Y 2020 Earnings Call

Company Participants

- Annemiek van Melick, Chief Financial Officer
- Jos Baeten, Chief Executive Officer
- Michel Hulters, Head of Investor Relations

Other Participants

- Andrew Baker, Analyst
- Colm Kelly, Analyst
- Cor Kluis, Analyst
- David Barma, Analyst
- Farooq Hanif, Analyst
- Fulin Liang, Analyst
- Michael Huttner, Analyst
- Robin van den Broek, Analyst
- Steven Haywood, Analyst

Presentation

Operator

Good day and welcome to the ASR Nederland Investor Call Full-Year Results 2020. This call is being recorded. At this time, I would like to turn the conference over to Michel Hulters. Please go ahead, sir.

Michel Hulters {BIO 19111905 <GO>}

Thank you, operator. Good morning, ladies and gentlemen, and thank you for switching to this channel. Welcome to the ASR conference call on our full-year 2020 results. On the call with me today are Jos Baeten, CEO, and Annemiek van Melick, our CFO.

As is customary, Jos will kick off with some of the highlights of our financial results and discuss some of the business performance that we've seen. Annemiek will then delve into the development of our capital and solvency position after that and then we'll open up for Q&A. We've got scheduled to 12 o'clock here. And I think it will leave us ample time for Q&A.

As usual, do please have a look at the disclaimer that we have at the back of the presentation for any forward-looking statements. And so, having said that, Jos, the floor is yours.

Jos Baeten {BIO 2036695 <GO>}

Thank you, Michel. And good morning, everyone. Thank you for switching to the ASR call after having already a busy morning with one of our most beloved competitors in the Netherlands. So, hopefully, in the future, we can prevent you from having two presentations on one day on Dutch insurance companies.

I hope all of you are still doing well in these challenging COVID times. Before we get into the numbers, let me just start by saying that I'm really proud of the way our company and our employees have continued serving our clients in this extraordinary year.

The outbreak of COVID-19 and the measures taken to combat this pandemic continue to disrupt our personal lives, the business communities and our society as a whole. And while our first and foremost concern is the health of our employees and customers, we, of course, also care for the well-being more generally as well, including job security and economic uncertainty for our customers who are entrepreneurs and business owners. We generally hope that we can leave this crisis behind us soon.

At ASR, we've been able to keep up morale of our employees at a high level throughout the year. Customer satisfaction went up and we have maintained strong commercial momentum in our business as demonstrated by the growth of our business and our financial performance.

As we reported, the overall impact of COVID-19 was benign, thanks to the mix of our business in Non-Life and Life that effectively neutralized this impact in 2020. We believe ASR has shown resilience against challenging and uncertain economic background and has again delivered against ambitious targets.

Without further ado, let's turn to the financial highlights, and those are on slide 2. I presume you all have seen the press release which we issued this morning. So, I will highlight only the most important developments. As this dashboard shows, our performance in 2020 has been really strong. The 3.2% increase in the operating result to EUR885 million is driven by higher results in all our segments and includes, as I just mentioned, the impact of COVID-19 being a negative of EUR1 million. Operating return of 15.3% is well above our target between 12% and 14%.

Our Solvency II ratio based on standard formula is up by 5 percentage points to a solid 199%. This increase includes 12% from organic capital creation, which at EUR500 million, landed by coincidence exactly on the medium-term target. Solid contribution from the business, higher excess returns and a higher net release of capital compensated the higher UFR drag due to lower interest rates.

The combined ratio amounted to 93.6, ahead of our target of 94 to 96. This includes a positive effect of 0.6 percentage points out of COVID-19.

Our efficiency ratios improved in all business segments despite an increase of EUR45 million in operating expenses, which was mainly driven by acquisitions, holding cost and growth of our fee-based business.

Based on the strong performance and in line with our existing policy, we propose a dividend of EUR2.04 per share. This is an increase of 7% compared to last year.

Today, we also announced a share buyback of EUR75 million, which is supported by our strong solvency and OCC. So, in sum, we have shown a solid result over 2020.

Let's turn to the next slide, slide number 3. Our strategy will continue to focus on sustainable long-term value creation for all involved in ASR. We take our role as a sustainable company in society seriously and we are happy to see that international investors aim more and more on sustainability.

Our ongoing focus on customer service has led to an increase in the Net Promoter Score from 44 to 49, already well above the medium-term target of 44. One of the drivers behind the increase was the more personal contact with customers during the COVID-19 outbreak when everybody was working from home.

Our CO2 footprint has now been measured for 93% of our whole investment portfolio. And with over EUR1.7 billion, our impact investments have already met the targets for 2019 to 2021. Due to the lockdown restrictions and social distancing rules, our employees have not been able to do any of the activities we typically do for society. To protect the health of our employees and the people involved in these projects, we had to cancel or scale down these activities. In some cases, we have been able to convert the activities into an e-version. And as soon as social distancing measures are relieved, we of course -- we will scale up these activities again.

ESG is more and more an integral part of our product development. For example, the sustainability repair and replacements in insurances, mortgages for sustainable home improvements, but also in pension DC with our specific ESG funds.

And lastly, I'm very proud of the recognition we received on our sustainability. In 2020, ASR has been included in the Dow Jones World Sustainability Index. We see this as a recognition of our successful strategy on which we will continue to build going further.

Let's continue with some insight on the COVID-19 impact on our business, and that's on slide 4. In dealing with this crisis, we continue to offer suitable solutions for customers who have been impacted by the COVID-19 crisis. After an initial rise in customer requests for deferrals on premium payments, mortgage payments or rents, we have experienced a decrease in these requests in the second half of the year.

Also, rent arrears in our real estate portfolio have reverted to more normal levels. The number of requests have been very manageable. For instance, as per today, we have approximately 60 P&C customers with premium arrangement, 400 in the disability area and roughly 45 corona-related mortgage arrangements. So, all in all, very manageable.

We continue to use a weekly monitor to track employee morale, and this remained at a very high level. We are focusing on the sense of connection and inclusion of our employees, particularly now we are all working from home. Our approach since 2012, to build one culture based on time and place independent working proved to be a strong foundation for managing the current crisis.

And financially, the negative impact of EUR1 million on our operating results consist of a positive EUR21 million in Non-Life and a positive effect of EUR4 million in health. Higher claims in disability and strengthening the reserves were more than offset by lower claims in P&C. More on this when we get to the Non-life slide.

In our Life business, the impact was EUR22 million negative from lower dividend and rental income mainly in the first half of 2020.

And finally, our IFRS net result is lower, primarily due to the impact from financial markets and goodwill impairments. Also, in 2019, we reported a purchase gain from Loyalis which, of course, wasn't there anymore in 2020.

Now, let's move on to the next slide and talk a bit about how we did in progressing and executing our strategy. I would like to talk about some business developments here. First of all, the last year introduced Vitality program is continuously growing, with currently over 50,000 active participants and 10,000 employees at this moment. This is helpful in improving our customer relevance and loyalty.

