Miel HORSTEN
Voorzitter - Président
Renta VZW/ASBL
Welcome
Short term

2015:
- Market volume +7%
- Air & rail +14%
- Turnover +11%

2016:
- Market volume +10%
- Turnover +7%
Long term

2015:
- Order intake + 17%
- Fleet increase +3,8%
- 52% of all registrations

2016:
- Order intake + 18%
Europa viseert Belgische chauffeurs met firmawagen en tankkaart

18/05/2016 om 17:00 door tg

We moeten langer werken en moeten meer doen om iedereen aan het werk te krijgen en vooral aan het werk te houden. Het technisch en beroepsonderwijs moeten beter om jongeren meer kansen te bieden op de arbeidsmarkt. En de fiscale voordelen van firmawagens met tankkaart moeten verdwijnen. Dat staat in het meest recente nationale hervormings- en stabilitetsprogramma van België dat de Europese Commissie heeft gepubliceerd.
Things will change ... 

And it is a privilege for us to be part of it
Trend 1: Connected Car

Comfort
Efficiency
Well-being
Pro-active
Safety
Trend 2: autonomous vehicle
Trend 3: Demographics
Trend 4: Urbanisation
Trend 5: shared economy
Trend 6: regulation
Trend 7: alternative fuel
Trend 8: private lease
The role of Renta is changing ...
Mobiliteit
Renta is the Belgian Vehicle Rental Association, representing 95% of long-term and short-term vehicle rental companies with a total fleet of more than 370,000 cars. Renta works with lawmakers, regulators, companies, the media and the public to promote the societal benefits of rental and company cars. Our mission towards our members is also to advise, inform, organize networking and training, and to guard the Renta code of conduct.

Renta is de Belgische Federatie van Voertuigen Verhuurders en vertegenwoordigt zo'n 95% van de lange-termijn en korte-termijn verhuurbedrijven in België, met een gezamenlijke vloot van meer dan 370.000 wagens. Renta werkt nauw samen met wetgevers, toezichthouders, bedrijven, de media en de bevolking om de maatschappelijke voordelen van huur- en bedrijfswagen te promoten. Onze missie? Onze leden adviseren en informeren, networking, het organiseren van trainingen en de gedragscode van Renta bewaken.
[Persbericht] Voertuigen met alternatieve aandrijving bijna allemaal bedrijfswagens: prez.ly/Lmu
Current Renta Board

Miel Horsten, President

Werner Franck
Vice President Long Term

Jean-Paul Vanassche
SME Members

Maria Meyns
Vice President Short Term

Guy Hannosette
Board Member
What are we working on?

- Kwaliteitslabel KT
- Keurmerk Private Lease
- Cleaner Car Contracts
- Leerstoel VUB
David ANDRIES
Belen/Beerens
PREPARATION
LOGISTICS
FLEET MGNT & LEASE
INSPECTIONS
CONSULTING SERVICES
REMARKETING
RECONDITIONING
PREPARATION
LOGISTICS
FLEET MGNT & LEASE INSPECTIONS
CONSULTING SERVICES
REMARKETING
RECONDITIONING
PREPARATION
LOGISTICS
FLEET MGNT & LEASE
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CONSULTING SERVICES
REMARKETING
RECONDITIONING
PREPARATION
LOGISTICS
FLEET MGNT & LEASE
INSPECTIONS
CONSULTING SERVICES
REMARKETING
RECONDITIONING
PREPARATION
LOGISTICS
FLEET MGNT & LEASE
INSPECTIONS
CONSULTING SERVICES
REMARKETING
RECONDITIONING
er zijn zo van die dagen dat alles misloopt
PREPARATION
LOGISTICS
FLEET MGNT & LEASE
INSPECTIONS
CONSULTING SERVICES
REMARKETING
RECONDITIONING
Olympus

Marketplace for digital access to multimodal (e)mobility services
Change ...
Uber, Lyft, Didi, ...

68 miljard $
67 landen
507 steden
26 % commissie
Sind 2009
Self driving cars

568 miljard $
Car OS

535 miljard $
Elektrische wagens

30 miljard $
Sinds 2003
Carsharing

Sinds 2014

Sinds 2011

Sinds 2008

Sinds 2000

Sinds 2015

Sinds 2002
Sinds 2007 !!
Lease companies adapt

- **1950 - 1960**: Financing growing motorising (off-balance)
- **1960 - 1980**: Cost controlling per car (carpool-management)
- **1980 - 2010**: Execution of carpolicy (ease / outsourcing)
- **2010 -**: Managing the mobility of the employee

Positioning lease companies
Average speed traffic in Belgium
Sustainable mobility is a service that is lesser based on the ownership of vehicles, but on the use of vehicles within a flexible mobility offering.

The user becomes the director of his own mobility.
User becomes director of his own mobility

Sustainable mobility is a service that is lesser based on the ownership of vehicles, but on the use of vehicles within a flexible mobility offering.

