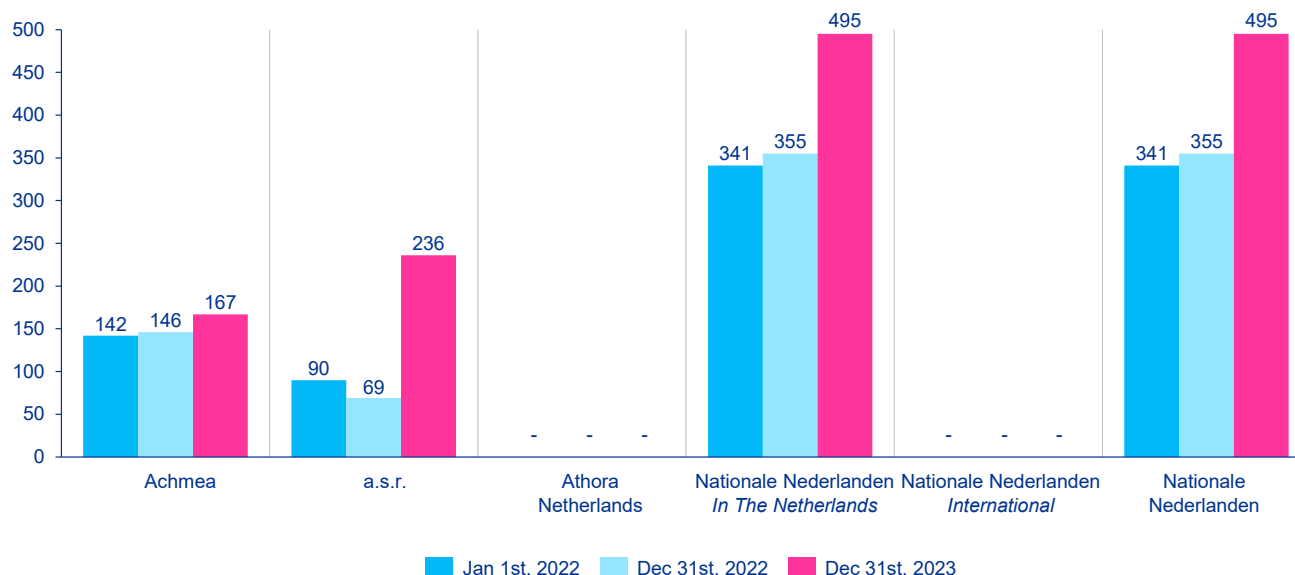
Additionally, by eliminating day 1 profits, CSM helps to minimize the risk of recognizing losses in the later stages of the contract. The CSM reflects the profit associated with insurance contracts over their entire lifespan, which is then distributed and recognized in the P&L statement as the insurance contract services are provided.



Graph 15: CSM closing balance for the Life portfolio of the in-scope insurers, 2022-2023 (in millions of Euros)



Graph 16: CSM closing balance for the Non-Life portfolio of the inscope insurers, 2022-2023 (in millions of Euros)



In 2023, the closing CSM balance reported by the in-scope insurers rose from €12,169 million in 2022 to €15,260 million in 2023, reflecting a 25.40% increase in the CSM. The increase of €3,091 million is mainly driven by the a.s.r. acquisition of Aegon Netherlands, therefore the increase observed in 2023 does not represent true growth in terms of profitability within the Dutch insurance market. Instead, the acquisition is a shift of value from one Dutch insurer (Aegon Netherlands) to another (a.s.r.). Nevertheless, if the individual increase in CSM for the in-scope insurers represented true growth within the industry it would be indicative of insurers expecting to earn more profit in the future as the services are rendered, signalling a healthy business for investors.

Generating more CSM through new business than what is being released shows a growing business or product line, compared to a shrinking business or product line which would release more CSM compared to what is generated through new business.

In total, the acquisition of Aegon Netherlands contributed to €3,276 million in additional CSM combined for the Life (€3,180 million) and Non-Life portfolios (€96 million) of a.s.r. If the impact from the acquisition CSM related to Aegon Netherlands is removed, the total CSM instead decreased by €185 million in 2023. The €185 million decrease is driven mainly by the Life portfolio which decreased by €417 million, while the Non-Life portfolio contributed to €232 million increase in CSM¹⁰.

¹⁰ These numbers exclude the impact of the CSM attributed to the acquisition of Aegon Netherlands, as recognized at the acquisition date. It is, however, not possible to separately identify the second order impact of the additional CSM on the CSM release (resulting in a higher CSM release).

In 2022, there was an overall increase in the CSM of €236 million compared to the transition CSM at the start of 2022. Both Achmea and a.s.r. had large decreases in their respective CSM balances (€293 million and €229 million, respectively), mainly driven by the Life portfolios. In contrast, Athora Netherlands and Nationale Nederlanden had an increase of the CSM balances. The Athora Netherlands increase of €136 million is caused by a large decrease in the risk adjustment of €440 million. Due to the accounting policy choice by Athora Netherlands not to disaggregate the impact of financial and non-financial risk changes on the risk adjustment (which deviates from the accounting policy choice applied by the other in-scope insurers), the CSM is adjusted for economic assumptions change impacts on the risk adjustment. Without the large impact from economic changes (specifically the increase in the discount rate) on the CSM, the CSM would also have decreased consistent with Achmea and a.s.r.

The following can be noted for the 2023 CSM balance at each of the insurers:

- Achmea has disclosed a small decrease in 2023 in the CSM when compared to its 2022 closing balance. The total amount of CSM is mostly driven by Achmea's Life portfolio, with a closing CSM of €1,076 million, which accounts for approximately 88% of the total closing CSM. This aligns with the fact that the Life portfolio represents 79% of Achmea's total direct business portfolio.
- The overall increase in the CSM balance is mainly driven by a.s.r., disclosing a total closing CSM of €5,169 million in 2023, marking a significant rise of 182% compared to 2022 figures. This can be primarily attributed to a €3,276 million increase in CSM resulting from the acquisition of Aegon Netherlands in July 2023. As noted above, the increase in the CSM due to the Aegon Netherlands acquisition does not represent true growth in terms of profitability within the Dutch insurance market. If the impact from the acquisition CSM related to Aegon Netherlands is removed, the total CSM instead decreased in 2023.
- Athora Netherlands experienced a decrease of approximately 16.25% in their CSM balance in 2023, compared to the CSM reported at the end of 2022.
- Nationale Nederlanden reported a closing CSM of €6,972 million in 2023 and €6,850 million in 2022, thereby recording a slight increase. The CSM balance consists of the Nationale Nederlanden insurance business within the Netherlands (59% in 2023 and 57% in 2022), as well as other international business outside of the Netherlands (41% in 2023 and 43% in 2022). Both 2023 and 2022 have favorable future service changes which resulted in the net increase in the CSM. The drivers of the favorable future services changes are not clearly visible from the annual report.

Considering the aforementioned, a general trend that can be observed for both 2022 and 2023, is a decrease in the CSM balances related to the Life portfolios both in terms of total movement resulting in a decrease of the CSM, and comparing the new business CSM to the CSM release. The only insurer which did not have a decrease in the total movement of the CSM during 2022 and 2023 is Nationale Nederlanden, caused by favorable future service changes which resulted in an increase in the CSM. In 2023, the favorable future service changes were mainly caused by favorable developments in the risk adjustment, linked to model changes made to Nationale Nederlanden's Partial Internal Model used for the CSM calculation. Limited information is available within the annual report, to give context to the favorable future service changes for Nationale Nederlanden in 2022.

The observed trend of a general decrease in the CSM, is aligned with the fact that the Dutch Life insurance business includes several lines of business that are in run-off, and for which no new business is being generated (i.e. service book portfolios). The open book Life portfolios, include:

- For Achmea, the open book Life portfolio consists in term life insurance, single premium production from individual annuities and pensions (i.e. collective DC). Included within the term life business is a focus related to the premium pension institution (specifically the Centraal beheer PPI), considering that the premium pension institution cannot bear any insurance risk (i.e. death, disability or longevity risk). Of the total Life insurance premiums of €819 million in 2023, €224 million (i.e. 27.4%) came from open book portfolios, with €595 million from service book portfolios (i.e. 72.6%).
- Most of a.s.r.'s products within Individual life are no longer actively sold. Term life insurance is the only Individual life product that a.s.r. actively sells. a.s.r. is actively pursuing growth in the Defined Contribution (DC) market, the buy-out market and the market for immediate pensions.
- Athora Netherlands provide insurance cover for the insurance risk related to the premium pension institution defined contribution plans. During the retirement phase, Athora Netherlands offer policyholders immediate pensions and immediate (variable) annuities. Additionally, part of the strategic focus is buy-outs for pension funds.
- Nationale Nederlanden has introduced a new collective term life insurance product, designed for companies with at least five employees, as part of its extensive range of pension offerings. This insurance, sold in conjunction with NN's Personal Pension Plan (PPP), provides coverage against the risk of death, offering an additional financial safeguard for the surviving relatives of employees. Additionally, Netherlands Life reported record net inflows of €2.3 billion at its DC pension business.

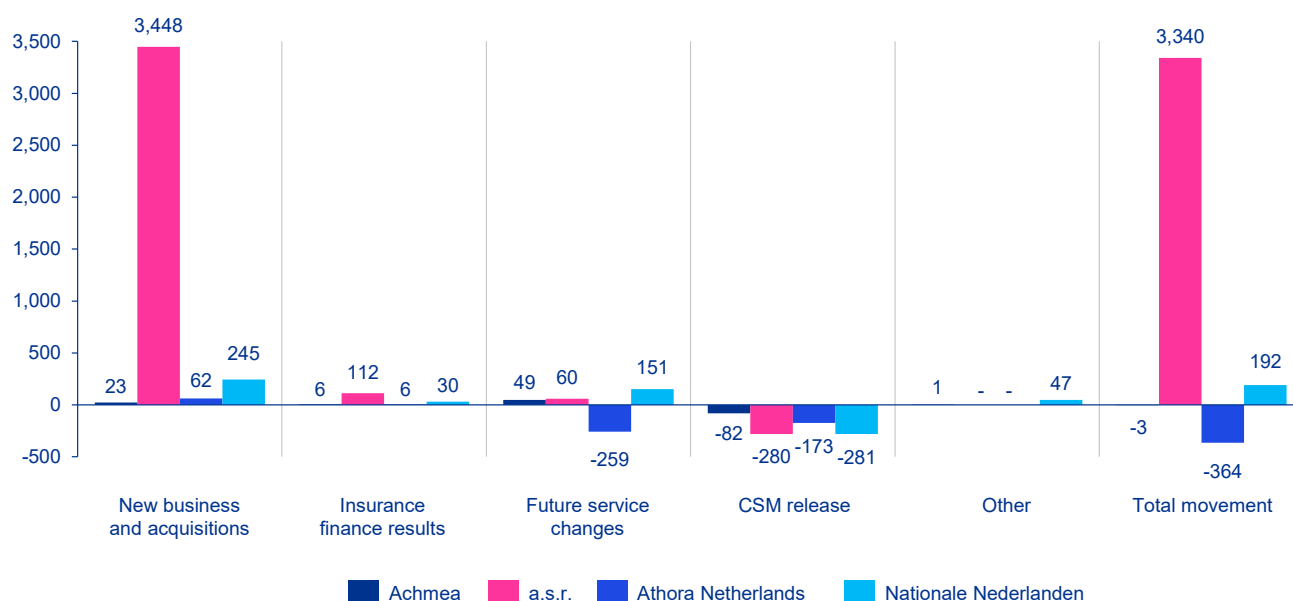
A key driver of the expansion related to the pension products, is the new Dutch pension law (Wtp) that came into force in 2023, causing a shift from defined benefit (DB) products to defined contribution (DC) products.

The movement of the CSM illustrates its development from opening balance to closing balance, specifically providing insights in relation to new business and acquisitions during the reporting period, as well as changes impacting the profitability of the insurance contracts (e.g. assumption changes or future cash flow impacts due to in-period experience for the insurance contracts – such as more deaths than expected on a Life contract).

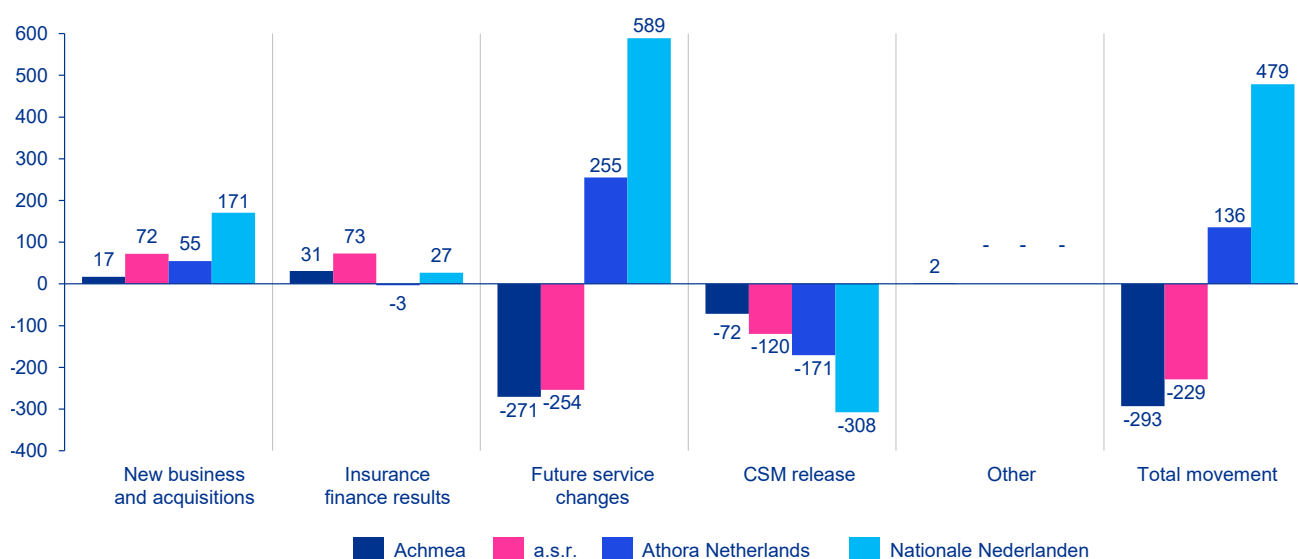
Achmea had limited CSM development in 2023, while the decrease of €293 million in 2022 pertains to unfavorable changes in the fulfilment cash flows related to future service.

In 2023, the CSM movement for a.s.r. is primarily attributed to the acquisition of Aegon Netherlands, where the CSM increased by €3,448 million, leading to a higher CSM release. In the business performance review of a.s.r. it is noted that the impact of incidental items related to future services is limited for 2023, in contrast to the impact from exceptionally high inflation in 2022, which had an unfavorable impact on the fulfilment cash flows related to future services resulting in a decrease in the CSM during 2022.

Graph 17: Organic CSM movement analysis, 2023 (in millions of Euros)¹¹



Graph 18: Organic CSM movement analysis, 2022 (in millions of Euros)¹¹



¹¹ The movement analysis for Nationale Nederlanden only includes the insurance business within the Netherlands. The other international business outside of the Netherlands has not been included.

Athora Netherlands recorded a decrease in the CSM in 2023, which is primarily driven by an increase in estimated future cash outflows, coupled with the CSM release that exceeds the CSM from new business. In 2022, favorable changes in the fulfilment cash flows related to future services, resulted in an increase in the CSM. The increase is associated with the accounting policy choice by Athora Netherlands not to disaggregate financial and non-financial risk changes, resulting in the CSM being adjusted for economic assumptions change impacts on the risk adjustment.

For Nationale Nederlanden, in both years, the increase in the CSM is mainly driven by favorable changes in the fulfilment cash flows related to future services. In 2023, the favorable future service changes were mainly caused by favorable developments in the risk adjustment, linked to model changes made to Nationale Nederlanden’s Partial Internal Model used for the CSM calculation. Limited information is available within the annual report, to give context to the favorable future service changes for Nationale Nederlanden in 2022.

For a detailed analyses on the CSM development throughout 2022 and 2023, please refer to the **Appendix B. Deep dive – Balance sheet.**

New business profitability

IFRS 17 provides new data that can be used to ensure that open books are contributing to a growing business (i.e. generating more CSM through new business than what is being released), instead of shrinking the business (i.e. releasing more CSM compared to new business CSM).



IFRS 17 disclosures are intended to enhance transparency for stakeholders, particularly regarding the profitability of insurance contracts. Graph 19 and Graph 20, provide a breakdown of the profitability associated with new business and acquisitions recognized in 2023 and 2022, respectively.

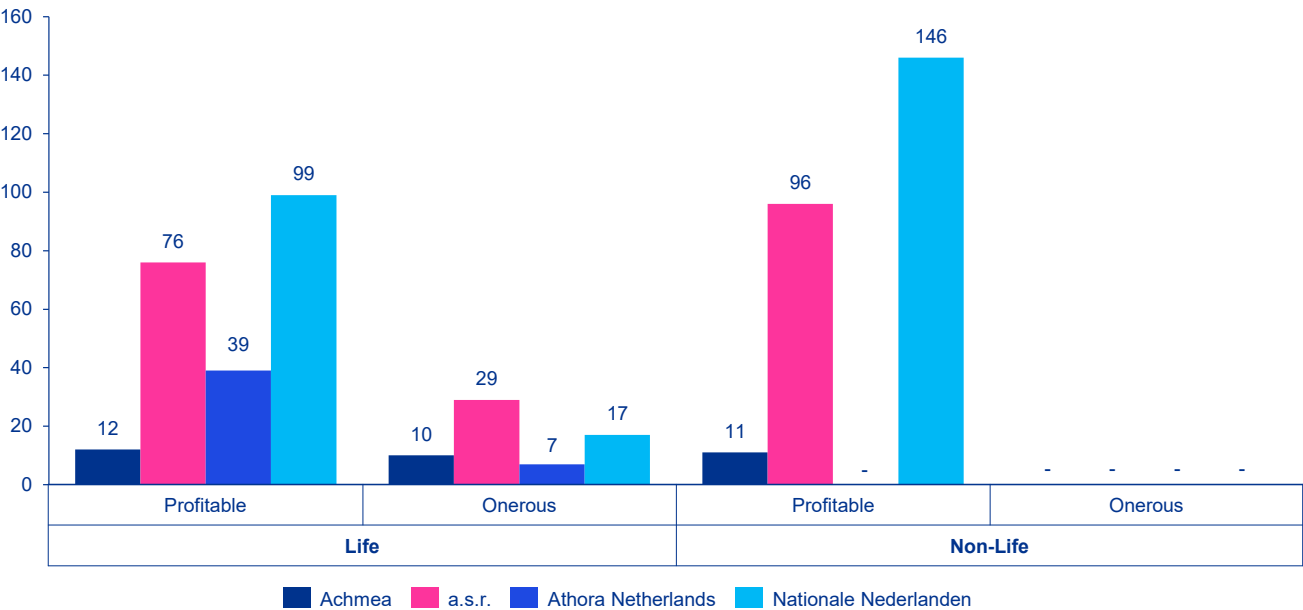
At a high level, there has been a decrease in the total value of loss-making contracts recognized in 2023 compared to the preceding year. The total value of onerous contracts recognized in 2023 amounted to €63 million (2022: €109 million), contrasting with €479 million in profitable contracts (2022: €315 million).

Key trends observed based on the new business analysis includes:

- For the insurers that have both Life and Non-Life, the Non-Life new business (consisting mainly of disability/ income protection business) generated more CSM in 2023 compared to the Life portfolios. No loss-making contracts were issued during the 2023 reporting period. In contrast, the new business in the disability portfolio for Achmea was fully onerous in 2022, caused by the decreased interest rate and expected increase in inflation. In 2023, the interest rates increased and the inflation expectations decreased, causing the 2022 cohort to become profitable as part of the subsequent measurement.
- The VFA new business for a.s.r. (consisting of unit-linked contracts and group pension contracts) was fully loss-making for both 2022 and 2023, contributing €18 million to the loss component in 2023 and €28 million in 2022.

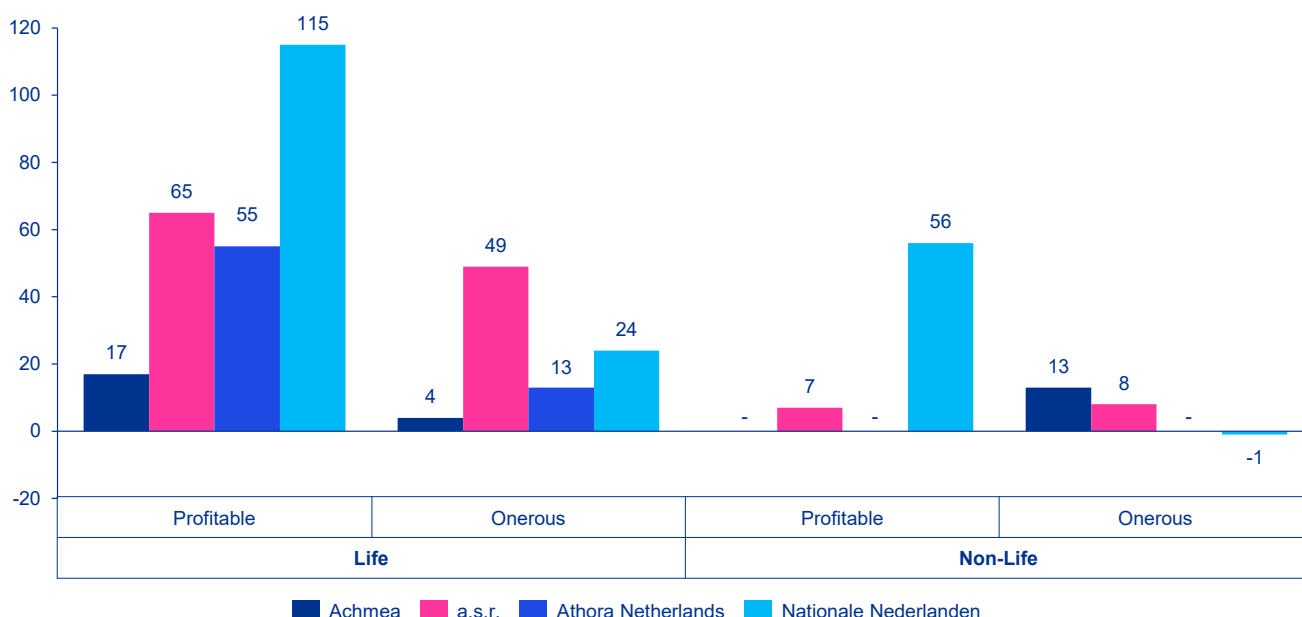
For VFA contracts, the key driver of the CSM is related to the asset management charge collected by the insurer in exchange for providing investment services.

Graph 19: Profitability of new contracts issued measured applying GMM/VFA, 2023 (in millions of Euros)¹²



¹² The graph only includes the insurance business within the Netherlands for Nationale Nederlanden.

Graph 20: Profitability of new contracts issued measured applying GMM/VFA, 2022 (in millions of Euros)¹²



The asset management charge tends to be based on a percentage of the asset value (after the returns earned in the reporting period). The liability projection does not consider real world returns. The difference between the projected returns and the actual (real world) returns within a reporting period, will result in an update of the insurance liability obligation to the policyholder (i.e. present value of future cash outflows) as well as in the entity's share (i.e. part of the CSM).

In addition to the new business issued, the following acquisitions for the Netherlands business of the in-scope insurers occurred:

- Aegon Netherlands acquisition by a.s.r. effective 1 July 2023, contributing to €3,276 million in additional CSM of which €3,180 relate to the Life portfolio and €96 million to the Non-Life portfolio.
- Athora Netherlands acquisition of insurance contracts from Onderlinge Levensverzekering-Maatschappij 's-Gravenhage UA, contributing to €23 million in CSM.

Pricing of the insurance contracts is not necessarily done based on the IFRS 17 assumptions used within measurement. Differences between assumptions used within the pricing and IFRS 17 assumptions used for measurement could include, amongst other factors, the cost assumption, discount rate applied and/or the cost of capital rate used to reflect the compensation required for bearing the uncertainty related to the non-financial risk. For the determination of the CSM or loss component on initial recognition, the assumptions applied will impact the level of the CSM or loss component and therefore it is also important to consider these aspects when looking to the new business CSM across the insurers (e.g. a lower curve results in higher outflows therefore a lower CSM – with all else being equal).

The allocation of the total expenses for IFRS 17 purposes between attributable versus non-attributable expenses, has been assessed in detail within the section **Other results**.

The discount rates used by the insurers have been assessed and included within the **Appendix B. Deep dive – Balance sheet** (including an analysis of the discount curves against EIOPA's risk-free rate, excluding VA). Overall, Achmea has the lowest discount curve, with Athora Netherlands having the highest discount curve across the in-scope insurers. All the in-scope insurers, except a.s.r. make use of a 30-year last liquid point with a.s.r. applying a 20-year last liquid point consistent with Solvency II. There are also differences in the Ultimate Forward Rate (UFR) applied across the insurers, with a.s.r. having the highest UFR of 3,4% (2022: 3.45%) while Athora Netherlands has the lowest UFR of 2% (2022: 2%).

Regarding the cost of capital applied for the risk adjustment determination, a.s.r. applies the highest cost of capital using 6% (which with everything being equal will result in a lower CSM compared to the other in-scope insurers that apply a lower cost of capital). Both Athora Netherlands and Nationale Nederlanden using 4% for IFRS 17 measurement, while Achmea applies a cost of capital of 4,5%.

KEY TAKEAWAYS



The section below highlights the main developments on the loss-making contracts (i.e. onerous). The main insights are summarized as follows:

- **For the Life portfolio, Nationale Nederlanden and a.s.r. reported the highest loss component:**

In 2023, Nationale Nederlanden and a.s.r. have the largest loss components for the Life portfolio among the in-scope insurers. Nationale Nederlanden experienced a significant increase in the loss component in 2023, mainly related to their international business.

In contrast, the a.s.r. loss component decreased slightly in 2023. Instead, the loss component balance is driven by onerous VFA business from the transition date onwards, as well as a significant increase in onerous GMM business at the end of 2022.

Achmea and Athora Netherlands have maintained stable loss components with slight increases for both 2022 and 2023.

- **For the Non-Life business, Achmea and a.s.r. report the highest impact for loss-making contracts:** As the largest health and P&C insurer based on GWP, Achmea reported the highest loss component for these Non-Life contracts. The loss component for the health business is driven by business within the Netherlands as well the Greece international portfolio. The loss component at the end of the 2022 and 2023 reporting periods, is significantly smaller than the loss component at the transition date.

Despite strengthening its position, as the biggest disability insurer based on GWP, through the Aegon acquisition and strong economic growth, a.s.r. has the highest loss component in the Non-Life portfolio measured using GMM, which primarily representing the disability portfolios.

Any group of insurance contracts where there is a loss component, creates the risk of higher P&L volatility related to future cash flow changes impacting the loss component.

On initial recognition of a loss-making (i.e. onerous) group of contracts, a loss is recognized immediately in the P&L equal to the net outflow of the group of onerous insurance contracts, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM being zero.

In subsequent periods, the loss component develops as a result of:

- **Systematic allocation of changes in fulfilment cash flows related to current services:** In each reporting period, the expected claims and attributable expenses (excluding non-distinct investment components) are released from the LRC to insurance revenue. The systematic allocation allocates some of the expected claim and attributable expense releases from the insurance revenue to insurance service expenses to reduce previously recognized losses on onerous groups of insurance contracts. The systematic allocation impacts both the insurance revenue and insurance service expenses, with no net impact on the insurance service results.
- **Changes related to the fulfilment cash flows related to future services:** Changes in the fulfilment cash flows related to future services will be fully allocated to the loss component (either increasing the loss component as a result of unfavorable changes, or reducing the loss component for favorable changes). This directly impacts the insurance service expenses and is represented by the losses and reversal of losses within the section **Financial performance analysis – Profit and loss**.

The objective of IFRS 17 is to ensure that the total insurance revenue over the coverage period for a group of insurance contracts is equal to the consideration for the contracts (i.e. the premiums), adjusted for financing effect and excluding any investment component. As a result, any fulfilment cash flows that exceed the net inflows (i.e. the premiums) on initial recognition, or any subsequent fulfilment cash flow changes resulting in a loss component (after having reduced the CSM to zero) will not be included within the total insurance revenue over the coverage period.



Once the loss component has reached zero, through the subsequent development of the loss component, a CSM is created for any excess favorable changes. Consistently, for groups of insurance contracts with a CSM, the CSM is first reduced to zero as a result of unfavorable changes before recognizing a loss component for excess unfavorable changes.

In IFRS 17, the concept of the onerous contracts play an important role in respect of measurement of insurance contracts, with the aim to make it visible where there are onerous insurance contracts and also to ensure that losses from onerous contracts are taken to the P&L statement immediately. As a result, IFRS 17 requires an insurer to track the development of the loss component and to also disclose the loss component development separately. The IFRS 4 reporting resulted in gains and losses on insurance contracts being offset with one another, resulting in the onerous contracts not being identified separately.

Similar to tracking the CSM, tracking the loss component is complex. This not only impacts the amount of revenue recognized in each reporting period but also affects the carrying amount of the loss component at each reporting date as well as when/if it reverses and when/if a CSM arises.

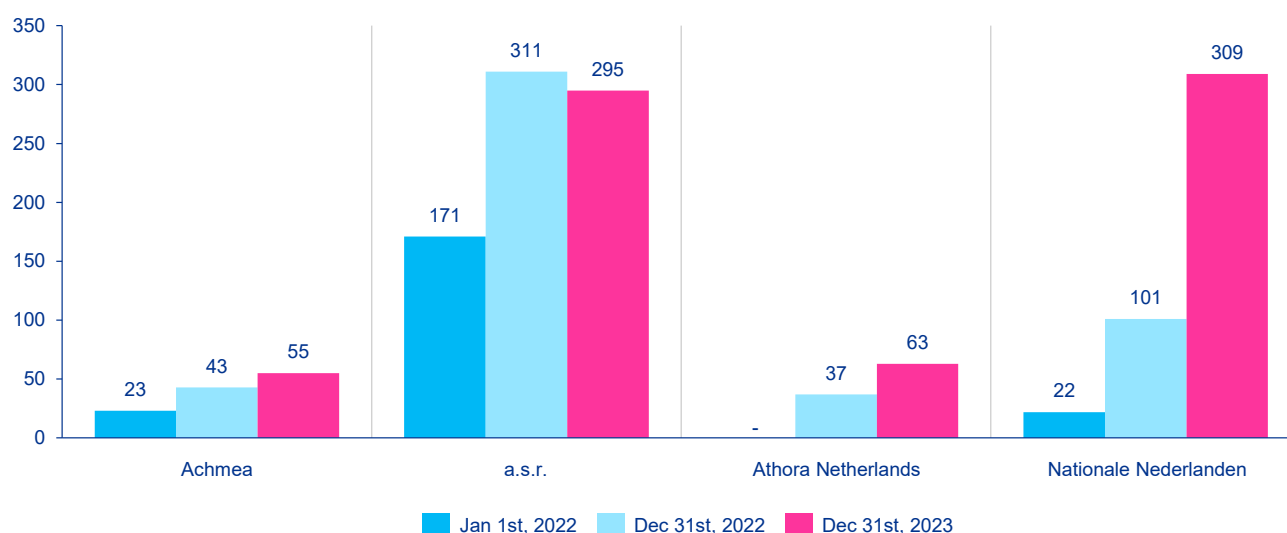


There has been an increase in the loss component for the Life business in 2023 amounting to €230 million (2022: €276 million). In 2023, Nationale Nederlanden contributed to €208 million of the increase, mainly driven by the insurance business outside of the Netherlands. The insurance Europe segment had approximately €150 million related to changes in estimates for future services that did not adjust the CSM and €20 million related to onerous new business.

Both Achmea and Athora Netherlands has seen steady growth within the loss component for the Life portfolio. Athora Netherlands had a zero-loss component at transition, driven by the fact that 100% of the portfolio was measured applying the FVA transition approach.

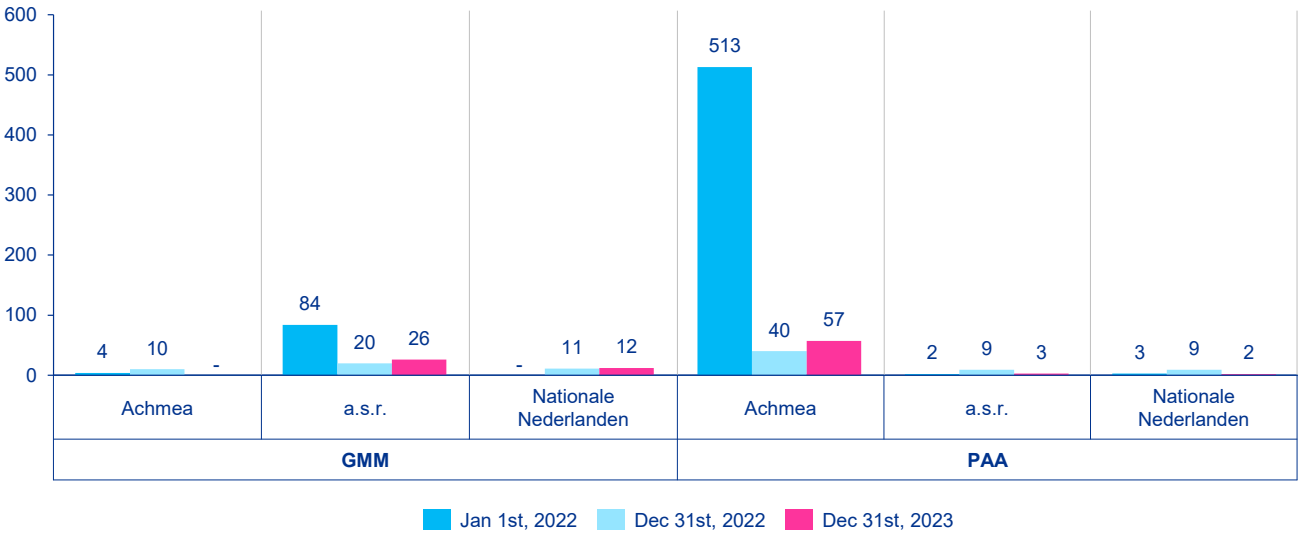
In contract to the other insurers, a.s.r. had a slight decrease in the loss component during 2023 mainly driven by the VFA portfolio. While not explicitly stated, the decrease is expected to relate to the increase in the entity' share of the fair value returns of the underlying items through the asset management charge as a result of the difference between the real-world returns earned on the policyholder assets versus the returns used within the projections. When considering the VFA portfolio in isolation, the loss component has continued to decrease from the transition date onwards despite the new business being fully onerous.