Also, we have brought the reintegration activities of Kempen to ASR, of which we already owned 50%. This expands our expertise in the field of reintegration and sustainable employability and strengthens our connection with customer. But, most importantly, it helps us to manage and control claims.

In the Life department, we delivered on creating synergies by reducing the number of applications and converting the systems to a software as a service platform, including the VvAA and Loyalis portfolios. This, ladies and gentlemen, completes the migration of all of our own books and all of the acquired books on to ASR's new platform on time and on budget.

Our cost efficiency is illustrated in the Life operating expenses, which decreased from 62 basis points in 2016 to 45 basis points in 2020. Our fee-based business are doing very well.

Third-party assets under management have increased by EUR3.4 billion to EUR25.4 billion and was mainly driven by growth in our mortgage funds and DC funds. Our mortgage origination was up 40% and amounted almost EUR5 billion in 2020.

And lastly, we have transferred the remaining accounts in the divestment of a.s.r. bank to Van Lanschot Kempen and have withdrawn our banking license in December 2020.

Now, let's move to slide 6 and elaborate a little bit on our Non-Life results. A solid performance in Non-Life with operating result increasing to EUR241 million. In 2020, COVID-19 had a positive impact on Non-Life of EUR21 million. This includes headwinds of roughly EUR71 million in our disability business and tailwinds of roughly EUR88 million in our P&C business.

In disability, we have seen a clear improvement in individual disability in the second half where we have been able to pick up the reintegration processes and successfully managing the backlogs from the first half of the year.

In sickness leave, we have seen some COVID-19 related deterioration in the portfolio, particularly as we experienced an increase in claims from customers due to mental and psychological issues. Moreover, these claims also tend to have a longer duration. This is something we are closely monitoring, of course, and we have strengthened our reserves for this development in H2.

P&C mostly benefited from favorable claims experience in the second half of the year. This trend has reverted as well as traffic was significantly higher compared to H1. Also, reserves have been strengthened within P&C, primarily related to bodily injury, partially driven by a court verdict earlier in 2020. And you know ASR. We tend to take a somewhat conservative approach in these matters.

And with respect to storms, although 2020 was a relatively calm year, we did record a EUR9 million hit from Ciara.

This leads to a combined ratio of 93.6 for both P&C and disability together, beating the target of 94 to 96. Adjusting for COVID-19 effects, combined ratio would go up with 0.6 to 94.2, still at the lower end of the target range.

The cost ratio decreased from 8.4 to 8.1, which is driven by a higher gross written premium, whilst realizing cost synergy from the Generali Nederland IT migration. So all in all, we became even more efficient despite we had to work from home.

The organic growth in the gross written premium of disability and P&C amounted 4.6%, at the higher end of our range of 3% to 5% per annum. This is hard work, ladies and gentlemen. Make no mistake on this. And for 2021, this is the real challenge, given the economic uncertainties in which we operate.

And finally, the increase in health gross written premium reflects a strong increase in the new benefit in-kind insurance product which we launched at the end of 2019. So far, we have seen this increase to be continued at the start of the health season in this year.

Let's move to slide 7 where I will talk a little bit about the Life segment. Some highlights to mention in our Life segment. Operating result of Life segment increased by EUR34,000 million to EUR730 million despite the EUR22 million negative impact from COVID-19. This impact relates really to the first half as it is mostly reflected in lower dividends. If you relate this to the total operating result for Life, we believe the COVID-19 impact is benign.

The increase in operating result is driven by higher investment margin. This is mostly due to a positive effect from our swaption portfolio of EUR42 million due to the amortized realized gains.

Also, we have been optimizing the illiquidity premium and credit risk premium in our portfolio. For example, we have expanded our mortgage portfolio further in 2020, which represents in the meantime 19% of the total investment for own account. The decrease in required interest is mostly due to maturing individual life book and the average guarantee declining. I would like to refer to appendix R and S as well where we have displayed our stable investment margin over time.

The decrease in technical result was mostly the result of favorable result on mortality in 2019. There was only a limited positive impact from COVID-19 on the mortality result, given the diversification between our product lines. We have seen a positive impact in Pension DB, partially offset by a negative in Pension DC, and these pertain to premium paying customers and also having a surviving pension cover. Impact on individual life were slightly positive, offset by negative impact on (inaudible).

Furthermore, our cost efficiency improved to 45 basis points as a share of the basic nominal provision, which is equal to the lower end of our target for 2021.

So, let's now turn to other segments, which performed quite well. And those are on slide 8. The operating results for the two fee generating segments, Asset Management and Distribution and Services, combined amounts to EUR57 million, up from EUR48 million in 2019. This confirms that we are running ahead of the medium-term targets.

Asset Management showed the strongest growth, EUR7 million, mainly due to strong inflows in mortgage funds and DC funds.

Operating result of the Distribution and Services segments increased to EUR25 million, mainly due to small acquisitions and organic growth.

Operating results for the holding amounted to a minus of EUR143 million. The decrease is mainly driven by higher net service costs for our pension plan due to a lower interest rate, which amounted to EUR20 million, and the increase in interest expenses of EUR6 million from the EUR500 million Tier 2 subordinated liability placed in April 2019.

Please note that, as of January '21, our pension plan for employees moved to a DC product. This means that going forward the expense related to the employee pension plan will decrease and become less dependent from interest rates and hence more stability going forward.

Before I hand over to Annemiek for the highlights on solvency and capital generation, I believe we have built a very strong, solid track record of financial performance and disciplined and rational allocation of capital.

The results published today supports our ongoing story of attractive capital return. Since the IPO in 2016, we have been committed to offering shareholders attractive returns and dividends, driven by higher operating results and supported by robust balance sheet and supplemented by share buybacks. During this period, ASR has returned EUR1.6 billion of capital to shareholders via dividends and share buybacks, including the one-off we announced -- including the one we announced today. This roughly equals 36% of our market cap.

This year, we propose a total dividend per share of EUR2.04, a 7% increase, whilst remaining at the lower end of our payout ratio of 45%. And on top of that, we announced another share buyback of EUR75 million.

We will continue to allocate our capital rationally. If sufficient capital remains from the targeted OCC of EUR500 million in 2021 after investing in organic growth, inorganic growth and market risk and as long as we are above the well-known thresholds, we will decide on capital returns to shareholders. This way, we can grow our business profitably, and meanwhile, offer an attractive capital return to our shareholders.

Now I will hand over to Annemiek for solvency and capital.

Annemiek van Melick {BIO 20317450 <GO>}

Thanks, Jos. Let's go to slide 11. Despite all the uncertainty in 2020, Solvency II remained very robust and we ended the year at 199% on the standard model or 208% if you were to exclude the full year dividend and the buyback that we executed in 2020. The share buyback we announced today is not yet included in this full-year '20 solvency figure.

Within the 199%, we absorbed the further UFR decline of 4 percent points. In total, we added EUR425 million of unrestricted Tier 1. And if you would exclude the EUR357 million capital return and the EUR121 million UFR reduction, we would have added around EUR900 million of own funds, demonstrating our ability to generate capital throughout uncertain times.