The user becomes the director of his own mobility.
Olympus Mobility NV

Proeftuin Elektrische voertuigen Olympus – NMBS

Overdracht van het Olympus platform naar Cambio
Olympus Mobility NV wordt opgericht

- 2012 - 2014

1. Digitale geïntegreerde toegang tot openbaar, gedeeld en elektrisch vervoer
2. Gebruiksgemak via smartphone app, geïntegreerd met Mobibkaart
3. Flexibel beheer in het kader van mobiliteitsbudget
4. Complementariteit aan de bedrijfswagen

- sept 2015

Commerciële start

- sept 2016
Eén toegang tot uw mobiliteit

Eén factuur

Eén budget

Voor bedrijven en hun werknemers
Mobiliteitsmogelijkheden

SELECTEER EEN MOBILITEITSMODUS

Auto

Fiets

Parkeren

Bus, Tram, Metro

E-laden

Trein
<table>
<thead>
<tr>
<th>Date</th>
<th>Ticket Description</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/09</td>
<td>Carte JUMP 10 voyages</td>
<td>€ 14,00</td>
</tr>
<tr>
<td>08/09</td>
<td>Blue-bike voucher 24u</td>
<td>€ 3,75</td>
</tr>
<tr>
<td>12/09</td>
<td>LIEGE-GUILLEMINBS - BRUXELLES-NORD</td>
<td>€ 15,00</td>
</tr>
<tr>
<td></td>
<td>2e classe - Aller</td>
<td></td>
</tr>
<tr>
<td>01-08</td>
<td>De Lijn 60 min</td>
<td>€ 1,80</td>
</tr>
</tbody>
</table>
## Budget

### MOBILITEITSUITGAVEN

<table>
<thead>
<tr>
<th>Description</th>
<th>Count</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parkeren</td>
<td>2</td>
<td>€14,00</td>
</tr>
<tr>
<td>E-laden</td>
<td>2</td>
<td>€2,00</td>
</tr>
<tr>
<td>Trein</td>
<td>10</td>
<td>€148,00</td>
</tr>
<tr>
<td>Auto</td>
<td>2</td>
<td>€100,00</td>
</tr>
</tbody>
</table>

**Total Budget:** €1,350,50

**MEI 2016**

Prijzen excl. btw

Geen budget updates beschikbaar
Van Lease naar Mobiliteits provider

Betaalkaart

of

MAAS (Mobiliteit As A Service)
MAAS - 1
Deeply involved in the commercial transaction

Payment is at the end of the commercial transaction

MAAS integrates earlier in the commercial process

→ Specific business products
→ Best price mechanism
MAAS - 2
Simplified access

Customer has **one access** to all mobility modes

No need to think about which type of ticket to buy or to worry about complex tariff structures

No need to have separate subscriptions
Mobility data is important
Keeps your customer close to you

It’s your customer!

Each transaction is a communication and a contact moment between you and the customer.
MAAS - a platform where supply and demand meet

No ‘one fit’s all’ solution

It’s a market place!

Specific commercial agreements can be integrated in a digital way
Michel Van Den Broeck
Renta Solutions NV/SA
Renta Solutions
Renta Solutions NV/SA

2016

History 2015-2016

Renta Support Vzw/asbl

1%

4000 USERS

3.5 Mio TRANSACTIONS

Renta vzw/asbl

99%

Dealers & independent car service providers

Tyre fitters & networks

Software providers

Data suppliers

Data protection ICT security ISAE 3402 type 2

Traxio Febiac

FPS Mob Fed Police

Fleet owners
NEW BUILDING
Ivan VAN DE CLOOT
Itinera Institute
Hoe leven met de lage rente-omgeving?
Itinera Institute

- Independent “Think-tank”
- Based on facts and figures – international comparisons
- Long term

“To show, to defend and to build roads for policy reform towards sustained economic growth and social protection, for Belgium and its regions.”
Are central bankers Übermenschen?

- Ensure price stability
- Resolve balance sheet problems
- Shape yield curve
- Deliver low unemployment
- Relieve sovereign debt problems
- Prevent undesirable exchange rate constellations?

- Do you really believe this???
Achtergrond
Besef: we zitten in een nieuw regime

Total US debt as % of GDP
<table>
<thead>
<tr>
<th>Country</th>
<th>Household</th>
<th>Non-financial corporate</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>65</td>
<td>101</td>
<td>234</td>
</tr>
<tr>
<td>Ireland</td>
<td>85</td>
<td>189</td>
<td>115</td>
</tr>
<tr>
<td>Singapore</td>
<td>76</td>
<td>201</td>
<td>105</td>
</tr>
<tr>
<td>Belgium</td>
<td>56</td>
<td>136</td>
<td>135</td>
</tr>
<tr>
<td>Netherlands</td>
<td>115</td>
<td>127</td>
<td>53</td>
</tr>
<tr>
<td>Greece</td>
<td>65</td>
<td>68</td>
<td>163</td>
</tr>
<tr>
<td>Spain</td>
<td>73</td>
<td>108</td>
<td>132</td>
</tr>
<tr>
<td>Denmark</td>
<td>129</td>
<td>114</td>
<td>60</td>
</tr>
<tr>
<td>Sweden</td>
<td>82</td>
<td>165</td>
<td>42</td>
</tr>
<tr>
<td>Italy</td>
<td>43</td>
<td>77</td>
<td>139</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>86</td>
<td>74</td>
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</tr>
<tr>
<td>United States</td>
<td>77</td>
<td>67</td>
<td>89</td>
</tr>
<tr>
<td>South Korea</td>
<td>81</td>
<td>105</td>
<td>44</td>
</tr>
<tr>
<td>Canada</td>
<td>92</td>
<td>60</td>
<td>44</td>
</tr>
<tr>
<td>Australia</td>
<td>113</td>
<td>60</td>
<td>31</td>
</tr>
<tr>
<td>Germany</td>
<td>54</td>
<td>54</td>
<td>80</td>
</tr>
<tr>
<td>Average</td>
<td>280</td>
<td></td>
<td>121</td>
</tr>
</tbody>
</table>