Graph 21: Loss component balance for the Life portfolio of the in-scope insurers, 2022-2023 (in millions of Euros)¹³



¹³ The loss component split between the Life and Non-Life portfolios are not separately disclosed by Nationale Nederlanden. Nationale Nederlanden discloses the loss component roll forward separately for GMM/VFA versus PAA. Additional disclosure is provided per segment. The loss components for the Life portfolio consist of the total loss component for GMM/VFA reduced by the loss component arising from changes related to future services disclosed for the Netherlands Non-Life segment. The opening loss component balance is fully allocated to the Life portfolio considering that it is €22 million, which is not material.

Graph 22: Loss component balance for the Non-Life portfolio of the in-scope insurers, 2022-2023 (in millions of Euros)¹³



Furthermore, a.s.r. had limited changes in future service estimates when calculating the loss component for 2023 compared to the changes of 2022, which was driven by a high impact of inflation in the cashflows.

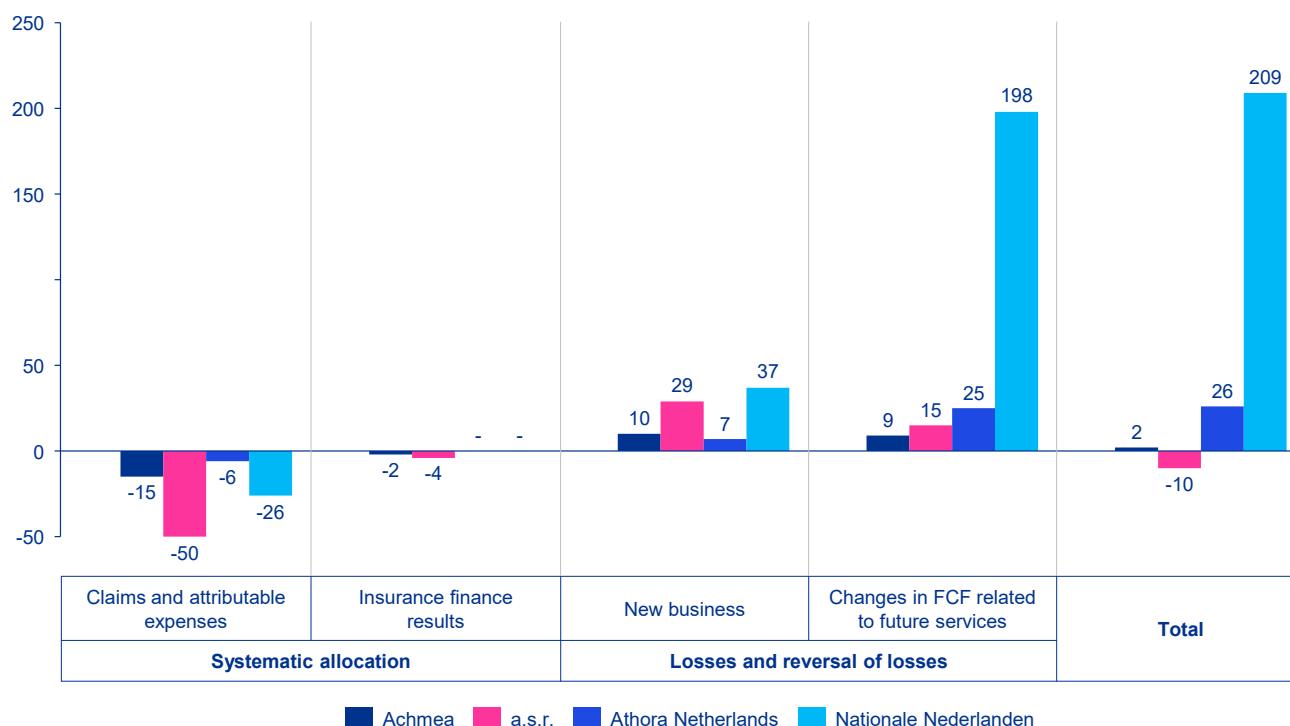
The biggest contributor to the loss component for the Non-Life portfolio is the Achmea Health portfolio which is mainly measured applying PAA. As of 1 January 2022 there was a loss component of € 487 million related to all basic insurance portfolios and some supplementary health insurance packages. In December 2022, the Health portfolio for Achmea had a limited loss component of €5 million and in December 2023 the loss component for the Health portfolio amounted to €21 million. Considering the loss component for the health business, the loss component for the Achmea P&C business remained stable (similar to what is noted for a.s.r. and Nationale Nederlanden).

Additionally, it is noteworthy that for Achmea's Non-Life business measured applying GMM, the rising interest rates and lower inflation expectations in 2023 have positively impacted the development of the loss component. This has led to a reversal of losses on the 2022 cohort of onerous contracts, resulting in the release of the loss component for this cohort.

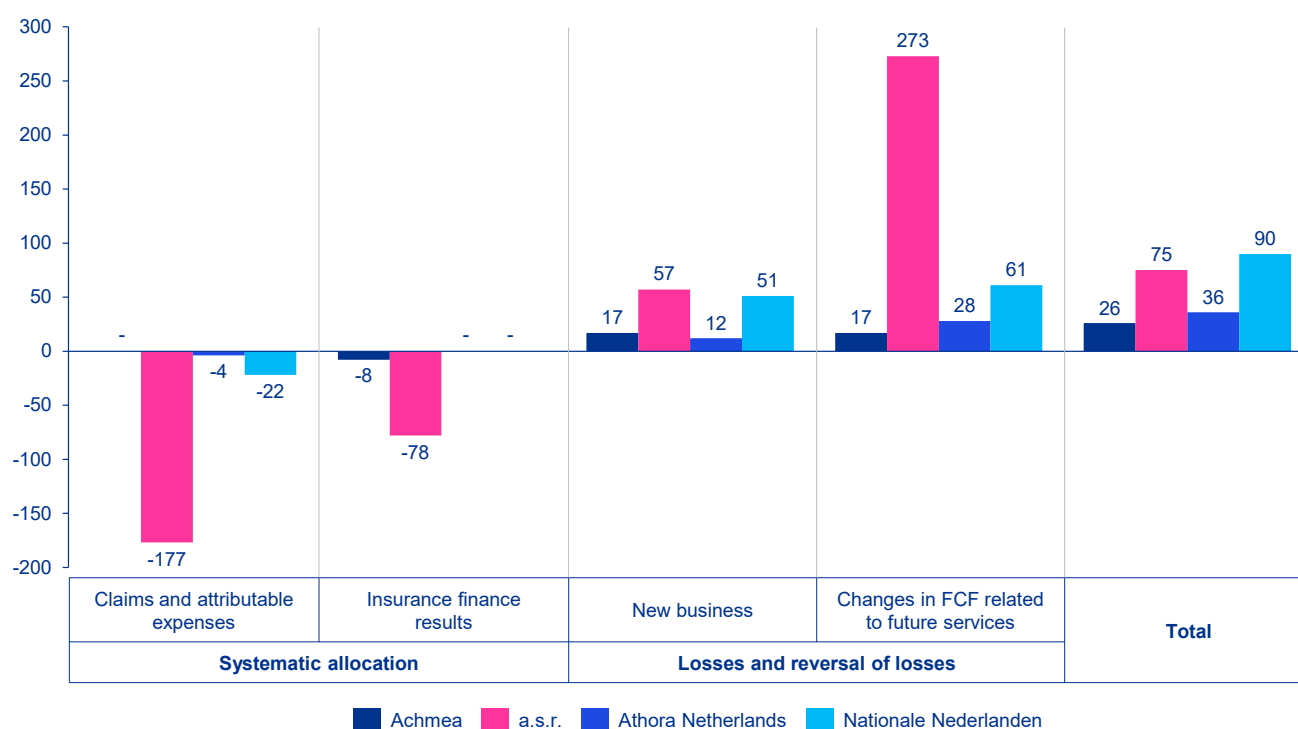
The large decrease in the loss component for the a.s.r. GMM portfolio (being the disability portfolio) is related to the systematic allocation of the loss component. The large systematic allocation, when compared to the loss component balance, is attributed to the LIC option being applied to the future claims/benefits once someone has become disabled (therefore a short coverage period over which the loss component is to be systematically allocated).



Graph 23: Loss component development for GMM / VFA insurance contracts, 2023 (in millions of Euros)



Graph 24: Loss component development for GMM / VFA insurance contracts, 2022 (in millions of Euros)



The systematic allocation of the loss component is not considered to be material for the insurers, except for the systematic allocation of €177 million in 2022 for the a.s.r. portfolio. The systematic allocation of the loss component is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk at the beginning of each period (or

on initial recognition if a group of contracts is initially recognized in the period). The larger systematic allocation for a.s.r. is driven by the fact that compared to the other in-scope insurers a.s.r. had a significantly higher loss component at the transition date, both for the Life and the Non-Life portfolios. Of the €177 million, €80 million related to the disability portfolio as a result of the LIC option (as noted above).

The large systematic allocation for a.s.r. in 2022 is offset by the large number of losses and reversal of losses in the year. The losses and reversal of losses is driven mainly by insurance contracts in the Life GMM portfolio, where changes in the fulfilment cash flows related to future services resulted in a €218 million impact on the loss component, together with €21 million onerous new business. The impact on the future cash flows in 2022 was mainly driven by exceptionally high inflation impacts.

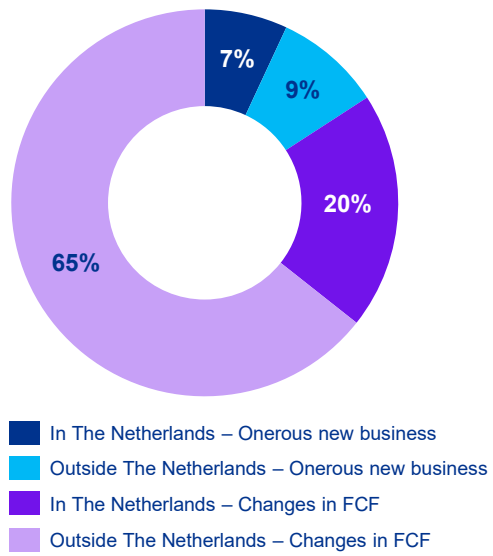
The total losses and reversal of losses for 2022 and 2023 are mainly driven by a.s.r. and Nationale Nederlanden, while the losses and reversal of losses for Achmea and Athora Netherlands are consistent year-on-year and not considered to be material.

The losses and reversal of losses for a.s.r. are driven by both onerous new business and unfavorable changes of €273 million increasing the loss component. The €273 million includes an adjustment to the risk adjustment of €193 million for the Life portfolio measured applying GMM.

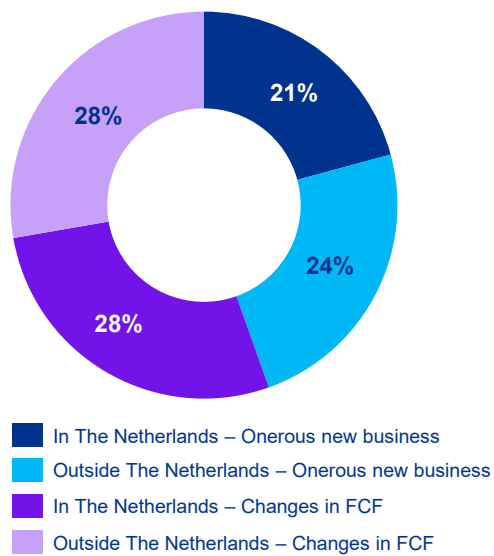
In 2022, the unfavorable change on the future cash flows for the Life portfolio measured applying GMM (amounting to €430 million), was offset by a favorable change on the risk adjustment of €221 million. The favorable change which decreased the risk adjustment for profitable groups of insurance contracts (therefore impacting the CSM), was offset by unfavorable changes of €193 million on the onerous groups of insurance contracts resulting in an increase in the risk adjustment (not adjusting the CSM).

The losses and reversal of losses for Nationale Nederlanden, are mainly driven by the international Life insurance business outside of the Netherlands, which represented 74% of losses in 2023 and 52% in 2022 (refer to Graph 25 and Graph 26) This applies also to the large changes in fulfilment cash flows impacting the loss component in 2023. The impact on the losses and reversal of losses of the insurance business within the Netherlands, is consistent when compared to the other insurers.

Graph 25: Breakdown of Nationale Nederlanden losses and reversal of losses, 2023 (in millions of Euros)



Graph 26: Breakdown of Nationale Nederlanden losses and reversal of losses, 2022 (in millions of Euros)



Financial performance analysis – Profit and loss

KEY TAKEAWAYS



The section below highlights the main developments on the P&L disclosures of the insurers during 2022 and 2023.

- **Investment results as a key driver of P&L results:** The profit/loss before tax is sensitive to the investment results within the reporting periods. In 2022, the negative investment result of the majority of in-scope insurers led to a loss before tax. In contrast, in 2023 all the entities that had a positive investment result also reported a profit before tax.

Although insurers generated positive insurance results in both years, these were largely offset by negative other results, primarily due to non-attributable expenses.
- **Use of accounting policy choices impact the P&L results and comparability between insurers:** The choice of accounting policies has the potential to significantly impact the profit before tax for insurers, highlighting the importance of careful consideration related to the accounting policy choices. See the details on accounting policies below:
 - *Using the OCI option to align with financial asset measurement and mitigating P&L volatility:* Nationale Nederlanden applies the OCI option to contracts measured using GMM and PAA, in contrast to the other insurers where the OCI option is not applied. A key driver for Nationale Nederlanden to apply the OCI option, is the fact that a large part of their financial assets is measured applying fair value through OCI (FVOCI). The use of the OCI option allowed Nationale Nederlanden to record a large part of the change in discount rates in 2022 within OCI, resulting in a positive investment result in the P&L, despite an overall negative net investment result, thereby achieving a positive profit before tax while other peers incurred losses. In this way mitigating some of the P&L volatility in respect of economic changes.
 - *Using Risk Mitigation option to reduce accounting mismatches within the P&L:* Most in-scope insurers, except Athora Netherlands, apply the risk mitigation option to recognize changes in financial risks, that would have affected CSM, instead within the P&L. This is done in order to reduce an accounting mismatch. In 2022, volatile interest rates led Achmea to make substantial adjustments through the risk mitigation option related to interest rate guarantees, allowing the insurer to reduce accounting mismatches between the investment income from the interest rate derivatives and the CSM adjustment for the interest rate change impact on the guarantees.



The structure of the P&L under IFRS 17 reporting, is split between:

- (i) insurance service results;
- (ii) investment results; and
- (iii) other results.

The insurance service results are split between insurance service results related to issued contracts (i.e. insurance contracts issued and reinsurance contracts assumed), and the results from reinsurance contracts held (i.e. ceded reinsurance contracts).

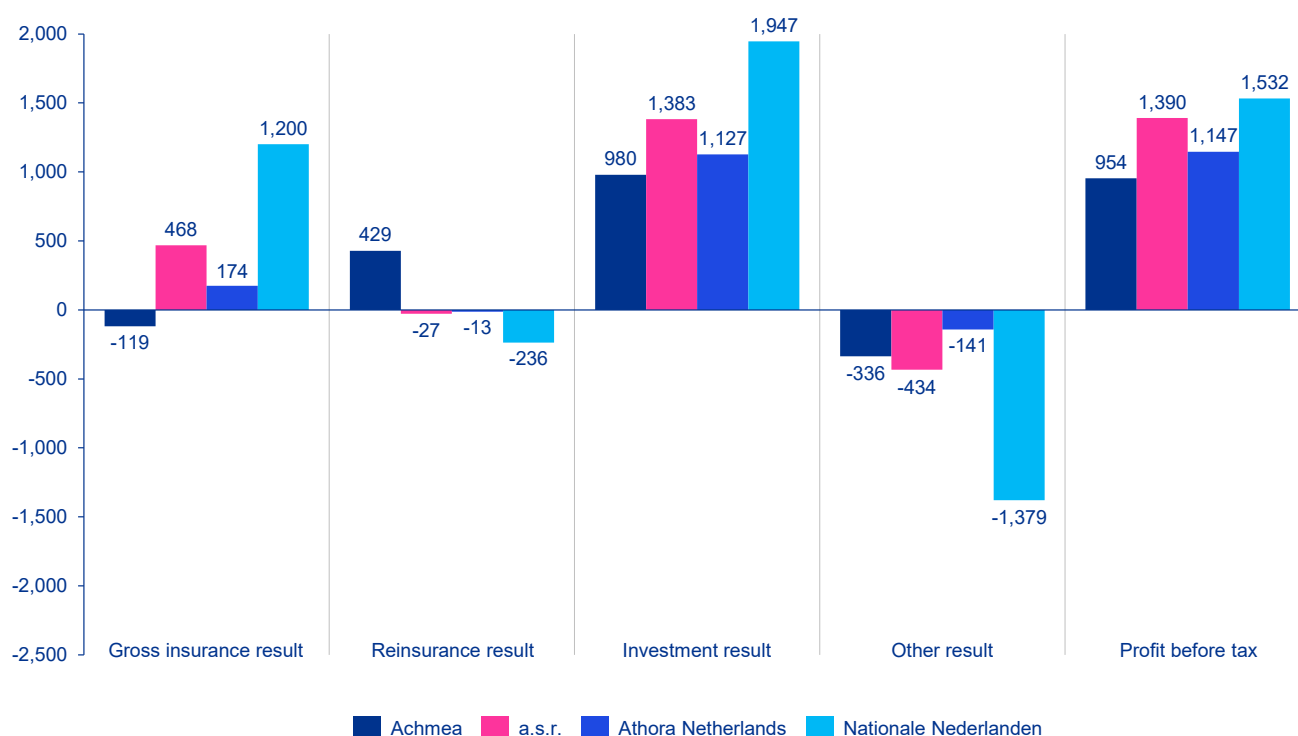
The investment result can be split between the investment income as a result of the financial assets, and the insurance financial income and expense from the insurance contract liabilities. Insurance financial income and expense comprise the effect of and changes in time value of money, and the effect of and changes in financial risk (except for VFA contracts, where instead financial risk changes that do not vary based on the returns on underlying items adjust

the CSM). For insurance contracts measured applying VFA, there is an option (i.e. Risk Mitigation option)¹⁴ to move some of the CSM adjustments to insurance financial income and expense in order to eliminate any accounting mismatches. This Risk Mitigation option has been applied by:

- Achmea¹⁵ with the impact of negative €31 million in the P&L in 2023 and positive €406 million in the P&L in 2022;
- a.s.r.¹⁶ with the impact of negative €239 million in the P&L in 2023 and €0 in the P&L in 2022;
- Nationale Nederlanden¹⁷ with the impact of negative €3 million in the P&L in 2023 and negative €6 million in the P&L in 2022.

The other results comprise of all non-insurance results. This is mainly made up of fee and commission results, expenses not attributed to the insurance contracts, results from service contracts, and gain on bargain purchase from acquisitions.

Graph 27: Profit before tax as reported within the P&L, 2023 (in millions of Euros)



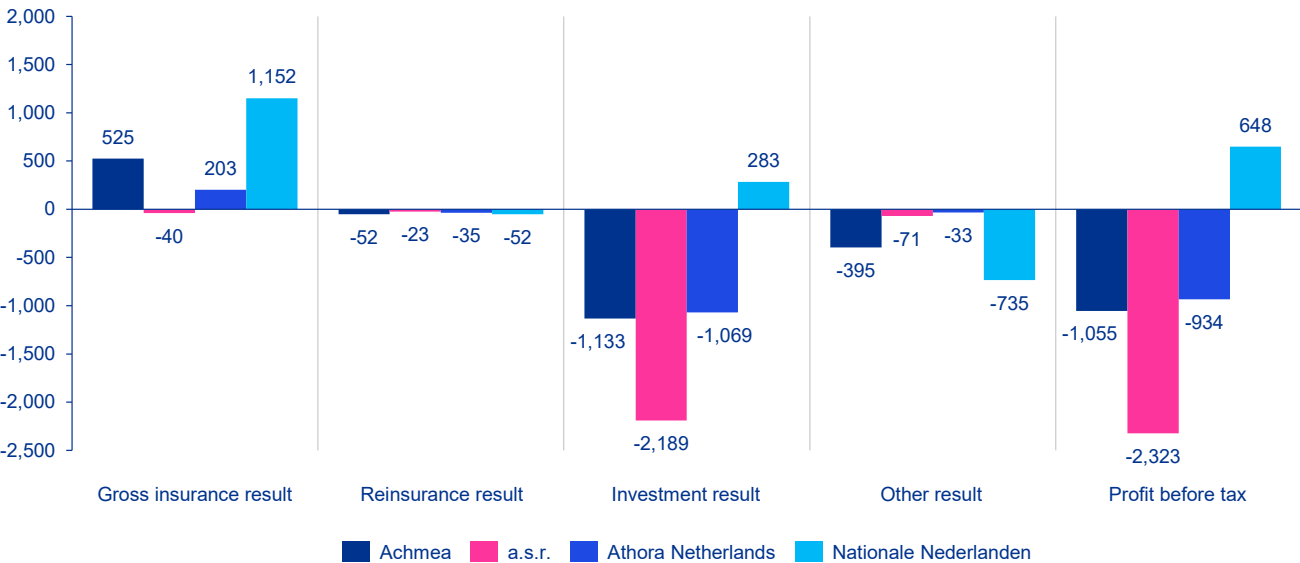
¹⁴ The risk mitigation option permits an entity to recognize the effect of some or all of the changes in financial risk on insurance contracts with direct participation features in profit or loss, when they would otherwise adjust the contractual service margin [12].

¹⁵ Achmea uses derivatives to mitigate interest rate risk arising from interest rate guarantees in its life and pension products.

¹⁶ It should be noted that the application of the risk adjustment by a.s.r., is brought about by the acquisition of Aegon Netherlands. No risk mitigation option was applied in the a.s.r. 2023 interim financial statements, while the risk mitigation option was applied in the Aegon 2023 interim financial statements.

¹⁷ Changes in estimates that adjust the CSM exclude the changes in value of options and guarantees of contracts accounted for under the VFA that are hedged for which the risk mitigation option is applied.

Graph 28: Profit before tax as reported within the P&L, 2022 (in millions of Euros)



Based on the graphs above, it is noted that the profit/loss before tax is sensitive to the investment results within the reporting periods. In 2022, the negative investment result of the majority of in-scope insurers led to a loss before tax. In contrast, in 2023 all the entities that had a positive investment result also reported a profit before tax. Nevertheless, the positive insurance results generated by insurers both in 2022 and 2023, are for a large part offset by the negative other results.

Each of the above categories of the P&L statement (except for the reinsurance results), are further detailed below. For additional analyses please refer to **Appendix C. Deep dive – Profit and loss.**

The reinsurance results, will not be further considered as part of the detailed analysis because:

- (i) The reinsurance contracts held comprise of a small part of the total insurance business. For 2023, the reinsurance contracts recognized on the balance sheet range between 0.41% to 2.47% of the gross insurance contracts (2022: 0.21% to 1.80%).

- (ii) As noted in Graph 28, the reinsurance result for all in-scope insurers is not considered to be material for 2022, based on the materiality set out within the independent auditor’s reports of the insurers. As per Graph 27, the same applies to the a.s.r. and Athora Netherlands reinsurance results for 2023. For 2023, the reinsurance result for Nationale Nederlanden and Achmea is considered material. However, no additional analysis will be provided since:

- a. For Achmea, the 2022 and 2023 reinsurance results consist almost entirely of PAA contracts outside of the Netherlands.
- b. For Nationale Nederlanden, the reinsurance results in 2023 are only slightly above the materiality levels set out within the independent auditor’s report. Nationale Nederlanden has disclosed limited information in relation to the reinsurance contracts, limiting the analysis that can be performed in relation to the results.



Insurance service result (excluding reinsurance)

KEY TAKEAWAYS



The section below highlights the main developments related to the insurance service results. The main insights from the analysis performed are as follows:

- **Nationale Nederlanden reports the highest insurance service result, partly driven by the international business:** Nationale Nederlanden reported the highest insurance service results in both 2022 and 2023, with 33% of the 2023 results coming from international operations, down from 43% in 2022.
- **Aegon Netherlands acquisition increases a.s.r.'s insurance result:** The acquisition of Aegon Netherlands by a.s.r. impacted the CSM balance recognized by a.s.r. and therefore also resulted in a higher CSM release year-on-year.
- **Woekerpolis settlement causes decrease in Achmea's results in 2023:** Achmea's inclusion of the final settlement for unit-linked policies within the insurance service results led to a significant decrease, causing in-period variances between expected and actual claims and expenses, unlike other insurers who recorded this settlement under other results. This contributed to Achmea reporting a loss for the insurance service results in 2023.
- **Immediate P&L impact of onerous contracts lowers insurance results:** Adjustments for loss-making contracts in 2022 and 2023 led to immediate P&L impacts, creating volatility in the reported results. This was evident for a.s.r. in 2022 and for Nationale Nederlanden's international business in 2023. This contributed to a.s.r. reporting a loss for the insurance service results in 2022.
- **PAA volatility drives insurance result fluctuations:** The PAA results were notably volatile due to significant events, namely a €487 million reversal in Achmea's Health portfolio in 2022 and a large adjustments to Achmea's LIC in 2023, influenced by major claims from natural disasters in Turkey and Greece.
- **Policy choices amplify P&L volatility in disability portfolios:** For the disability portfolio measured using GMM, a.s.r.'s policy choice to apply the LIC option led to more volatile P&L results. In 2022, a.s.r. experienced substantial movements in claim estimates for this portfolio, directly affecting the P&L and contributing to a.s.r. reporting a loss for the insurance service results in 2022.

The insurance service results (excluding reinsurance) comprise of insurance revenue and insurance service expenses. Further guidance on the insurance revenue and insurance service expenses is provided below, followed by an analysis of the key drivers of the insurance service result for the in-scope insurers.

Insurance revenue

The composition of insurance revenue differs for insurance contracts measured applying PAA and those measured applying GMM or VFA. Insurance revenue for PAA contracts comprises the release of the expected premiums over the full duration of the insurance contracts (i.e. similar to the earned premium under IFRS 4, unless the expected pattern of release of risk differs significantly from the passage of time).

Insurance revenue for profitable GMM or VFA contracts consist of changes relating to current services (e.g. expected claims and expense cash flow release, risk adjustment release, CSM release and current service experience adjustments on premiums). For onerous groups of insurance contracts, the release of the expected claims and the risk adjustment release is adjusted for any systematic allocation of the loss component.

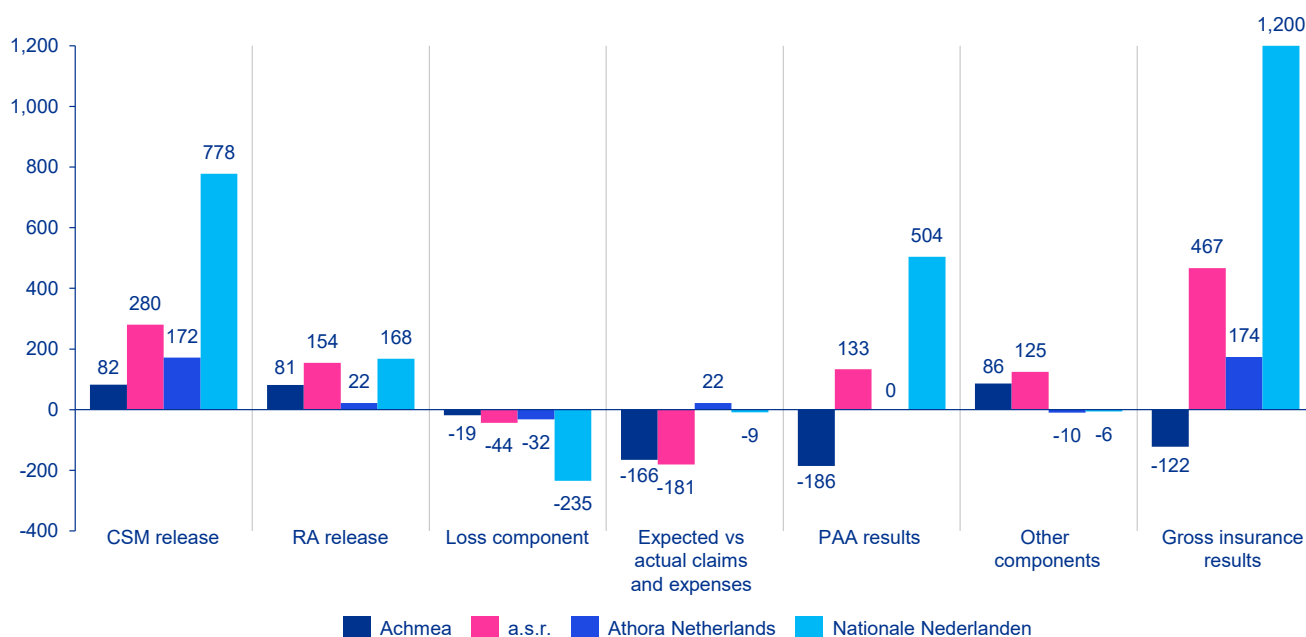
The systematic allocation is transferred from the insurance revenue to the insurance service expenses, resulting in no impact on the insurance service results.

Insurance service expenses

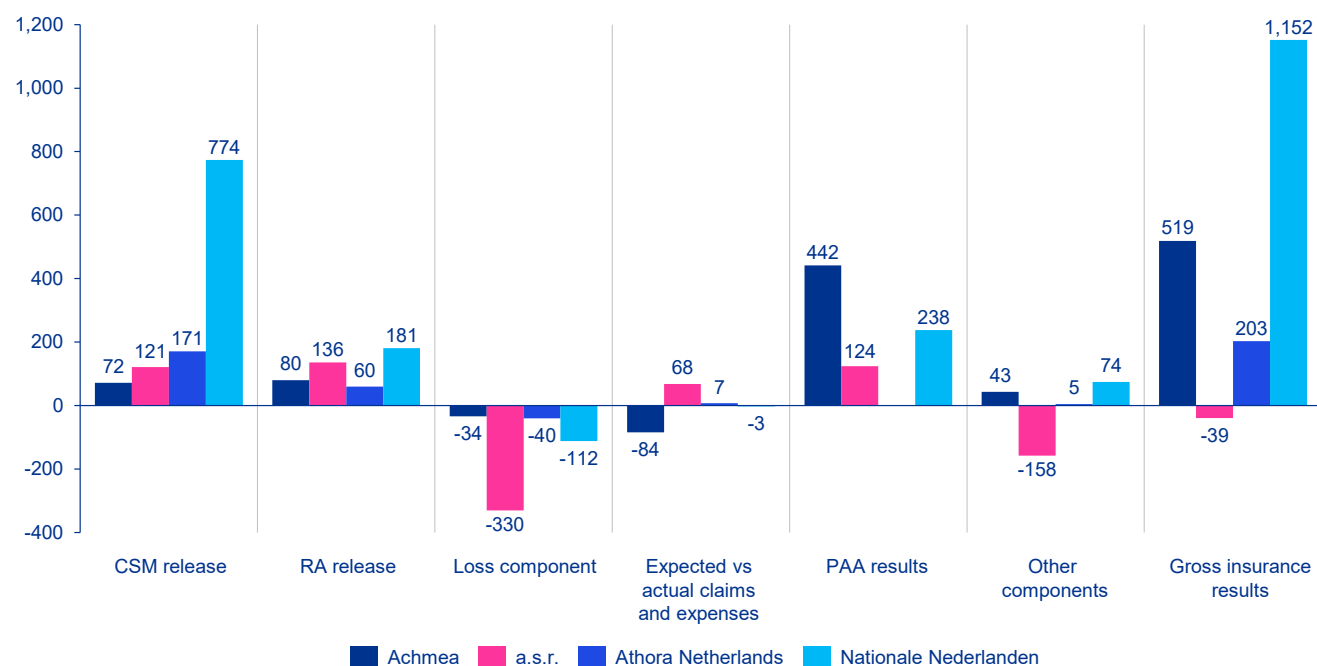
The components of the insurance service expense are consistent for all contracts regardless of the measurement approach. It includes incurred claims (excluding non-distinct investment components), incurred attributable expenses, recognition of insurance acquisition cash flows and any changes in loss components related to onerous groups of insurance contracts (including the systematic allocation of the loss component transferred from insurance revenue).