Our total SCR increased by EUR124 million as an increase in insurance risk and market risk was partially mitigated by increased diversification benefits and an increased LAC DT due to the reversal of the lowering of the corporate tax rate. Our LAC DT factors remain unchanged at 75% for Life and 90% for Non-Life.

The increase in insurance risk reflects an allocation of capital to growth, both inorganically with the closure of the VvAA and the Veherex acquisitions coming in, as well as organically, predominantly in disability and health. And it also obviously includes the impact of lower interest rates.

Within market risk, we mainly saw an increase in interest rate risk due to lower rates and equity risk due to increased valuations, as well as the impact of some rerisking, which we mitigated by decreasing currency risk and market concentration risk.

Despite these developments, market risk as a percentage of required capital remained at 44%, which is actually well below our internal limit of 50%.

Now, all in all, strong solvency level at 199% at a standard model, with ample headroom available within the Solvency II framework, EUR1 billion restricted Tier 1 and over EUR500 million Tier 2, Tier 3 headroom, as you can see.

If we move to slide 12, we can see the development flow throughout the year. And strong organic capital generation of EUR500 million or over 12 percent point on solvency as well as a positive contribution of 3 percent points from market and operational developments, more than compensated the 1 percent point related to the closing of acquisitions and increased capital distribution of EUR357 million versus last year's EUR267 million, which actually took out 9 percentage points.

If you look at the market and operational development buckets, within that 3% that you see over there, we've included a decrease in the UFR with a negative impact of 4 percent points. It also includes a minus 7 percent points, reflecting both negative market developments as well as rerisking. But they were more than offset by updated non-economic assumptions, 8 percent points, and a reversal of the tax rate lowering impacting the LAC DT, which is plus 5 percent points.

Now, the non-economic assumption mainly included updated mortality assumptions, largely driven by the Dutch Actuarial Association, which came out with new industrywide tables.

If we turn to our organic capital creation on slide 13 and you can see EUR500 million, which we're actually pretty happy with. As I said, a little over 12 percent points of our solvency, roughly the same as last year when it came in at EUR501 million, while we actually had to absorb close to EUR18 million of increased UFR drag.

Now, we did manage to absorb the additional UFR drag by both increased business capital generation and an increase in net capital release. Business capital generation came in EUR42 million higher, mainly due to an increase in excess returns, driven by both rerisking within credits and mortgages, as well as some spread increase and an increased contribution of our fee business which is an important part of our strategy to actually grow that business.

The increase in capital release was mainly driven by increased SCR release due to lower interest rates and the full-year impact of Loyalis on the SCR release. Good to mention there that the group disability business tends to have a high SCR in Q4, which then releases throughout the year. And last year, we missed four months of that release because, the first four months of the year, Loyalis wasn't part of us yet.

Now for 2021, we still have an OCC target out there of EUR500 million, which actually may sound like a piece of cake given that we reported EUR500 million today, but doesn't feel like that. It's actually a pretty challenging target. We'll have to absorb an echo UFR drag of around EUR37 million; the impact of temporary spread widening in 2020, let's say, around EUR10 million; and the impact of the tax reversal on the OCC through LAC DT and also direct taxes, which obviously would knock out around EUR15 million. So, that would actually lower down to around EUR440 million.

But there are always positives. And if we look at the interest rates today, the sting of the UFR echo would already be reduced by half, let's say, EUR17 million, and we will not have the adjustment in our employee pension contract flowing through the OCC, which is currently around EUR7 million. So, that leaves around EUR460 million as a starting point for 2021.

We do still see scope for OCC accretion from rerisking and will continue the path that we've set in this year at, say, around EUR15 million or so. And the remainder is a challenge we really have to kind of live up with through our business by organic growth, cost efficiency and just good underwriting.

If we then turn to slide 14 and have a quick look at the solvency sensitivities. They haven't really changed that much towards 2019. We still see limited impact of both parallel and non-parallel interest rate shocks, sensitivity towards 50 bps parallel decline is limited to minus 3 percent points in solvency, and 10 bps steepening limited to minus 3 percent point solvency as well.

And in terms of managing the interest rate sensitivity, so we have a limit of 15% regulatory Solvency II ratio on 100 bps parallel shocks. So, we're actually very much within our limits at this point in time.

We believe that, for ASR, the optimal strategy for managing interest rate risk is a combination of both cash flow hedging and duration hedging.

We apply cash flow matching for the first 12 years. And then, for the longer maturities, we apply duration matching -- duration hedging, whereby we hedge the interest rate sensitivity for liabilities including risk margin. For us, it provides a better interest rate hedge than cash flow hedging for those 10 years as it also takes the optionality and convexity into account. Optionality in assets, think about mortgages, prepayments, et cetera. Optionality in derivatives, indeed swaptions and liabilities, think about profit sharing. Now, all of that optionality is fully incorporated in duration hedging. And on top, it also covers the risk of long tail cash flows, from example, our funeral business.

As you can see in the cash flow chart, we're relatively cash flow matched on the left part, I'd say, up to 30 years.

And in terms of spread sensitivities, it's good to know that the sensitivities we show on the top-hand chart, for instance, the 75 bps corporate/credit spread sensitivities, are excluding the expected mitigating impact from the VA. You can see that in a separate chart. The corporate spread sensitivity does include the impact of spread widening on our IAS 19 pension provisioning.

So, that's all I would say for sensitivities and we can turn to slide 15 to give a quick overview of our investment portfolio, a few words on gradual shift to higher-yielding assets within that, as well as the resilience of our portfolio.

In 2020, we lowered our exposure to sovereigns by around EUR500 million and we increased our exposure to retail mortgages by EUR1.2 billion. We've also increased our credit exposure by EUR200 million. And, even more importantly, within our credit portfolio, we seek to optimize return on SCR by focusing a bit more on illiquid credits and either government guaranteed, some private loans and structured fixed income. In total, we added around EUR600 million to corporate's financials there and [ph]EUR120 million to private structured loans and we actually decreased our covered bond position by around EUR500 million.

We're happy with the resilience of our portfolio. Out of the EUR53 billion, around 67% is fixed income, contains EUR14 billion of sovereigns and EUR13 billion of corporates and financials. The average rating is A+. And of the corporate and financials book, over 97% is actually investment grade. We have limited to no exposure in the oil and gas and leisure sector. And in general, credit migration risk continues to be very limited in terms of Solvency II impacts.

We have a real estate book of EUR4.5 billion, which constitutes 8% of our investment portfolio. But it's good to note that, of that EUR4.5 billion, around EUR1.7 billion is actually related to our rural portfolio, which is a very resilient portfolio. That also gives us a competitive edge in finding attractive investment opportunities to contribute towards the energy transition, such as solar and windmill parks, as land continues to be very scarce in the Netherlands.

Our retail real estate exposure is around EUR800 million, of which EUR650 million is via the Dutch Prime Residential Fund. Now, of that fund, around two-third is actually high street retail based on very strict investment criteria and one-third is related to supermarket district shopping centers who are actually doing quite well in COVID times.