Debt-to-GDP ratio, 2014

**Europese schulden**
The end game: three cases:

“fiscal dominance”

“monetary dominance”

Neither
Balans van centrale bank: wat gebeurde er eind 1999?

Source: Thomson Datastream
Federal Reserve Assets: Helicopter!

Source: Thomson Reuters Datastream
Financialisation of commodities

Asset prices

- S&P 500
- Commodities
- Iron ore and scrap
- Coal

Commodity assets under management

- Commodity index swaps
- Exchange-traded commodity products
- Commodity medium-term notes

Sources: Barclays Capital; Bloomberg; Datastream; national data.

1 2000 average = 100. 2 Goldman Sachs general commodity index. 3 HWWI index. 4 Barclays Capital data, in billions of US dollars.

Graph IV.B

What role have financial investors played in the rise in the level and volatility of commodity prices (Graph IV.B, left-hand panel)? Commodity-related financial instruments such as index funds and exchange-traded commodity funds have expanded rapidly in recent years (Graph IV.B, right-hand panel). One major reason for this growth seems to be that institutional and retail investors are seeking to diversify their portfolios. Some investors may view investments in commodity derivatives as a vehicle for benefiting from rapid growth in the aggregate demand coming from emerging market economies without having to invest in the often narrow local financial markets. A search for yield in an environment of low interest rates has also been part of this trend.

A greater presence of financial investors can affect commodity prices in various ways. On the one hand, markets could become deeper and more liquid, which in turn should facilitate hedging and reduce price volatility. On the other hand, index-linked investments in particular could raise the correlation between commodities and other assets, especially equities, and add to price volatility to the extent that hedging makes the demand for commodities less price-sensitive.

Recent research supports the view that financialisation is affecting short-term price dynamics in commodity markets. This seems to reflect both financial investors' sensitivity to news and the large sums they employ in commodity trading. The run-up in oil prices until mid-2008 has provided the strongest empirical evidence that financial investments resulted in significant deviations of prices away from those implied by fundamental demand and supply conditions. For non-oil commodities, there is little evidence that financial investments have had a material impact on prices. The fact that the prices of coal and iron ore – commodities that are not included in the standard commodity indices – have also risen supports the view that physical demand and supply have remained the key driver of commodity prices.

In sum, while traditional demand and supply factors continue to matter for commodity prices, there is growing evidence that price formation and dynamics in commodity futures markets increasingly display patterns familiar from traditional markets for financial assets – including swings in investor risk aversion and episodes of herding behaviour. More research is needed to better understand the impact of financial investments on commodity prices.


As a consequence, advanced economies may see core inflation pick up through the back door of global supply chains despite moderate wage pressures in their domestic labour markets.
Dangers current hubris of central bankers

- Big bazookas, full allotments, no tapering? Are we forgetting:
  - Central banks can supply liquidity…
  - But not solve solvency problems?

- Delaying balance sheet adjustments
  - Delay recognition of losses

- Are price signals still working?

- Three risks:
  - Risk of financial dominance
  - Risk of exchange rate dominance
  - Risk of fiscal dominance
Risk of exchange rate dominance

- Known imbalances hardly remedied

China foreign exchange reserves

Source: Thomson Reuters Eikonstream
Wat schiet er over van tien jaar economische convergentie?
One size fits all? Gepaste rente gegeven economische context
Het zal tijd vragen, bv optimistisch convergentietraject
Cyclische heropleving
Herstel maar gematigd
Divergentie

GDP per capita evolution

1.5%/JAAR

GERMANY

SWITZERLAND

BELGIUM

NL

FRANCE

ITALY
Monetair beleid vermag niet alles

Source: Global Financial Data.
Impact op financiële instellingen
Verzekeraars hebben reserves

- De hele opzet is dat verzekeraars reserves hebben
- Niet overhaast ingrijpen
  macro economische effecten
- Niet blind zijn voor risico's
- "Presentatie": is er een probleem?
Chart 2: New highs in negative-yielding assets in the Eurozone after the ECB’s dovishness last week (€bn)

Source: Bloomberg, BofA Merrill Lynch Global Research, Bloomberg.
Leven met lage rente
Langleven risico beheren

» **Duration passiva typisch hoger dan activa**
  - 10,1 versus 8,3 jaar of duration gap van 1,8 jaar
  - herinvesteringsrisico

» **Inventarisreserves voor gewaarborgde rente neemt nog lang niet af**
  - 168 miljard eind 2014
Nog steeds hoge gewaarborgde rentes (bv in groepsverzekering)

De totale inventarisreserves voor de overeenkomsten met gewaarborgde rente namen tussen eind 2013 en eind 2014 (de laatste periode waarvoor gegevens van de jaarlijkse gedetailleerde rapportering beschikbaar zijn) toe van €165,8 tot €168,4 miljard. Die stijging van de uitstaande reserves is toe te schrijven aan de groepsverzekeringen, die een toename met bijna 5% lieten optekenen. Voor de individuele verzekeringen bleef het bedrag van de reserves al met al stabiel.