Graph 29: Insurance service result (excluding reinsurance), 2023 (in millions of Euros)¹⁸



Graph 30: Insurance service result (excluding reinsurance), 2022 (in millions of Euros)



¹⁸ The loss component relates to future services on GMM and VFA contracts, i.e. excluding the systematic allocation. The systematic allocation forms part of the expected versus actual claims and expense analysis and will have a zero impact on the gross insurance result.

Graph 29 and Graph 30 show that both Nationale Nederlanden and Athora Netherlands have maintained a stable insurance service result between 2022 and 2023, while a.s.r. and Achmea reported a profit in one year and a loss in the other.

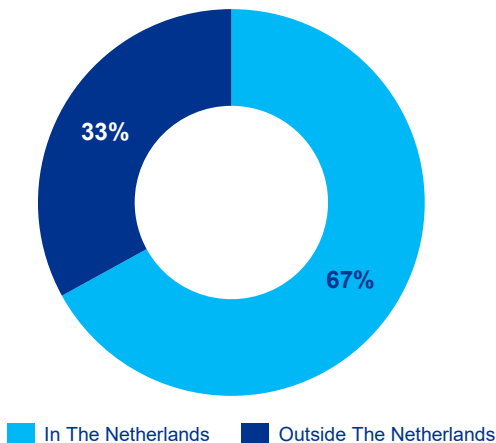
For Achmea, the volatility in the insurance service results when comparing the 2023 and 2022 results is mainly driven by the PAA results, especially in relation to the loss components of the Health business for which there was a large reversal of the loss component amounting to €482 million in 2022. Furthermore, the profit from the earned premium less the incurred claims for PAA business, is offset by unfavorable movement in prior year claim estimates and insurance acquisition cash flows included within the insurance service expenses.

For a.s.r., the volatility in the insurance service results when comparing the 2023 and 2022 results, is mainly driven by unfavorable 2022 results in relation to: (i) changes in onerous groups of insurance contracts for the Life GMM portfolio (accounted for as changes in the loss component within the insurance service expense), and (ii) changes in prior year claim estimates for the Non-Life GMM portfolio (accounted for in the other results within the insurance service expense). In total these resulted in insurance service expenses amounting to €542 million in 2022, which were not repeated to the same extent in 2023. The increase in the a.s.r. CSM release of €159 million, was offset by higher actual claims and attributable expenses (included in insurance service expenses) compared to the release of the expected claims and attributable expenses (included in insurance revenue).

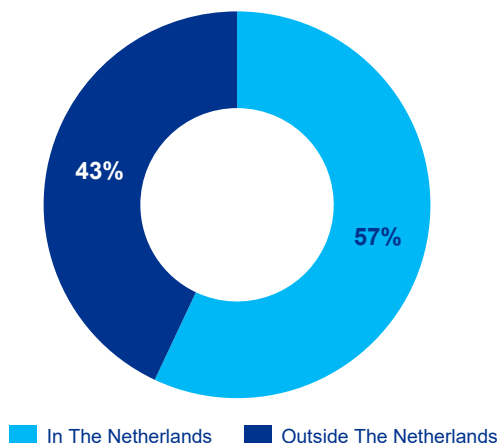
Nationale Nederlanden reported the highest insurance service results for both 2022 and 2023, representing an increase in insurance service results of 4.17% in 2023. This comes as no surprise, given their comparatively high market share in the Netherlands, on the basis of total assets and gross premiums. The insurance service results (excluding reinsurance) for Nationale Nederlanden consists of results from internal business outside of the Netherlands, as well as results from business within the Netherlands (refer to Graph 31 and Graph 32).



Graph 31: Breakdown of insurance service result for Nationale Nederlanden, 2023 (in percentages)



Graph 32: Breakdown of insurance service result for Nationale Nederlanden, 2022 (in percentages)



The Nationale Nederlanden's insurance service result for the insurance business within the Netherlands increased by €155 million in 2023 compared to 2022. The increase was driven primarily by improved PAA results of €266 million. The PAA results were offset by unfavorable adjustments to prior year claims in 2023, compared to favorable adjustments to prior year claims in 2022.

The slight decrease in the Athora Netherlands insurance service result, is attributed to a reduction of €38 million in the risk adjustment release in 2023 compared to 2022. The reason for the decrease of the risk adjustment release in 2023, is driven by the increase in the discount rates during 2022, impacting the projected risk capitals and the discounting of the projected risk capitals in determining the risk adjustment. This contributed to a decline in the risk adjustment balance at the end of 2022, leading to a lower release of the risk adjustment in 2023.

The analysis of insurance service result components provides insights into the performance of insurance contracts. For GMM and VFA contracts, these components include CSM release, risk adjustment release, recognition and reversal of losses on onerous contracts, incurred versus expected claims and expenses, and other components. The main insights reflected within the Deep dive in the appendix are as follows:

- (i) **CSM release:** The release of the CSM reflects the insurers' profit recognition based on the insurance contract services provided during the reporting period. While the CSM release has generally remained stable across insurers, a.s.r. experienced a notable increase due to the Aegon Netherlands acquisition.

For the Life portfolios, Nationale Nederlanden releases more of the CSM towards the front end of the coverage period compared to the other insurers, which is mainly driven by the international business. The CSM release of the Non-Life portfolio was impacted by the LIC vs LRC accounting policy choice for the disability contracts. As a result of applying the LIC option, the coverage period for the a.s.r. disability contracts are shorter and therefore have a higher release percentage compared to Nationale Nederlanden where the LRC option is applied (resulting in a longer coverage period). Nationale Nederlanden had a change in the CSM release pattern in 2023 for the disability contracts resulting in a lower release.

- (ii) **Risk Adjustment release:** The risk adjustment in IFRS 17 represents the compensation that an insurer requires for the uncertainty about the amount and timing of cash flows that arise from non-financial risk. Similar to the CSM, the compensation for the uncertainty related to the current reporting period is released to the P&L.

The risk adjustment release in 2023 is impacted by the increase in the discount rates during 2022, which resulted in a decrease in the risk adjustment balance at the end of 2022, hence a lower release in 2023.

The decrease for a.s.r. was offset by the Aegon Netherlands acquisition which would have resulted in a higher risk adjustment release in 2023.

- (iii) **Losses on onerous contracts:** Considering that the changes to the loss component as a result of future service changes immediate impact the P&L, the key drivers of the loss component result are consistent with that set out within the Balance sheet analysis performed of the loss component. The key drivers for the 2022 and 2023 impacts include: (a) an increase of €208 million in the Nationale Nederlanden loss component in 2023 for the insurance business outside of the Netherlands (mainly driven by assumption or experience changes), and (b) an increase of €218 million for the a.s.r. Life GMM portfolio, mainly driven by updates to the cash flow expectations due to exceptionally high inflation impacts.
- (iv) **Incurred versus expected claims and expenses:** The release of expected claims and attributable expenses contributes to the insurance revenue, while the actual incurred claims and attributable expenses impact insurance service expenses. Variances between expected and actual claims and attributable expenses provide insights into the accuracy of assumptions setting used within the actuarial modelling for the insurance contract measurement.

The largest variances are related to the Achmea and a.s.r. results for both 2023 and 2022. The Achmea results in 2023 are driven by the recognition of the settlement for customers with unit-linked insurance policies (i.e. the settlement related to the woekerpolis). The Aegon Netherlands acquisition could be a driver in relation to the 2023 a.s.r. experience between the expected and the actual claims and attributable expenses. Limited information is provided in relation to the variance in 2022 for both Achmea and a.s.r.

Athora Netherlands and Nationale Nederlanden reported smaller variances for both 2023 and 2022, suggesting that their expectations and assumptions were well-aligned with actual results.

- (v) **Other movements:** This component includes premium experience adjustments related to current services, movement in prior period claims, and net acquisition cash flows.

For both 2023 and 2022, a.s.r. reported large premium experience adjustments on their disability business related to current services and therefore impacting the P&L immediately (instead of adjusting the CSM). In 2023, the premium experience adjustment for a.s.r. was offset by a decrease in LIC related to the disability portfolio. The volatility in the results related to the LIC is driven by the accounting policy choice by a.s.r. to apply the LIC option.

For in-depth analyses on the movements and drivers of the insurers' P&L in 2023 and 2022, please refer to the **Appendix C. Deep dive – Profit and loss.**

Net investment results

KEY TAKEAWAYS



The section below highlights the main developments on investment results and its impacts on the insurers P&L. The main insights collected are as follows:

- **Nationale Nederlanden classified the financial assets mainly at Fair Value through OCI, while the other insurers mainly use Fair Value through P&L, impacting comparability:** All the in-scope insurers, except for Nationale Nederlanden, classify most of their financial instruments at Fair Value through P&L. In contrast, Nationale Nederlanden classified the financial instruments at Fair Value through OCI.

All the insurers with banking activities (which excludes Athora Netherlands), have an amortized cost portfolio, mainly comprise of mortgage loans related to the banking activities.

While the varied approaches insurers take to manage their portfolios reflect their financial strategies and risk management practices, it impacts direct comparability of results.

- **Aegon Netherlands' acquisition caused a substantial increase in a.s.r.'s Financial Assets:** The financial assets increased only slightly in 2023 compared to 2022 for most of the insurers, except for a.s.r. that has a significant increase mainly driven by the acquisition of Aegon Netherlands.
- **Interest rates changes drive net investment results, resulting in improved results in 2023:** The net investment result improved in 2023 compared to 2022 for all of the in-scope insurers, with all in-scope insurers reporting positive net investment results in 2023. The 2022 financial year was particularly affected by significant increases in market interest rates for both the assets and the liabilities, resulting in a decrease in fair values for the financial assets and gains from lower insurance liabilities. In 2023, the interest rates stabilized, allowing for positive market variances on the financial assets through increased equity markets and decreased swap rates and spreads.

Furthermore, it is interesting to note that all in-scope insurers manage their interest rate risk towards their Solvency II position, resulting in some ineffectiveness considering differences between Solvency II and IFRS 17 measurement of the liabilities.

- **Using accounting choices to mitigate impacts of investment results:** As previously mentioned, the OCI and risk mitigation options enable insurers to manage accounting mismatches and volatility in the investment results. Only Nationale Nederlanden apply the OCI option, with all the insurers except for Athora Netherlands applying the risk mitigation option.

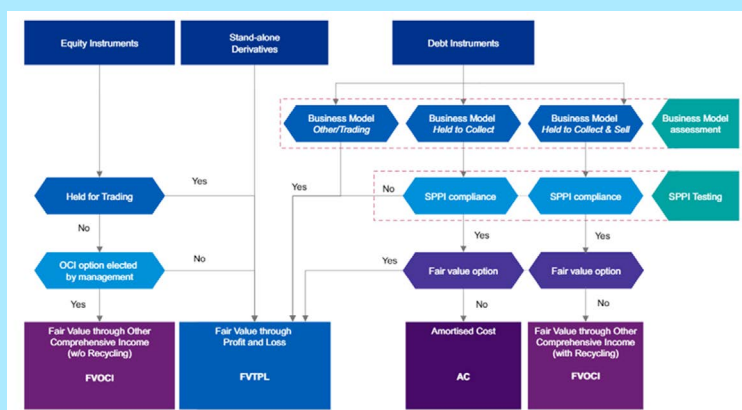
The net investment result in the statement of P&L is representative of the financial impact from investment related activities over the reporting period and is mainly attributed to the difference between net investment income on financial instruments and insurance finance results related to the insurance contracts (net of finance results from reinsurance contracts).

The net investment income is impacted by the implementation of IFRS 9. Many insurers have used the temporary exemption from applying IFRS 9 *Financial Instruments* and have instead continued to apply the predecessor standard IAS 39 *Financial Instruments: Recognition and Measurement*.

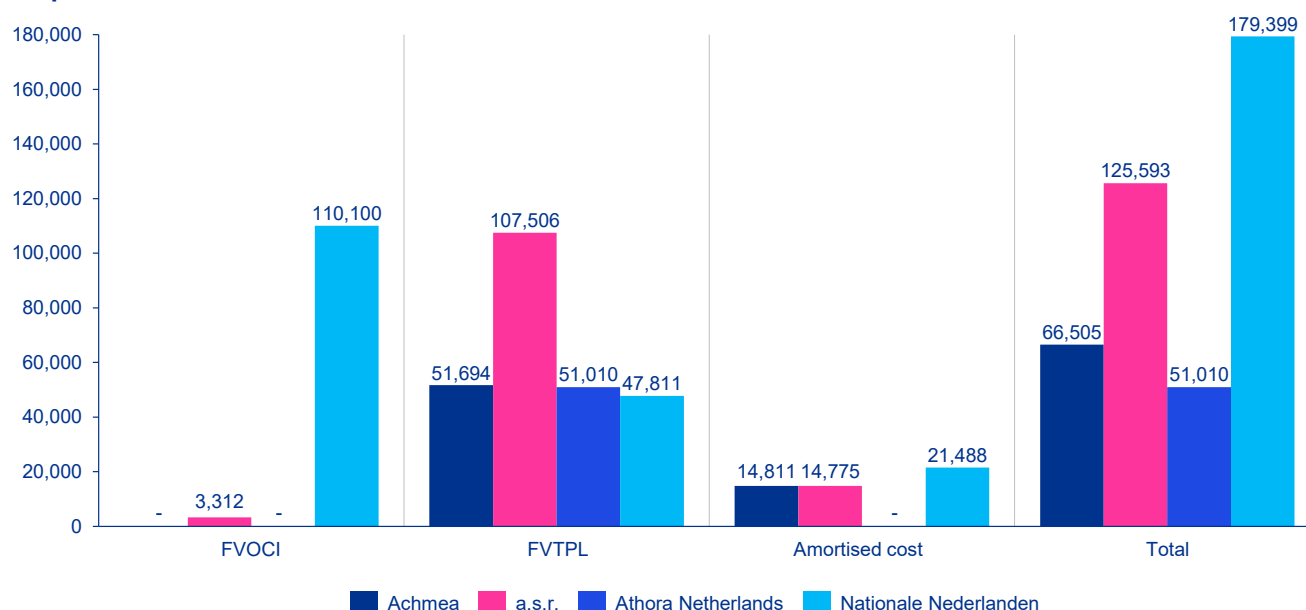


However, this exemption will no longer apply for the 2023 financial year when IFRS 17 became effective. As a result, in addition to the impact of implementing IFRS 17, the insurers also need to consider the impact of IFRS 9 on their financial instruments and also the results within the 2023 annual report, including 2022 comparatives.

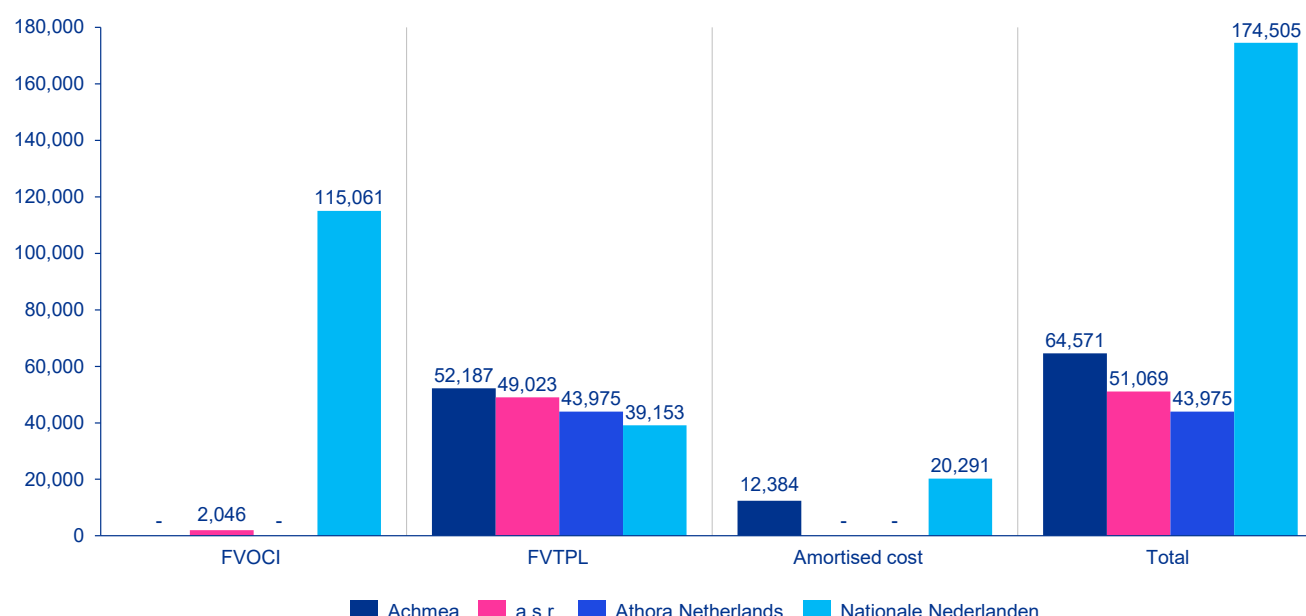
The measurement basis for the classification of the financial assets is illustrated in the diagram on the right.



Graph 33: Breakdown of the financial investment based on IFRS 9 classification, 2023 (in millions of Euros)¹⁹



Graph 34: Breakdown of the financial investment based on IFRS 9 classification, 2022 (in millions of Euros)



As is visible in Graph 33 and Graph 34, the investment balances increased only slightly in 2023 compared to 2022 for most of the insurers, except for a.s.r. that has a significant increase in the investments amounting to €74,525 million. This increase for a.s.r. is mainly driven by the acquisition of Aegon Netherlands during 2023.

a.s.r. and Athora Netherlands hold the majority of their financial instruments at Fair Value through Profit or Loss (FVTPL), whereas Nationale Nederlanden and Achmea have a notable part of the portfolio at Fair Value through Other Comprehensive Income (FVOCI) and/or at amortized cost. In 2023, a.s.r. also acquired a portfolio of investments measured at amortized cost.

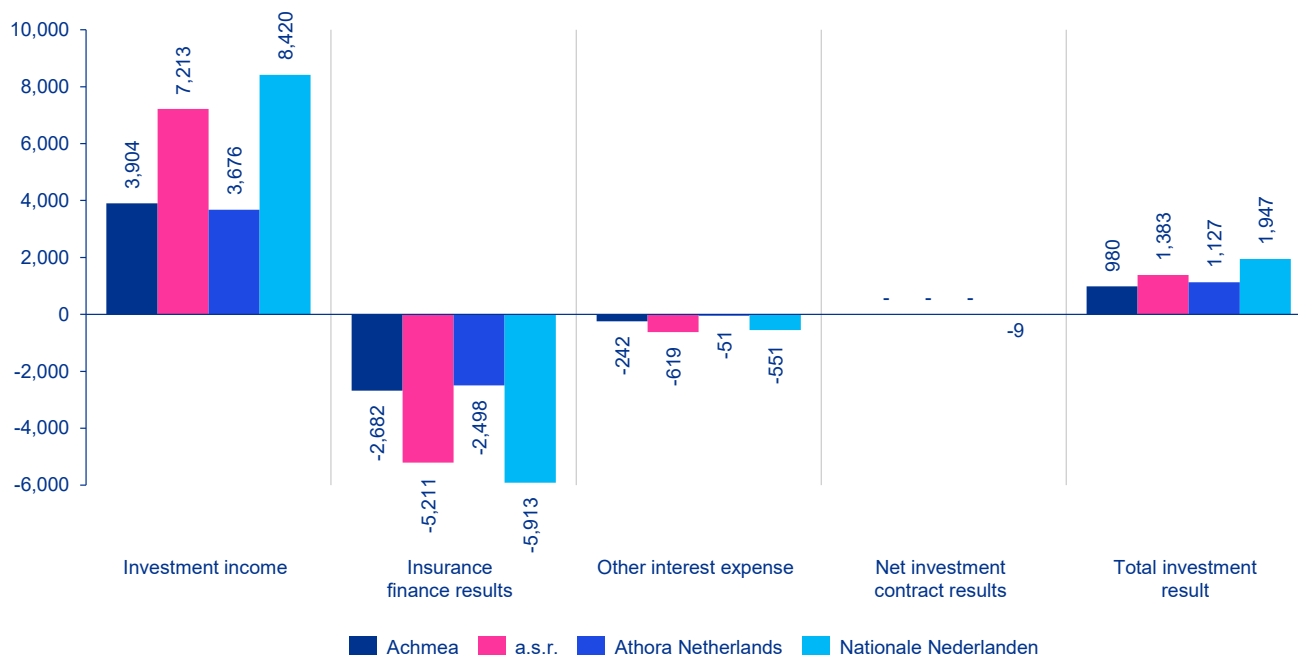
The amortized cost portfolio held by the insurers, mainly comprise of mortgage loans related to the banking activities. For Nationale Nederlanden, the mortgage loans at the banking segment make up approximately 99% of the financial instruments measured at amortized cost. For Achmea, 96% of the amortized cost financial instruments relate to loans secured by mortgages. Consistently for a.s.r. in 2023, mortgage loans make up approximately 99% of the investment portfolio measured at amortized cost.

¹⁹ The figures in Graph 33 and 34 for Nationale Nederlanden are at the level of the Group. The split of investments per segment is not provided in the annual report.

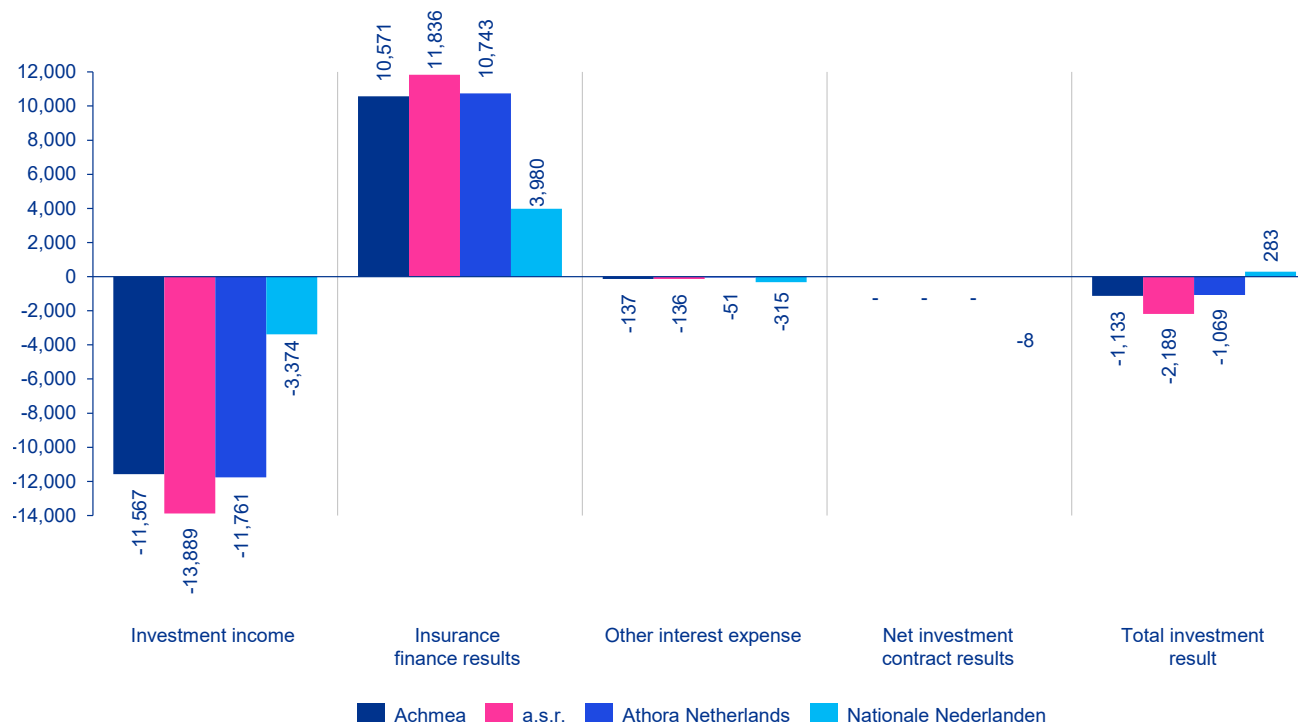
The Nationale Nederlanden portfolio measured at FVOCI, comprise of mortgage loans at the insurance institutions within the group as well as debt securities (together making up approximately 96%), with a small amount of equity instruments measured at FVOCI. The classification of the assets at FVOCI is matched by the OCI accounting policy choice applied by Nationale Nederlanden for the insurance contract liability measurement. By means of the OCI option, Nationale Nederlanden disaggregates the total insurance finance result related to the insurance contracts between the P&L and OCI. The purpose of

the OCI option is to limit P&L volatility due to changes in interest rates and accounting mismatches in accounting for insurance contracts and related investments. Applying the option does not impact the total amount of insurance finance results recognized in the reporting period or over the lifetime of the groups of insurance contracts. It only specifies how to allocate the insurance finance results between the different statements of financial performance; P&L and OCI.

Graph 35: Breakdown of the net investment results within the P&L, 2023 (in millions of Euros)



Graph 36: Breakdown of the net investment results within the P&L, 2022 (in millions of Euros)



The net investment result within OCI for Nationale Nederlanden amounts to €414 million gain in 2023 and a €2,404 million loss in 2022. If these movements within the investment results were included within the P&L, this would better align the Nationale Nederlanden total investment results with those of the other insurers. As a result of the OCI option, Nationale Nederlanden is the only in-scope insurer that generated positive investment results (net of the insurance finance results) in 2022.

The investment results reflected within OCI, will not be analyzed further, and the reason for the movements in the investments results can be attributed to the same underlying drivers as will be explained for the movements in the net investment results in the P&L, together with the impact of applying the OCI option.

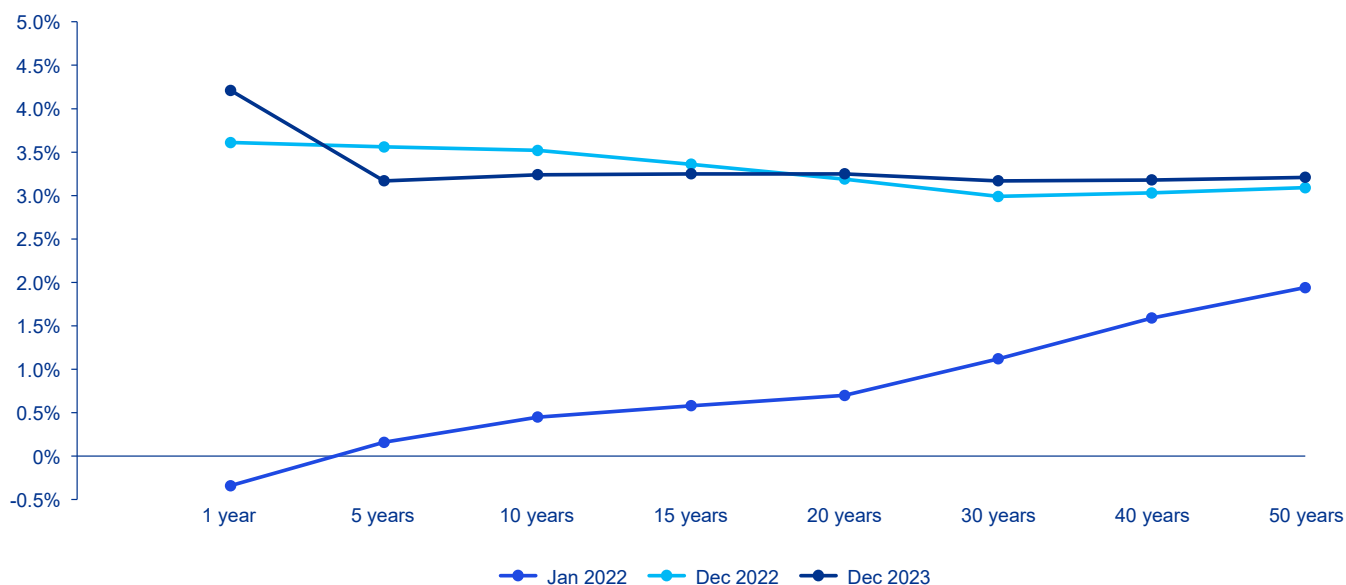
The net investment result improved in 2023 compared to 2022 for all of the in-scope insurers. In 2023, the investment income was positive for all in-scope insurers in contrast to the insurance finance results which were negative as a result of the positive market variances, resulting in a positive net investment result. In 2022, the opposite held true, where the investment income was negative in contrast to the insurance finance results that were positive.

The 2022 financial year was particularly affected by significant increases in market interest rates for both the assets and the liabilities, resulting in significant fair value losses on the investments due to the rising interest rates and the widening of credit spreads during the period. In 2023, the interest rates stabilized, allowing for positive market variances on the financial assets through increased equity markets and decreased swap rates and spreads.

The insurance finance results consist of: (i) interest accretion on the components that make up the insurance contract liabilities, (ii) changes in fair value of underlying items for VFA contracts, (iii) changes in discount rate and other financial assumptions, and (iv) difference between current and locked in discount rates for fulfilment cash flow changes that impact the CSM. The insurance finance results are impacted by the effects of the risk mitigation option, where some of the CSM adjustments for VFA contracts are transferred to the insurance finance results.

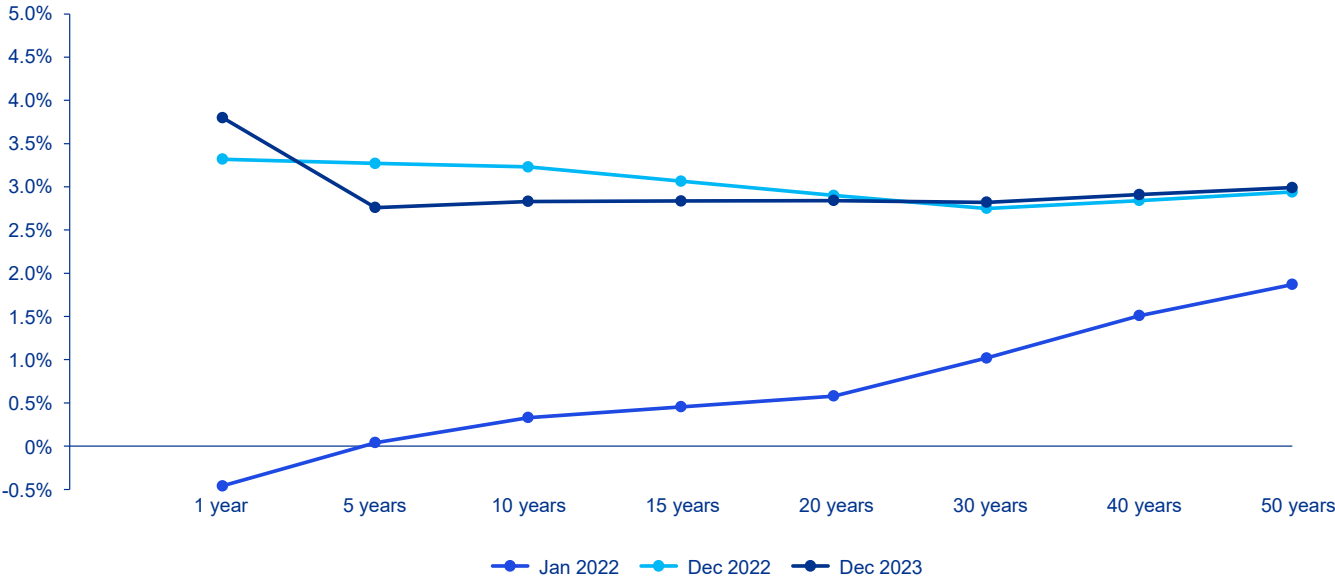
In 2022, the key driver of the insurance finance result was changes in the discount curves used as a result of the increase in the interest rates. The discount curves used for the opening balance sheet (i.e. 1 January 2022) were only disclosed by a.s.r.

Graph 37: Illiquid discount curves for a.s.r.'s Life portfolios, 2022-2023 (in percentages)²⁰



²⁰ The discount curves were not disclosed for all maturities indicated above. Where specific maturities were not disclosed, the average rate between the available discount rates along the curve is used.