Retail vacancies remain low with 3.7% versus 3.5% last year. Now, in total, our real estate portfolio saw a modest decrease in direct income and still yielded around EUR86 million of indirect investment income as positive revaluations in our rural book, residential book and offices more than compensated for the negative revaluation that we've seen in retail real estate.

Dutch mortgage market continues to be very resilient and there continues to be a shortage in housing and house prices actually increased by 11% in 2020. Most forecasts show, although on a more limited nature, still an increase in house prices for the next two years.

33% of our book is covered by NHG and the average LTV is 73%. Arrears over 90 days continues to be very low at 4 basis points and credit losses remain very low as well.

So all in all, we remain very comfortable with our investment portfolio and we do still see further room to increase investments into mortgages and we also see further room to further optimize our credit book with some more liquid credits, government guaranteed, some private loans and structured fixed income.

If we would then turn to slide 16, couple of fast words on balance sheet. And it remained strong. We still have ample flexibility within there. Financial leverage decreased to 28.3% on an IFRS basis due to an increase in equity. That remained unchanged. Double leverage showed a slight increase to 103.7% due to several acquisitions in the Distribution and Services segment.

Interest coverage ratio, which is based on our IFRS net result, dropped, but is still well within the target range. And I guess, you've all seen the S&P rating.

And then, a last word on cash position on slide 17 before I hand over to Jos again. Our holding cash ended at EUR502 million, which is in line with last year, and it's really aligned with our policy to put cash at work at the OpCos and only upstream cash to the holding to cover holding expenses, coupons and dividends.

We also have an unused revolving credit facility of EUR350 million. Liquidity roughly equal then compared to last year. We've upstreamed cash mainly from Life and a bit from other entities. There was no need to upstream more, but there's also no impediments to do so if we would have wanted to.

Our debt maturity profile, as you can see, is robust. Next maturity date is in 2024 and we still have ample flexibility and room to add leverage if we would like to.

Solvency for the group is strong, as mentioned earlier. You can also see the ratios for Non-Life and Life, which at 163% and 195% are well above our targets.

Now with that, I'd like to hand it back to Jos for a final wrap up.

Jos Baeten {BIO 2036695 <GO>}

Thank you, Annemiek. So, to conclude our presentation, you can imagine, we are proud on the results we've presented today. We delivered again a very solid performance in a very challenging environment. And I'm proud of our employees who have been working hard to achieve these results.

We showed solid progress in executing our strategy and demonstrating financial discipline. We continue to build on our track record of rational allocation of capital and attractive shareholder returns, but very pleased to propose the dividend, as mentioned, of EUR2.04. And on top of that, we propose another share buyback of EUR75 million, supported by a robust solvency of 199 on the standard formula. I believe ASR is in a strong position to continue its pursuit of profitable growth.

Looking ahead, direct effects of COVID-19 have so far been limited, but let's be clear. We're not out of the woods yet. We're still facing the challenges from COVID-19 and we remain cautious for the effects in the longer-term. The effect of the virus and the restricting measures that are being taken to control the virus is noticeable in our businesses and those of our customers. This may well impact us going forward.

We believe we are strongly positioned and maintain the medium-term targets for 2021. However, given the economic uncertainties, achieving an organic growth of 3% to 5% for disability and P&C may end up being the most challenging one of all of our targets.

So, having said this, ladies and gentlemen, this concludes our presentation and I hand over to the operator to take any questions you might have.

Questions And Answers

A - Jos Baeten {BIO 2036695 <GO>}

(Operator Instructions)

We will now take our first question from Cor Kluis. Please go ahead, your line is open.

Q - Cor Kluis {BIO 3515446 <GO>}

Good morning. Cor Kluis, ABN AMRO-ODDO. Couple of questions. First of all, on disability insurance, that's good to see that the reintegration process has picked up and improved in the second half of the year. Could you give somewhat feeling on premium increases that you have been doing in the beginning of this year, especially in the sickness leave area? And also, the reintegration, how is that progressing? The stock reserve being fractionated, that might also help somewhat in that process.

Second question is on P&C. Year-to-date, we've seen a lot in the Netherlands. We've seen some snow, we've seen some riots, no firework, lockdown continuing. It's difficult to estimate. Can you give some feeling on your P&C experience on combined ratio there. So, maybe on disability in that respect.

And my last question is about M&A. Last year, ASR didn't do any yearly acquisitions. Every year, (inaudible) for acquisitions. So, (inaudible) at this moment. Could you give a little bit feeling on the progress that you see at this moment in a COVID-19 environment? Can you do acquisitions or if it's still [ph]too hard to do that in such an environment? That's all my questions. Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

Well, thank you, Cor. Let me start with the question on disability and premium increases. Over the last year, in October, we have increased premiums for individual disability. That was not due to COVID, but due to the lower interest rates. So, we have increased premiums over there since 1st of October. In sickness leave, we increased last year, on the 1st of Jan 2020, the premiums already. And we've done the same in 2021 due to the developments we've seen there in the Netherlands. In general, over the last couple of years, sickness leave went up with 4% per annum. Last year, we have seen, in the whole society in the Netherlands, sickness leaves going up with close to 7%. So, therefore, we again increased premiums in the sickness leave business, aiming at a positive contribution at the end of this year, which we hopefully are able to deliver.

In P&C, to your question, yes, we have seen some claims coming in on the weather-related issues last week. We had happily some snow in the Netherlands. We've seen a competitor mentioning a large (Technical Difficulty) claims. We, however, up until now, have seen not more than 200 -- I believe 204 is the exact number of new claims related to that. All very small. I believe the largest one we had due to the weather was EUR15,000, which is perfectly manageable.

The riots we had in the beginning of the lockdown during the evenings, we had some incoming claims. Total of that number was 7. All very limited. We're of course helping customers there, but also very manageable.

So all in all, those two situations will not significantly impact the combined ratio. And up until now, we haven't had any severe winter storms where we had last year, Ciara, with an impact of EUR9 million.

Then, on the acquisition side, last year, we, of course, did one acquisition, Brand New Day. And there, we actually spent the OCC that we had in mind. It's, however, difficult to do any predictions on what might happen this year. We are still positive that there are some opportunities out there. COVID is not helpful for that, especially given the lockdowns, et cetera. So, to develop relationships, to have the right conversations, it's not helpful.

However, we remain active in that area and keep on looking from a more financial perspective to potential life books that can be integrated on our very efficient own life platform and our preference is to do acquisitions in disability, in non-life and also in distribution.

And whether it will happen this year is to be seen. I'm born in December and most people born in December tend to be positive about the future. So, I remain positive.

Q - Cor Kluis {BIO 3515446 <GO>}

Okay. Very good. I was born in November. Thank you very much.

A - Jos Baeten {BIO 2036695 <GO>}

Thank you.

Operator

We will now move to our next question from Farooq Hanif. Please go ahead. Your line is open.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, everybody. Good morning. So, just my first question on going -- about the combined ratio. You gave the positive impact of frequency benefit from COVID. I'm guessing that that didn't include the disability reserving. So, I was wondering if you could just quantify that, so we can get a real kind of underlying picture of where you are.

