Brief overview of the history of AEGON, Fortis and ING

3.1 Introduction

As explained in the previous chapter, the three companies selected to describe and analyse the developments in reporting practices by Dutch insurance companies are AEGON, Fortis and ING.\(^1\) The chapter also noted that it is necessary to set these developments in their historical context, and formulated a specific research question to identify the specific company developments and events which potentially impacted these practices:

What were the important company developments and events in respect of the legal structure, the organisational structure, ownership, and the (multi)national corporate strategy within the selected companies?\(^2\)

The objective of this chapter is to provide the answers to this question. For this reason, it includes, in brief, the history of the three companies, with a specific focus of these developments and events. The financial and prudential reporting practices are described and analysed in the subsequent chapters, each dealing with an individual time slot, and the underlying financial data are presented in an annex.\(^3\)

The description below starts with AEGON, followed by Fortis and ING. The individual sections, generally, present the history of these companies and their predecessors in chronological order, and conclude with an overview of the companies of which the financial reporting developments are described and analysed in the next chapters. The chapter ends with a summary and overview of conclusions, linking the findings to the research question quoted above.

3.2 AEGON

3.2.1 Introduction

In its 2005 annual review, AEGON described itself as one of the world’s largest life insurance and pension companies, and a strong provider of investment products.\(^4\) It had three major markets, being the US, the Netherlands, and the UK. In addition, the group was present in a number of other countries including Canada, China, the Czech Republic, Hungary, Poland, Slovakia, Spain, and Taiwan.

At 31 December 2005, AEGON had an amount of total assets of EUR 311.2 billion, with a shareholders’ equity of EUR 19.3 billion. Net profit for 2005 was over EUR 2.7 billion.

The company was listed in Amsterdam, Frankfurt (Germany), London (UK), New York, Tokyo (Japan), and Zurich (Switzerland).

The description of the history of AEGON is structured as follows:

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\(^1\) See section 2.6.
\(^2\) See chapter 1.
\(^3\) See annex 13.
\(^4\) AEGON (A2005).
First, the focus is on the establishment of the ‘AGO Groep’ (henceforth, the ‘AGO’) in 1968 and the history of its three predecessors, being the ‘Algemeene Friesche Levensverzekering-Maatschappij’ (henceforth, the ‘Algemeene Friesche’), the ‘Vereeniging van Levensverzekering en Lijfrente “De Groot-Noordhollandsche van 1845”’ (henceforth, the ‘Groot-Noordhollandsche’), and ‘Het Onderling Levensverzekering Genootschap De Olveh van 1879’ (henceforth, the ‘Olveh’);

Next, the creation of the ‘Ennia Groep’ (henceforth, the ‘Ennia’) in 1969 is described, presenting the history of its two predecessors the ‘Eerste Nederlandsche Verzekering-Maatschappij op het Leven en tegen Invaliditeit’ (henceforth, the ‘Eerste Nederlandsche’) and its non-life insurance subsidiary ‘Verzekeringsbank “De Nieuwe Eerste Nederlandsche”’ (henceforth, the ‘Nieuwe Eerste Nederlandsche’), and the ‘Verenigde Nillmij’;

This description is followed by an overview of the developments of the AGO and the Ennia, until 1983 when AEGON was created through a merger of these two groups; and

Finally, the evolution of AEGON is presented.

The section concludes with an overview of the companies of which the actual financial reporting developments are described and analysed in the next chapters.

3.2.2 The history of the predecessors of the AGO
The history of the three predecessors of the AGO is summarised in the figure presented hereafter.

Figure 3.1 The history of the predecessors of the AGO
The oldest of these founding fathers was the Algemeene Friesche. This mutual life insurer was incorporated in 1860, as the successor of the funeral fund ‘Algemeene Friesche Begrafenisfonds, Memento Mori’ (henceforth, the ‘Memento Mori’), established in 1844. During the first 70 years of its history, the company was only experiencing a modest growth. This improved gradually in the first part of the 20th century as a result of acquisitions. But the major step occurred in 1922, when the company acquired the Dutch non-group life insurance business of the ‘Algemeene Maatschappij van Levensverzekering en Lijfrente’ (henceforth, the ‘Algemeene’), after this company had run into financial difficulties. This transaction accounted for 60% of the growth of the Algemeene Friesche in that year. In subsequent years, only some small portfolios from local life insurers and funeral funds were acquired.

Only one year after the Memento Mori was established, a second founding father of the AGO was created. This was the funeral fund ‘Vereeniging Groot-Noordhollandsche begrafenisfonds Opgenomen in ‘t Waarachtig Belang van ‘t Algemeen’, established in 1845. As the Algemeene Friesche, its growth was very limited during its first seven decades. This started to change near the end of the 1910s, when the funeral fund was converted into a life insurance society. In 1931, it adopted its final name, the Groot-Noordhollandsche. It was during the first three decades of the 20th century that the company was most active in acquiring a large number of portfolios from funeral funds and smaller life insurance companies.

The Algemeene Friesche and the Groot-Noordhollandsche took a next step in their development in 1938, when they concluded a pool arrangement, creating the so-called ‘AFGN Groep’. Within a structure of an integrated management, a combined sales force, and a partially joined back office, both individual companies remained formally independent, although, from the start, they concluded a mutual guarantee agreement, providing each other financial support in case that would be needed. In the new structure, with-profit policies were allocated to the Algemeene Friesche, while the other policies were added to the portfolio of the Groot-Noordhollandsche.