Graph 38: Illiquid discount curves for a.s.r.'s Life portfolios, 2022-2023 (in percentages)

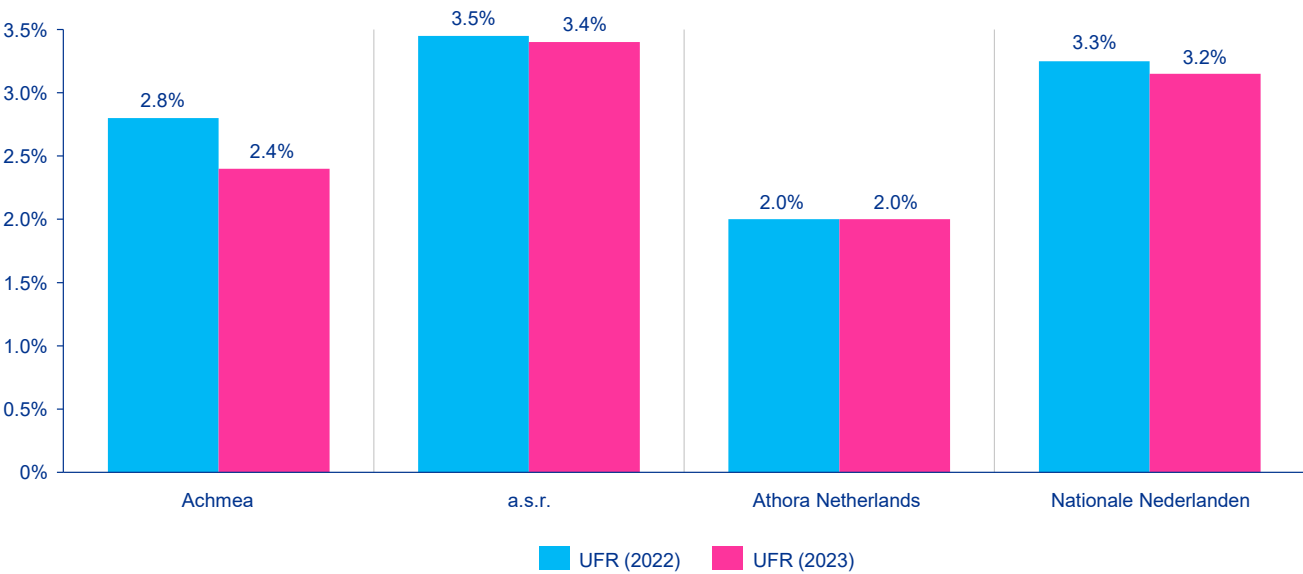


As noted in Graph 37 and Graph 38, the discount curve increased significantly from 1 January 2022 to 31 December 2022, resulting in a lower insurance contract liability giving rise to a gain within the P&L. For Nationale Nederlanden the impact within the P&L is lower compared to the other insurers (despite having the higher insurance contract liabilities), as a result of the OCI option applied which moves the impact of financial assumption changes within the reporting into OCI.

In 2023, the insurance finance results were more stable compared to the movement in 2022, however there were still changes in the discount rates curves driving insurance finance results.

All the insurers, except Athora Netherlands, had a decrease in the Ultimate Forward Rate (UFR) in 2023. The lower UFR will result in a slightly lower discount curve for the maturities beyond the Last Liquid Point (LLP), resulting in higher liabilities and therefore higher insurance finance expenses within the P&L. All the in-scope insurers apply an LLP of 30 years, except for a.s.r. where an LLP of 20 years is applied instead. Considering a convergence period of 40 years, the impact of the UFR change is not expected to be significant.

Graph 39: Level of the UFR applied by the in-scope insurers in 2023 and 2022 (in percentages)



The impact from the finance results, when considering the average of the opening and closing liability balances, is consistent across the in-scope insurers.

KEY TAKEAWAYS



The section below highlights the main developments on Other results (i.e. the items not included within the insurance service results or investments results). The main insights collected are as follows:

- **Woekerpolis Settlements drive negative impact on P&L results:** Other results increased in 2023 compared to 2022 for all in-scope insurers, except Achmea, negatively impacting P&L results. The primary driver was the final Woekerpolis settlements related to unit-linked contracts. Most insurers included these settlements within Other results, whereas Achmea included them in insurance service results, mitigating the increase in Other results but causing more volatility in insurance service results.
- **Aegon acquisitions result in increased non-attributable expenses:** The acquisition of Aegon Netherlands resulted in a larger cost base within the a.s.r. financial statements for 2023, which in turn contributed to higher non-attributable expenses.
- **Closer alignment on the proportion of the non-attributable expenses across the insurers in 2023, after removing the one-off costs related to the Woekerpolis settlement:** In 2022, Athora Netherlands had the lowest proportion of the total expenses allocated to non-attributable expenses, meaning higher proportion allocated to attributable expenses. In 2023 the gap to the other insurers decreased. Considering that all the other in-scope insurers have banking segments and asset management segments, which is not the case for Athora Netherlands, this is expected.

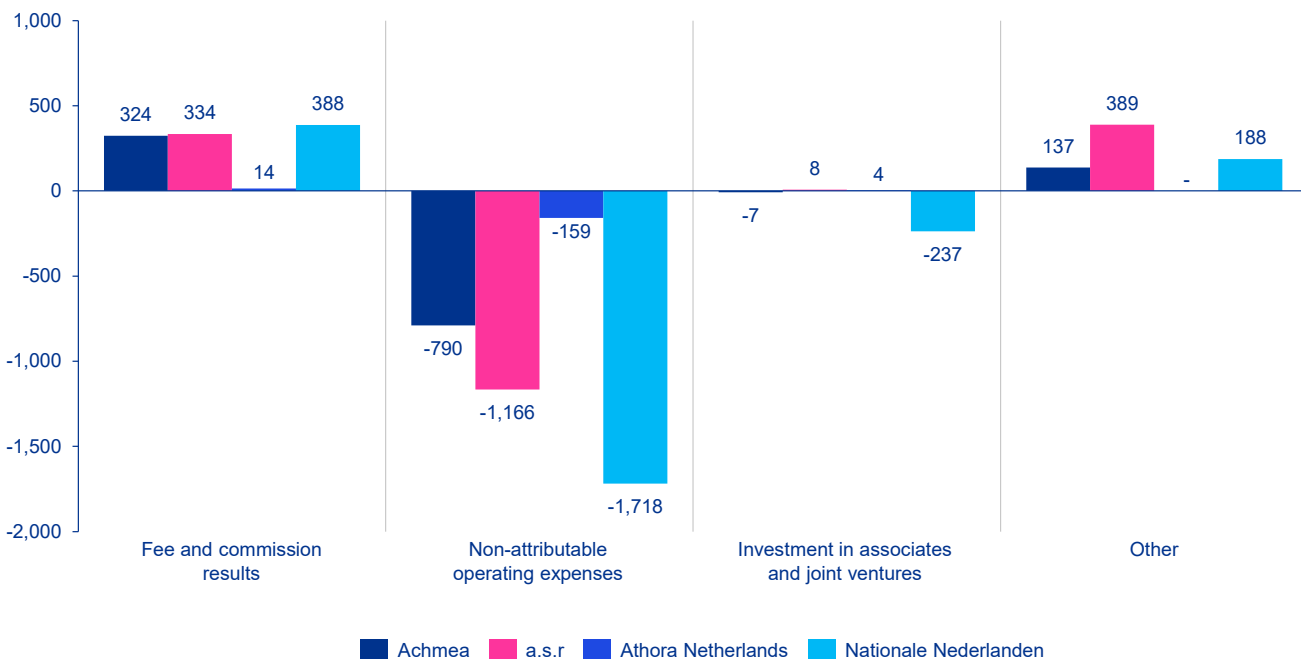
With the introduction of the Aegon Netherlands entities into the a.s.r. group, the proportion of the non-attributable expenses increased in 2023 to close the gap to Achmea and Nationale Nederlanden.

Achmea and Nationale Nederlanden have remained stable year-on-year.

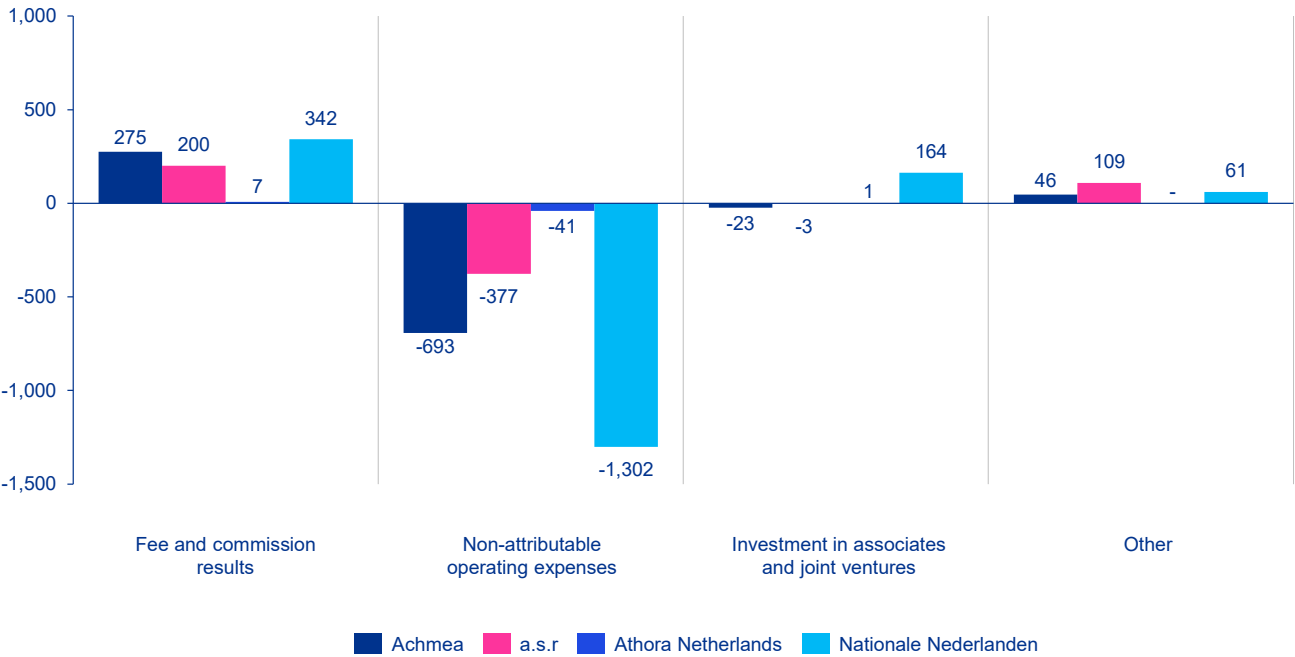
The other results comprise of all non-insurance results, namely fee and commission results, expenses not attributed to the insurance contracts, results from service contracts, and gain on bargain purchase from acquisitions.

The total other result amounted to €2,290 million in 2023, an 85% increase compared to the €1,234 million reported in 2022. The key drivers of the €1,056 million increase in the other results from 2022 to 2023, are related to non-attributable expenses, which increased €1,420 million, partially offset by the investment in associate or joint venture decrease of €371 million.

Graph 40: Breakdown of other results per insurer, 2023 (in millions of Euros)



Graph 41: Breakdown of other results per insurer, 2022 (in millions of Euros)



Non-attributable expenses

Graph 40 and Graph 41 show a €1,420 million increase in the non-attributable expenses from 2022 to 2023. This trend was observed among all the relevant insurers, with a.s.r. and Nationale Nederlanden accounting for most of the change with a €789 million and €416 million rise, respectively.

For Nationale Nederlanden, the increase in the non-attributable expenses is largely associated with an additional provision of €360 million recognized in 2023 related to the settlement with five interest groups regarding unit-linked insurance products sold in the Netherlands (i.e. the settlement related to Woekerpolis).

The increase for a.s.r. was primarily relating to the larger cost base due to the Aegon Netherlands acquisition, and as a result of the agreement with claim organizations on Unit Linked Life insurance transparency which lead to an increase of other expenses of €300 million.

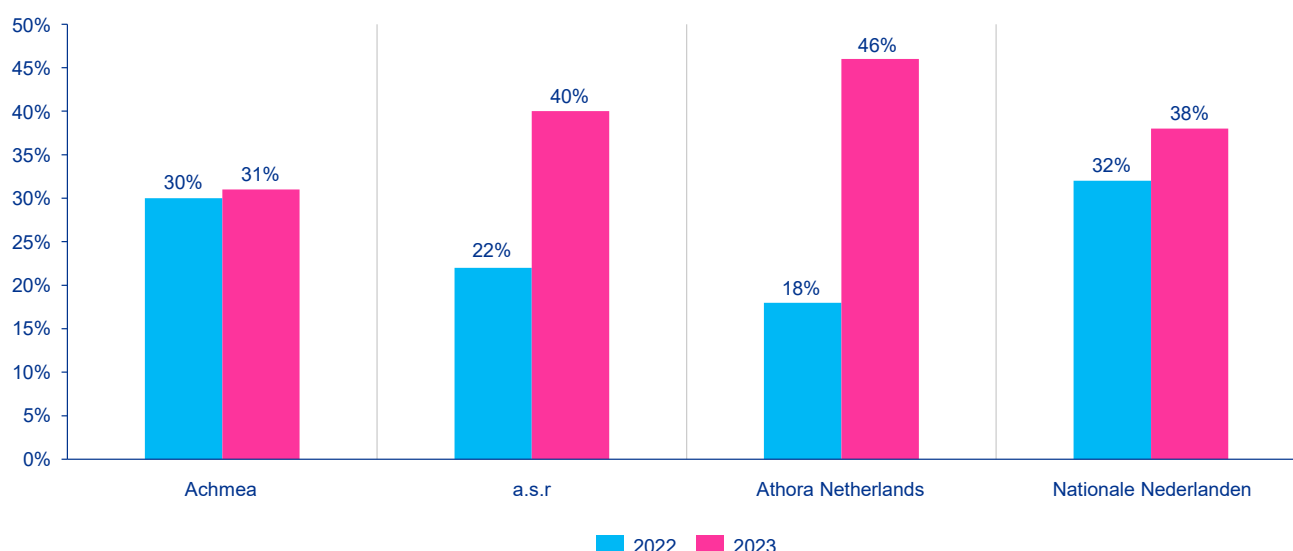
Athora Netherlands reported a €115 million increase in non-attributable expenses, from €41 million in 2022 to €159 million in 2023, largely due to an increase in outsourced services and the recognition of a provision regarding the settlement of investment-linked insurance policies (i.e. the settlement related to Woekerpolis).

Achmea had an increase of €97 million in non-attributable expenses in 2023 compared to 2022.

Under IFRS 17, only expenses directly attributable to fulfilling insurance contracts are included in the measurement of insurance contract liabilities and presented as part of the insurance service expenses in the P&L. Non-attributable expenses, on the other hand, are expenses that cannot be directly attributed to fulfilling insurance contracts. These are more general, such as some one-off costs, product development cost and training costs, for example.



Graph 42: Proportion of total expenses which are non-attributable, 2022-2023 (in percentages)



Graph 42 considers the proportion of non-attributable expenses as a percentage of the total expenses.

The extent of the non-attributable expenses has remained fairly stable for Achmea year-on-year.

For a.s.r., there was a substantial increase in the non-attributable expenses as a percentage of the total expenses in 2023 compared to 2022. The increase is due to an increase in expenses related to the settlement related to Woekerpolis. If the non-attributable expense a.s.r. in 2023 is adjusted to remove the one-off cost of €300 million related agreement with claim organizations on Unit Linked Life insurance transparency and the additional €50 million to facilitate individual claims of customers in distressing situations, the extent of the non-attributable expenses would be reduced to 29%.

For Athora Netherlands, there was also a large percentage increase in the non-attributable expenses from 2022 to 2023. Approximately €95 million of the additional expenses relate to recognition of a provision as a result of the settlement of investment-linked insurance policies (i.e. the settlement related to Woekerpolis). If these one-off costs were removed from the non-attributable expenses, the extent of the non-attributable expenses for Athora Netherlands would have increased slightly to 26%, from 18% in 2022.

Consistent with the Athora Netherlands and a.s.r., the increase in the non-attributable expenses for Nationale Nederlanden is largely associated with an additional provision of €360 million recognized in 2023 related to the settlement with five interest groups regarding unit-linked insurance products sold in the Netherlands (i.e. the settlement related to Woekerpolis). If the one-off costs were removed from the non-attributable expenses, the extent of the non-attributable expenses for Nationale Nederlanden would have remained stable at 33% compared to the 32% in 2022.

Investment in associate or joint venture

This component represents the insurer's share of the results of its associates and joint ventures. These results are limited for all in-scope insurers both in 2023 and 2022, with the exception of Nationale Nederlanden.

In 2022, Nationale Nederlanden reported a gain from the investment in associate and joint venture of €164 million, followed by a loss of €237 million in 2023. Nationale Nederlanden's associates include, for a large part, real estate funds and private equity funds.

Capital & Financial Positions



This chapter delves into the balance sheet and capital requirements of the in-scope insurers, shedding light on how insurers manage their assets, liabilities and capital by looking at the solvency II capital requirements, capital generated and investment asset mix. The analysis of this section remains the same for last year's edition, as transition to IFRS 17 does not have any discernible impact on how the capital and financial position metrics are reported.

KEY TAKEAWAYS



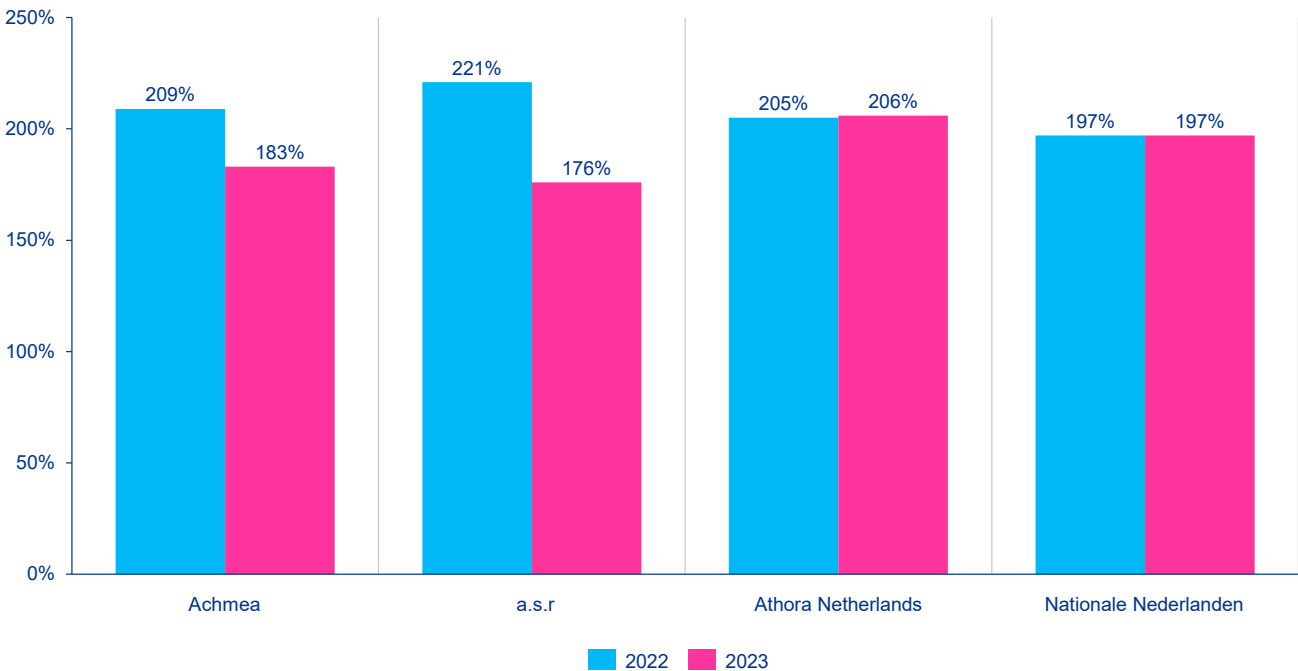
The section below highlights the main developments on capital and solvency positions of in-scope insurers. The main insights collected are as follows:

- 1. Solvency II ratio fluctuations in 2023 and 2022:** Insurers witnessed significant fluctuations in their Solvency II ratios from 2022 to 2023, with a.s.r. and Achmea experiencing decreases due to acquisitions, proposed dividends, and changes in required capital. Conversely, Athora Netherlands and Nationale Nederlanden managed to maintain their financial resilience within acceptable ranges.
- 2. Capital generated trends varied among in-scope insurers:** Insurers witnessed different trends in 2023, with Achmea facing a negative total free capital generation, while Nationale Nederlanden and a.s.r. reported increases attributed to strong commercial and financial performances, strategic asset allocation, and acquisitions. Athora Netherlands also saw a notable increase in operating capital generation driven by strategic initiatives and business contributions.
- 3. Fixed income investments drive insurers investment assets portfolio:** In 2023, fixed income investments remained the main focus for insurers, constituting the majority of their investment assets. There were expansions in equity investments, with a.s.r. and Athora Netherlands making significant movements, while Nationale Nederlanden Group and Achmea maintained a stable approach.

Solvency II Capital Requirements

On December 14, 2023, a political consensus was reached on adjustments to the Solvency II Directive, following a 2020 review. The Council and Parliament tentatively agreed on revisions to this primary EU insurance legislation, including new rules on insurance recovery and resolution (IRRDR). These updates aim to boost the role of insurance in long-term investments, enhance sector resilience, and better protect policyholders. This dual objective aligns with goals like the Capital Markets Union, environmental funding, and COVID-19 recovery. The Insurance Recovery and Resolution Directive (IRRDR) aims to ensure that insurers are better prepared to manage financial distress, protecting policyholders and minimizing economic impacts.

Graph 43: Solvency II Ratio per insurer, 2022-2023 (in percentages)



From 2022 to 2023, the insurers witnessed significant fluctuations in their Solvency II ratios, influenced by various internal and external factors shaping their financial strength. a.s.r. and Achmea both experienced decreases, with the former's ratio plunging from 221% in 2022 to 176% in 2023, largely due to the acquisition of Aegon Netherlands and proposed pay-out of dividends. However, a.s.r. expects an increase of its Solvency II ratio up to 189% once KNAB (sold to BAWAG Group AG) will be separated. Achmea's ratio dropped in 2023 to 183% from 209% in 2022, impacted by factors such as the increase of required capital of approximately 10% and the repurchase of preference shares and Tier 2 refinancing.

Despite challenges, Athora Netherlands and Nationale Nederlanden managed to uphold financial resilience amidst evolving operating landscapes. Athora Netherlands experienced a slight increase in its Solvency II ratio from 205% in 2022 to 206% in 2023, mainly driven by two items: (i) the positive impact of operating capital generation (+32 percentage point) and (ii) negative impact of market impacts (-28 percentage points). Nationale Nederlanden maintained stability with a ratio of 197% across both years, navigating through the offset of capital flows to shareholders, positive impact from operating capital generation and two longevity transactions which will decrease its risk profile. However, Nationale Nederlanden announced a share buyback program which will reduce its ratio by approximately 3% points to 194%.

Capital Generated

Capital generated refers to the change in the amount of free capital over time, excluding dividend payments, for insurers. However, direct comparisons of these figures can be a bit tricky, as each insurer employs different definitions and methods for calculating capital generated (please refer to **Definition of Capital Generated** for further reference).

In 2023, Achmea experienced a negative Total Free Capital Generation (FCG) of €301 million. This was influenced by a mix of positive and negative factors. On the positive side, operating activities contributed €402 million to FCG, including the release of capital from the Pension & Life service book. However, the increase in required capital due to commercial growth at Non-Life and Achmea Bank, and adjusted reinsurance cover added €162 million in obligations. Market developments, model adjustments, and other effects had a substantial negative impact of €593 million. This included items such as increased mortgage spreads, the impact of the Nationale Nederlanden calibration of the market risk model, adjustments to the investment portfolio, sector-wide changes to contract boundaries for disability insurance policies.

Both a.s.r. and Nationale Nederlanden illustrated an increase in the amount of capital generated the last year. Nationale Nederlanden reported strong commercial and financial performance in 2023. Their Operating Capital Generation (OCG) increased by 13% to €1,902 million,

exceeding their 2025 target of c. €1,800 million ahead of schedule. This growth was driven by increased contributions from Netherlands Non-Life, Banking, and Insurance Europe. Netherlands Non-Life continued to show strong and favorable business performance, while Insurance Europe experienced higher sales. Banking benefitted from higher interest rates and lower capital consumption, which helped to offset a lower contribution from Netherlands Life, primarily driven by financial markets. This robust performance led Nationale Nederlanden to adjust their OCG target for 2025 to c. €1,900 billion, based on expectations of normal weather conditions, normalized mortgage margins, and stable financial markets. a.s.r.'s strong increase in organic capital generation from €653 million in 2022 to €938 million in 2023 was primarily driven by contributions from Aegon Netherlands' acquisition and associated activities in the second half of 2023.

Definition of Capital Generated



Achmea – Free Capital Generation: 'This relates to the amount of free capital that is generated. This is the increase in capital above the required capital.'

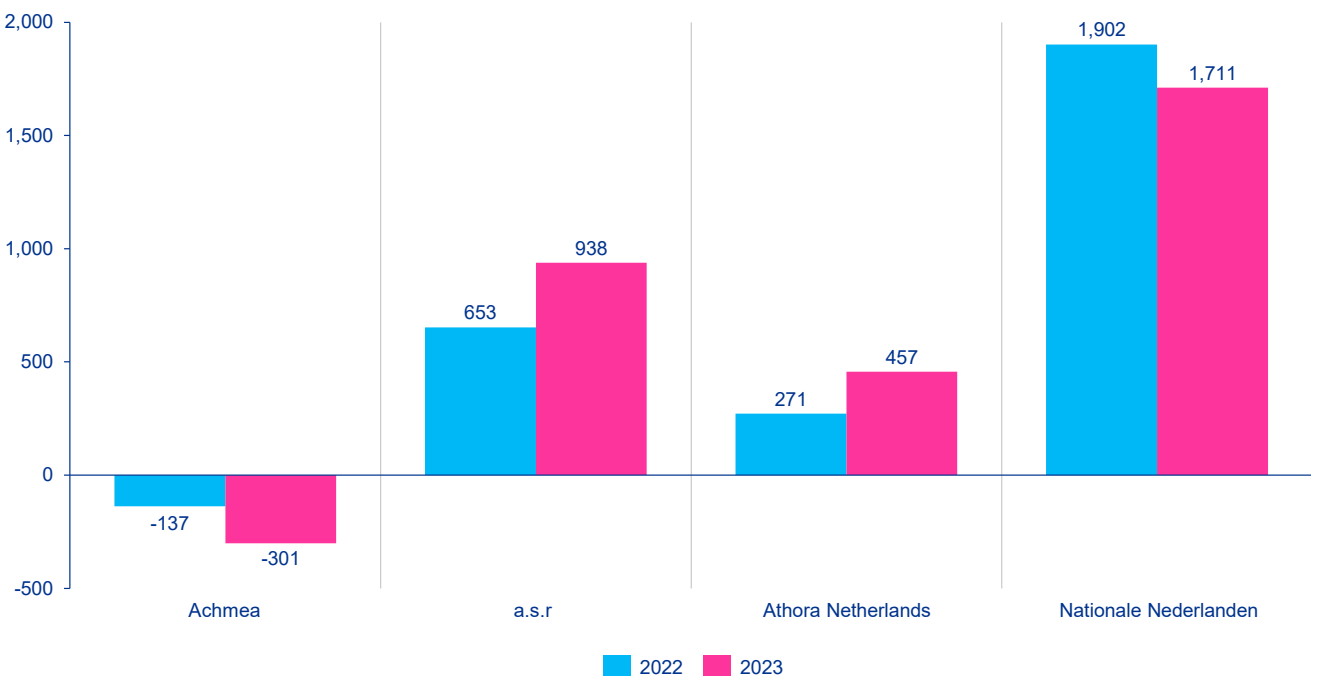
a.s.r. – Organic Capital Generation: 'The sustainable creation of capital from both the change in the EEOF and the change in the SCR on Solvency II basis. To express the change in SCR in EOF-equivalent terms, the change in SCR is multiplied by the Solvency II ratio. The OCC consists of three elements: (1) Business Capital Generation, (2) Release of Capital and (3) Technical Movements. In this definition, sustainable means: generated by the company on its own account, net of external and one-off effects. This results in a view on the Solvency II figures that is comparable with the definition of the operational result on IFRS basis.'

Nationale Nederlanden – Operating Capital Generation: 'Operating Capital Generation is the movement in the Solvency II surplus (Own Funds before eligibility over Solvency Capital Requirement (SCR) at 100%) in the period due to operating items, including the impact of new business, expected investment returns in excess of the unwind of liabilities, release of the risk margin, operating variances, Non-Life underwriting result, contribution of non-Solvency II entities and holding expenses and debt costs and the change in the SCR. It excludes economic variances, economic assumption changes and non-operating expenses.'

Athora Netherlands – Operating Capital Generation: 'Operating Capital Generation is defined as the change of eligible own funds minus the SCR change. The overall principle is that this is a long-term and stable metric. Elements are the expected release of risk margin and SCR, the expected excess spread, the expected UFR drag and the (insurance) experience variance.'

Athora Netherlands saw a notable increase in Operating Capital Generation (OCG) from €271 million to €457 million. This improvement stemmed from strategic asset allocation, enhancing operational efficiency, and growing the pension business. Athora Netherlands’ initiatives included asset deployment and rebalancing to achieve better investment returns within risk limits, as well as optimizing their risk profile through Balance Sheet Management initiatives. These efforts were part of Athora Netherlands’ broader strategy to achieve profitable growth by focusing on improving operating capital generation through business contributions and risk profile optimization.

Graph 44: Capital generated per insurer for 2022-2023 (in millions of euros)



Investment Asset Mix

In 2023, the in-scope insurers’ investment portfolios amounted to €432 billion, which represents a 25% increase compared to 2022’s figure of €344 billion. The investment strategies of Achmea, a.s.r., Athora Netherlands, and Nationale Nederlanden Group in 2023 reflected a mix of cautious adjustments and strategic expansions. As portions of overall asset mix, equity and real estate investments saw varied approaches, with a.s.r. and Athora Netherlands expanding their portfolio shares, while Achmea and Nationale Nederlanden Group took more conservative stances. However, it is to be noted that in terms of absolute values, all four insurers increased their investments in equities. Derivatives were mainly used by Athora Netherlands to stabilize its investments, while fixed income and money market funds witnessed both increases and decreases, highlighting the diverse approaches to managing portfolios in a dynamic economic environment.

The investment portfolio across the insurers consists mainly of fixed income investments, which include loans, bonds, and mortgages. Specifically, Achmea (71 % of asset mix in 2023), a.s.r. (66% in 2023), Athora Netherlands (50% in 2023), and Nationale Nederlanden (80% in 2023) hold a significant portion of their investment assets in fixed income. However, in contrast to recent years that showed a decline in fixed income investments, insurers now appear to have mixed feelings about them. During 2023, Achmea’s fixed income portfolio, as portion of its total investment asset, increased by 2 percentage points due to decreases in interest rates and tighter credit spreads, resulting in positive fair value adjustments. Similarly, a.s.r.’s fixed income portfolio grew by 4 percentage points, as it diversified into mortgage loans, private loans, and government and corporate bonds, contributing to the overall growth of its investment asset mix. Meanwhile, Nationale Nederlanden’s fixed income assets decreased by €3 billion, mainly due to the disposal of sovereign debt, resulting in a decrease of 1 % (2022: 81 % of asset mix vs. 2023: 80% of asset mix). Lastly, Athora Netherlands focused on fixed-income securities to align its investment strategy with long-term liabilities, utilizing these assets to match expected cash flows from technical provisions, resulting in a 7 percentage points decrease in its fixed income share.

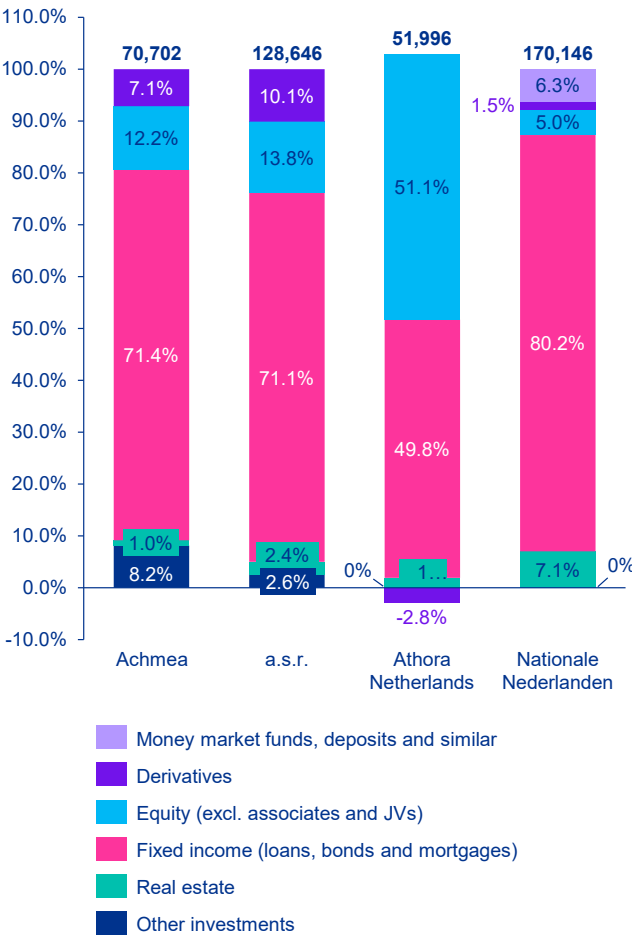
Equity investments saw significant movements among a.s.r. and Athora Netherlands, while Nationale Nederlanden and Achmea remained mostly stable. A.s.r. expanded its equity investments substantially by acquiring Aegon Netherlands, which added significant assets to its portfolio, including equity funds. Athora Netherlands also raised its equity risk by investing more in private equity and other alternative investments, significantly increasing its equity portfolio's value and exposure.

Regarding real estate investments, Nationale Nederlanden Group reduced its holdings by €880 million, reflecting market valuation adjustments and strategic rebalancing. Achmea's real estate portfolio also decreased, impacted by negative revaluations and modest disposals that exceeded acquisitions. This reduction, by roughly 30%, illustrates Achmea's strategic response to market conditions. Conversely, a.s.r.'s acquisition of Aegon Netherlands contributed to a significant boost (2022: €82 million vs. 2023: €3,380 million) in its real estate investments, enhancing the overall fair value of its property assets.