And also in health, I noticed a strong performance. I'm guessing that's because people aren't using all the services that they could be using during lockdown. So, just what is your comment on that?

And secondly on investment margin, you talk about stability, but actually as a percentage of asset margin, it continues to expand. So, I'm kind of wondering whether you can give more guidance on kind of where you are in your rerisking journey and whether we should really sort of factor that in going forward as a continuing trend.

And that's it really. Thank you very much.

A - Jos Baeten {BIO 2036695 <GO>}

Thank you, Farooq. You want to start on the investment margin, Annemiek. Or shall I take the first two questions first. Okay.

Farooq, on your assumption that the reserve strengthening is not yet included in the combined ratio, it is included in the combined ratio. We already did that in 2020. So, hopefully, that answers your question.

On your second question, our view on the relation between the strong performance due to a lower use of services, I think in the Non-Life area, in P&C, you're right. We've seen a lower number of claims, et cetera, which impacted ASR positive. That was, by the way, mostly in the first half of 2020. In the second half, we've seen that returning to more normal levels. I think we already talked about disability. We've seen that customers used our services to call it -- services more in last year. Going forward -- up until now, we don't see really new trends compared to the last half of 2020.

So, we continue to see actually the same trend in the first month of 2021. So, some tailwinds in P&C and a lower headwind in disability compared to the first half of last year.

Q - Farooq Hanif {BIO 4780978 <GO>}

Just to come back. I realize that the -- you've included the reserving. I was just wondering what the amount was because you gave a 0.6 percentage point improvement in combined ratio from COVID. Presumably there was also a negative from the reserving. I was just wondering if you'd quantify that.

A - Jos Baeten {BIO 2036695 <GO>}

We haven't disclosed that specific number on the reserving due to COVID. The total negative impact due to COVID in disability was EUR71 million. EUR51 million of that was already there in the first half. So, in the second half, we actually show an additional negative impact from COVID of EUR20 million. And that included the additional reserving.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay.

A - Jos Baeten {BIO 2036695 <GO>}

So the additional reserving is included in the EUR20 million.

A - Annemiek van Melick {BIO 20317450 <GO>}

Yeah. And your question on investment margin, obviously, we've seen it increase last year. Three main reasons for that. We had a positive impact on our swaptions, basically result that we made on -- positive result that we made on swaption in the past, which actually are now following through via amortize realized gains. And that's a benefit that we'll continue to have.

We also saw an increase by part of the -- a bit of a re-risking that we did and specifically optimization within the credit risk portfolio. The latter, we will continue. And obviously, there was a required interest decrease due to the maturing individual life book.

If you look at the investment margin, if you would do it over the basic nominal life provision, we have a slide on that in the appendix. It's actually slide 40. You see that it has been relatively stable over the last three years, 2.3%, 2.3%, 2.5%. And I think we're comfortable with that level going forward as well.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay, thank you very much.

Operator

We will now move to our next question from David Barma. Please go ahead. Your line is open.

Q - David Barma {BIO 19957338 <GO>}

Yes, good morning. First of all, just to come back on OCC, thank you very much for giving us a sort of bridge from the end of the year. Can we just zoom in again on sort of levers you see to get to your target beyond the -- sort of what we've seen are in this year, the own pension switch that you see, the interest rate pickup and all of that, how should we see the room you have for the rest of the uplift, especially considering the trends in the normalization you're talking about in P&C and in disability which may take a bit longer.

And then just on -- just a follow-up on that, on disability, can you quantify the contribution in the OCC in the second half?

And lastly, just to follow-up on the explanation on the investment margin. In the past, you gave an amount for the contribution of the realized gain reserve and the amortization of that. How much should we expect for the coming years because I think the previous guidance was until -- it was until this year? Thank you very much.

A - Annemiek van Melick {BIO 20317450 <GO>}

All right. I'll start off with the OCC. I think you meant with your first question, how will you get EUR21 million from an OCC perspective. And if we start off with the UFR drag, we always take the average UFR drag, i.e., the average drag that belong to 1st of Jan versus end of year, and then we take the average of that. That would mean that, if interest rates would not move, would not have moved where they were at the end of December, we would have an echo UFR drag of minus EUR37 million.

We've also seen spreads widening in 2020 really related to COVID, has come back again. If you would think that temporary spread widening was really temporary, you would have to knock out another EUR10 million.

We've seen the positive impact on stock of the lowering of taxes via LAC DT, but, obviously, that will have a negative impact of -- by the reversal of the lowering of taxes and that will have a negative impact on flow of around EUR15 million.

Now if you would deduct the UFR drag, if you would deduct potentially the temporariness of spread widening we saw in 2020 and if we would deduct the fact that there was a negative impact on flow from the reversal of the lowering of the tax rate, then you would get to around EUR440 million as a starting point.

If you would look at interest rates where they are today, they've actually come up a bit since the end of last year, and that would reduce the UFR echo by around EUR15 million to EUR20 million. We took out some additional -- we had net current service cost due to a change in our pension scheme of around EUR20 million in the operating result in this year. And that in OCC terms equated to around EUR7 million because you don't have everything flowing through OCC from that. Now, we won't have that EUR7 million again next year. So that's a positive. Then you would end up at roughly EUR460 million as a starting point for 2021.

Last year, we did some rerisking, as I said. Now, the re-risking we did last year was around 3 percent points in solvency stock and it added around EUR15 million in OCC. I would expect us from an OCC perspective to be able to realize something similar this year. So, we're definitely looking to add another EUR15 million or so by re-risking. Leaves us at

EUR475 million, meaning that another EUR25 million or so, we would have to compensate by increased business capital generation.

Now, as Jos just alluded to, we've done some price increases. So, hopefully, we'll see that coming through our insurance results. We continue to look very hard on cost efficiency and we also continue to strive for organic growth, both in the Non-Life business, but also in the fee business. So, it's really our challenge and also our goal to compensate that by further increase of business capital generation, and that's why we would consider the EUR500 million as doable, but challenging.

And then, you also had a question on what the visibility impact is on the OCC. We don't disclose that that figure. I think it's fair to say that the Life contribution to OCC is relatively stable. It would be around EUR450 million. If you would look at the total Non-Life contribution in the OCC, it would be at around EUR100 million. And then, obviously, you would have to add the fee business and you would have to subtract the holding and then you would get to the EUR500 million again.

And then, you had a last question on the investment margin and the capital release, the amortization of realized gains that we see in there. And we expect that to be fairly stable going forward.

Q - David Barma {BIO 19957338 <GO>}

Very stable. That's the same EUR300 million level that you've given before.

A - Annemiek van Melick {BIO 20317450 <GO>}

I can't give the exact disclosed figure for this year. But by and large, we expect it to be stable.

Q - David Barma {BIO 19957338 <GO>}

Okay, thank you very much.

Operator

We will now move to our next question from Steven Haywood. Please go ahead. Your line is open.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you very much. On your real estate portfolio, and in particular, the whole Dutch property market, how do you see the mark-to-market impact coming through in the near term? Do you see any negative drivers for resilience in the property market here? And when do you do the big sort of revaluations within your portfolio here?