Het grootste risico voor de Belgische verzekeringssector is de erfenis van overeenkomsten met een hoge gewaarborgde rente. De lopende overeenkomsten waarvan het gewaarborgd rendement op de aangelegde reserves meer dan 4,5% beliep, waren in 2014 goed voor €26,6 miljard, dat is 16% van de inventarisreserves, tegen €27,6 miljard in 2013.

De aanhoudend lage rentetarieven zetten de verzekeringsondernemingen ertoe aan meer marktconforme overeenkomsten aan te bieden en de tak 23-overeenkomsten, die gekoppeld zijn aan beleggingsfondsen en geen gewaarborgd rendement bieden, te promoten. In sommige tak 21-overeenkomsten wordt bovendien gespecificeerd dat de waarborg beperkt is in de tijd, en dat de na afloop van de vastgestelde periode aangelegde reserve uit technisch oogpunt wordt beschouwd als een nieuwe premie waarop een gewaarborgde rente van toepassing is conform de op dat ogenblik geldende marktvoorwaarden. Er werden ook hybride producten ontwikkeld, die het risico voor de verzekeringsonderneming verkleinen. Die overeenkomsten bestaan uit een levensverzekering met gewaarborgd rendement (tak 21) en een andere levensverzekering waarvan het resultaat afhankelijk is van de prestaties van een beleggingsfonds (tak 23). De mogelijkheid om de lagere marktrendementen voor de beleggingen af te wentelen op de aan de verzekerden geboden rente, wordt evenwel beperkt door de scherpe mededinging tussen de verzekeringsondernemingen onderling en door de concurrentie van andere spaarproducten.

GRAFIEK 7

UITSPITSING VAN DE INVENTARISRESERVES VAN LEVENSVERZEKERINGEN NAAR GEWAARBORGD RENDEMENT (eindejaarsgegevens, in € miljard)

Lange rente (1)

Gemiddeld gewaarborgd rendement op de bestaande overeenkomsten

Beleggingsrendement op de activa ter dekking van de overeenkomsten met gewaarborgd rendement

0 10 20 30 40 50 60
0 1 2 3 4 5 6 7 8 9 10

| 0,00 % ; 0,50 % |
| 0,50 % ; 1,00 % |
| 1,00 % ; 1,50 % |
| 1,50 % ; 2,00 % |
| 2,00 % ; 2,50 % |
| 2,50 % ; 3,00 % |
| 3,00 % ; 3,50 % |
| 3,50 % ; 4,00 % |
| 4,00 % ; 4,50 % |
| > 4,50 % |

(1) Rendement op de secundaire markt van de tienjaars Belgische staatsleningen (OLO’s), weekgegevens.

Bron: NBB.
**Langleven risico beheren**

- Lange termijn reële target zou voorop moeten staan met inachtneming veilige range voor dekkingsgraad tijdens de rit
  - Assets worden beoordeeld op lange termijn rendement, diversificatievoordelen en hedging van rente- en inflatierisico

- **Tussentijdse volatiliteit groot**
  - Tussentijdse bijstuurmogelijkheden noodzakelijk doch vereisen goede afspraken over verdeling lusten en lasten (compleet contract)
Risico’s beheren

- Beperk renterisico door durationmatch
- Dek valutarisico grotendeels af
- Verzekeringstechnisch risico is gegeven
- Gebruik resterende risicoruimte kredietrisico
- Nadruk op ‘derisking’ en diversificatie
- Weinig zicht op lange termijn doelstellingen
  - Duur lage rente-omgeving
  - Inflatierisico
  - Bubble risico’s
Dekkingsgraad

Bezittingen : Verplichtingen

Bepalende factoren:
- rendement op beleggingen
- rente
- levensverwachting

Bij gemiddelde bestand en portefeuille:
- 1% lagere rente kost 14% dekkingsgraad
- 1 jaar langer leven kost 1,5% dekkingsgraad

Discussie gebruik sterftetafels op dekkingsgraad

lange termijn herstelplan
korte termijn herstelplan
Rendement is onvoldoende om stijging verplichtingen te dekken.

- Dekkingsgraad verbeteren
- Premie verhogen;
  - macro economische effecten
  - alleen voor actieven
- Meer risicovol beleggen
- Waardevast
- Inkorten/uitkopen...

- Veel “kosmetische” ingrepen mogelijk
Structurele ingrepen

- **Van defined benefit naar defined contribution**
- **Zie ook risico’s elders in het financieel systeem**
  - Banken die evergreenen: gegeven lage opportunitiekskost verlengen ze leningen aan problematische ontleners
  - Gezondheid reële economie (creatieve destructie, nieuwe leningen versus oude)
- **Toekomstige waarde verplichtingen neemt toe: opschuiven naar meer risicovolle beleggingen nooit onschuldige optie**
- **Japan leert dat verzekerders zich kunnen aanpassen (hedging, unit-linked, defined contribution) maar verschuift risico’s naar elders (individuen)**
Deze goede resultaten van de Belgische banken kwamen tot uiting in een geannualiseerd rendement op hun eigen vermogen van 10,1 % en een relatief hoog geannualiseerd rendement op hun activa van 0,6 %.