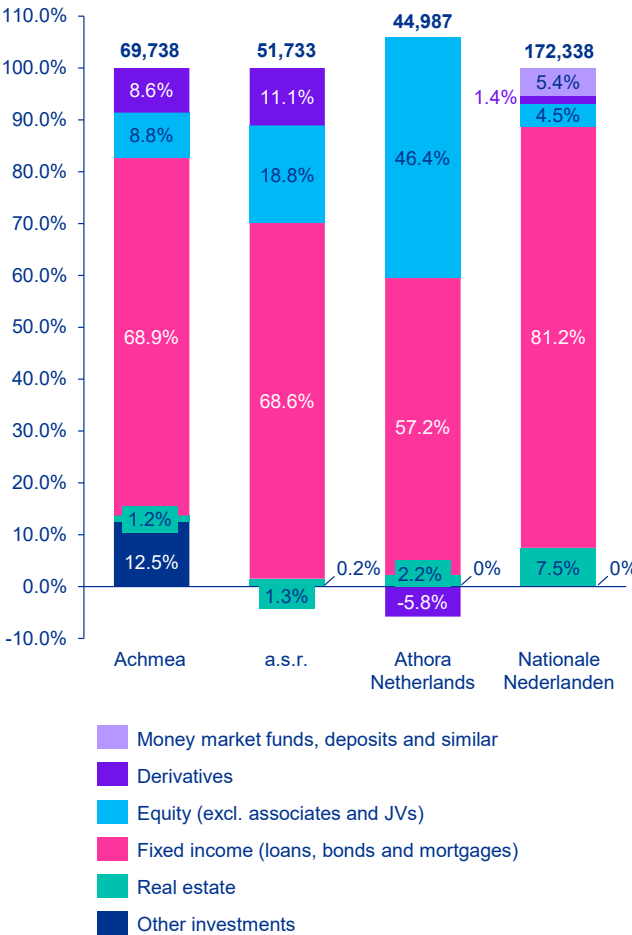
Lastly, some noticeable shifts were evident in other asset categories. For instance, Nationale Nederlanden Group increased its allocation to money market funds, focusing on more liquid and lower-risk assets due to market uncertainties. Derivatives played a more important role in Athora Netherlands' strategy, helping stabilize its Solvency II ratio amidst fluctuating interest rates. The company saw improved results (44%) on derivatives, contributing to its overall growth.

In 2023, Achmea's total investment asset mix remained stable with a few notable changes. The value of the fixed income portfolio increased, driven mainly by decreases in interest rates and tighter credit spreads, leading to positive fair value adjustments. Additionally, the real estate portfolio decreased with c. 30% impacted by negative revaluations and modest disposals exceeding acquisitions. These shifts reflect Achmea's strategic responses to changing market conditions and risk management practices.

Graph 45: Asset mix per insurer, 2023 (in percentages)



Graph 46: Asset mix per insurer, 2022 (in percentages)





Key insights on the first year of IFRS 17 reporting

In 2023, Dutch insurers Achmea, a.s.r., Athora Netherlands, and Nationale Nederlanden implemented IFRS 17, enhancing the transparency and detail of their financial reporting, particularly related to the profitability of insurance contracts through the use of the CSM and Loss Component metrics.

During this first year of reporting, the Non-Life insurance portfolios showed growth with increased GWP and higher new business CSM (mainly related to the disability portfolio), while the Life insurance portfolios faced declines, although new business opportunities emerged.

P&L results improved overall due to higher investment income despite some volatility, and Solvency II ratios varied among the insurers, reflecting their diverse strategies and economic conditions.

Based on our analysis of the insurers, we identify several key lessons that can benefit other insurers as they navigate in the years ahead:

Lessons learned



New profitability KPIs: IFRS 17 provided new data that unlock deeper insights into an insurer's growth and profit dynamics. Understanding the CSM and loss component has the potential to help insurers make informed strategic decisions regarding their insurance products. Insights collected from CSM and loss component analysis can guide insurers' product design, pricing strategies, and risk management practices.



Impact of accounting policy choices in insurers' results: Differences in accounting policies applied across insurers impact the comparability of the financial results. IFRS 17 provides several accounting policies impacting CSM development and P&L results.



Influence of discount rates in liability measurement: Insurers need to choose discount rates that reflect the characteristics of the cash flows and the liquidity characteristics of insurance liabilities. The discount rates applied to the measurement of the insurance contract liabilities has an impact on the comparability of the new business CSM across the insurers.



WtP driven opportunities for the Life business: With the shift to Defined Contribution plans, there is a growing emphasis on pension related insurance products, with insurers looking to capture the opportunities within the dynamic Dutch pension market to attract and retain customers.



Importance of granularity disclosures for comparability: In the first year of IFRS 17 reporting, the level of detail and specificity provided on IFRS 17 varied across the in-scope insurers. This impacted the comparability of some of the results between peers and drivers of period-on-period movements in the insurance contract measurement. We expect greater clarity in disclosures as preparers and users gain a deeper understanding of IFRS 17's requirements.

It should be noted that IFRS 18, effective from January 1st 2027, aims to ensure greater comparability between financial statements and more consistency in how particular financial measures are communicated.





Appendices

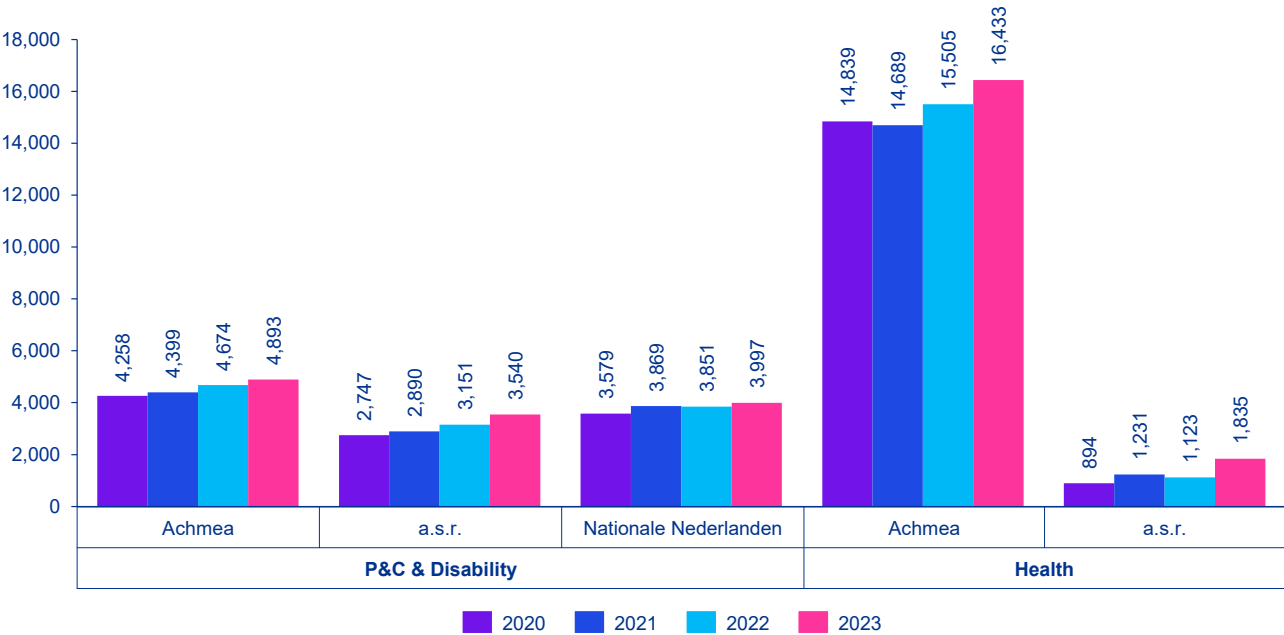
The following appendices aim to provide a detailed analysis of the movements and developments of key components described in the **Financial Performance** section, highlighting the main drivers for the observed trends and providing additional insights related to the results.

Appendix A. Deep dive – Overview of insurance contracts

To understand the financial performance, it is crucial to examine the composition of the insurance portfolios and ensure the information is comparable across different insurers. Considering the annual disclosures, the size of the portfolios is not consistent across all the in-scope insurers. Achmea, for example, has a much larger Health portfolio compared to the health insurance portfolio of a.s.r., while Nationale Nederlanden has the biggest Life portfolio considering Gross Written Premiums (GWP).

For additional insights into the size of the portfolios across the insurers, a comparison of the GWP is done in Graph 47 and Graph 48 below. A separate breakdown of the P&C and disability portfolios is not available for all the insurers; therefore, these have been grouped together with the available split being provided in the narrative below the graphs.

Graph 47: Gross Written Premiums for the Non-Life portfolios per in-scope insurer, 2019-2023 (in millions of Euros)



The GWP for the Health portfolio has increased over the last few years. For a.s.r., the 2023 increase is attributed to a growth in customers, with almost 235,000 additional customers. For Achmea, this increase is a result of an increase in tariffs and a higher contribution from the Health Insurance Equalisation Fund, which was offset slightly due to a lower number of policyholders. Due to the larger Health portfolio, the contracts measured applying PAA will be higher for Achmea. For Achmea, the international health insurance business consists of approximately 5.3% of the total Health GWP (2022: 4.6%).

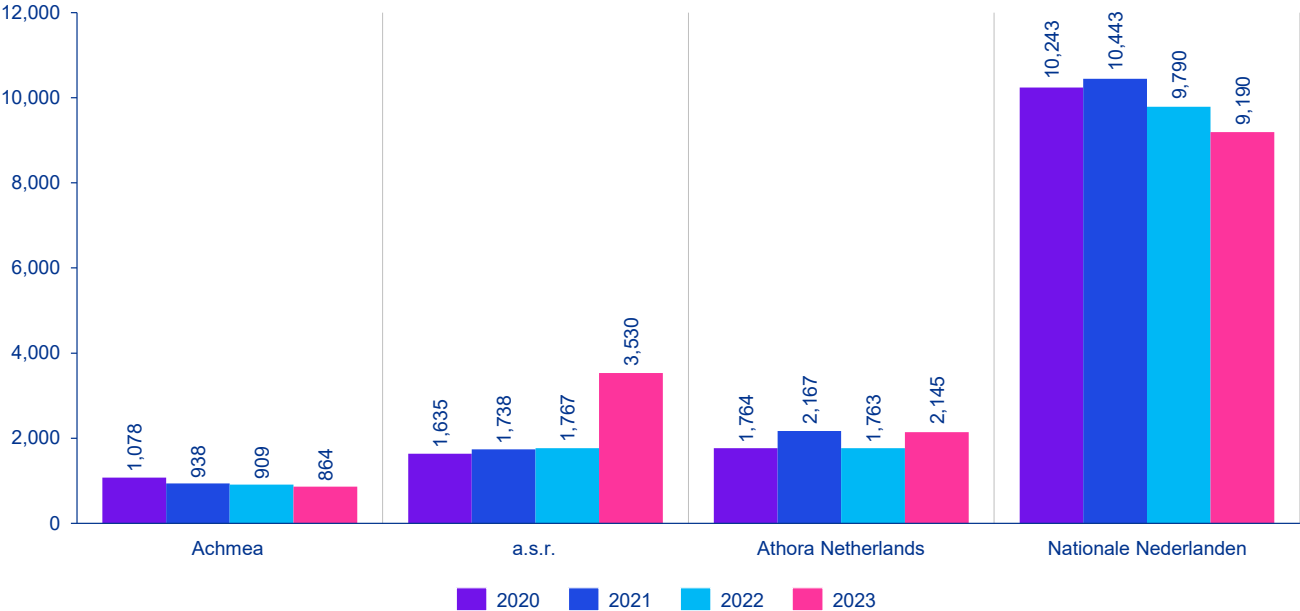
The P&C and disability portfolios have grown in 2023 for all the in-scope insurers. Achmea has the largest P&C portfolio, consistent with prior years. The total GWP related to the income protection business ranges between €630 to €647 million for 2020 to 2022. The 2023 GWP for the income protection portfolio is not specifically disclosed,

other than the fact that there is a slight growth in the Work and Income Act (WIA) cover compared to the €634 million in 2022. For Achmea, the international P&C and Disability GWP (2022: 17.0%). The growth in the P&C business for Achmea is derived from autonomous growth and partly from indexation of premiums and insured values.

For a.s.r., the disability business makes up €1,860 million of the total P&C and Disability GWP in the graph above (2022: €1,485 million). The growth in the P&C and disability business is attributed to increased sales volumes, tariff adjustments and the closing of a new collective disability insurance agreement at the end of 2022. Additionally, the acquisition of Aegon Netherlands contributed to €167 million in additional GWP (€80 million for P&C and €87 million related to the income protection business).

Consistent with the other in-scope insurers, Nationale Nederlanden reported continued growth regarding the GWP for the P&C and disability portfolio. Of the total GWP in the above graph, 3.9% relates to the international business outside of the Netherlands (2022: 2.0%). Based on the disclosures provided, the GWP cannot be further subdivided between the P&C portfolio versus the income protection business.

Graph 48: Gross Written Premiums for the Life portfolios per in-scope insurer, 2019-2023 (in millions of Euros)²¹



Nationale Nederlanden has the highest GWP for the Life portfolios, compared to the other in-scope insurers. The decrease in the GWP in 2023 compared to 2022 is driven by lower volumes of the group pension products for the Life portfolio in the Netherlands, as well as lower sales of cash value insurance products at Japan Life, partly offset by increased new sales at Insurance Europe.

The Achmea GWP for the Life portfolio consists of 5.2% related to international business (2022: 10.6%). The decrease in the GWP in 2023 compared to 2022 is driven by the international business. Of the €819 million GWP related to the business in the Netherlands, €224 million (2022: € 202 million) came from the open book and €595 million from the service book (2022: €611 million). The GWP from the term life open-book portfolio increased from €69 million in 2022 to €73 million in 2023, despite the sales of term life experiencing a declining trend in the Dutch market. Single premium production from individual annuities and pensions amounted to €151 million in 2023 (2022: €133 million).

The growth in the a.s.r. GWP (and funds from DC products) is mainly attributed to the acquisition of Aegon Netherlands, which contributed to €1,165 million of the €1,763 million increase in the GWP (and funds from DC products). The additional increase is driven by growth in funeral premiums as a result of inflation-related indexation, as well as organic growth of the pension DC volume.

For Athora Netherlands, the buy-out transaction with Pensioenfonds Aon and the acquisition of the Onderlinge Levensverzekering-Maatschappij 's-Gravenhage second pillar pension portfolio contributed €290 million in additional GWP. The individual life GWP decreased by €43 million in 2023 compared to 2022, which is in line with the closed book strategy for the individual life products.

²¹ For the 2023 GWP of a.s.r, the disclosure also includes GWP plus customer funds deposited by the insured DC products (which by definition is not GWP). The disclosure for the 2022 amount (using the same basis as 2023) amounts to €2,381 million, indicating customer funds of around €614 million in 2022.

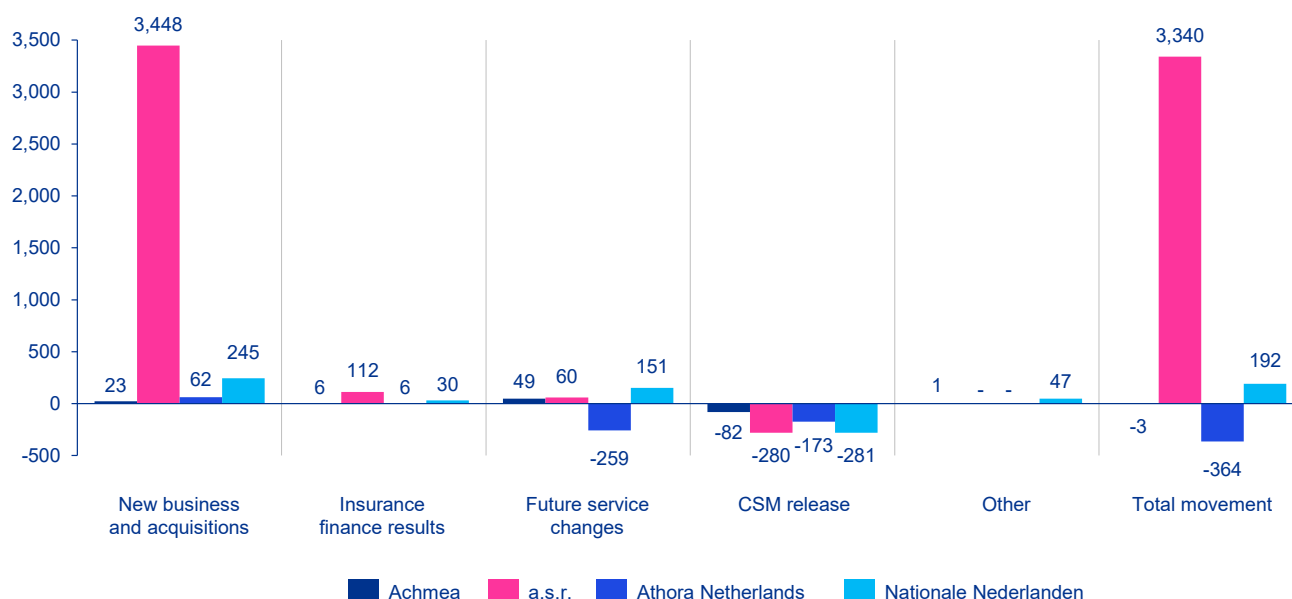
Appendix B. Deep dive – Balance sheet

The purpose of this appendix is to offer a thorough understanding of the factors that shaped CSM and Risk Adjustment (RA) development of the leading Dutch insurers during the analyzed reporting period. By exploring the disclosures of each insurer, this appendix provides valuable insights into the overarching trends and key drivers of these two balance sheet components.

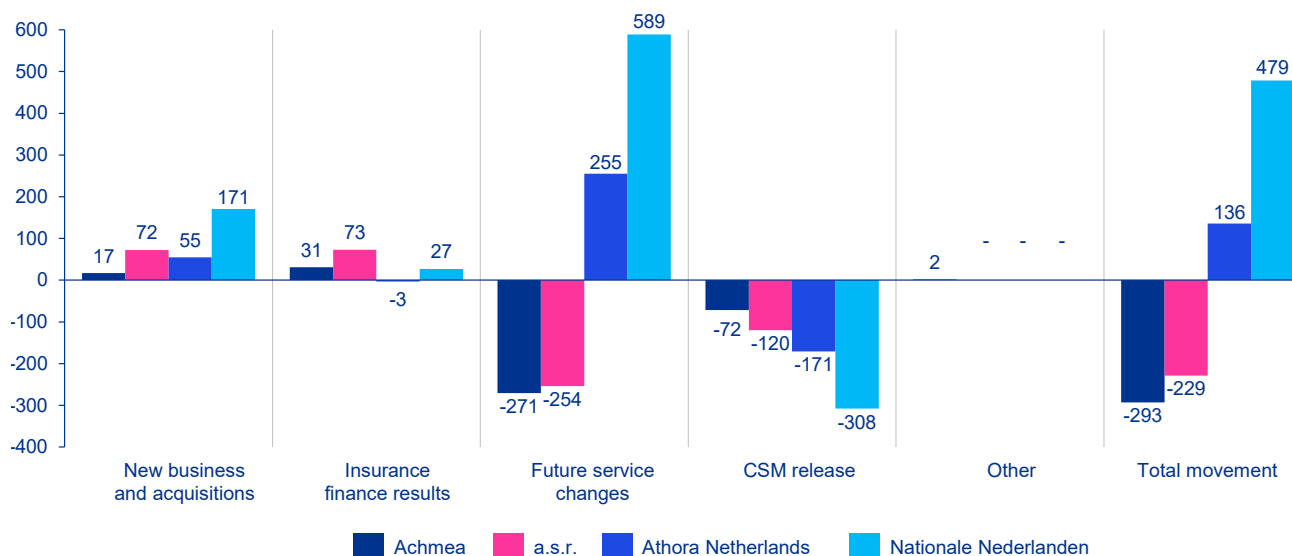
Contractual Service Margin

As previously mentioned, CSM represents the unearned profit that an insurer expects to earn since it provides insurance coverage and services over the duration of the contract. In addition, the CSM is a component of the IFRS 17 balance sheet, as part of the LRC.

Graph 49: Organic CSM movement analysis, 2023 (in millions of Euros)²²



Graph 50: Organic CSM movement analysis, 2022 (in millions of Euros)²³



²² The movement analysis for Nationale Nederlanden only includes the insurance business within the Netherlands. The other international business outside of the Netherlands has not been included.

²³ The movement analysis for Nationale Nederlanden only includes the insurance business within the Netherlands. The other international business outside of the Netherlands has not been included.

To better understand the development of CSM through 2023 and 2022, a more detailed analysis is performed below for each of the categories making up the gross movement in the CSM:

New business and acquisitions

The CSM generated from Achmea's new business is consistent across 2022 and 2023. In 2023, Achmea issued new contracts during the year, resulting in an additional CSM of €23 million, of which €12 million relates to Life contracts and €11 million relates to Non-Life contracts.

a.s.r.'s CSM has been significantly impacted through the acquisition of Aegon Netherlands in July 2023. The acquisition resulted in additional CSM of €3,276 million at the acquisition date. In addition to the acquisition impact on CSM, the acquired Aegon Netherlands portfolio is still open to new business, hence contributing to the new business generated by a.s.r. within the last half of 2023. This resulted in an increased CSM balance from new business of €172 million in 2023 compared to €72 million in 2022.

Athora Netherlands acquired a pillar II pension portfolio and a closed pension plan of employees from Onderlinge Levensverzekering-Maatschappij "'s-Gravenhage" and Levensverzekeringsmaatschappij de Hoop in August 2023, resulting in a €23 million CSM movement. The remaining €39 million movement relates to new contracts issued during the period. In total, the new business generated CSM represented €62 million in 2023, an increase compared to the total of €55 million reported in 2022.

In 2023, Nationale Nederlanden experienced a 43% increase in new business generated CSM, rising from €171 million in 2022 to €245 million. This growth of €74 million was mainly due to a €90 million increase in the Non-Life portfolio, driven by a favorable pricing environment, which was slightly offset by the Life portfolio reduction of €16 million. Additionally, the international business generated €428 million in new business CSM, largely caused by growth in Insurance Europe, despite a decline in Annual Premium Equivalent (APE) due to reduced sales of cash value insurance products at Japan Life.

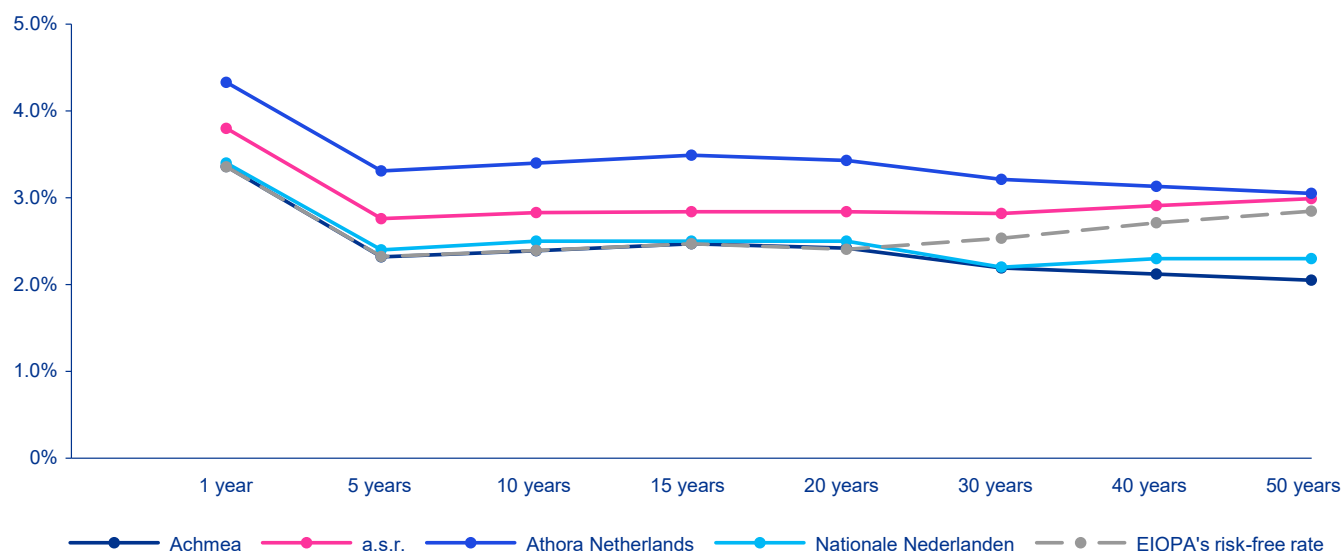
Pricing of the insurance contracts is not necessarily done based on the IFRS 17 assumptions used within measurement. Differences between assumptions used within the pricing and IFRS 17 assumptions used for measurement could include, amongst other factors, the cost assumption, discount rate applied and/or the cost of capital rate used to reflect the compensation required for bearing the uncertainty related to the non-financial risk. For the determination of the CSM or loss component on initial recognition, the assumptions applied will impact the level of the CSM or loss component, and therefore, it is also important to consider these aspects when looking to the new business CSM across the insurers (e.g. a lower curve results in higher outflows, and consequently, a lower CSM – with all else being equal).

The allocation of the total expenses for IFRS 17 purposes between attributable versus non-attributable expenses, has been assessed in detail within the section **Other results**.

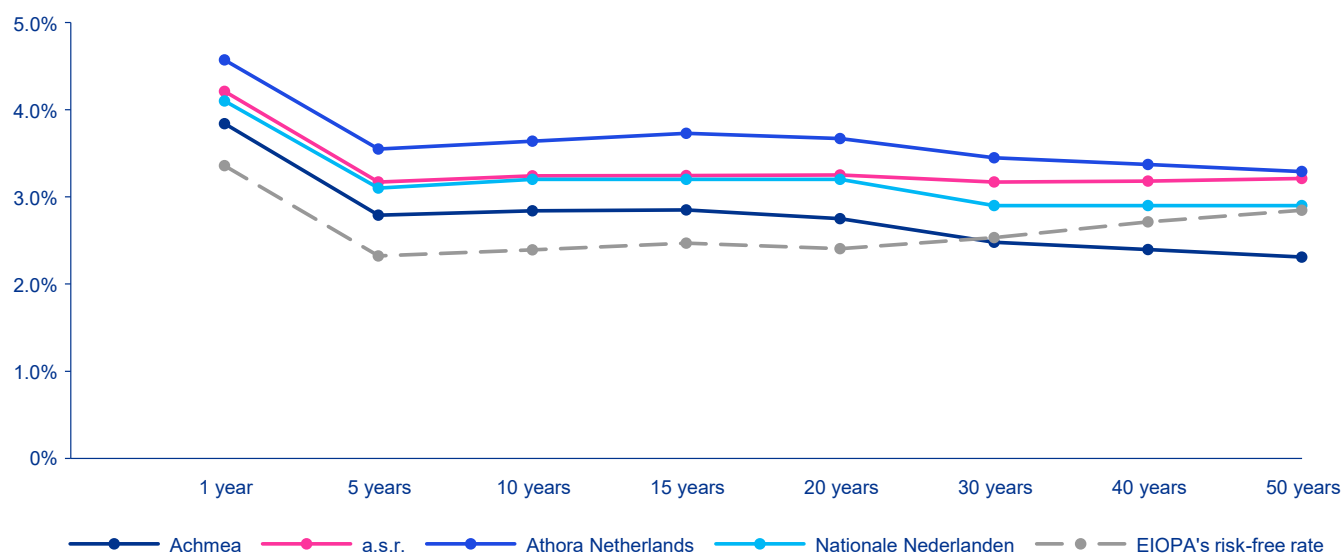
In performing an analysis of the discount rate curves, the following assumptions have been applied:

- Achmea discloses a range of discount curves applied, disaggregating between: (i) Life versus Non-Life; and (ii) PAA versus GMM/VFA. The lower end of the range for the discount curves is taken as the 'liquid' curve and the higher end of the range for the discount curves as the 'illiquid' curve.
- a.s.r. disclosed a minimum and maximum discount curve, where the maximum curve represents 100% of the illiquidity premium and the minimum curve either 25% or 50% of the illiquidity premium. The minimum discount curve is taken as the 'liquid' curve, and the maximum discount curve as the 'illiquid' curve.
- Athora Netherlands disclosed a liquid vs illiquid curve, and also indicates which products apply which curve.
- Nationale Nederlanden disclosed the Netherlands Life discount curves considering that it is the largest segment of the group. A distinction is made between the discount curve used for the measurement of the GMM versus the VFA groups of insurance contracts. The discount curve applied to the VFA groups of insurance contracts is being taken as the 'liquid' curve; and the discount curve applied to the GMM groups of insurance contracts as the 'illiquid' curve.

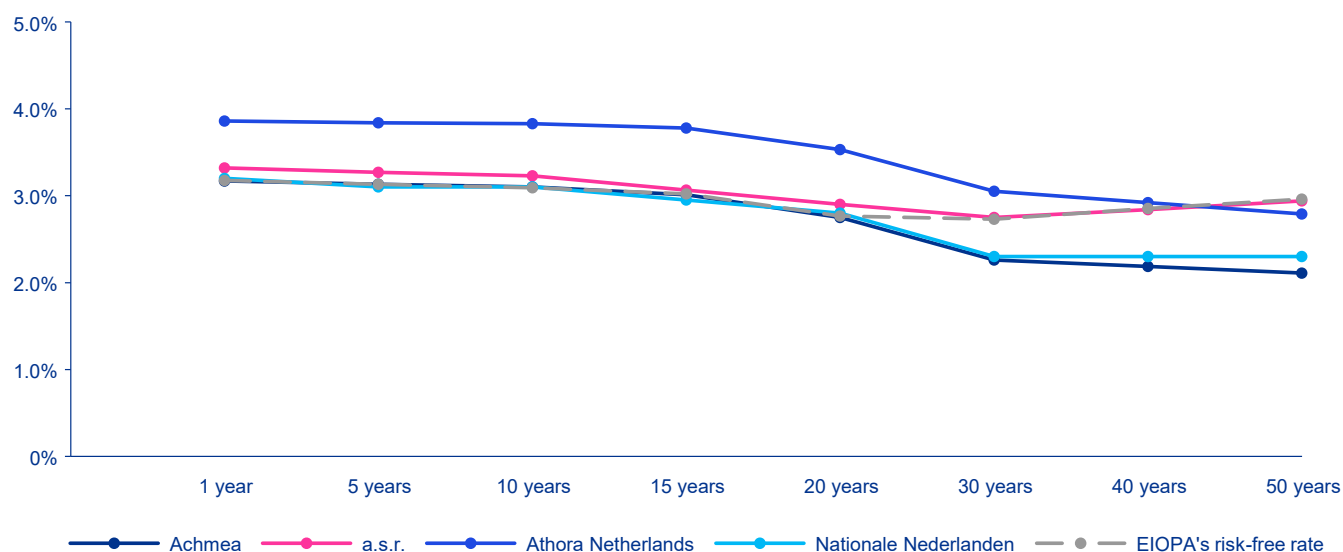
Graph 51: Liquid curves used for the Life portfolios, 2023 (in percentages)



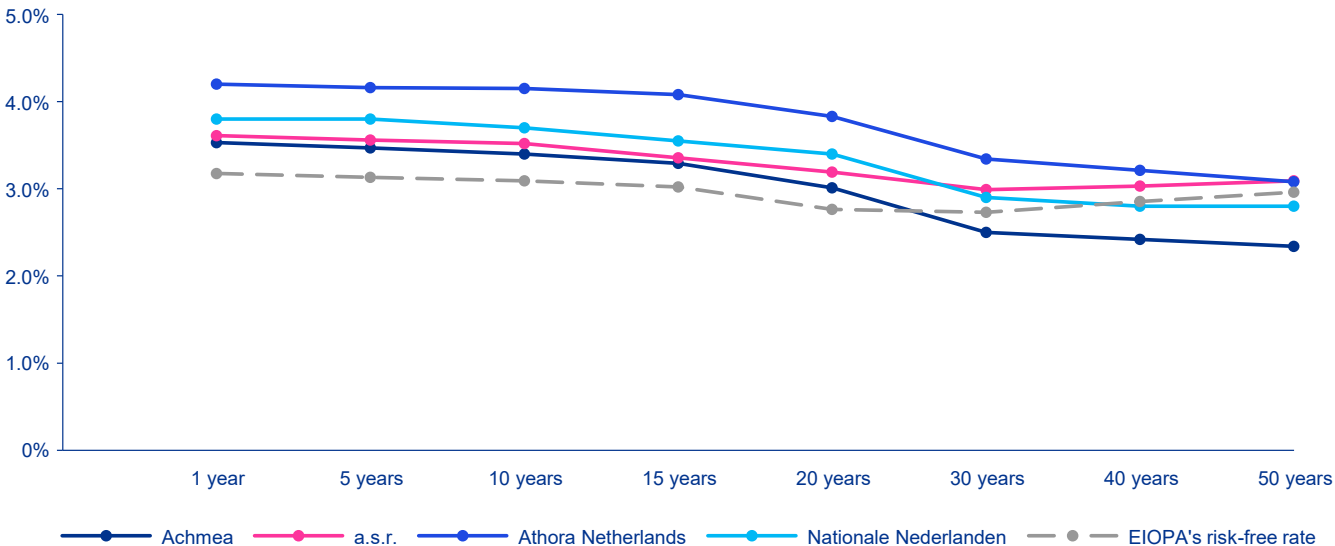
Graph 52: Illiquid curves used for the Life portfolios, 2023 (in percentages)



Graph 53: Liquid curves used for the Life portfolios, 2022 (in percentages)



Graph 54: Liquid curves used for the Life portfolios, 2023 (in percentages)



The discount rates used by the insurers has been assessed and included within the *deepdive analysis on the new business impact on the CSM* (including an analysis of the discount curves against EIOPA's risk-free rate, excluding VA). Overall, Achmea has the lowest discount curve, with Athora Netherlands having the highest discount curve across the in-scope insurers. All the in-scope insurers, except a.s.r. make use of a 30-year last liquid point with a.s.r. applying a 20-year last liquid point consistent with Solvency II. There are also differences in the Ultimate Forward Rate (UFR) applied across the insurers, with a.s.r. having the highest UFR of 3.4% (2022: 3.45%), while Athora Netherlands has the lowest UFR of 2% (2022: 2%).

