

Annual Report Pension Fund Governance 2014

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Report by Intern Toezicht (Internal Supervision) in connection with pension fund governance on the implementation of directly-insured schemes at Nationale-Nederlanden Levensverzekering Maatschappij NV in 2014.

1. General

Legislation in the area of pension schemes remains in flux. 2014 work was undertaken to implement the legislative amendments pursuant to the Wet Verhoging AOW-en Pensioen richtleeftijd (Dutch law on increasing the retirement age for the State and other pensions, hereinafter referred to as the "Pension Agreement") that came into force on 1 January 2014. At the same time, preparations were initiated in that year to accommodate the further austerity of pension schemes in accordance with regulations that entered into effect on 1 January 2015. This concerns the Wet Verlaging maximumopbouw en premiepercentages pensioenen en maximering pensioengevend salaris (Dutch law on lowering the maximum accrual and premium percentages for pensions and capping pensionable income, hereinafter referred to as the "legislative changes of 1 January 2015"). The majority of the pension scheme regulations need to be adjusted accordingly. The impact on the pension sector and on Nationale-Nederlanden will be substantial, since incorporating these amendments will absorb sizeable operating capacities.

Due partly to the feedback from our customers, we are simultaneously working on improving our regular services. To this end, organisational changes were made to Nationale-Nederlanden Pensioen Operations (NN Pension-Scheme Operations) in the third quarter of 2014. Following the merging of various operational units in 2013, 2014 was marked by the further integration and optimisation of these units. Quality improvement considerations, increased efficiency and the process of further professionalising Operationeel Management (Operational Management) were important aspects of these developments.

One issue that has come up in recent years is the acceleration of the transition from career-average and final-pay schemes to defined contribution schemes. We are working hard on developing the necessary products and systems in order to be able to continue to offer our customers suitable products going forward.

In this report for 2014, you will read about the services we provided for our pension-scheme customers and the impact that various issues have had on this service.

2. Customer satisfaction

The opinion of our customers is important to us, which is why we conduct research on how satisfied they are. A distinction is made here between Corporate Clients and Business Customers.

Business Customers

The Business Customers segment consists of Large Businesses and SMEs. In the fourth quarter of 2014, we gauged customer satisfaction among Business Customers, and had an independent external agent conduct the relevant research. Nationale-Nederlanden Pensioen scored lower than in 2013. In the fourth quarter of 2014, we also looked into the degree of satisfaction on the part of our insurance adviser partners. This research was conducted by an independent agent, but we also made use of our own internal panel of intermediaries. Nationale-Nederlanden Pensioen scored lower in 2014 than in 2013. The survey favourably underscores our service-oriented approach. Points for improvement mainly concerned the speed with which administrative changes are implemented.

Corporate Clients

The Corporate Clients segment consists of large companies and their employees, as well as pension funds and their members. Each year, we organise a study on customer satisfaction in this segment. This research was likewise conducted by an independent agent that supplied customers with an online questionnaire. The score for 2014 was lower than in 2013. Here too, we scored high on the so-called "human side" of our services; points for improvement mainly concerned the speed with which changes are implemented.

Net Promoter Score

Nationale-Nederlanden also gauges customer satisfaction by applying the Net Promoter Score (NPS) methodology. NPS is a simple means of measuring customer loyalty. Immediately after having been contacted, employers, and above all employees, who have experienced the services of Nationale-Nederlanden receive an online questionnaire for evaluating these services. We are currently applying this methodology to four processes. This customer feedback is used directly as input for improving our processes. The NPS survey conducted by our Klantenservice Pensioen (Pensions Customer Service) team shows a rising trend.

This report also describes the efforts made to improve customer satisfaction, for example through the introduction of new products, the measures we are taking to enhance quality and the changes in our complaints handling processes.

3. Order book and processing times

In 2014, in addition to our day-to-day operating activities activities, efforts were made with regard to a number of specific projects as described below. In autumn of 2013, we introduced a new product for career-average schemes. At the end of 2014, we also introduced a new product for

defined-contribution schemes. Many of our customers who concluded new contracts with us in 2013 and 2014, or extended existing ones, chose these new products. Switching from existing contract to a new product is a labour-intensive process and something we devoted a great deal of attention to in 2014. Implementation of the changes required for the Pension Agreement began in 2014. Implementation of the changes required for the Pension Agreement began in 2014. In addition to implementing the resultant changes in our administration, we also drew up new legal documents, such as pension scheme rules and agreements for our customers. We have to incorporate these statutory changes before we can incorporate the other changes for 2014. This fixed order of priority gave rise to longer processing times for a number of processes in 2014. Moreover, we began working on the preparations for implementing the legislative changes that have to be implemented by 1 January 2015.