Bij de verzekeringsondernemingen zorgt de toonloze macro-economische omgeving vooral voor een zwakke vraag naar levensverzekeringsproducten. De ontvangen levensverzekeringspremies daalden in 2015 met 6 % tot €15,4 miljard, dat is het laagste geïnd bedrag sinds 2002. Die neerwaartse tendens van de geïnd premies hangt rechtstreeks samen met de trage economische groei en de lagerenteomgeving, die beide wellicht nog zullen aanhouden. Het is daarom zeer waarschijnlijk dat de verzekeringsondernemingen hun werking en kostenstructuur verder zullen moeten aanpassen, bovenop de maatregelen die ze reeds hebben genomen. Bedrijfsmodellen die een duurzame rentabiliteit van de verzekeringsondernemingen garanderen, ook in ongunstige economische omstandigheden, zijn immers een noodzakelijke voorwaarde om de financiële sector als geheel stabiel te houden. Het is niet uitgesloten dat de bedrijfslasten, eventueel via consolidaties, verder zullen moeten worden verlaagd om de kostenstructuren af te stemmen op de inkrimping van het activiteitsvolume. Om de rentabiliteit van bepaalde instellingen duurzaam te verstevigen, heeft de Bank, op basis van transversale analyses van de verzekeraars, ook reeds enkele microprudentiële acties ondernomen.

2.2.2 Lage / negatieve rentetarieven

Risico's

In het licht van de risico's verbonden aan lage inflatie en trage groei heeft de Raad van Bestuur van de ECB in 2015 en begin 2016 nieuwe maatregelen genomen ter versoepeling van het monetair beleid, meer bepaald door de rente op de depositofaciliteit te verlagen tot een negatief niveau. De Raad heeft de omvang van zijn programma voor de aankoop van activa vergroot, de looptijd ervan verlengd en de definitie van de in aanmerking komende activa uitgebreid tot in euro luidende en als investment grade genoteerde obligaties uitgegeven door in het eurogebied gevestigde niet-bancaire vennootschappen. Bovendien wordt vanaf juni 2016 gestart met een reeks van vier nieuwe, gerichte langerlopende herfinancieringstransacties op vier jaar. De Raad van Bestuur heeft ook te kennen gegeven dat hij, rekening houdend...
De ene verzekeraar is de andere niet

- Kostenstructuur
- Beleggingen diversificatie
- Verplichtingen: leven vs niet-leven...
- Dalen verplichtingen ook (indexatie, loon,...)?

Legacy issues

- Sommige verzekeraars slepen meer uit het verleden
- Sommige verzekeraars hebben governance issues
4.11 The exposure to changes in interest rates is greater for those undertakings with higher duration gaps (positive or negative). The specific impact, however, depends on the nature of the gap and the actual evolution of the interest rates.

4.12 The combination of the average guaranteed rates and the duration gap may also provide relevant information about the extent to which a low interest environment can pose a risk to companies (see chart 7). Only companies in which there were data on duration gaps and on average guaranteed rates were depicted. In this environment, the risk of reinvestment affects more significantly those undertakings with duration of liabilities greater than duration of assets, and this can be particularly challenging for companies offering high average guaranteed rates. On the other hand, undertakings on the left hand side are more exposed to a risk of sudden reversal in the interest rates and to a certain liquidity risk if assets need to be realised prior to maturity in order to meet payment commitments coming from the liability side.

Chart 6: Duration gap for Life insurance companies, except unit-linked and index-linked a) with other options and guarantees, without surrender value (Sample: 54 Companies) b) with other options and guarantees, with surrender value (Sample: 119 Companies)
Duration gap: spreiding tussen landen

The present value of insurance liabilities is affected by changes in real interest rates and inflation expectations. Therefore, LDI strategies aim to manage these risks through either (i) duration matching or (ii) cash-flow matching. Duration matching endeavours to mirror the characteristics of future liabilities by matching the interest rate sensitivities of assets and liabilities; it provides partial immunisation. In contrast, complete immunisation could be achieved by cash-flow matching. It matches liabilities with assets whose cash flows are identical by aligning interest rate and inflation sensitivities along the full term of the liability profile.

Neither of these LDI strategies is perfect. While duration matching fails in situations where the entire term structure shifts and when there are high pre-payments, cash-flow matching is often expensive and difficult to implement, or it may be undesirable because it fails to generate a meaningful return on investments. Moreover, a large part of insurance liabilities has a duration in excess of 30 years. They cannot be managed directly since there is a lack of assets with commensurate duration. As a result, insurers tend to allow for a mismatch between assets and liabilities. The challenge resides then in managing the remaining mismatch with an objective to ensure that it does not endanger the whole enterprise.