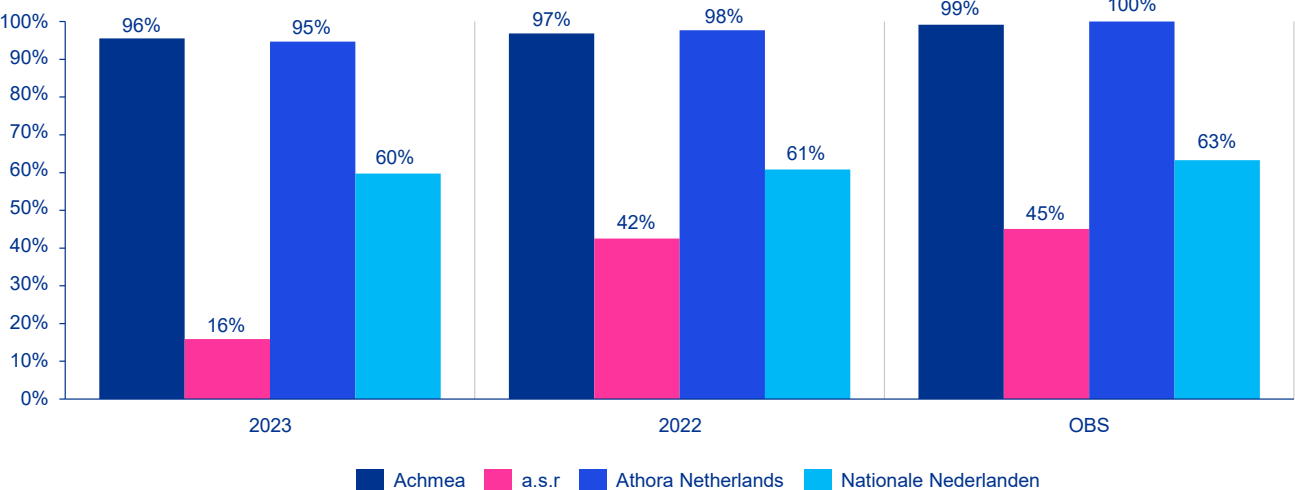
Regarding the cost of capital applied for the risk adjustment determination, a.s.r. applies the highest cost of capital using 6% (which with everything being equal will result in a lower CSM compared to the other in-scope insurers that apply a lower cost of capital). Both Athora Netherlands and Nationale Nederlanden using 4% for IFRS 17 measurement, while Achmea applies a cost of capital of 4.5%.

Insurance finance results

The insurance finance results reflect the interest accretion on the CSM (at locked-in discount rates) for GMM contracts, and adjustments for change in the amount of the entity's fair value share of the underlying items for VFA contracts. For Achmea, this amount also includes the impact of foreign currency differences on the CSM.

Since locked-in discount rates are considered for the GMM interest accretion, a distinction needs to be made between groups of insurance contracts that applied the FVA for transition and those applying the FRA or MRA (Graph 55). The requirement for this distinction stems from the low discount curves on 1 January 2022. The lower locked-in discount rates for contracts to which the FVA for transition was applied, will result in lower interest accretion on the CSM balances.

Graph 55: Breakdown of the CSM balance to which FVA is applied on transition, 2022-2023 (in percentages)



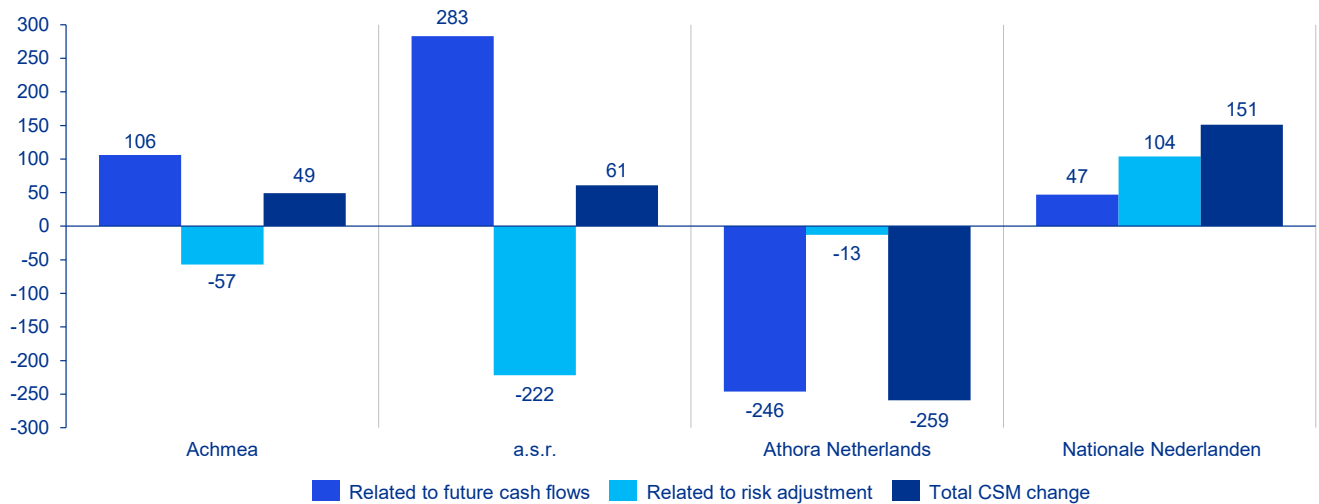
Insurers that have a greater part of CSM coming from groups of insurance contracts with FVA applied at transition, have a lower interest accretion in 2023, which is visible in the graph above. This trend is also observed for 2022, except for Achmea which had a higher-than-expected finance result impacting the CSM. It should be noted that the Achmea amount also includes foreign currency differences for 2022, which can be separated from the interest accretion.

Changes in fulfilment cash flows related to future services (including assumption changes)

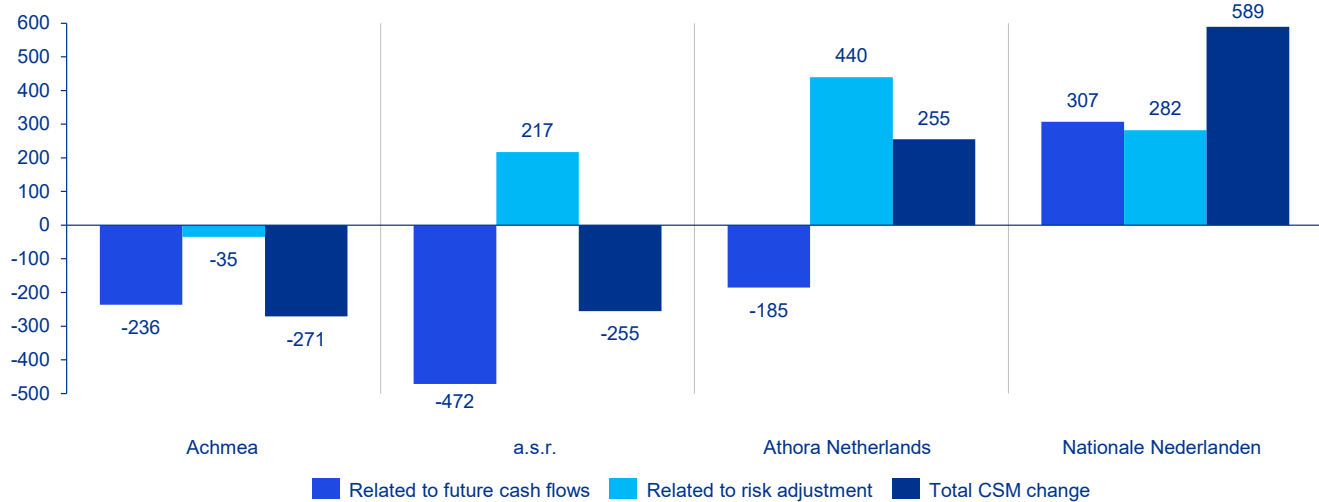
The changes in the fulfilment cash flows consist of both changes in the future cash flows and changes related to the risk adjustment. Generally, the change in the future cash flows will result in a change in the risk capitals, which leads to an adjustment of risk adjustment. There are however changes to the risk adjustment that do not necessarily impact the future cash flows, e.g. model changes related to the determination of the SCR (without adjusting the present value of the future cash flows) or changes in the diversification factors, etc.

Insurers have an accounting policy choice, in measuring GMM contracts, on whether to disaggregate changes in the risk adjustment between financial (i.e. time value of money and changes in time value of money) and non-financial risks. If the changes to risk adjustment are disaggregated, the unwinding of the discount curve for projected risk capitals is included in insurance finance income and expenses and the adjustments in CSM for the risk adjustment changes are determined using locked-in financial assumptions, consistent with the general principle of GMM measurement. If no disaggregation is applied, the impact from unwinding is included as part of the release of the risk adjustment. In this scenario, the changes in the risk adjustment adjusting the CSM are determined using current assumptions.

Graph 56: Changes in fulfilment cash flows related to future services impacting CSM, 2023 (in millions of Euros)



Graph 57: Changes in fulfilment cash flows related to future services impacting CSM, 2022 (in millions of Euros)



Achmea had a slight increase in CSM due to changes in fulfilment cash flows related to future services in 2023 and a decrease in 2022. The increase in 2023 of €49 million is driven by favorable changes in the future cash flows as a result of lower inflation expectations. In addition to the inflation effects, improved rehabilitation opportunities have led to lower expected cash flows on future benefits, leading to a higher CSM. The Life portfolio saw an increase in CSM due to portfolio developments that adjusted future cash flows following higher-than-expected claims during the reporting period. The favorable changes in the future cash flows were offset by unfavorable changes in the risk adjustment, driven by methodology and model changes.

The decrease in 2022 for Achmea of €271 million, is associated with unfavorable changes in the future cash flows of €236 million together with unfavorable changes in the risk adjustment of €35 million. The unfavorable changes in the future cash flows are caused by assumption changes related to expected inflation, mortality, expense and lapse assumptions. This was offset slightly by the portfolio development.

a.s.r. had a slight increase in the CSM of €61 million due to changes in fulfilment cash flows related to future services in 2023. The increase was driven by favorable changes related to future cash flows of €283 million, which was offset by unfavorable changes in the risk adjustment of €222 million. The future cash flow changes are associated with the portfolio development which resulted in an update for the future cash flows due to higher-than-expected claims within the reporting period. Limited information is provided in relation to the rationale for the risk adjustment change.

For 2022, a.s.r. had a decrease in the CSM of €255 million for the changes in the fulfilment cash flows related to future services. The driver of the change is unfavorable changes in the future cash flows of €472 million, offset by €217 million favorable change in the risk adjustment. The unfavorable change in the future cash flows is related to exceptionally high inflation in 2022. In addition to the inflation change, the portfolio development caused by higher expected claims, compared to actual claims, also resulted in an unfavorable update of the future cash flows. The €217 million favorable change in the risk adjustment is mainly related to the GMM Life portfolio (amounting to an impact of €221 million). In 2022, the GMM Life portfolio had favorable changes which decreased the risk adjustment for profitable groups of insurance contracts (therefore impacting the CSM). At the same time, there were offsetting unfavorable changes of €193 million on the onerous groups of insurance contracts, resulting in an increase in the risk adjustment (not adjusting the CSM).

In 2023, the decrease in the CSM for Athora Netherlands is driven by the unfavorable changes in the future cash flows of €246 million together with unfavorable changes in the risk adjustment of €13 million. The change in the future cash flows that adjust the CSM are mainly driven by non-market assumption changes, operating experience variance and model changes. Furthermore, operating expense assumptions shifted from shorter duration to longer duration products, resulting in an unfavorable change in the present value of future cash flows.

The favorable change in fulfilment cash flows impacting the CSM for Athora Netherlands in 2022, is associated with the large increase in the risk adjustment of €440 million. Due to the accounting policy choice by Athora Netherlands not to disaggregate financial and non-financial risk changes, the CSM is adjusted for economic assumptions that impact the risk adjustment. The increase in the discount rates in 2022 impacted the discounted risk capitals, and therefore resulted in a decrease in the risk adjustment at the end of 2022. The decrease in the risk adjustment results in an increase in the CSM. The risk adjustment change in 2022 is offset by €185 million in unfavorable changes to the future cash flows. The change in the future cash flows is driven by economic changes linked to the unit-linked funds, resulting in lower future claim payments as a result of the lower returns in the reporting period. Both the CSM and the future cash flows decreased, with the change in the returns impacting both the policyholder's share in terms of future claim payments, and a change in the entity's share in the form of asset management charges.

In both 2023 and 2022, Nationale Nederlanden had a positive CSM adjustment for the changes in the fulfilment cash flows related to future services. In 2023, the increase was mainly driven by favorable developments in the risk adjustment, linked to model changes made to Nationale Nederlanden's Partial Internal Model used for the SCR calculation, namely relating to market risk aggregation, non-market risk aggregation and group income business. The favorable future cash flow change in 2023 is partly associated with the portfolio development that is related to higher actual claims compared to expected claims.

In 2022, the CSM increased by €589 million for the changes in the fulfilment cash flows related to future services. This was driven by future cash flow changes of €307 million, as well as favorable risk adjustment changes impacting the CSM equal to €282 million. The majority of the change (i.e. €538 million) is driven by the Life portfolio. Limited information is disclosed in relation to the changes to the Life portfolio in 2022.

CSM release

For the analysis of the CSM release, refer to the **Appendix C. Deep dive – Profit and loss**, where the CSM release is analyzed and discussed in detail.

Risk adjustment

Risk adjustment in IFRS 17 reflects a provision for the uncertainty and non-financial risk inherent in fulfilling insurance contracts. Unlike IFRS 4 (where a prudency margin was included), IFRS 17 requires insurers to include a risk adjustment component when measuring insurance liabilities, ensuring that the reported values reflect the compensation an entity requires for bearing the uncertainty about the amount and timing of cash flows arising from non-financial risk. These risks include insurance risks such as underwriting and reserving, expense risk, and lapse risk.

The concept of risk adjustment in IFRS 17 shares similarities with the risk margin in Solvency II, as both aim to capture the inherent risk in insurance liabilities and are calculated by applying the cost of capital approach. For the purpose of determining the risk margin, the cost of capital rate is prescribed and operational risk is included (for the risk adjustment, operational risk is not considered).

Including the risk adjustment in the valuation also ensures that the insurer maintain adequate reserves to cover potential losses in fulfilling their obligations to policyholders. It provides a ‘cushion’ against adverse events, ensuring that insurers’ valuation of insurance contracts reflect the uncertainty in respect of the non-financial risks that they bear.



Although IFRS 17 does not prescribe the method to be used in determining the risk adjustment, all of the in-scope insurers make use of the cost of capital approach.

In applying the cost of capital approach, the risk adjustment is determined as the discounted value, for the lifetime of the contracts, of the projected capital requirements, multiplied by a cost of capital rate. Additionally, IFRS 17 allows diversification to be considered in determining the risk adjustment, provided that the diversification benefits are included in the compensation required by the entity.

Consistent with changes in the present value of future cash flows, the risk adjustment is adjusted from opening to closing balance. The risk adjustment is adjusted for the impact from:

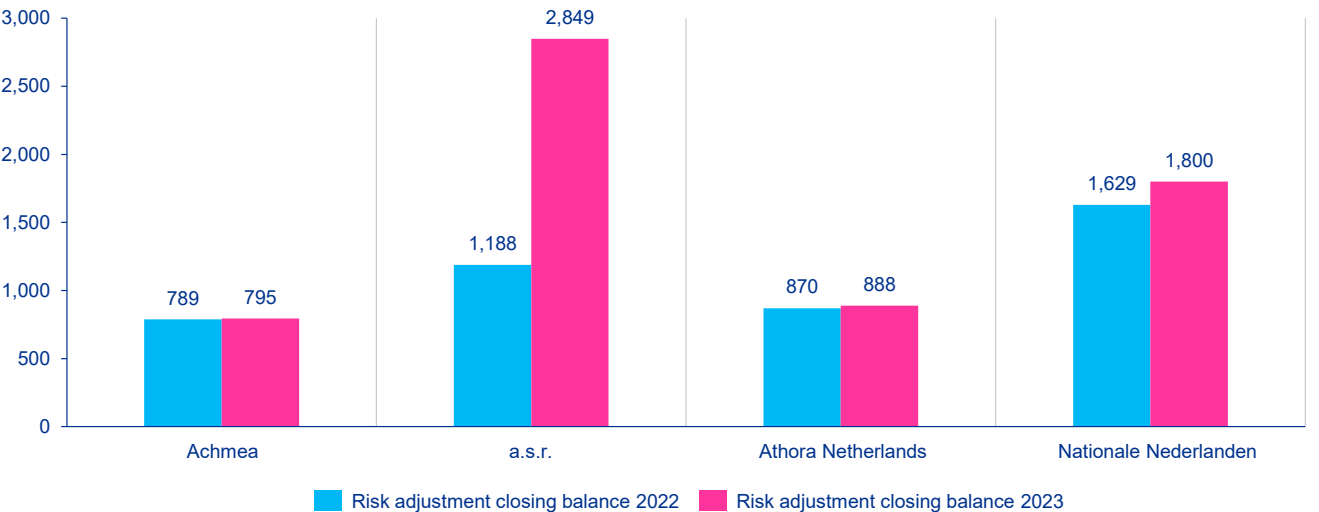
- (i) new contracts or acquisitions;
- (ii) unwinding of the discount curve used to discount the risk capitals;
- (iii) release of the risk adjustment related to the risk for the current reporting period; and
- (iv) changes in the risk adjustment as a result of operating variances or assumption changes.

Insurers have an accounting policy choice on whether to disaggregate changes in the risk adjustment between financial and non-financial risks.

If an insurer disaggregates the financial and non-financial risks, the unwinding of the discount curve from discounting the projected risk capitals will be included within the insurance finance income and expenses. In this scenario, the changes in the risk adjustment adjusting the CSM are determined by using locked-in financial assumptions with the changes in financial assumptions included in the insurance finance income or expense.

If no disaggregation is applied, the impact from unwinding is included as part of the release of the risk adjustment. In this scenario, the changes in the risk adjustment adjusting the CSM are determined by using current assumptions (also for the financial assumptions).

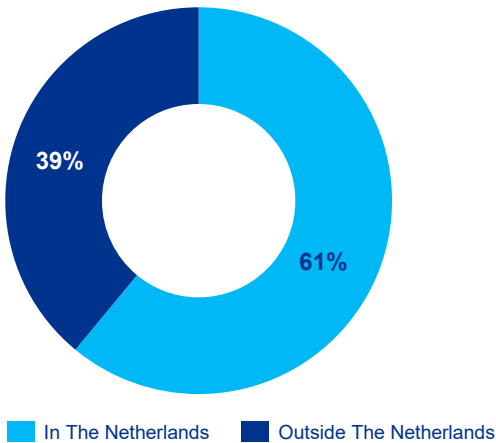
Graph 58: Risk adjustment closing balance for in-scope insurers, 2022-2023 (in millions of Euros)



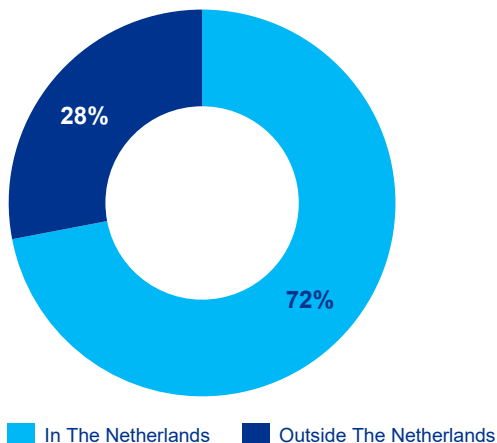
In 2023, the closing risk adjustment reported by the in-scope insurers rose from €4,476 million to €6,332 million, reflecting a 41.5% increase. The largest increase is attributable to the a.s.r.'s portfolio as a result of the acquisition of Aegon Netherlands, which contributed to €1,592 million in additional risk adjustment at the acquisition date.

Nationale Nederlanden reported a closing risk adjustment of €1,800 million in 2023 and €1,629 million in 2022, therefore an increase of 10.50%. The risk adjustment balance consists of the Nationale Nederlanden insurance business within the Netherlands (61% in 2023 and 72% in 2022), as well as other international business outside of the Netherlands (39% in 2023 and 28% in 2022).

Graph 59: Breakdown of the risk adjustment for Nationale Nederlanden, 2023 (in percentages)

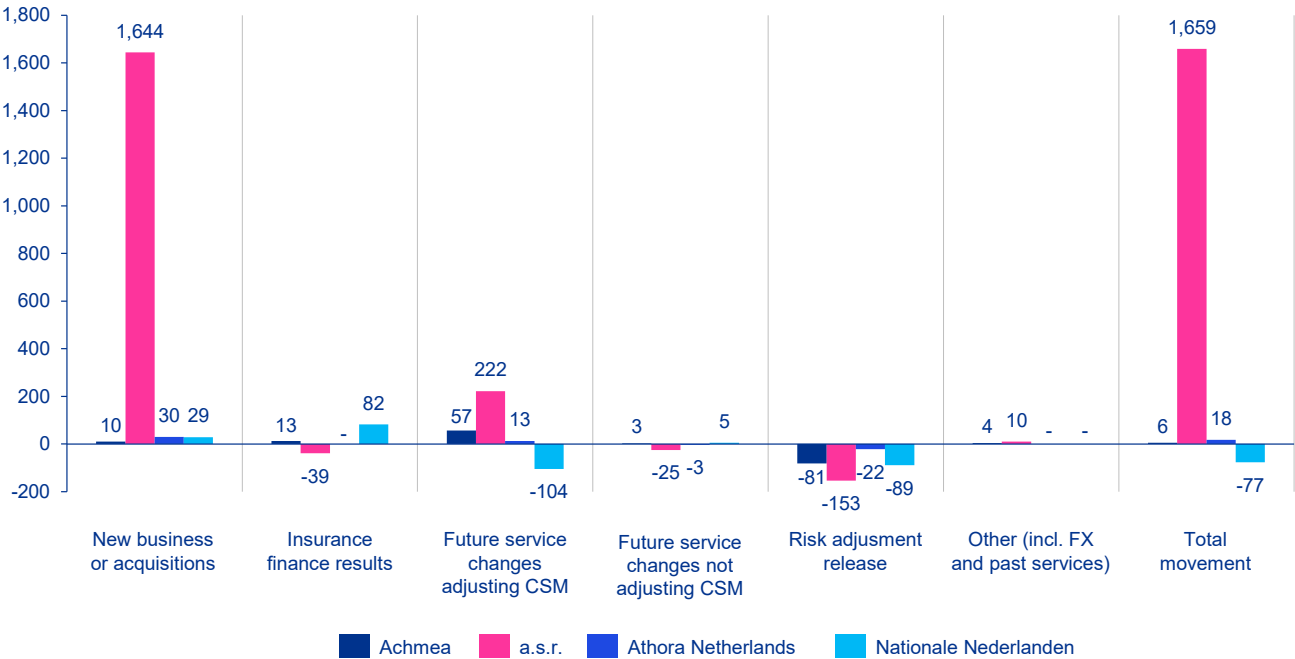


Graph 60: Breakdown of risk adjustment for Nationale Nederlanden, 2022 (in percentages)

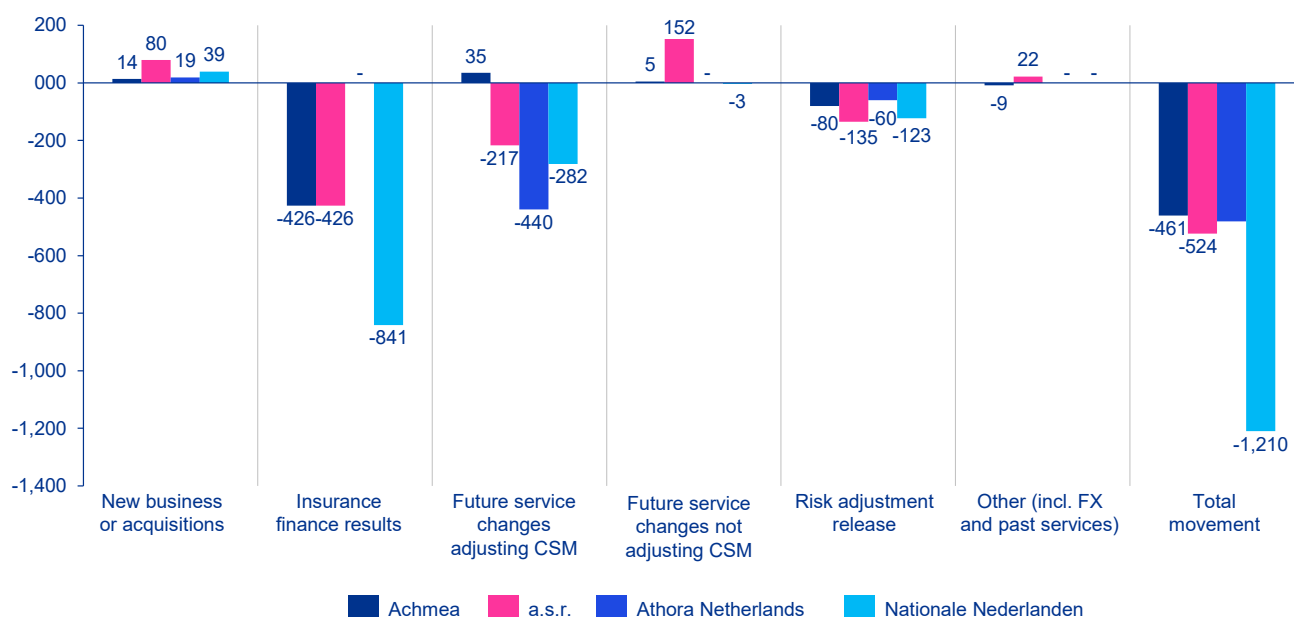


The risk adjustment for Athora Netherlands and Achmea is stable year-on-year with both increasing slightly in 2023 compared to 2022.

Graph 61: Risk adjustment development for in-scope insurers, 2023 (in millions of Euros)



Graph 62: Risk adjustment development for in-scope insurers, 2022 (in millions of Euros)



A more detailed analysis is performed below for each of the categories making up the movement in the risk adjustment:

New business or acquisitions

The risk adjustment generated from Achmea's new business is consistent across 2022 and 2023, with a slight decrease in 2023.

a.s.r.'s risk adjustment has been significantly impacted through the acquisition of Aegon Netherlands in July 2023. The acquisition resulted in an additional risk adjustment of €1,592 million at the acquisition date. When considering the risk adjustment from new business issued (i.e. other than the acquisition of Aegon Netherlands), the risk adjustment on the new business amounted to €52 million in 2023 compared to €80 million in 2022. The lower risk adjustment is mainly driven by the lower risk capitals, caused by the increase in the discount rate between 2022 and 2023 (positively impacting the CSM generated from the new business as set out in the section **Contractual Service Margin**).

In 2023, Athora Netherlands has an €11 million increase in the risk adjustment related to new business compared to 2022. This is partly driven by the acquisition of the closed pension plan of employees from Onderlinge Levensverzekering-Maatschappij 's-Gravenhage and of the Levensverzekeringsmaatschappij de Hoop in August 2023. It is expected that this would be offset by the lower risk capitals caused by the increase in the discount rate between 2022 and 2023.

Nationale Nederlanden had a decrease of €10 million in the risk adjustment related to new business in 2023 in comparison to 2022. The lower risk adjustment is mainly driven by the lower risk capitals caused by the increase in the discount rate between 2022 and 2023.

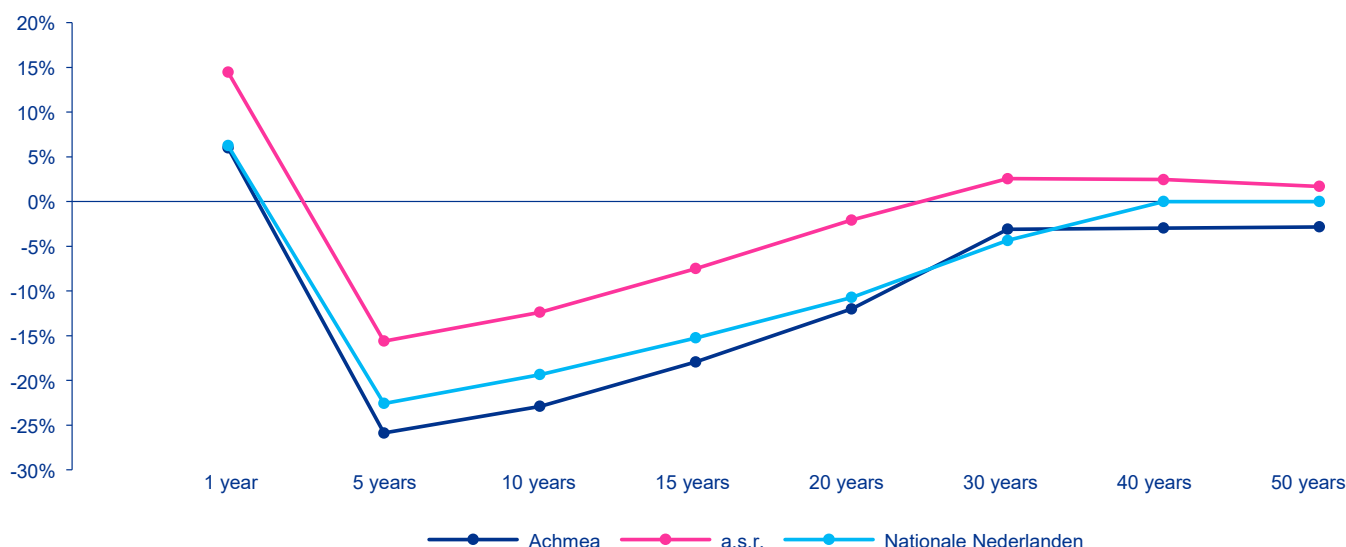
Insurance finance results

Athora Netherlands does not disaggregate the change in the risk adjustment between the insurance service result and insurance finance income or expenses, and thus does not separately present insurance finance result for the risk adjustment. The other insurers have applied the accounting policy choice to disaggregate the financial risks, thus the discounting effect is presented in the insurance finance results.

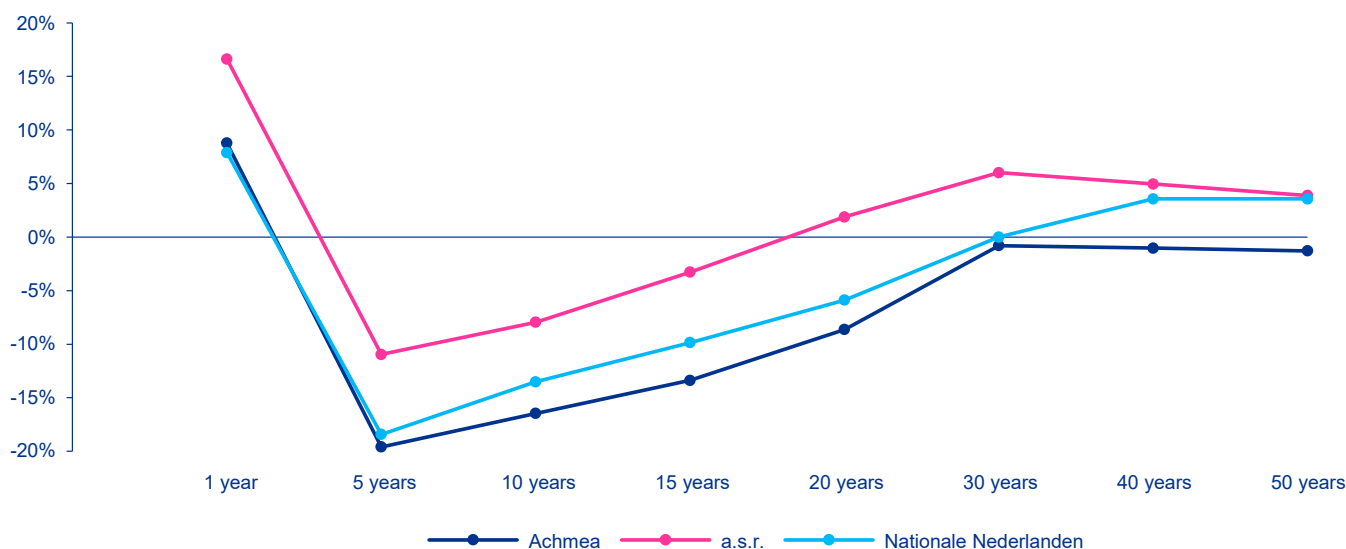
The in-scope insurers who disaggregate the financial and non-financial risks, had significant negative finance results in 2022, as a result of the increase in the discount rates during 2022. For Athora Netherlands, this impact is not taken to the insurance finance result within the P&L statement, but instead to the CSM development. Nationale Nederlanden had the largest impact in 2022 of €841 million, of which €785 relates to the Life portfolio. Both Achmea and a.s.r. reported a negative finance result of €426 million in 2022, driven by the Life portfolios for both insurers.