Secondly, on the court case, what was the actual ruling related to -- on the bodily injury court case? And is this an expected impact for the whole of the industry to take that additional reserving? Thank you.

A - Annemiek van Melick {BIO 20317450 <GO>}

All right. Let me start with your question on real estate. And I guess, you refer to retail real estate there, if I understood it correctly. Listen, we do see some impact of COVID there. But as I said, around two-third of the exposure we have via the Dutch Prime Retail Fund is actually high street retail business and one-third is related to supermarket district shopping centers.

Now, the latter part hasn't really seen any negative revaluations. It actually went up a bit in the COVID times. Obviously, high street retail, there we did see some negative revaluations. In total, our real estate had a negative revaluation of around 10%. In our total real estate book, that actually was more than compensated by the re-evaluation of the rural position, which is far greater than the retail real estate position, and also the positive revaluation of the residential position that we have.

Q - Steven Haywood {BIO 15743259 <GO>}

Sorry, can I just follow-up on that? In terms of the commercial side of things as well and the offices potentially, do you expect to see any change in their valuations in the future, if there's going to be more working from home going on?

A - Annemiek van Melick {BIO 20317450 <GO>}

Yeah, what we've -- we only have a very small position in offices. And we actually, there, have seen a positive revaluation on the offices space, also because we realized some new office buildings, that the projects were still ongoing last year. And within our, we call it, Dutch Mobility Office Fund, and they are all prime locations adjacent to the largest city's railway stations. They tend to be all multi-tenant, and we do see that there is still quite some appetite for those locations.

I think in the office side, if you would move more to the [ph]peripheral, the rural areas, kind of outside of the big cities being Amsterdam, Rotterdam, Utrecht, then it's getting more difficult for those offices. But we don't have those in our portfolio. So, we're really focused on big cities next to the largest, most important railway stations, multi-tenant buildings.

So, to the extent that there is working from home, we tend to see (Technical Difficulty) shifting from large own buildings more towards renting smaller space in these multi-tenant buildings, which have good public transport opportunities in the vicinity.

A - Jos Baeten {BIO 2036695 <GO>}

And on your second question, Steven, the court case I mentioned was the same one that was already mentioned in the first half where the Dutch court decided on the interest rates, you should take into account, for future claims, which had to be lower due to the lower interests in the Netherlands, in the first half, we already took EUR8 million for that. That was based on how we looked at it after a half-year. In the second half, we reviewed our whole portfolio and we looked into all the ongoing cases and we decided -- and I already mentioned that we tend to be conservative on those decisions. We took another EUR17 million. So, the total additional reserving in Non-Life was EUR25 million. And whether the whole industry will do the same, that's up to the industry, but we tend to be very, very conservative on that.

A - Annemiek van Melick {BIO 20317450 <GO>}

It was a good year to be conservative there.

Q - Steven Haywood {BIO 15743259 <GO>}

Thanks for the reminder. And what was the actual change in the interest rates?

A - Jos Baeten {BIO 2036695 <GO>}

Well, in the past, the industry calculated with future interest rates, up to 3%. And in the court case, it was decided that it's better to calculate with an interest rate of zero, given what customers can make on the saving accounts.

Q - Steven Haywood {BIO 15743259 <GO>}

Yeah. Brilliant. Thank you very much for your help.

Operator

We will now move to our next question from Fulin Liang Please go ahead. Your line is open.

Q - Fulin Liang {BIO 21126177 <GO>}

Good morning, everyone. Just a couple of questions. So, first of all, thank you very much for run one through the guidance of the OCC. But just to reckon, there are a few vulnerability within the whole kind of system. And for example, you've already taken some of the interest rate rise year-to-date so far into your OCC. And just wondering, are you doing anything else to protect your kind of volatility to interest rate? What if the interest rate goes down from here? And also, I know that you're kind of hoping that further cost saving will help on the remaining 25 gaps in OCC. And I just wonder if the whole kind of back to normal realized from May, June, will actually some of your cost saving reverse? What you've seen in 2020, will that reverse? So, that's kind of one question, how you protect your OCC?

And secondly, it's just -- again, I think it's probably a bit detailed. So, in your UFR drag in 2020, we've seen similar amounts in first half versus the second half. But if you look at the interest rate movements, the second half is much larger than the first half in terms of the interest rate movement. How did you manage to get the same UFR drag for very different interest rate movements? Thank you.

A - Annemiek van Melick {BIO 20317450 <GO>}

To start off with the last question, Fulin, we average it out. So, we take the UFR drag and we calculate the UFR drag for full year based on 1st January, 2020. Then we calculate for the full year based on the 31st and then we average that. So, that's the full year UFR drag and that's also the reason why, if interest rates would not change, we would have the echo of another EUR37 million within this year. So, that methodology hopefully explains your last question.

And in terms of -- yes, the UFR drag remains sensitive towards interest rate changes. So, you're right, if interest rates would not go up, we would not have a reduction of that UFR echo drag. Obviously, it's being dented a little bit by the capital release. If interest rates would go down further, we would also have a positive impact on the capital release.

And to give you some feeling around sensitivities here, if interest rates would see 50 bps decrease, for instance, that will probably -- from where they were at December 31 last year, that would roughly equate to around EUR18 million reduction in OCC, which is basically EUR100 million UFR unwind, but it's also EUR20 million of increased capital release. So, yes, we do remain sensitive towards that. And covering up EUR18 million of OCC on top of a UFR drag that's there, that's going to be challenging from a business perspective.

If interest rates remain where they are, then we would have to compensate around EUR25 million from a business perspective. Indeed, there are some levers that we can still pull in terms of cost development. I think we may actually also receive a little bit of help by the continued lockdown that we're experiencing in the Netherlands. So, from a P&C perspective, the month of January is not exactly unfavorable. So, there are some items that could still help our business capital generation there. And as I said, we will continue to look at the rerisking part, specifically within credits, and hope to add at least another EUR15 million there in terms of OCC contribution.

Q - Fulin Liang {BIO 21126177 <GO>}

Thank you. That's very helpful to run through. Thank you.

Operator

We will now take our next question from Michael Huttner. Please go ahead. Your line is open.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you very much. I had a question on slide 40 please. I wonder if you could talk a little bit about the basic life provision which is actually growing. It's not falling. (inaudible), if you do nothing, it would fall by 2.7% a year. Here, I have three questions.

The first one, how does this chart compare with your expectation which I think you published in the 2018? The book would reduce by 50% or so in a period of year?

And the second is, within that EUR25 billion or EUR24.9 billion figure, how much is the Individual life? And you mentioned that your preferred M&A is more in Non-Life than services. So, does this mean that you actually quite -- you'd be quite happy -- you have no objection to this provision figure actually declining going forward?