Figure 2: Duration mismatch in the EU insurance industry

Source: EIOPA

Figure 2 reports on duration mismatches in EU jurisdictions. It attests to a wide dispersion of mismatches, with the industry in a number of countries located far above the diagonal, i.e. in situations where the duration of liabilities is considerably longer than the duration of the matching assets. Firms finding themselves in this predicament are susceptible to both reinvestment risk and performance risk (yield and realisation of capital gains). And their solvency position is particularly vulnerable to downward movements of the risk-free yield curve, which makes the present value of liabilities grow faster than the value of the supporting assets. Thus, one can conclude that, in a protracted low interest rate environment, insurers face increased risk of asset-liability mismatch.
Regelgeving

- Hele sector die overgaat naar “search for yield” heeft systemische effecten, kuddegedrag

- **Solvency II:**
  - meer waarderen tegen marktrente
  - Overgangsmaatregelen soms tot 2032

- **NBB:**
  - Kleinere verzekeraars kwetsbaarder
  - Herstructureringen, consolidatie
  - Kapitaalvereisten dezelfde voor alle EU overheidsobligaties?
Toezicht

- Evenwicht te snel-te traag
- Verplichting van aanvullende voorziening in lagerenteperiode
- Beperking winstuitbetalingen + kapitaaluitgifte
- Enkele jaren geleden nog bijna 50% overheidsobligaties, tegen 40% nu
  - Tak23 wint, leningen, obligaties met lagere rating
  - Verhoging duration activa
Verschuiving naar lagere rendementen loopt door: van 4,5% in 1999 tot...
Social partners also reached an agreement to adapt the system of guaranteed interest rates on group insurance and

This chart illustrates the evolution of dividends and profit shares for the insurance sector (non-consolidated data, in € billion) from 1995 to 2014. The chart shows the trend of dividends and profit sharing over the years, with a peak in 2007. The source of the data is the NBB.

(1) See also Financial Stability Report 2015, Financial market infrastructures – (I)CSD sector overview.

(2) The term (I)CSD is used to cover both CSDs and ICSDs.
Aanpassingen nodig

- Beleid: zie aanpassen gegarandeerd rendement van de aanvullende pensioenen
- Aanpassen businessmodellen: gewicht leven versus niet-leven reduceren
- Markt: zie verzekeraars die overstappen naar variabele rente
- Enkele jaren geleden nog bijna 50% overheidsobligaties, tegen 40% nu
  - Tak23 wint, leningen, obligaties met lagere rating
  - Verhoging duration activa
Variatie in geplande aanpassingen: voor nieuwe contracten

5. Measures taken by the industry

5.1 As shown in the previous section, the insurance sector has sought to adapt to the low interest rate environment in different ways. NSAs were asked to report the measures taken by the industry with regard to new and existing business. In addition to that, they were also asked to report ALM strategies and other type of reaction seen in the market. This information was supplemented with a brief insight provided by companies in the ancillary questionnaire.

5.2 In terms of new business, chart 8 shows that insurers are decreasing the guarantees in the new contracts and shifting towards products with no guarantees.

5.3 This information was confirmed by companies participating in EIOPA Insurance Stress Test 2014. Companies generally reported that the low interest rate environment was and had been impacting on their business strategy already for several years. When asked about business strategies, insurers explained – in line with the information provided by NSAs – that they were facing this challenge by decreasing the guarantees of products (even offering guarantees with zero or close to zero interest rates) and/or shifting to products less dependent on the investment income, in particular, to unit-linked products, but also with profit products.

5.4 Companies in some jurisdictions also informed that non-guaranteed products and unit-linked products were already predominant and, as such, no significant change in the business strategy was being explored.

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**Chart 8: Product strategy for new business**

- Decreasing guarantee levels for new contracts: 21 YES, 3 NO, 2 NA
- Shifting in new business focus towards products with no guarantees / less dependent on investment income: 19 YES, 5 NO, 2 NA
- Stopping the sale of certain guarantee products: 14 YES, 8 NO, 4 NA
- Introducing revision clauses for guarantees: 10 YES, 12 NO, 4 NA
- Shortening the duration of new contracts: 9 YES, 12 NO, 5 NA
- Other reactions: 2 YES, 13 NO, 11 NA
- Exploring new business alternatives such as credit guarantees/insurance, etc.: 1 YES, 20 NO, 5 NA
Variatie in geplande aanpassingen: voor bestaande contracten

5.26 This option was mentioned by eleven NSAs. There are, however, important nuances in its application. In general, it seems that companies try to avoid it for reputational reasons. It was also mentioned that in other occasions, there is not much room to reduce profits as the conditions are clearly specified in the contracts. Nevertheless, when managers have some discretion or when there are relevant provisions in the contracts, companies in some countries seem to be making use of this option in the last couple of years.

5.27 It was also mentioned that profits share are sometimes calculated on total returns. As a consequence, decreasing returns resulting from the low yield environment automatically lead to fewer profits to be shared.

5.28 Lastly, one NSA mentioned the observation of a principle of equality according to which, in practice, those contracts with higher guaranteed interest obtain lower bonuses.

5.29 NSAs reported different issues in relation to this question. In three countries insurers have set up specific reserve funds to cope with the low interest rate environment. Sometimes this is due to the measures taken by the NSAs, as reported in previous sections.