In 2014, we conducted a clean-up campaign in the area of occupational disability data that involved comparing the disability information – known to us with that of the UWV (Employee Insurance Implementing Organisation). We are still in process of incorporating the new information.

However, as a result of these processes, the number of hours we can devote to processing our order books was reduced even further in 2014, such that, by the close of 2014, our order book ended up larger than at the close of 2013. Obviously, we are devoting a great deal of attention to bringing down this order backlog.

4. Quality

Nationale-Nederlanden attaches great importance to quality, so, naturally, 2014 was another year in which we invested heavily in improving it. In the area of post-controls, much was achieved again in terms of harmonisation by merging together the controlling activities of the Collective Business unit (formerly the Business and Corporate Clients units) at the start of the year. As part of the reorganisation on 1 October 2014, a special team was set up that brings the controlling functions for the entire pension business under one roof. Controls were made more stringent still, with a specific focus on changes involving the risk of members' entitlements being impacted. Whenever we work on improving quality, the highest consideration is also given to findings that impact the entitlements of members. The newly established Quality and Value-Chains team brings together disciplines aimed at achieving cooperation across the entire quality spectrum: post-controls for changes, defining the so-called "four-eyes controls", professionalising analysis and standardising reporting. That way, we invest in quality on a sustained basis. Controllers, process managers, "black-belts" and quality managers play an important role in improving processes and raising quality awareness among employees.

The results of the various quality controls are all factored into our quality model. The quality model allows for detailed analysis of the quality of the changes implemented.

This makes it possible for us to identify measures that can be adopted to improve quality. This analysis is performed by our quality managers. The resultant improvement-related activities are then undertaken by the various departments concerned.

Investing in quality leads to greater quality awareness among employees and management. Quality management has become an integral part of operational management, and the "operational management-lean" principle is applied in different forms.

5. Complaints

The Wet op het Financieel Toezicht (Dutch Financial Supervision Act, WFT) places an insurer under an obligation to ensure that consumer complaints concerning financial products and services are handled promptly and attentively. Our goal is for customers to experience the way we handle complaints as being customer-friendly, fast, attentive and involved. Complaints reach us through several different channels. Increasingly, more customers are contacting us through our website, nn.nl.

In handling a complaint, we seek as much telephone contact with the customer in question as possible. In these phone conversations, we confirm that we have received the complaint, go over the complaint together with the customer and provide them with a date by which we expect to have arrived at a solution or a response. Some time after a complaint has been fully resolved, the customer receives a follow-up call from us to gauge customer satisfaction as regards the handling of the complaint. We involve managers and members of senior management within the organisation as much as possible in these so-called follow-up calls. This is a way for us to pay respect to our customers and makes for a strong customer-oriented focus within the organisation - an approach greatly appreciated by our customers. Thus, complaints processing significantly contributes to increasing customer satisfaction. It also provides us with input for improving our processes. The improvements we made to the wordings of the letters we send out in these processes are a good example of this.

In addition to the follow-up calls, we also measure the Net Promoter Score for complaints. As part of this process, once a complaint has been resolved, customers receive an e-mail from us in which we ask for their opinion on how we handled the complaint. The customer is given the opportunity to numerically rate various aspects and to tell us what improvements could be made and also the main things we need to keep doing. We likewise use this survey to check whether the complaint was fully resolved to the customer's satisfaction.

2014 saw reorganisation efforts that included the establishment of a new team we call 'Quality and Value-Chains'. One of the responsibilities of this team is to stimulate the process of improvement and set it in motion, wherever possible.

6. Payment policy

The purpose of our debtor management policy is to limit financial risks and to drive down payment arrears in accordance with the provisions of the Pensioenwet (Dutch Pension Act). This Act mainly governs the protection of members. This protection is reflected in the time period for waiver of premiums with retroactive effect (five months maximum). This period runs from the moment when members are notified of the fact that the employer is in payment arrears. The insurer is now responsible for informing members of payment arrears. It should be noted here that this does not apply in cases where the insured party is a reinsured pension fund, in which case, the obligation to inform in the event of premium arrears falls to the reinsured pension fund.

Nationale-Nederlanden has taken specific actions to obtain greater insight into financial behaviour and reducing payment arrears periods. Our report on payment arrears for each employer has been professionalised. The report is regularly discussed with both the Debiteurenbeheer (Debtor Management) department and the operational team managers. In the event of potential payment problems, we endeavour to make contact with the customer, the employer, at an early stage, for purpose of discussing possible solutions.

Supervisory Board of Nationale-Nederlanden Levensverzekering Maatschappij NV

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