A - Annemiek van Melick {BIO 20317450 <GO>}

Shall I start, Jos, with the question on slide 40. If you look at the best estimate liabilities, we said that we see a CAGR of minus 2.7% for the upcoming 10 years, meaning that, in around 10 years, we would have seen a reduction. We expect to see a reduction there of around 25%, which basically mainly comes through the individual life book, which we would expect from a BEL perspective to around halve within that period. We do expect pensions and funeral to be relatively stable in there. And the numbers may have changed versus 2018, given the fact that we've also added quite some acquisitions since then. So, I don't have the exact line-by-line comparison of what the acquisitions will have done, but those will have obviously changed those numbers.

And the chart that you see on the left-hand side is the basic normal life provisions, and that's not the best estimate liabilities.

A - Jos Baeten {BIO 2036695 <GO>}

And to your second question, Michael, when we made a statement on M&A, we were not trying to say that we don't -- that we wouldn't like any Life M&A anymore, but Life M&A will be more seen as a financial transaction and we will more decide on whether it adds value to the book and less from a more strategic point of view. From a strategic point of view, for the longer term, we would prefer to do more Non-Life, more disability and more distribution. But if and when we do see any opportunity to add Life reserves to the Life book to protect the in-force cost going down for the future, then we definitely will do, but we will judge those transactions more from a financial point of view and less from a strategic point of view.

Q - Michael Huttner {BIO 21454754 <GO>}

And on that -- sorry, may I just ask a follow-up? You know you have a big competitor who says they look at their life book on a financial basis and you're using the same language, but talking of acquisitions. When do you think you could meet?

A - Jos Baeten {BIO 2036695 <GO>}

And as you can imagine, those kinds of questions are difficult to answer, but our view, in the past, has been and continues to be, going forward, that we have a slight preference for smaller and medium-sized transactions because we were able to integrate them in a very swift way. And how market developments and correlations will evolve in the future, that is in the future, I think.

Q - Michael Huttner {BIO 21454754 <GO>}

Brilliant. Thank you very, very much. And thank you for putting that slide up.

Operator

We will now move to our next question from Colm Kelly. Please go ahead. Your line is open.

Q - Colm Kelly {BIO 19140684 <GO>}

Yeah, thank you for taking my questions. First one is just on the illiquid asset strategy. Obviously, you mentioned you're moving more into illiquid credits, which is private placements and structured loans. For the asset allocation, obviously, the risk profile is kind of gradually changing. To what extent has that been discussed with the DNB? Is the DNB overall comfortable with the direction of travel with respect to the illiquid asset portfolio and the type of assets that are increasingly being put into that? And that's first question.

Second question is on the economic view of Solvency and EU, which is obviously key to your capital return strategy. The long-term return previously had been assumed to be 2.4% on the investment portfolio. Has there been any change to those long-term return assumptions post-COVID?

Then, just lastly, on Non-Life solvency, so the Non-Life hasn't remitted much this year. (inaudible) the solvency was flat year-on-year. There were pluses and minuses in the underlying results. So, what I'm trying to get a sense of is, what is the actual operating capital creation in the Life -- in the Non-Life business to fund remittances going forward? Or should we expect the remittances will almost all be driven by the Life business over the next couple of years? Thank you.

A - Annemiek van Melick {BIO 20317450 <GO>}

All right. To start off with your first question on rerisking, we're not exactly hugely expanding the total credit portfolio. We're really looking towards optimizing a little bit within that portfolio in a Solvency II optimal way, so to speak. And part of the illiquids that we're moving into is really government guaranteed, think about EIB or other type structures like that.

In total, for instance, our market risk hasn't changed and we don't really expect that to change. I think it's relatively an optimal way of looking at it. As I said, we added around -- it was around 3 percent point, slightly over EUR70 million of SCR that we added due to the rerisking that we did last year and looking for something similar this year to do.

And in terms of moving a little bit more into the illiquid part, given that we have liabilities also on the funeral business that tend to have a very long duration, that actually matches pretty well with the slightly more illiquid credit as well.

Then in terms of the remittance, for quite some years, we didn't actually remit that much or nothing at all out of the Non-Life business. Last year, we did do remit a bit out of Non-Life, but it was only EUR18 million. So, even last year, we actually upstreamed most of it from the Life business. Given that that's also running off, so it's kind of -- it seems a natural place to do the remittances from.

And we don't rule out to remit from the Non-Life business this year or next year. It's comfortably above the threshold that we see. And so, there are no impediments to remit out of it, but it's also an area where we do want to continue to have some organic growth.

So, even if you combine the organic growth targets, plus if you think about the remittance this year in a COVID where on the Life side, it was pretty clear early on that there wouldn't be so much impact specifically this year of COVID, on the Non-Life side, we obviously had quite some moving parts, with P&C doing very positively, disability taking a hit in H1. So, we really wanted to get a bit more feeling about the uncertainty there for these to cash in for any organic growth and support there. So, we just didn't take it out while we could have taken it out. So, there is no underlying change in our strategy there.

In terms of economic view, I believe -- just checking which slide it is, but we do continue to give the sensitivity. It's slide 29. And there, you can see what the sensitivity would be if it would be around 2.5%, if it would be 2% and you would obviously see the corresponding positive impact on the OCC flow. And that's just a pretty mathematical calculation. We still feel very comfortable with both the rates on a UFR basis, but also if we look at lower rates which the sensitivity slide shows on slide 29. We're very comfortable.

Q - Colm Kelly {BIO 19140684 <GO>}

Yeah. It's certainly -- it's very useful. I suppose, is the base case economical UFR is still 2.4%? Because I think that's the bit that's missing from the slide.

A - Annemiek van Melick {BIO 20317450 <GO>}

Yeah, I think we've taken a different approach to that now because we used to just use the 2.4%, but then at it from an economic framework and not make any changes to all the other parameters that you would also have to look at if you truly look at it from an economic framework. If we would look at it now, I guess, we would lower the 2.4% to a lower level, but actually also make some other changes because, if you look at it economically, there are also other elements that you would have to take on board. And if we would look at the new economic framework case which we're currently developing, which would contain a slightly lower interest rate, looking at the new economic framework, we would actually end higher than the 2.5% that we -- that's, for instance, on this slide and the [ph]old kind of framework.

Q - Colm Kelly {BIO 19140684 <GO>}

Okay. (inaudible) to the extent of that 2.4% (inaudible) long-term view on the returns on the investments portfolio, has there been any change in terms of your view on the long-term return assumption on that investment portfolio?

A - Jos Baeten {BIO 2036695 <GO>}

Just so I have the question clear, Colm. You said on the assumptions that we have on returns on the various asset categories or could you-- Yeah. So, you disclose each year the economical UFR of 2.4%. And as an implied long term -- assumed return on the investment portfolio of something close to that. So, I just want to get a sense, has there been any change either in the economical UFR or your long-term assumed return on your investment portfolio?

A - Annemiek van Melick {BIO 20317450 <GO>}

No, we don't have any changes there in the scenarios that we run.

Q - Colm Kelly {BIO 19140684 <GO>}

Okay, perfect.

Operator

We will now move to our next question from Robin van den Broek. Please go ahead. Your line is open.