5.30 In addition to that, several other NSAs informed that there has been an increase in the technical provisions which is the result of a) the existing legal provisions; b) the calculation method or the discount rate used (e.g. in case that market rates are used); and c) the result of different types of liability adequacy tests that reflect the impact of a low interest rate environment and the guarantees offered.
Chart 10 provides an overview of the measures taken according to NSAs. It can be observed that undertakings are mainly reducing their operational costs and implementing other measures with the aim of increasing their efficiency.

Two issues explored in the survey referred to potential "search for yield" behaviours, i.e. increasing the share of higher yielding assets and/or increasing the share of sovereigns with large spreads. Although these movements have been witnessed in several jurisdictions, it does not seem to be a very strong trend in Europe.

It has to be pointed out, however, that the jurisdictions in which a certain movement towards higher yielding assets have been witnessed do not always match with those that are particularly affected by the low yield environment.

A similar question was posed to companies in the ancillary questionnaire. They were asked to assess the potential impact of the current low interest rate environment on their asset classes, showing divergent views among companies. Several companies in different jurisdictions indicated that they already had the adequate asset structure in place to cope with a long-lasting low interest rate environment and, therefore, that no change in the asset mix was needed.

The low interest rate environment has, however, impacted the asset mix of many other of the reporting companies. These undertakings reported that a shift in the current investment structure was going on or had to be considered in the near future. This shift goes along the following lines: reduced concentrations to local government bonds, a change in the investment portfolio, and increasing the share of sovereigns with large spreads.

An increase in the share of government bonds does not necessarily constitute a "search for yield" behaviour. Such a pattern may actually reflect the desire to diversify the portfolio. If, however, the increase is significant and focused on sovereigns other than the one in which the insurer is based, this might be a signal of a potential search for yield behaviour.

EIOPA-BoS-14/103

Low interest rate environment stock taking exercise 2014

Content

1. Executive summary
   1.1 EIOPA undertakes this exercise as a follow-up to its Opinion on Supervisory Response to a Prolonged Low Interest Rate Environment published on 28 February 2013. The document includes information provided by National Supervisory Authorities (NSAs) from the EU by means of a questionnaire circulated in January 2014, as well as some information obtained from companies in a questionnaire attached to the low yield module of EIOPA Insurance Stress Test 2014 (referred to as the "ancillary questionnaire" throughout the whole document).

   1.2 NSAs generally have an array of powers available to address the low interest rate environment. Almost all of them have the possibility to intensify monitoring, increase reporting requirements with regard to interest rate risk and issue recommendations and public statements. In fact, a majority of actions undertaken by NSAs and planned for the near future go along these lines.

   1.3 NSAs are generally also able to influence the investment policy of undertakings and there have been some actions in the past that went in this direction. However, NSAs in general do not plan to use this power in the near future.
De Japanse maatschappij ondergaat al 20 jaar financiële repressie

Japanse verzekeringenindustrie heeft zich aangepast
  - Beleggingsportefeuille
  - Productenmix

Lage rente is leefbaar, eeuwige margecompressie niet
De Japanse shift

1. nieuwe producten met lagere/variabele rente
2. kostenreductie: vereenvoudiging, IT
3. diversificatie: tak 23, gezondheidspolissen...
4. consolidatie: fusies, overnames

Source: The Life Insurance Association of Japan
Algemene conclusie: aanpassingen nodig

- Verschuivingen naar producten met minder kapitaalvereisten: tak23...
- Overstappen naar variabele rente
- Binnen tak 21: specificering waarborg maar beperkt is in de tijd:
  - Na afloop beschouwt als nieuwe premie= aangepaste gewaarborgde rente
- Vlotter opzegbaar
- Hybride producten: tak21 & 23
Customer revolution

The insurance marketplace is becoming increasingly fragmented, with an ageing population at one end of the spectrum and a less loyal and often hard to engage millennial generation at the other. The family structures and ethnic make-up within many markets are also becoming more varied and complex, which has implications for product design, marketing and sales. Reaching out to this splintering customer base and developing relevant and engaging products and solutions present both a challenge and an opportunity for insurers. On the life, annuities and pensions side, this could include broadening the offering by designing targeted plans for single parents or shifting from living benefits to well-being or quality of life support for younger people. On the property and casualty (P&C) side, this could include more partnerships with manufacturers and service companies. It could also include coverage for different lifestyles, such as flexible pay-as-you-use insurance or providing top-up coverage for people in peer-to-peer insurance schemes.

As the nature of the marketplace changes, so do customer expectations. Customers want insurers to offer them the same kind of accessibility, understanding of their needs, and products that fit their requirements that they've become accustomed to from online retailers and other highly customer-centric sectors. Digital developments offer part of the answer by enabling insurers to deliver anytime, anywhere convenience, streamline operations and reach untapped segments. Insurers are also using digital developments to enhance customer profiling, develop sales leads (e.g. digital profiling and social media dialogue), tailor financial solutions to individual needs and, for P&C businesses in particular, improve claims assessment and settlement. Further priorities include the development of a seamless multi-channel experience, which allows customers to engage when and how they want without having to repeat the same information with each interaction. Because the margins between customer retention and loss are finer than ever, the challenge for insurers is how to develop the genuinely customer-centric culture, organisational capabilities, and decision-making processes needed to keep pace with ever more exacting customer expectations.

