

# Report by the Intern Toezicht (Internal Supervision) division

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Report by the Intern Toezicht (Internal Supervision) division in connection with pension fund governance on the execution of directly-insured schemes at Nationale-Nederlanden Levensverzekering Maatschappij NV in 2015.

## 1. General

Nationale-Nederlanden attaches great importance to good effective organisation and internal control of top importance. This report provides insight into the way in which Interne Toezicht (Internal Supervision) safeguards the interests of customers within our organisation.

Pension legislation is continually in flux. Legislative changes had considerable impact on the pension sector, as well as on Nationale-Nederlanden, in 2015. As incorporating necessary amendments requires a considerable amount of operational capacity.

In 2015 we implemented further retrenchment of pension schemes that arose from the Wet Verlaging maximumopbouw- en premiepercentages pensioenen en maximering pensioengevend salaris (Reduction of Maximum Pension Accrual and Premium Rates and Maximum Pensionable Income Act, hereinafter referred to as the 'Legislative Changes of 1 January 2015'). The key changes resulting from this act are fewer options for accruing a pension, and that individuals earning over € 100,000 will no longer be able to automatically accrue a pension on their entire salary. These measures may have consequences in terms of the accrual of both old-age pensions and survivors' pensions. Nationale-Nederlanden has developed products that are able to compensate for reductions in a person's pension that may result from this legislation.

Furthermore, our efforts in 2015 were largely focused on the conversion of our existing products to new products – the Comfort, Bewust and Essentie pension plans. The new product for the Direct Ingaand (Direct Retirement) Pension is currently under development. At the end of 2015, approximately 20% of our portfolio had been transferred to these new products. Among our new products, over 80% of the changes were processed completely automatically by Straight Through Processing. We continue to work on raising this percentage even further.

Lastly, throughout 2015 we devoted extra attention to further improving our services to our customers. We succeeded in better managing our order backlog and

improved our efficiency by further pursuing Operational Management, setting up value chains and instituting structural attention towards continuous improvement.

This report, relating to 2015, outlines the services we provided for our pension scheme customers and the impact that various issues had on these services.

## 2. Customer satisfaction

Our customers' opinions about our services are of the utmost importance to us, and as such we regularly conduct surveys to determine how satisfied they are. As of 2016, we will be taking part in the annual Verzekeraars InBeeld survey. The results can be viewed on the [verzekeraarsinbeeld.nl](http://verzekeraarsinbeeld.nl) website. Our customers' opinions about our performance help us improve our services and focus on the priorities that will best improve them. We make a distinction between relational and transactional surveys. In 2015 relational surveys were only conducted among employers and advisers, while transactional surveys were conducted mainly among employees.

### Relational surveys

In relational surveys, customers and advisers rate their relationship with NN Pensioen, irrespective of whether or not they have recently conducted transactions or had contact with us. The image and general perception of NN and the industry can play a part in this rating. Relational satisfaction is assessed once a year over a fixed period of time. The survey is conducted among employers with a pension contract with Nationale-Nederlanden in such a way that it approximates the ratios in our 2015 portfolio. For purposes of comparison, the survey is also conducted among customers of four competitors who jointly constitute the benchmark. In addition, advisers with whom we collaborate in the area of pensions also gave their opinions. The surveys of both employers and advisers are carried out by an independent external agency. Our research focuses on a number of key aspects that are most important in determining employer/ consultant satisfaction. For each key aspect (such as administration and account management), a number of additional aspects regarding satisfaction such as speed, clarity and customer friendliness are assessed.

### Transactional surveys

Transactional surveys focus on a specific transaction (complaint, phone call, change implementation, etc.). This type of survey is generally conducted soon after a transaction. Nationale-Nederlanden gauges this type of feedback by applying the Net Promoter Score (NPS) methodology. NPS is a simple means of measuring customer loyalty.

Employees who experienced a service provided by Nationale-Nederlanden receive an online questionnaire shortly after a point of contact to assess the service they received. We are currently applying this methodology to four processes relating to existing products and will start to survey a number of processes for the new products in 2016. Customer feedback is used specifically by way of input to improve our processes.

The NPS focuses on flows such as Start Retirement and Customer Service Pension. In addition to the question about NPS, customers are also asked questions on matters like timeliness of payments and employee empathy.

### 3. Order backlog and processing times

In 2015 our backlog remained at levels seen in the previous year. As expected, the reorganisation of Operations and the closure of our office in Heerlen had a limited impact on our backlog.

Backlogs will diminish, as we are now only selling new pension products and are converting the existing products into these new offerings. Particular attention is being paid to order backlogs for the process for Start Retirement. Turnaround times are in line with our standards due to the deployment of additional staff, overtime campaigns and the implementation of a number of improvements in this process.

We have also taken the first steps in clearing the backlogs of the process divorce. By streamlining our administration and improving data delivery, we have now mapped out the changes that need to be implemented. We expect to have reduced our backlog by the end of 2016.

New pension contracts and contracts that we convert to our new products are now administered within a modern and flexible system. In 2015, this system allowed us to process over 90% of our changes within one day. A number of key processes were put in place, including value transfers for the Bewust plan, which enabled us to start and finish this process for our end user customers. Our focus in 2016 will continue to be on further improving our service by optimising our platform and proactively communicating with customers and, where possible, implementing improvements.

### 4. Quality

Quality continues to be a top-priority for Nationale-Nederlanden. Quality management has been expanded in order to improve our understanding of areas in need of improvement; and implement required actions to further improve quality. Quality management is an integral part of operational management, and its principles are applied in different forms. Among employees, workshops create awareness of the importance of quality and of Nationale-Nederlanden's responsibilities to participants and employers in this regard.

In 2014, post-controls focused on errors that carried a risk of directly affecting members' entitlements. In 2015, we expanded the scope of post-controls to include evaluating communication errors and mistakes that could impact participants' entitlements in the future.

The results of the various quality controls are factored into our quality model. The quality model allows for detailed analysis of the quality of the work conducted. This makes it possible to identify measures needed to improve quality.

The analyses are performed by our quality managers. The resulting improvement-related activities are then undertaken within the various departments concerned.

Through collaborations between Operational Managers and other disciplines within Kwaliteit (Quality) – controllers, process managers, 'black belts' and quality managers – quality improvement plans have been established. As such, a periodic improvement cycle has been defined with the aim of improving processes and increasing quality awareness among employees. This is how we invest in quality on a sustained basis.

### 5. Complaints

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

When 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 a solution or a response. Sometime after a complaint has been fully resolved, the customer receives a follow-up call in order to gauge customer satisfaction on how complaints were handled. We involve managers, colleagues and members of senior management within the organisation as much as possible in these follow-up calls. This is a way for us to pay attention 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 insight into the available options for further improving our processes, one example being improvements in the language and tone of letters sent out within this process.

In addition to 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 email 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 of their experience, tell us what improvements could be made, and highlight any aspects we should continue. We likewise use this survey to check whether or not the complaint was fully resolved to the customer's satisfaction.

## 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), which starts at the moment at which members are notified of the fact that their employer is in payment arrears.

The insurer is now responsible for informing members of payment arrears. It should be noted 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 Debiteuren-beheer (Debtor Management) department and the operational team managers. In the event of potential payment problems, we endeavour to make contact with the customer, i.e. the employer, at an early stage, for the purpose of discussing possible solutions.

### **Supervisory Board of Nationale-Nederlanden Levensverzekering Maatschappij NV**

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