Q - Robin van den Broek {BIO 17002948 <GO>}

Yes, good morning/afternoon, everybody. Thank you for taking my questions. First of all, I think the bridge hat you've given on OCC is very clear. Thank you for that. I was just wondering, when you say adjusted for current rates, is that rates for today or is that rates of 10 days ago because it feels to me that 30 bps and maybe some headwinds from the average VA in 2021 versus 2020 only reducing EUR15 million to EUR20 million, seems a little bit on the low side. So, I'm just wondering, is that conservatism or is there maybe rates that are behind -- of a few days ago, not reflecting the (Technical Difficulty) we've seen?

Secondly, when I think about residual COVID impact, for banks, it's very clear that there could be defaults in the SME space and maybe consumer finance, what have you. For you, that balance sheet risk of course is very limited. But I guess, there could be implications from defaults for your gross written premiums. And as a result of that, your results could still be impacted. I was wondering if you have done any assessments around that and how big those impacts could be?

And lastly, I think your capital promise has been very clear that you basically stick to EUR75 million as long as you're above, was it, 180%. You're well ahead of that. I was just wondering if there's anything that could happen that would make you add to that EUR75 million buyback or you're just going to ride this plan out on that basis? Thank you.

A - Annemiek van Melick {BIO 20317450 <GO>}

Shall I start with your first question on the lesser UFR drag, et cetera, in terms of OCC? Those are actually based on beginning of last week rate. So, there is probably a rate difference if you would refer to as of today's rate.

If you look at your question related to the EUR75 million buyback and us being well above the 180%, given all the uncertainty around -- in markets, we would stick to the EUR75 million for now and the capital return policy that we've actually communicated last.

Q - Robin van den Broek {BIO 17002948 <GO>}

Sorry. Just one follow-up on the UFR, basically. Is it fair to assume that 1 basis point is EUR1 million roughly for OCC?

A - Annemiek van Melick {BIO 20317450 <GO>}

If you would have a 50 bps interest rate impact, you will have around EUR80 million in OCC impact. And that's a combination of -- it's a combination of (Technical Difficulty) and the capital release. You have to take both -- two elements into account.

A - Jos Baeten {BIO 2036695 <GO>}

And to your second question, whether we run scenarios going forward, we have run some scenarios based on the assumptions of the Dutch Bureau of Statistics. Taking debt kind of scenarios to the top line is very difficult. Up until now, we have based our view going forward on the subset of our portfolio and we are not that large in the areas that are hit mostly currently. And the statement we've made on the top line going forward is more based on -- it is difficult to predict how the economy as a whole will be hit by the moment that the Dutch government decides to stop financial support.

If I look into to the arrears in all kind of areas, it's very, very low. If that is a basic signal going forward, then one might be positive. But if there are a number of type of business that end up being bankrupt going forward, then it might be more difficult to meet their target. And so, it's hard to predict. But based on the scenarios from the Dutch Bureau of Statistics, it's all looking quite good. But you know us, Robin. We, in general, tend to be a bit more careful on those kind of statements. So, we might be too conservative and let's hope for that.

To your second question, whether -- if the solvency remains at the level where it is today, whether we would consider to give more capital back to investors, in general, ASR tries to stick to a plan. And if we promise something to the market, we tend to deliver on that. So, for the time being, it is the three times EUR75 million and how that will develop going forward is going to depend on how we judge further targets (Technical Difficulty) for the year after 2021.

And we have always been clear even when we are not able to use the capital in a positive way to grow the company or to rerisk the business -- sorry, to re-risk our investments, we're not capital hoarders and then we will look at the most efficient way to return it to shareholders. But for the time being, it's our aim to deliver on the promises made last year to do at least three times EUR75 million and this is the second year where we deliver on that target.

Q - Robin van den Broek {BIO 17002948 <GO>}

That's very clear. Thank you very much.

A - Michel Hulters {BIO 19111905 <GO>}

Okay, thanks. We only have room for one final analyst to ask questions. We'll come back to any analyst that have questions for a later moment. So, operator, can we have the final analyst for questions please?

Operator

Certainly. We will now take our final question from Andrew Baker. Please go ahead. Your line is open.

Q - Andrew Baker {BIO 20402705 <GO>}

Hi. Thanks for taking my questions. Am I'm now feeling the pressure of being the last. So, I'll try and make it quick. So, the first is just on the EIOPA 2020 review. Appreciate you've previously given an update on the expected impact on the stock of capital, but can you give us a sense of the impact you're expecting on the ongoing capital generation once it's implemented?

And then secondly, I know many of your peers have undertaken longevity reinsurance transactions. Is this something that you guys are still exploring? Thank you.

A - Annemiek van Melick {BIO 20317450 <GO>}

Thanks, Andrew, for your question. I'm already thinking why does no one asks a question on EIOPA review. But, yeah, we did publish the results actually on stock, which basically -- if it would be implemented in 2024 and it would be implemented without the phasing in, we would have a minus 10 percentage point solvency impact. Actually, with the phasing in, that is probably a plus 1 at that point in time. If you do that minus 10% impact on stock, that would correspond with roughly EUR25 million of OCC in 2024. So, that's the without phasing in impact on it.

And your last question was related to the -- can you repeat the last one again?

Q - Andrew Baker {BIO 20402705 <GO>}

Just if you're still exploring--

A - Annemiek van Melick {BIO 20317450 <GO>}

Longevity, yeah.

Q - Andrew Baker {BIO 20402705 <GO>}

--longevity reinsurance?

A - Annemiek van Melick {BIO 20317450 <GO>}

Yeah. We do look at it. We do continue to look at it. But, obviously, in terms of any capital transactions, we kind of look at both the necessity and whether it makes economical sense. And if we would look at a longevity swap, it would indeed be kind of mid-single-digit release of capital that would flow through. Having said that, that's based on the old mortality tables. We really wanted to wait until the new mortality tables came in. They clearly came a little bit our way, as you can see, in terms of stock. And given the fact that we have a funeral business, positive benefit of a longevity swap will also diversify away a bit. So, that's why, for us, it would be kind of mid-single digit to such a trade and it will, obviously, have a negative impact on capital generation, on flow going forward. So, if we really need the capital or if the economics of it would improve, we will definitely look into it. But we're not in a hurry to do such a transaction.

Q - Andrew Baker {BIO 20402705 <GO>}

Great. Thank you very much.

A - Michel Hulters {BIO 19111905 <GO>}

Jos, would you wrap it up?

A - Jos Baeten {BIO 2036695 <GO>}

Well, thanks everybody for joining us. Hopefully, the answers given to all of your questions were helpful. If and when there remain any questions, please find one of the colleagues of IR.

As we already said in the introduction, we're quite proud on the delivery of our results. We remain working hard to keep on delivering on our promises. And as said, the challenge to do so remains also very, very big, mainly due to circumstances we can't influence that much.

Having said that, thanks for joining and let's hope that we can meet you in person at least when we present the half-year numbers and that we can have our regular dinner to discuss in depth on the numbers of ASR.

So, stay healthy and enjoy the rest of the day in writing all those reports on those two nice Dutch insurance companies.

Operator

Ladies and gentlemen, this concludes today's call. Thank you for your participation. You may now disconnect.