Digitisation

Most insurers have invested in digital distribution, with some now moving beyond direct digital sales to models that embed the company’s products and services in people’s lives (e.g. pay-as-you-drive insurance).

Figure 1: Disruption ahead

Q: How disruptive do you think the following trends will be for your industry over the next five years?

<table>
<thead>
<tr>
<th>Industry</th>
<th>Changes in distribution channels</th>
<th>Changes in customer behaviours</th>
<th>Increase in number of significant direct and indirect competitors – traditional and new</th>
<th>Changes in industry regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>69%</td>
<td>71%</td>
<td>64%</td>
<td>88%</td>
</tr>
<tr>
<td>Banking and capital markets</td>
<td>54%</td>
<td>57%</td>
<td>66%</td>
<td>87%</td>
</tr>
<tr>
<td>Pharma and life sciences</td>
<td>59%</td>
<td>56%</td>
<td>64%</td>
<td>82%</td>
</tr>
<tr>
<td>Power and utilities</td>
<td>42%</td>
<td>62%</td>
<td>56%</td>
<td>89%</td>
</tr>
<tr>
<td>Entertainment and media</td>
<td>64%</td>
<td>63%</td>
<td>66%</td>
<td>56%</td>
</tr>
<tr>
<td>Communications</td>
<td>50%</td>
<td>67%</td>
<td>54%</td>
<td>69%</td>
</tr>
<tr>
<td>Retail</td>
<td>59%</td>
<td>68%</td>
<td>57%</td>
<td>50%</td>
</tr>
<tr>
<td>Asset management</td>
<td>50%</td>
<td>59%</td>
<td>55%</td>
<td>69%</td>
</tr>
<tr>
<td>Hospitality and leisure</td>
<td>53%</td>
<td>57%</td>
<td>63%</td>
<td>59%</td>
</tr>
<tr>
<td>Consumer</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>60%</td>
</tr>
<tr>
<td>Automotive</td>
<td>52%</td>
<td>59%</td>
<td>57%</td>
<td>56%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>37%</td>
<td>63%</td>
<td>51%</td>
<td>71%</td>
</tr>
</tbody>
</table>

Source: 1,322 CEOs interviewed for PwC’s 18th Annual Global CEO Survey: A marketplace without boundaries? Responding to disruption (www.pwc.com/ceosurvey).
Lage rente hangt samen met bredere economisch omgeving

First, to keep the modules simple, the SCR was held constant at the pre-stress level. However, a subset of undertakings reassessed their SCRs in light of the tests. As a result, their SCRs increased, which led to substantial higher proportion of undertakings—close to 40 per cent—failing to meet the 100 per cent threshold. Thus, roughly half of the participants “show important deficiencies”.

Second, the adjustments on the basis of the LTG package may have delivered short-term relief, as it allowed for a sizable reduction in the proportion of companies that otherwise would have failed to meet the 100 per cent SCR threshold. But as the IMF points out, such adjustments may not be realistic under an industry-wide stress in a Japanese scenario. This is particularly true in cases where companies have large duration mismatches, as adverse consequences keep growing with the duration of the low interest rate environment. According to the IMF, these “vulnerabilities become difficult to mitigate, even with regulatory adjustments, once an insurer hits negative cash flows or the source of the vulnerabilities are industry wide and likely to affect many insurers simultaneously”.

Third, the situation may be worse than the one captured by the stress tests. Today’s interest rates are much lower than at the time of the test, implying that the test results are under-reporting the severity of the situation. Figure 15 shows the current market yield spectrum relative to the yields used for the stress tests.

Figure 15: EIOPA assumptions no longer reflect market developments

Source: IMF

With the combined impact of these caveats in mind, one must conclude that the situation in the European life insurance industry is likely worse than portrayed by the stress tests. The situation is particularly grave the longer the low interest rate environment prevails, as a number of EU life insurers will breach the 100 per cent threshold in a comparatively short period. According to a survey by the German Federal Financial Supervisory Authority (BaFin) based on year-end 2014 data almost half of German life insurers would fail to comply with the new Solvency II requirements, with the shortfall of funds estimated to be around EUR 12 billion. BaFin added, however, that long transitional arrangements (up to 16 years) and volatility adjustments will allow the bulk of these insurers to eventually comply with regulatory requirements.

Having weathered the interest rate challenge so far is no guarantee that this will be possible in the future. As the ECB stays on the course of quantitative easing, the ensuing low yield environment will continue to fuel a slowly burning fire that over time could engulf large parts of the life insurance industry.

51 As reported in Moody’s Investors Service (2015c).
Pistes leasingsector

- Hoeveel buying power tov financiële sector om lagere rente te bedingen
- Doorrekenen in lagere lease rates?
- Verschuiving kopen vs leasen?
  - Lagere lease rates= meer leasing in lagere prijssegmenten?
  - Effectisering door lagere rates?
    - Vraag, aanbod, pricing, hair cuts?
- Wat met exit: als rentes stijgen
  - Defaults, omzet, marges?
- Uber?
Vragen?