In 2023, the impact of the insurance finance result on the risk adjustment was smaller for all of the in-scope insurers, when compared to the 2022 results explained above. The impact across the insurers is different, driven by the development of the discount rates from 2022 to 2023.

Graph 63: Change in the liquid discount curves for the Life portfolios (excl. Athora Netherlands), 2023 (in percentages)



Graph 64: Change in the illiquid discount curves for the Life portfolios (excl. Athora Netherlands), 2023 (in percentages)



Based on Graph 31 and Graph 32, a.s.r. has higher increases and lower decreases in the discount curves in comparison to Nationale Nederlanden and Achmea. This explains the lower insurance finance results on the risk adjustment in 2023 for a.s.r. compared to the other insurers.

Nationale Nederlanden has a bigger insurance finance result impact on the risk adjustment in 2023, as a result of having on average smaller increases and bigger decreases in the discount curve compared to a.s.r.

The change in the curve for Achmea is consistent to that of Nationale Nederlanden, in terms of the relative size of the changes in the discount curves. As a percentage of the closing risk adjustment balance, the impact for Achmea is around 1.64% whereas Nationale Nederlanden has an impact of approximately 7.23%. This difference could be driven by the fact that the Achmea amount also includes foreign currency differences, which can be separated from the other interest accretion and other financial risk changes, such as the discount rate changes.

Changes related to future service (including assumption changes)

For the analysis of the changes in the risk adjustment related to future services that affect CSM, refer to the section **Financial performance analysis - CSM**, where the risk adjustment change related to future services impacting the CSM is analyzed and discussed in detail.

Changes relating to future services not adjusting the CSM are small for the majority of the in-scope insurers, except for a.s.r, where the changes not impacting the CSM in 2022 amount to an increase in the risk adjustment of €152 million. On closer inspection, the key driver of the change is related to the GMM Life portfolio. In 2022, the GMM Life portfolio had favorable changes that decreased the risk adjustment for profitable groups of insurance contracts (therefore impacting the CSM). At the same time, there were offsetting unfavorable changes of €193 million on the onerous groups of insurance contracts, resulting in an increase in the risk adjustment (not adjusting the CSM).

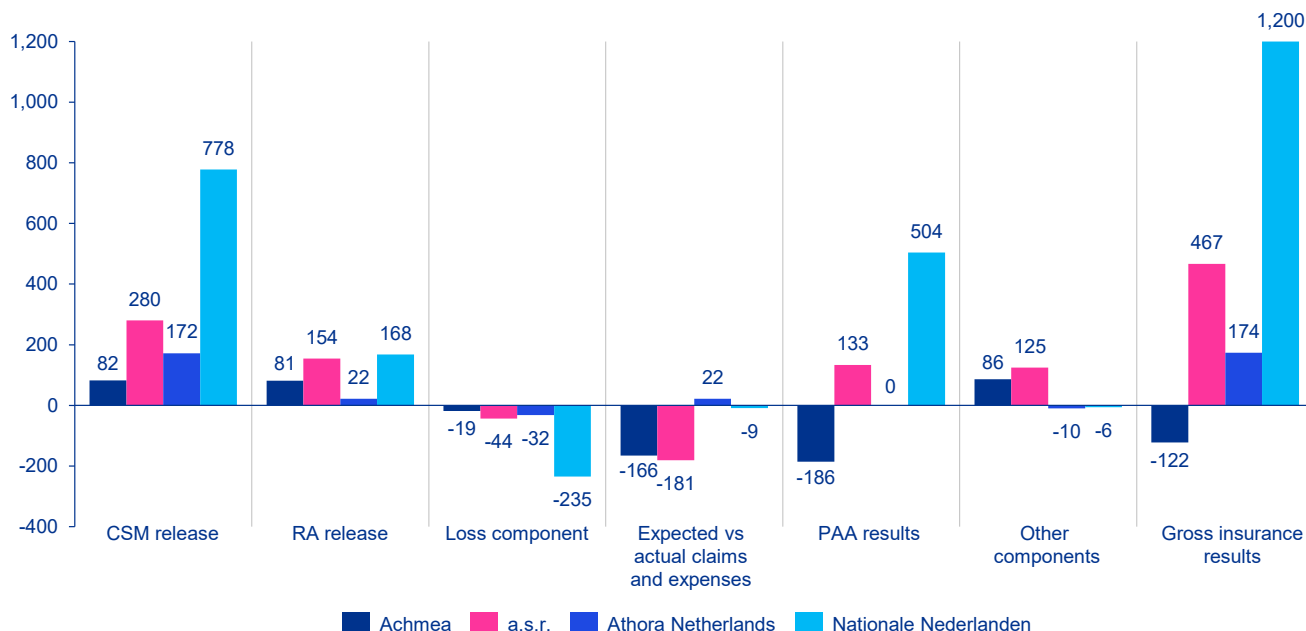
Risk adjustment release

For the analysis of the risk adjustment release, refer to the section **Appendix C. Deep dive – Profit and loss**, where the risk adjustment release is analyzed and discussed in detail.

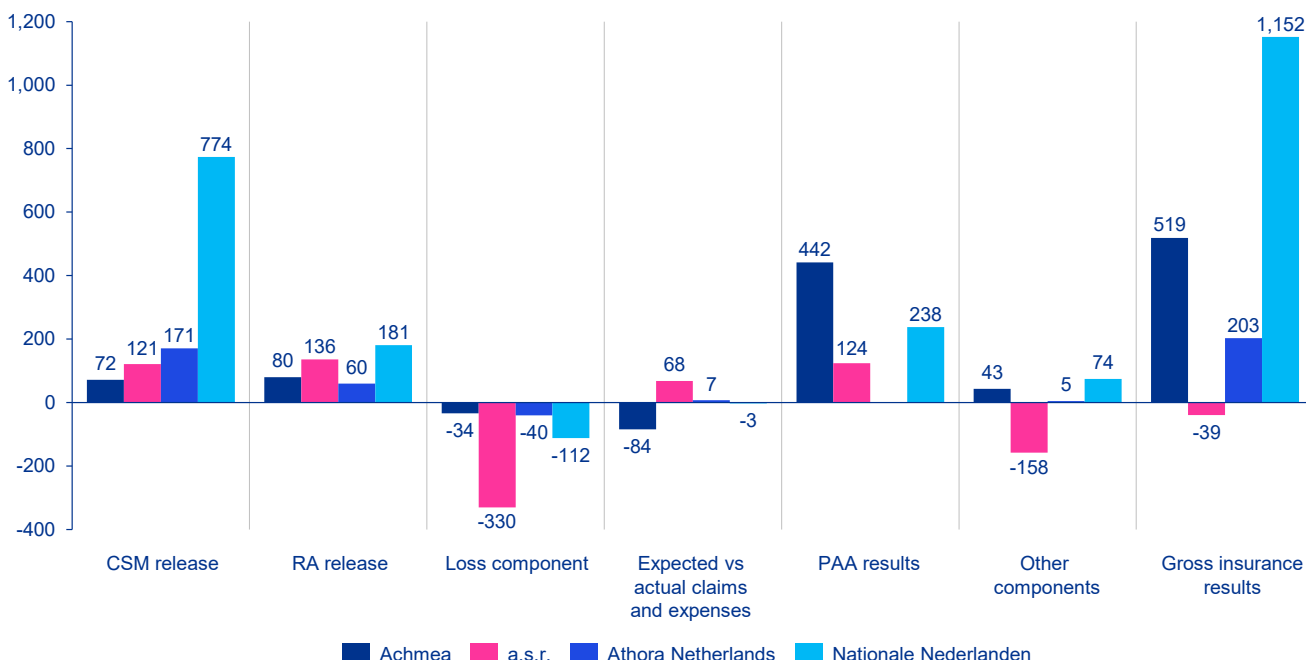
Appendix C. Deep dive – Profit and loss

This appendix presents an in-depth analysis of the components of the insurance service result, focusing on the key trends and drivers observed during 2023 and 2022.

Graph 65: Insurance service result (excluding reinsurance), 2022 (in millions of Euros)²⁴



Graph 66: Insurance service result (excluding reinsurance), 2022 (in millions of Euros)²⁷



²⁴ The loss component relates to future services on GMM and VFA contracts, i.e. excluding the systematic allocation. The systematic allocation forms part of the expected versus actual claims and expense analysis and will have a zero impact on the gross insurance result.

When exploring the key drivers of insurance result components, a distinction will be made between GMM/VFA measurement and PAA measurement, given its different impact on the insurers' P&L.

Analysis of key insurance service result (excluding reinsurance) drivers

This section will describe the analysis performance on the key drivers of the insurance service result, as follows:

(i) For GMM and VFA contracts:

- a. CSM release (component of insurance revenue)
- b. risk adjustment release (component of insurance revenue)
- c. recognition and reversal of losses on onerous groups of contracts (component of insurance service expense)
- d. actual incurred versus expected claims and attributable expenses - excluding non-distinct investment components (component of both insurance revenue and insurance service expense)
- e. other causes (e.g. premium experience adjustments and adjustments for prior period claims)

(ii) For PAA contracts:

- a. earned premiums (component of insurance revenue)
- b. incurred claims and attributable expenses (component of insurance service expense)
- c. recognition and reversal of losses on onerous groups of contracts (component of both insurance revenue and insurance service expense)
- d. insurance acquisition cash flows (component of insurance service expense)

GMM and VFA contracts

CSM release

The release of the CSM over the coverage period (see Glossary) is based on the coverage units applied by the insurers. The coverage units must ensure that the CSM release is reflective of the insurance contract services provided in the respective reporting period. IFRS 17 allows judgment to be applied in determining the coverage units, as differences in characteristics of contracts could impact the coverage units applied by the insurers.

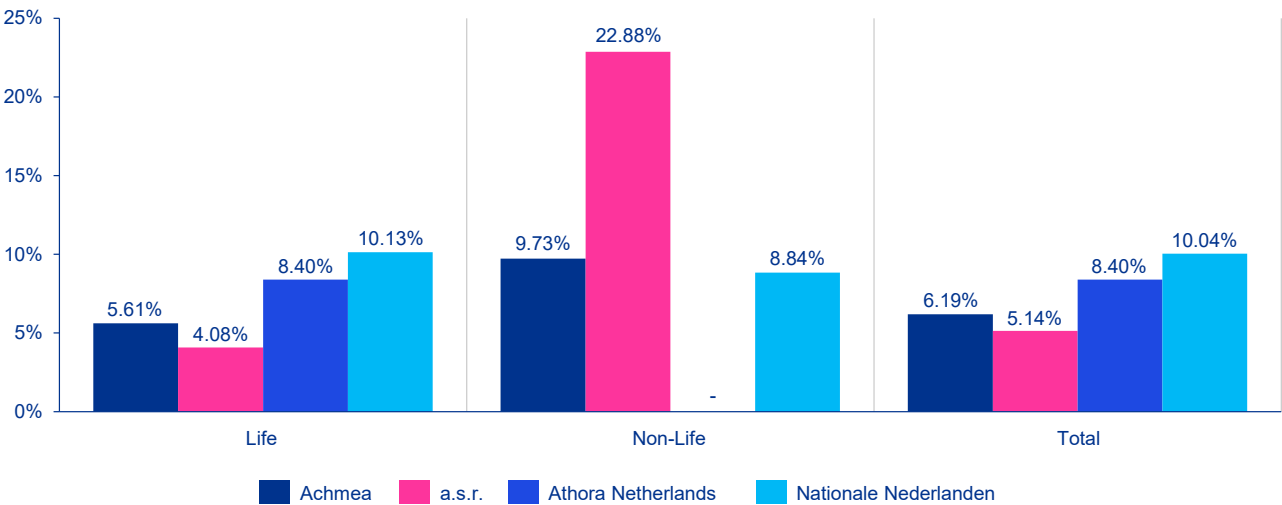
Overall, the CSM release across the insurers has remained relatively stable year-on-year. The only insurer for which there has been a notable shift in the CSM release is a.s.r., where the CSM release increased by €159 million in 2023 compared to 2022. This is attributed mainly to the Aegon Netherlands acquisition for which the CSM balance increased by €3,276 million.

In analyzing the CSM release percentage as a proportion of the CSM balance prior to the release, a split is made between the Life portfolios versus Non-Life portfolios, because:

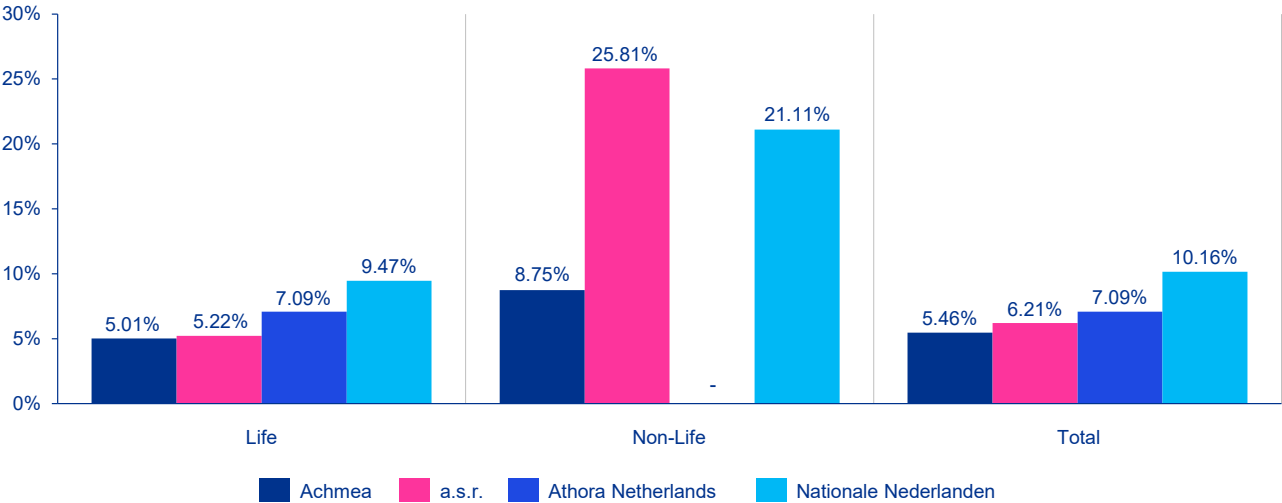
Athora Netherlands does not have a Non-Life portfolio, therefore the results might be skewed when comparing across the insurers.

The Non-Life insurance portfolio measured applying GMM tend to have shorter coverage periods and therefore also a short duration over which the CSM is released. Furthermore, included in the Non-Life portfolio is disability insurance, for which the insurers applied different accounting policy choices in respect of the accounting for future claims following the first insured event (i.e. the LRC vs LIC option). This impacts the CSM release, since the short coverage period of the LIC option results in a higher release compared to the LRC option.

Graph 67: CSM release as percentage of the CSM balance before release, 2023 (in percentages)



Graph 68: CSM release as percentage of the CSM balance before release, 2022 (in percentages)



The CSM release as a percentage of the CSM balance before release for the Life portfolio at a.s.r. has decreased in 2023 when compared to the previous year, despite an increase in the actual amount released. This is primarily due to the Aegon Netherlands acquisition that happened midway through the year and only contributed to a 6-month CSM release. To provide a more comparable assessment, the CSM balance is adjusted to account for this fact, resulting in an amended CSM release percentage of 5.91% for the Life portfolio in 2023, which is more comparable to the CSM release percentage for Achmea Life in 2023 of 5.61%.

The a.s.r. Non-Life portfolio has a consistent CSM release year-on-year. The Non-Life CSM is expected to mostly relate to the disability insurance, for which a.s.r. applies the LIC approach when measuring the insurance risk consequent to an incurred claim. As a result of the LIC approach, the coverage periods for the contracts are shorter, resulting in a higher expected release percentage compared to if the LRC option was applied (as is the case for Nationale Nederlanden). The 2023 CSM release for a.s.r. is higher than that of Nationale Nederlanden.

Both the Achmea Life and Non-Life portfolios have a consistent CSM release percentage year-on-year. The release is consistently slightly lower than the other insurers for both 2022 and 2023.

Nationale Nederlanden Life portfolio has a higher CSM release as percentage of the CSM balance before release than other insurers in both 2022 and 2023. However, upon further investigation, it was identified that the higher CSM release is primarily linked to the international Life insurance business conducted outside of the Netherlands (Graph 69). When focusing only on the Netherlands insurance business, Nationale Nederlanden's Life portfolio's CSM release in 2022 and 2023 is more comparable to the release from Achmea and a.s.r.'s Life portfolios in the same period (6.04% and 5.62% versus 5.61% and 5.01%).

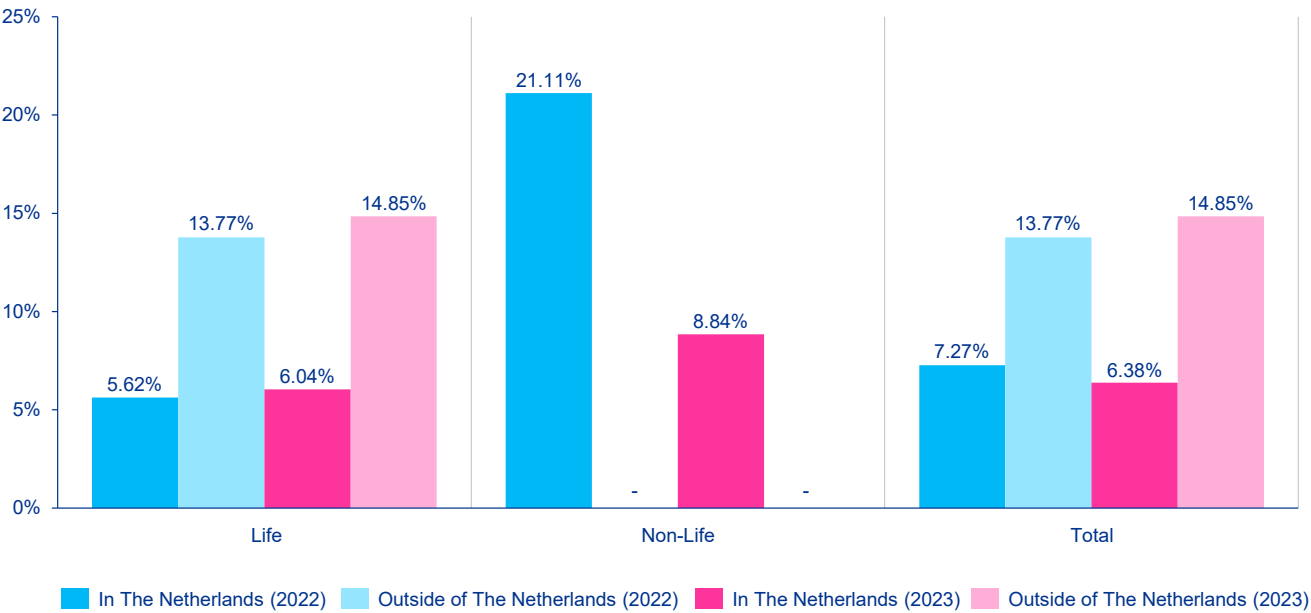
The CSM release for Nationale Nederlanden's Non-Life portfolio is significantly different when comparing the 2022 CSM release percentage to the 2023 CSM release percentage (8.84% in 2023 versus 21.11% in 2022). The Non-Life CSM release consists of €95 million in 2022 and €48 million in 2023. Nationale Nederlanden noted that there was a change to the CSM release pattern in 2023.

The Athora Netherlands' CSM release percentage of 8.40% is the highest CSM release percentage for the Life insurance business within the Netherlands (i.e. ignoring the international business of Nationale Nederlanden).

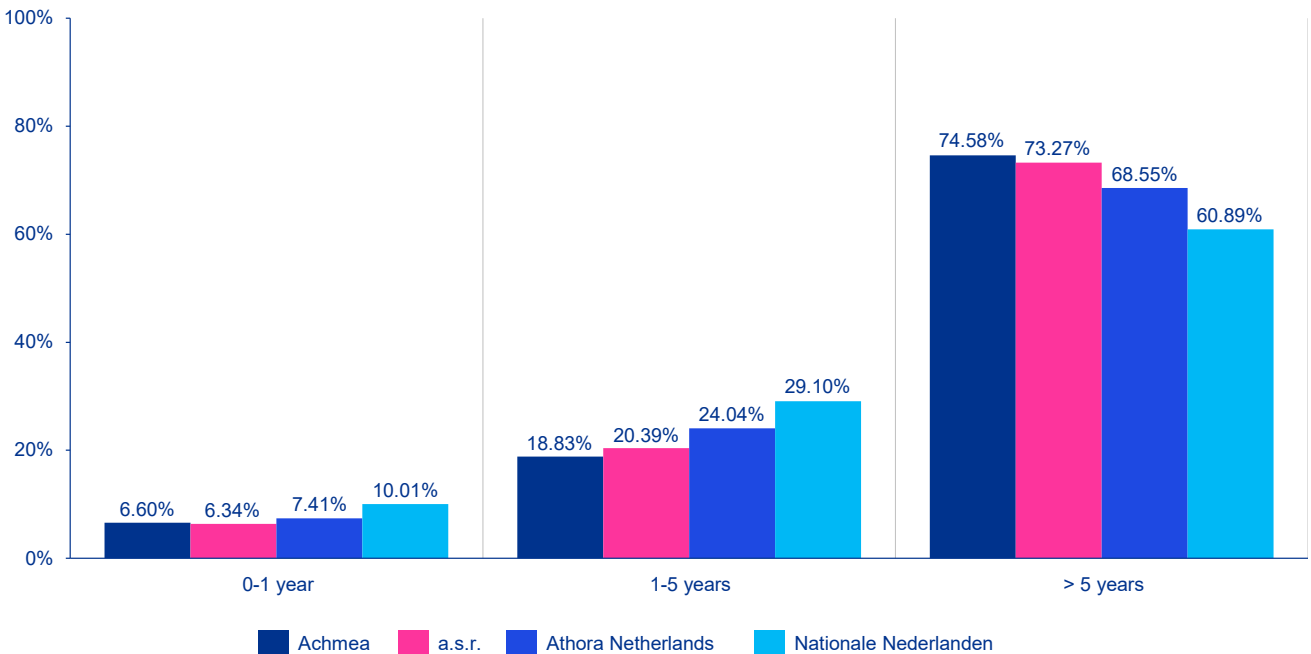
The higher Athora Netherlands CSM release in 2023 and 2022 compared to the other in-scope insurers, is consistent with the expected run-off pattern of the CSM balances.

As reflected in the graph below, Athora Netherlands have a higher release of the CSM towards the start of the policy term compared to the other insurers. This is especially true considering that the graph below is for the total Nationale Nederlanden portfolio (with the higher expected release for Nationale Nederlanden mainly being driven by the international business outside of the Netherlands).

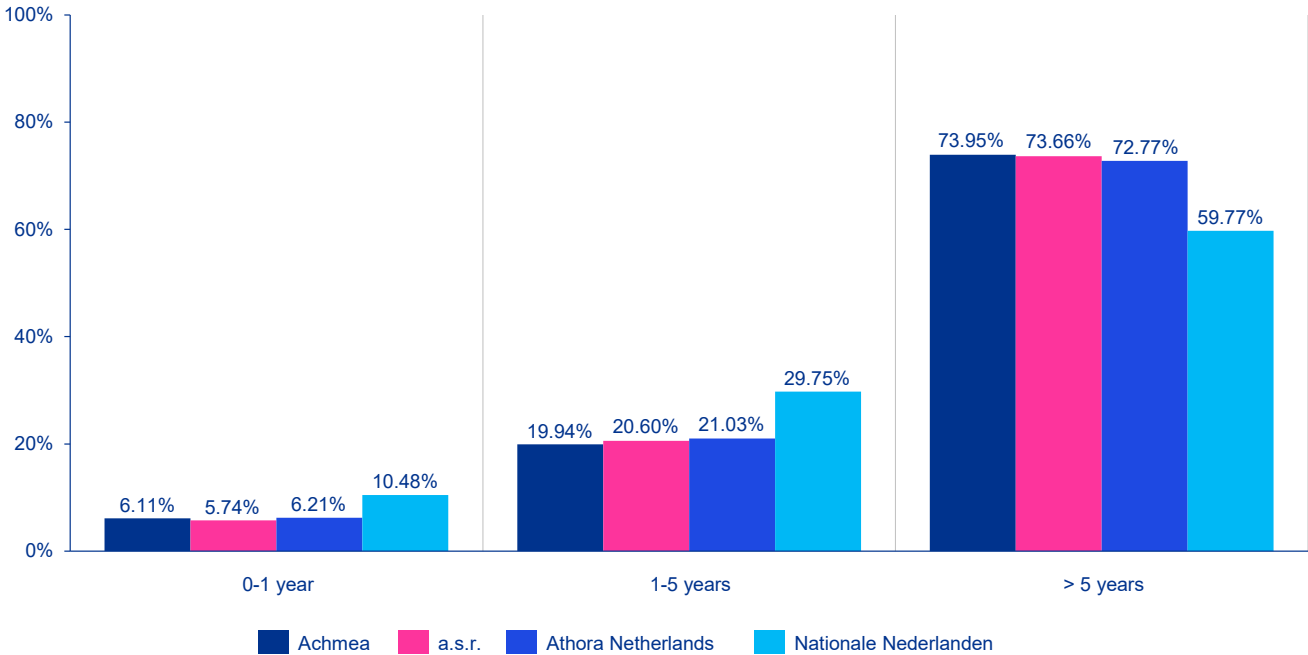
Graph 69: Breakdown of CSM release as a percentage of CSM balance before release for Nationale Nederlanden, 2022-2023 (in percentages)



Graph 70: Expected run-off pattern of the CSM balances as of December, 2023 (in percentages)



Graph 71: Expected run-off pattern of the CSM balances as of December, 2022 (in percentages)



Risk adjustment release

IFRS 17 does not specify the method to be used in determining the risk adjustment. As noted in the risk adjustment analysis, all insurers being analyzed in the report apply the cost of capital approach. Unlike the risk margin determination for Solvency II, IFRS 17 does not specify the cost of capital rate to be used in determining the risk adjustment when applying the cost of capital approach.

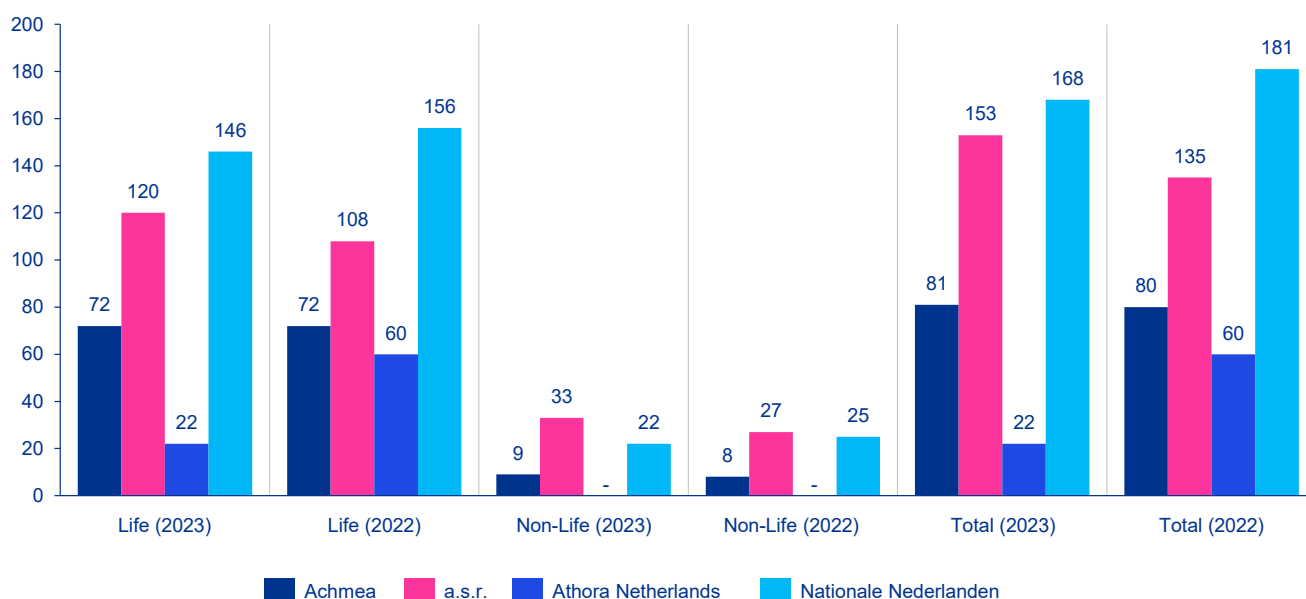
Using the cost of capital approach, the risk adjustment is determined as the discounted value, for the lifetime of the contracts, of the projected capital requirements or risk capitals multiplied by a cost of capital rate.

In determining the risk adjustment release, insurers have an accounting policy choice on whether to disaggregate changes in the risk adjustment between financial and non-financial risks. If an insurer applies disaggregation between financial and non-financial risks, then the release of the risk adjustment will not include the unwinding of the discount curve from discounting the projected risk capitals (instead this is included within the insurance finance income and expenses).

With the exception of Athora Netherlands, all in-scope insurers apply the disaggregation between financial and non-financial risks. Athora Netherlands does not apply disaggregation, resulting in:

- The inclusion of the unwinding of the discount curve from discounting the projected risk capitals within the risk adjustment release; and
- the adjustment of CSM with changes in the risk adjustment based on current assumptions, instead of locked-in financial assumptions, as is the case for the insurers that do not disaggregate.

Graph 72: Risk adjustment release disaggregated between Life and Non-Life portfolios, 2022-2023 (in millions of Euros)

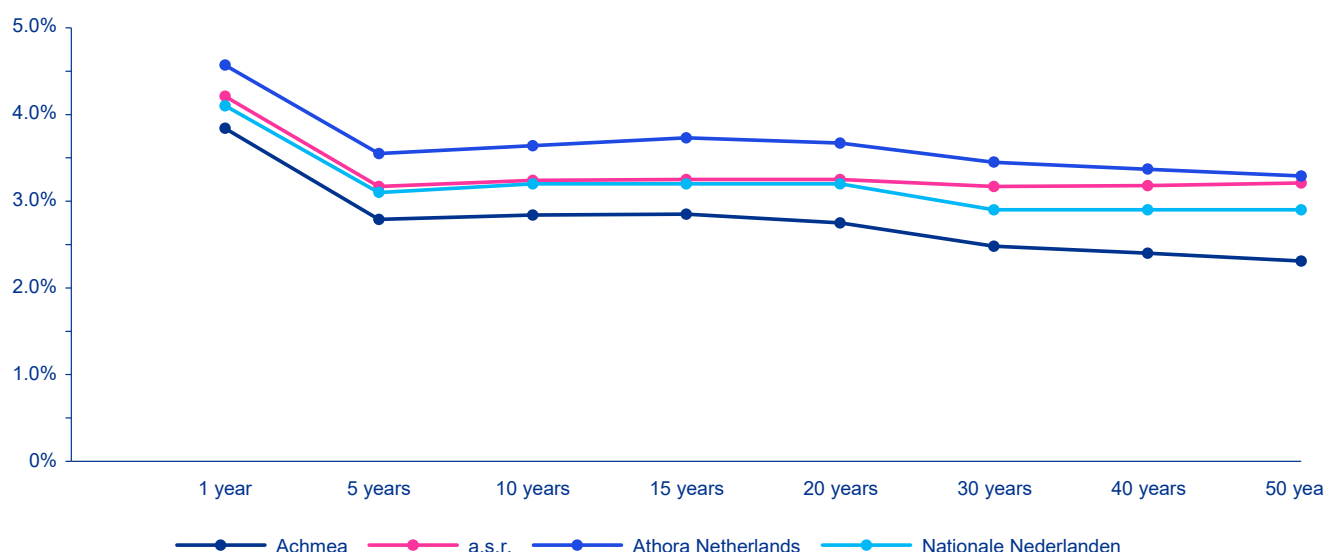


Overall, the risk adjustment release decreased by €32 million, from €457 million in 2022 to €424 million in 2023. The decrease in the Nationale Nederlanden risk adjustment release of €13 million, is offset by an increase in the risk adjustment release for a.s.r. of €18 million. The largest decrease in 2023 compared to 2022, is driven by Athora Netherlands and amounts to €38 million.

Achmea's risk adjustment release saw a slight rise in 2023, when compared to 2022. The same trend was reported by a.s.r., where despite the influence of the increase in the discount rate, there was an increase in the risk adjustment release attributed to the acquisition of Aegon Netherlands. This acquisition resulted in a €1,592 million increase in the risk adjustment, boosting the overall risk adjustment release for a.s.r. in 2023 in comparison to the previous year.

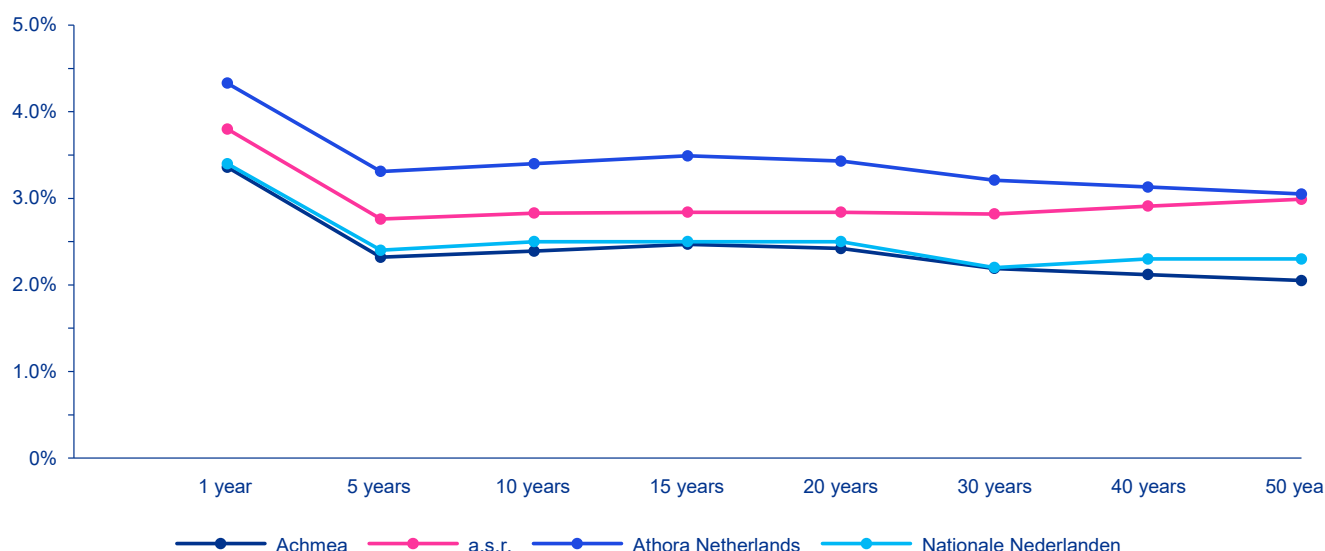
The reason for the decrease of the Nationale Nederlanden and Athora Netherlands risk adjustment release in 2023, is driven by the increase in the discount rates during 2022. The increase in the discount rate resulted in a decrease of the projected risk capitals and in a higher time value of money impact in discounting the projected risk capitals. These events contributed to a decline in the risk adjustment balance at the end of 2022, leading to a lower release of the risk adjustment in 2023. Having considered the discount curves, the Athora Netherlands discount curves have a higher illiquidity premium compared to the other insurers, possibly resulting in higher sensitivity in respect of the discount rate changes.

Graph 73: Illiquid discount curves for the Life portfolios, 2023 (in percentages)²⁵



²⁵ The discount curves were not disclosed for all maturities indicated above. Where specific maturities were not disclosed, the average rate between the available discount rates along the curve is used.

Graph 73: Illiquid discount curves for the Life portfolios, 2023 (in percentages)²¹



Losses and reversal of losses

IFRS 17 requires insurers to track the loss component for onerous groups of insurance contracts. Changes in respect of the fulfilment cash flows for onerous groups of insurance contracts will first adjust the loss component leading to a direct adjustment in insurance service expenses related to these changes. Losses from onerous contracts written within the reporting period will increase the existing loss component and will also be recognized immediately within insurance service expenses.

The loss component is also impacted by the systematic allocation of the release of the expected claims and attributable expenses, release of the risk adjustment and insurance financial income and expenses. The systematic allocation of the release of the claims and attributable expenses and release of the risk adjustment is included with the analysis of the expected versus actual claims and attributable expenses below.

The losses and reversal of losses comprise of:

- (i) new business: Losses related to onerous new business recognized within the reporting period; and/or
- (ii) changes in fulfilment cash flows related to future services for onerous groups of insurance contracts or that results in a loss component being established because the unfavorable change exceeds the CSM.

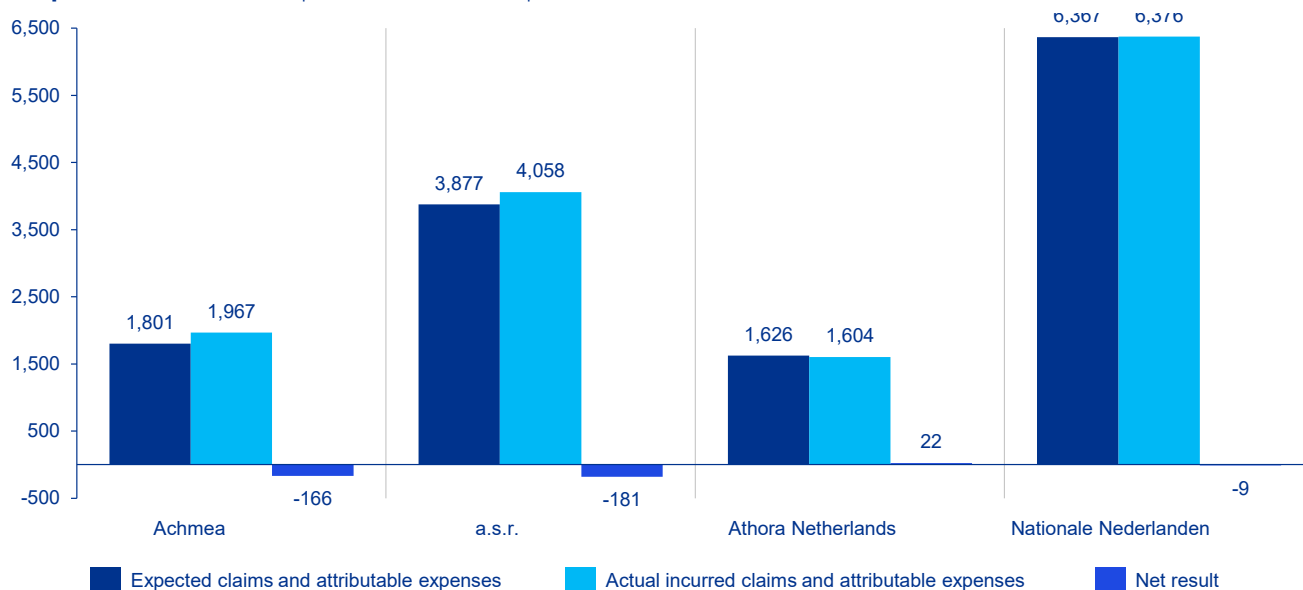
For the analysis performed on the losses and reversal of losses and systematic allocation, refer to the section **Loss component**.

Expected versus actual claims and attributable expenses

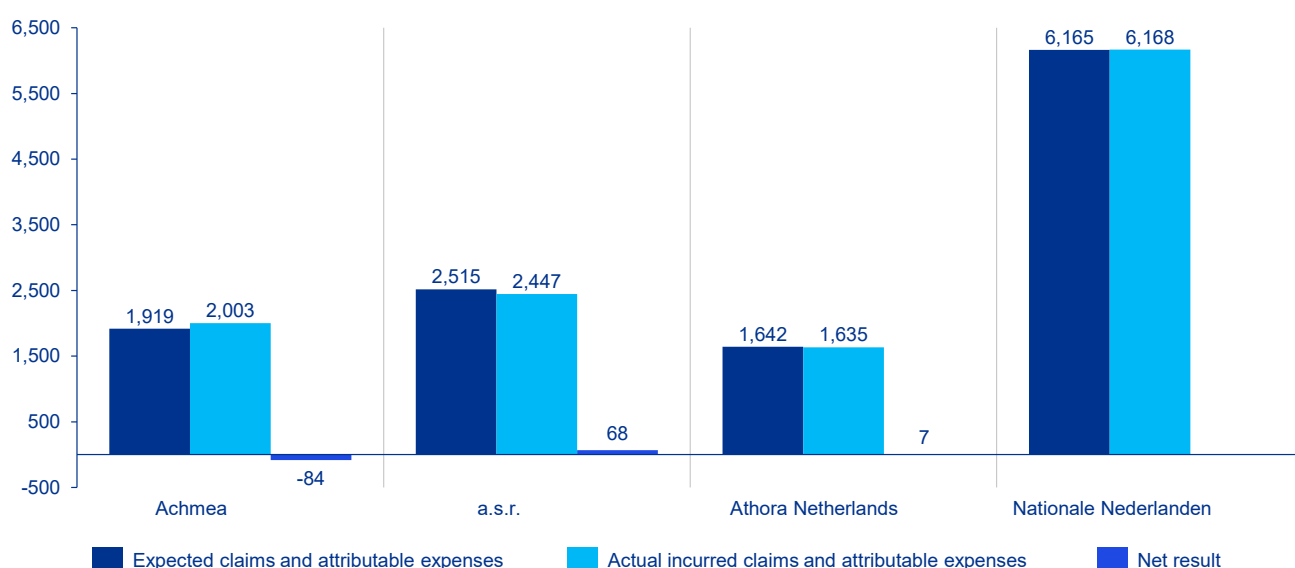
The release of the expected claims (excluding any non-distinct investment components – see Glossary) and expected attributable expenses is included within the insurance revenue component in the P&L statement, while the incurred claims (excluding any non-distinct investment components) and incurred directly attributable expenses contribute to the insurance service expenses. Therefore, the net of the expected versus actual incurred results will impact the insurance service results.

The comparison of the expected versus actual incurred claims and expenses provides insights in relation to the actual realization of the assumptions used within the insurance contract liability measurement for the reporting period. Any difference between the actual and expected results is considered within the operating experience variances for the future cash flow projections (e.g. lower actual deaths in the current reporting period compared to what was expected) results in an update of the expected future cash flows for the fact that more deaths will be expected as part of the future cash flow projections.

Graph 75: Actual versus expected claims and expenses, 2023 (in millions of Euros)



Graph 76: Actual versus expected claims and expenses, 2022 (in millions of Euros)



Based on the variances between the expected and actual claims and expenses of the in-scope insurers, Achmea and a.s.r. had the biggest variances. In 2023, both insurers had greater incurred claims and expenses compared to what they expected, resulting in a negative impact on their insurance service results.

In 2023, Achmea recognized actual incurred claims and attributable expenses that exceeded the expected claims and attributable expenses by €166 million. The Life insurance business contributed to €159 million of this impact. The large part of the impact is related to the agreement that Achmea reached in relation to the final settlement for customers with unit-linked insurance policies (i.e. the settlement related to Woekerpolis), which would not have been part of the expectations at the start of the reporting period. The reserve held for the settlement is included in the LIC as of 31 December 2023 and amounts

to €85 million. No additional insights are provided on the remainder of experience variance for 2023. In 2022, Achmea also had higher incurred claims and attributable expenses compared to the expected claims and attributable expenses, giving rise to a negative impact on the insurance service results.

In 2023, a.s.r. recognized actual incurred claims and attributable expenses of €181 million more than the expected claims and attributable expenses. The Non-Life portfolio measured applying GMM, contributed to €178 million of the difference between the expected versus actual claims and attributable expenses. Limited information is provided in the financial statements regarding the driver(s) of the experience noted. The acquisition of Aegon Netherlands could be a key driver in relation to the experience observed.

In 2022, the expected claims and attributable expenses for a.s.r. exceeded the actual incurred claims and attributable expenses by €68 million. The key driver of the experience is the Life portfolio, which contributed to €56 million. This is likely related to higher mortality results observed by a.s.r. in 2022.

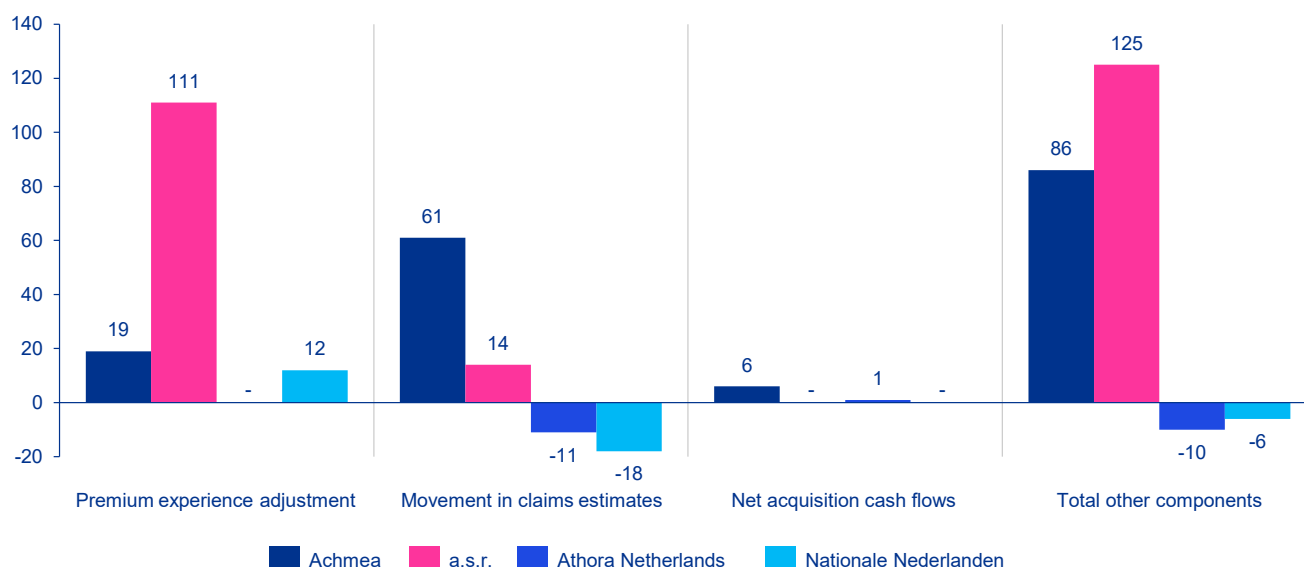
The lower variances reported by Athora Netherlands and Nationale Nederlanden indicate that, unless there were large offsetting impacts, expectations and assumptions were well aligned with what occurred during the period. Nationale Nederlanden has highlighted that there are small offsets resulting in overall stable experience variances observed.

Other components

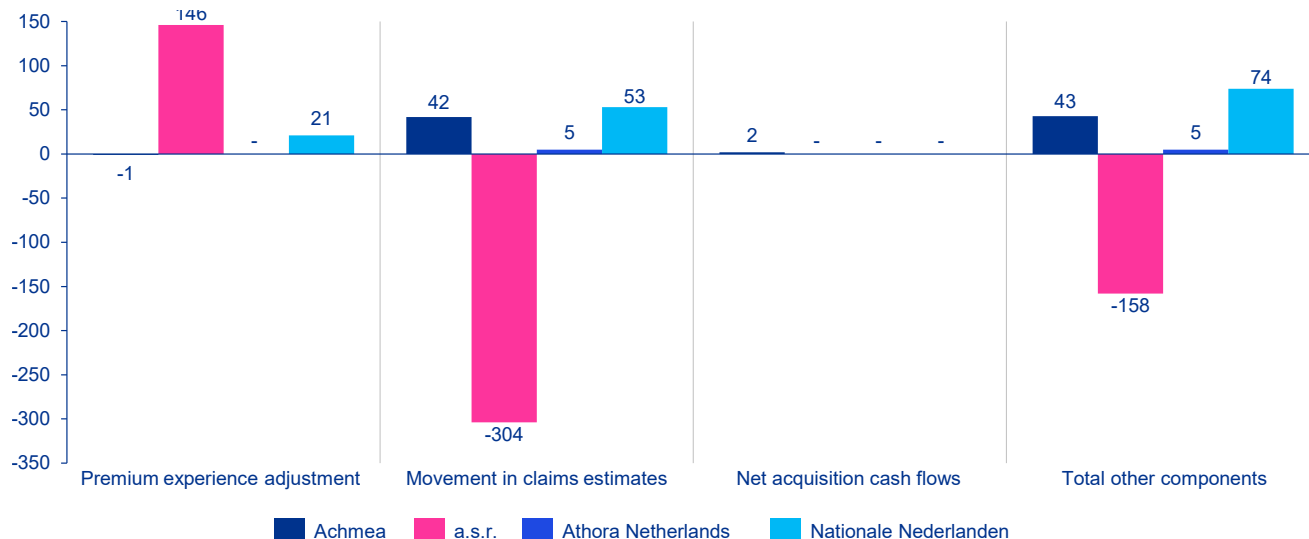
This section describes the other components impacting the insurance service result, which has not yet been discussed in any of the sections above. These other components include:

- (i) Premium experience adjustments: these relate to the difference between the expected and actual premiums within a reporting period which is not relating to future services.
- (ii) Movement in prior period claims: this relates to adjustments made to the LIC as a result of revising the expected obligation for claims that have already been recognized as incurred claims.
- (iii) Net acquisition cash flows: IFRS 17 requires revenue related to recovering insurance acquisition cash flows to be determined by allocating the portion of the premium that relates to recovering those cash flows to each reporting period in a systematic way based on the passage of time, with the same amount recognized as an insurance service expense. In other words, revenue and expenses are not recognized in profit or loss when the acquisition cash flows occur but are separately identified and recognized over the coverage period.

Graph 77: Other components included in the insurance service result, 2023 (in millions of Euros)



Graph 78: Other components included in the insurance service result, 2022 (in millions of Euros)



For Achmea the main driver of the other result in 2023 relates to the movement in claims estimates, which amounts to €61 million, with the Life portfolio contributing to €58 million. The Life portfolio is also the key driver of the €42 million movement in claims estimates in 2022. The €19 million premium experience adjustment is driven by both the Life portfolio and the Non-Life portfolio, amounting to €11 million and €8 million, respectively.

For both 2023 and 2022, a.s.r. had significantly higher premium experience adjustment compared to the other insurers. The premium experience adjustment relates mainly to the Non-Life portfolio (most likely the disability cover), consisting of €94 million for 2023 and €133 for 2022. In addition to the large premium experience adjustments, a.s.r. had a significant movement in claims estimates in 2022 amounting to €304 million. This is related to the Non-Life portfolio measured applying GMM, therefore related to the disability portfolio. While no additional information is disclosed to give further insight in relation to the change in the claims estimate, this is likely linked to the accounting policy choice by a.s.r. to account for future claims/benefits following an insured event within the LIC with any subsequent changes in the LIC being recognized immediately within the P&L.

The results from other components of the insurance service results are not significant for Nationale Nederlanden in 2023. In 2022, the impact is driven by the movement in claims estimates related mainly to the Insurance Europe portfolio (i.e. international business outside of the Netherlands).

For Athora Netherlands both the 2022 and the 2023 amounts are insignificant and no further analysis was performed in this regard.

PAA results

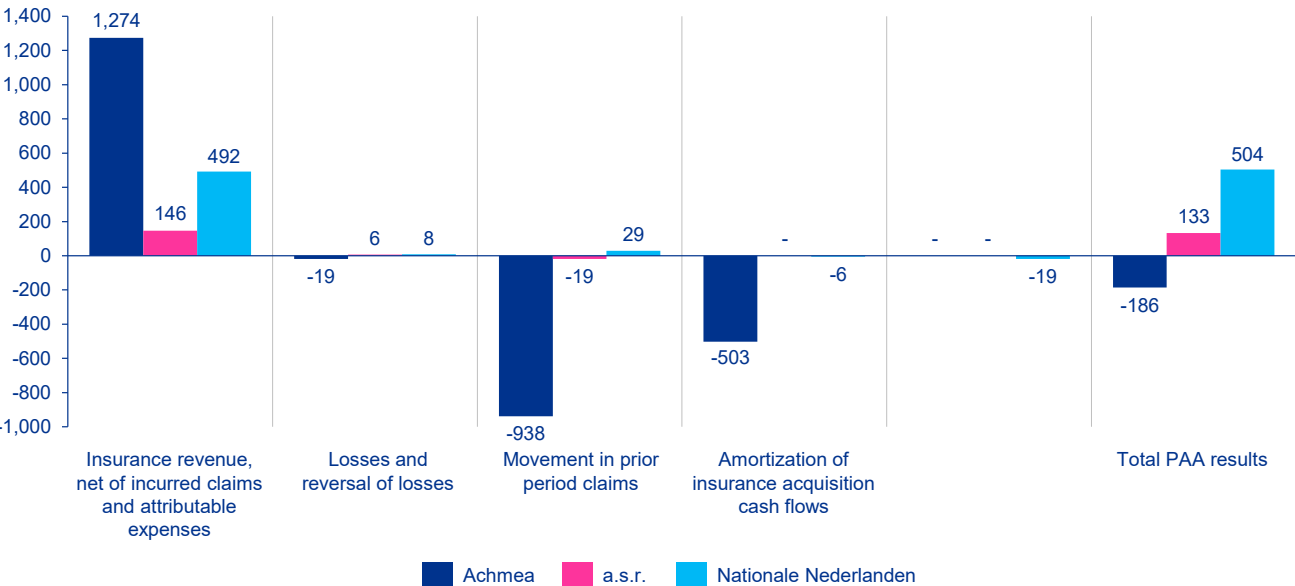
Generally, the PAA measures the liability for remaining coverage as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The PAA assumes that recognizing the contract's premium over the coverage period provides similar information and profit patterns to those provided by recognizing insurance contract revenue measured using GMM. Insurance revenue for the period is the amount of expected premium receipts allocated to the period (excluding the investment components and adjusted to reflect the time value of money and the effect of financial risk, if applicable). The allocation of insurance contract services to each period is based on the passage of time. However, if the pattern of the release of risk during the coverage period differs significantly from the passage of time, then the expected premium receipts are allocated to periods of coverage on the basis of the expected timing of incurred insurance service expenses.

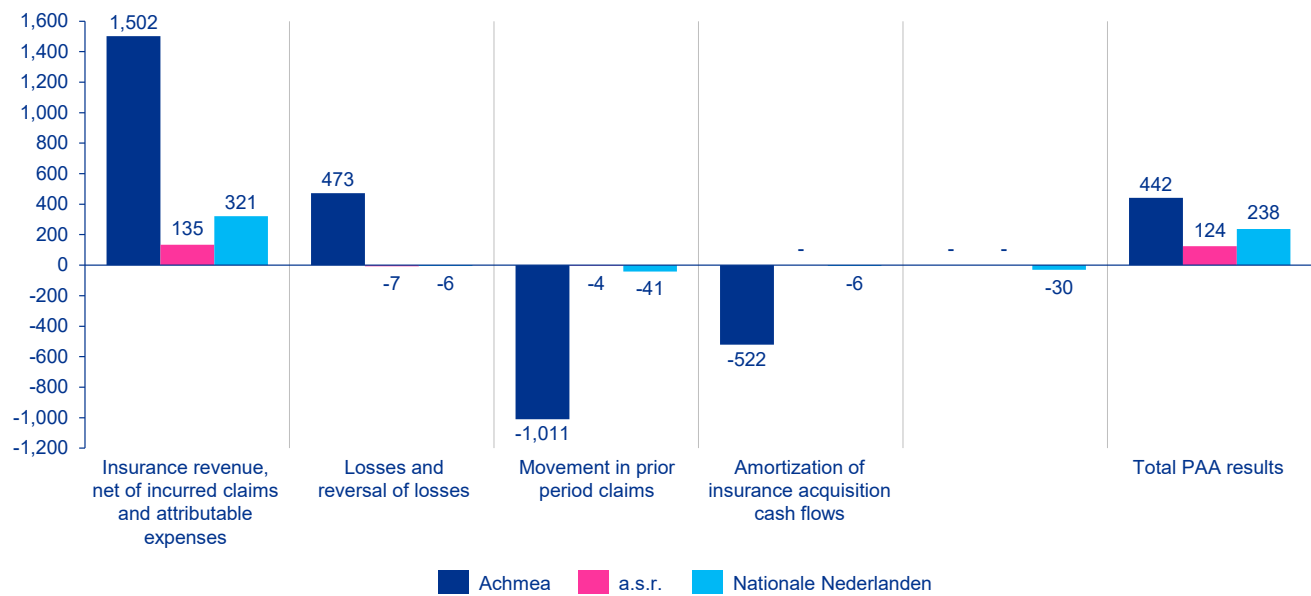
Consistent with GMM and VFA measurement, insurance service expenses consist of the actual claims and attributable expenses incurred within the reporting period, with any subsequent adjustments to the incurred claims accounted for as an adjustment directly within insurance service expenses. Furthermore, any insurance acquisition cash flow is either directly expensed within insurance service expenses or amortized over time into the insurance service expense.

If facts and circumstances indicate that a group of insurance contracts is onerous, the excess of the LRC (based on GMM requirements) over the LRC carrying amount (applying PAA), is recognized as a loss component and impacts the P&L statement immediately.

Graph 79: PAA results for the reporting period, 2023 (in millions of Euros)



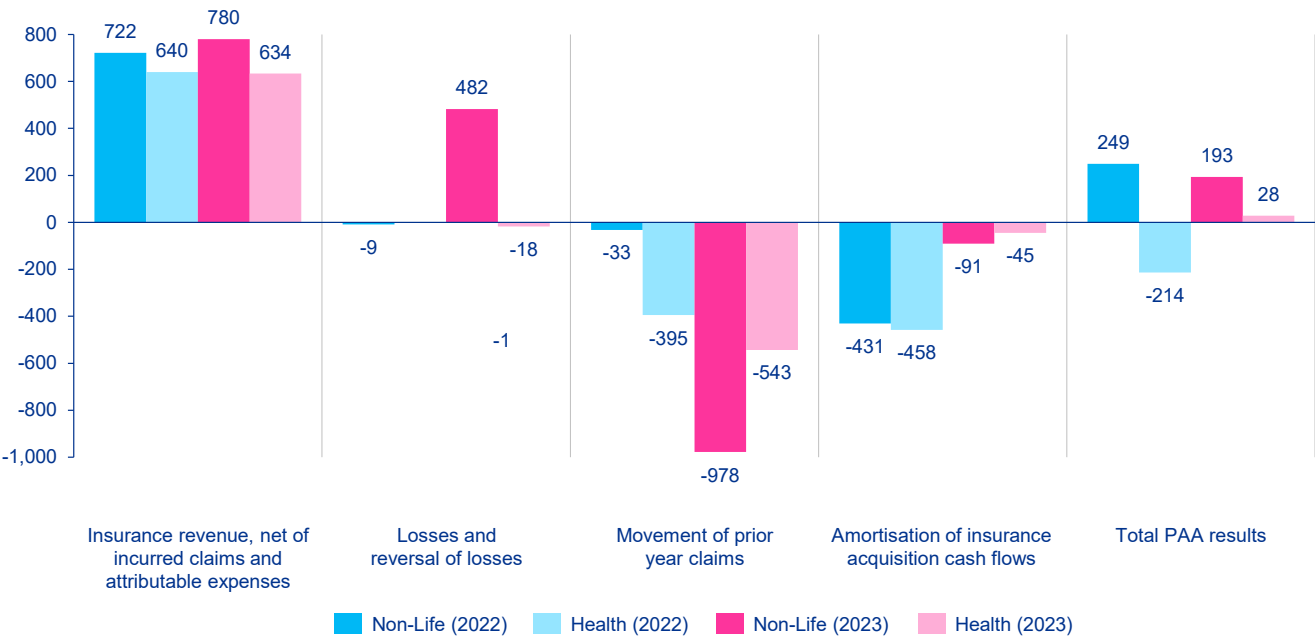
Graph 80: PAA results for the reporting period, 2022 (in millions of Euros)



The collective PAA results of the in-scope insurers declined from €804 million in 2022, to €451 million in 2023. The PAA results for the in-scope insurers differ significantly within each of the reporting periods and also across the reporting periods. Only a.s.r. has maintained stable year-on-year results for the PAA portfolio. Athora Netherlands does not have any contracts measured applying the PAA and therefore is not considered within the analysis below. In contrast, Achmea has the largest PAA portfolio when considering the insurance contract liabilities, making up approximately 18% of the total portfolio of Achmea.

Achmea maintained a constant insurance revenue, net of incurred claims and attributable expenses when comparing 2022 and 2023 results. The Achmea PAA results can be further broken down between the Non-Life portfolio and the Health portfolio as shown in the graph below.

Graph 81: Breakdown of the Achmea’s PAA results between the Non-Life and Health portfolios, 2022-2023
(in millions of Euros)



Both the Non-Life and the Health portfolio decreased in the PAA results in 2023 compared to 2022. The biggest shift in the Achmea PAA results is brought about by the Non-Life portfolio, which went from a profit in 2022 to a loss in 2023, following adjustments made to claim estimates of €395 million.

Although the Health portfolio contributed to a reduced PAA result, the €482 million favorable contribution to the PAA result from the reversal of the loss component in 2022, was balanced out by the lower adjustment made to claim estimates in 2023, as compared with the adjustment made in 2022. This reversal of the loss component was on the basic insurance packages and supplementary health insurance packages.

The PAA results for a.s.r. remained fairly stable year-on-year, increasing from €124 million in 2022 to €133 million in 2023.

Nationale Nederlanden managed to significantly increase its PAA results by €266 million, from €238 million in 2022 to €504 million in 2023. The key drivers of the increase in the PAA results are related to lower incurred claims in 2023 amounting to an impact of €163 million. In addition to the lower incurred claims, there was also favorable development on the claim estimates amounting to €29 million in 2023, compared to unfavorable development of €49 million in 2022 (i.e. a swing of €70 million in the year-on-year results).

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Glossary

Insurance contract

A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder).

If a specified uncertain future event (the insured event) adversely affects the policyholder, then the policyholder has a right to obtain compensation from the issuer under the contract.

Cohort

Cohort, within insurance, refers to a group of contracts sharing certain similar risk characteristics or attributes. IFRS 17 requires that a portfolio of contracts needs to be disaggregated into annual 'cohorts' as a group cannot include contracts issued more than one year apart.

Contract Boundary

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- (a) the entity has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- (b) both of the following criteria are satisfied:
 - i. the entity has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
 - ii. the pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Contractual Service Margin (CSM)

The CSM represents the unearned profit the insurer will recognize as it provides services in the future under insurance contracts in the group.

Coverage period

The period during which the insurer provides coverage for insured events. This period includes the coverage that relates to all premiums within the boundary of the insurance contract.

Distinct investment components

An investment component is distinct if, and only if, both the following conditions are met:

- (a) the investment component and the insurance component are not highly interrelated.
- (b) a contract with equivalent terms is sold, or could be sold, separately in the same market or the same jurisdiction, either by entities that issue insurance contracts or by other parties.

Fair Value Approach (FVA)

Transition approach to IFRS 17. Under this approach, an entity determines the CSM or loss component at the date of transition for a group of contracts based on the difference between the fair value of the group and the fulfilment cash flows of the group at that date.

Fulfilment cash flows (FCF)

The fulfilment cash flows consist of:

- explicit and unbiased estimates of future cash flows that will arise as the insurer fulfils the contracts;
- an adjustment to reflect the time value of money – i.e. discounting – and the financial risks related to the future cash flows (to the extent that they are not already included in the estimates of future cash flows); and
- an explicit risk adjustment for non-financial risk.

Full Retrospective Approach (FRA)

Full retrospective application is required to restate prior-year comparatives and to determine the CSM at transition – however, if it is impracticable, then a modified retrospective approach and a fair value approach are available.

Modified Retrospective Approach (MRA)

The objective of the modified retrospective approach is to use reasonable and supportable information that is available without undue cost or effort to achieve the closest possible outcome to full retrospective application.

When applying the modified retrospective approach, an entity maximizes the use of information that is available without undue cost or effort that would have been used to apply a full retrospective approach. Therefore, an entity uses each of the permitted modifications discussed in this section only to the extent that it does not have reasonable and supportable information to apply a full retrospective approach.

General Measurement Model (GMM)

Default measurement model used in IFRS 17 for measuring insurance contracts. For contracts with direct participation features, it is mandatory to use the VFA model, while there is the option for entities to use PAA as a simplified measurement model for contracts with coverage period shorter than one year.

Greenhouse Gas Emissions (GHG)

The release of certain gases into the Earth's atmosphere can create a "greenhouse effect", in which heat becomes trapped and global temperatures rise. While emissions can result from natural causes, they are primarily the result of human activities, especially the burning of fossil fuels for energy and transportation.

Highly interrelated investment component

An investment component and an insurance component are highly interrelated if, and only if:

- a) the entity is unable to measure one component without considering the other. Thus, if the value of one component varies according to the value of the other, an entity shall apply IFRS 17 to account for the combined investment and insurance component; or
- b) the policyholder is unable to benefit from one component unless the other is also present.

Liability for incurred claims (LIC)

An insurer's obligation to investigate and pay claims for insured events that have already occurred. This includes events that have occurred but have not been reported, and other incurred insurance expenses.

Liability for remaining coverage (LRC)

An insurer's obligation for insured events related to the unexpired portion of the coverage period.

Locked-in discount rate

Discount rates determined on initial recognition of the contract/ group of contracts.

Premium Allocation Approach (PAA)

Simplified measurement model for liability for remaining coverage that can be used for eligible contracts.

Risk Adjustment (RA)

The risk adjustment for non-financial risk reflects the compensation that the insurer requires for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risks.

Variable Fee Approach (VFA)

Measurement model under IFRS 17. The variable fee approach modifies the treatment of the CSM under the general measurement model to accommodate direct participating contracts

Acknowledgements

The following KPMG colleagues have contributed to the 2024 edition of the State of the Insurers:

General article:

- Rutger Hagendoorn
- Juan-Rico Conradie
- Ayus Praharaj
- Beatriz Polidoro
- Caroline Watermeyer
- Teijal Ramkelawan
- Athena Tam
- Robin Provoost
- Celine Massop

The completion of the 2024 edition of the State of the Insurers was supported by reviews from the following KPMG Subject Matter Experts:

- Inge van Zon-Zeilstra
- Frank van den Wildenberg
- Peter Smit
- Joost Vos
- Ton Reijns



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