Subsequent developments occurred in 1948, when the group concluded a cooperation agreement with the mutual fire insurance company ‘Verzekering Maatschappij Zevenwouden’. In the same year, the group established a fire insurance subsidiary named the ‘Algemeene Friesche Brandverzekering-Maatschappij’ (henceforth, the ‘Algemeene Friesche Brand’), which was renamed the ‘Algemeene Friesche Schadeverzekering-Maatschappij’ (henceforth, the ‘Algemeene Friesche Schade’) in 1963, when its activities had expanded beyond fire insurance business.

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6 Ibid, p. 94.
7 The rise and fall of the Algemeene is described in section 4.4.3.9.1. As is shown in that section, the fall led to the introduction of prudential supervision of Dutch life insurance companies and had, as such, an important impact on a large number of companies active in this market.
11 Ibid, p. 94.
13 GN (A1931).
In 1950, the acquisition of a group of three non-life insurers (‘Verzekering Maatschappij “Albingia”’, ‘Verzekering Maatschappij Frisia’, and ‘Hermes Verzekering-Maatschappij’) occurred, followed in the same year by the acquisition of another non-life insurer the ‘Nijmeegsche Glas- en Algemeene Verzekering Maatschappij’.

To improve the structure of the group, in 1954 the shares of all non-life insurance subsidiaries, until that moment held by several group members, were concentrated in one risk carrier, and in 1956 the same thing occurred in respect of the life insurance activities. In 1968, the group was dissolved when it merged with another company, creating the AGO.

This merger partner was the Olveh. This mutual life insurance company was established in 1878 under the name ‘Het Genootschap De Onderlinge Levensverzekering van “Eigen Hulp”’. This company was originally created as a department of the ‘Vereeniging Eigen Hulp’, a society established in 1876 to improve the position of government officials. The members of the society were entitled to conclude insurance contracts with the Olveh, and the society was entitled to a percentage of the profits of the life insurer, as a compensation for using its organisation. However, the life insurer soon proved to be more successful than the society, and after 1890 the Olveh was made completely independent of its incorporator, although the society did receive parts of the profit of the Olveh until 1909. While the company acquired several smaller Dutch portfolios in the beginning of the 20th century, it mainly experienced internal growth: measured in insured capital and premium income, it was the largest mutual life insurance company in 1913, with a good second place for the Algemeene Friesche. However, as a result of the independence of the Dutch East Indies in 1949, which became the Republic of Indonesia, the Olveh gradually lost 20% of its business measured in insured capital in the following years.

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18 AF Leven (A1954).
19 AF Leven (A1956).
21 Olveh (A1926).
23 Almanak (1891, 1899, 1902, 1911 and 1918).
24 Commissie monopolisering (1918), p. 20.
The oldest partner in this merger was the ‘Nillmij Groep’, headed by the Verenigde Nillmij. The history of this group goes back to 1859 with the establishment of the life insurer ‘Nederlandsch-Indische Levensverzekering- en Lijfrente-Maatschappij’ in the Dutch East Indies. In 1932, it adopted the name ‘Levensverzekering-Maatschappij Nillmij van 1859’ (henceforth, the ‘East Indies Nillmij’). In the first two decades of the 20th century, it had a market share in the Dutch East Indies of about 35%, measured in insured capital, and was the largest life insurer active in this part of the world. This position was even improved in 1922, when it acquired the Dutch East Indies life insurance business of the Algemeene. This transaction accounted for 70% of the growth of the East Indies Nillmij in that year. The Dutch activities started in 1936 with the establishment of a Dutch life insurance subsidiary, called the ‘Nederlandsche Maatschappij der Nillmij van 1859’ (henceforth, the ‘Dutch Nillmij’).

After some small acquisitions in the Netherlands and in the Dutch East Indies between 1923 and 1943, the group concluded a major transaction in 1950, when it acquired the life insurer ‘Levensverzekering Maatschappij Arnhem’ (henceforth, the ‘Arnhem’).

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26 Ibid, p. 10.
29 Nillmij 1859 (A1936).
The Arnhem was a Dutch life insurer which had also suffered from the creation of the independent Republic of Indonesia: measured in insured capital, the company immediately lost 40% of its business.\(^{32}\) The acquisition of the Arnhem paralleled a fundamental restructuring of the group, necessary because of the loss of its home basis in the Dutch East Indies: the East Indies Nillmij, which was the parent company, was transformed into a subsidiary, and the Dutch Nillmij became the parent company, followed by a number of portfolio transfers.\(^ {33}\) This included the transfer of the Dutch portfolio from the East Indies Nillmij to the Dutch Nillmij and concerned the transfer of a life insurance provision of about NLG 90 million.\(^ {34}\) The group was reorganised in 1967 again, creating a holding company under the name Verenigde Nillmij, with all life insurance business carried on by a subsidiary called the ‘Nillmij Leven’.\(^ {35}\) At the time of the creation of the Ennia in 1969, the shares of the Verenigde Nillmij had just been listed at the ‘Amsterdam Stock Exchange’\(^ {36}\).

The other company involved in the Ennia merger was the Eerste Nederlandsche, incorporated as a life insurer in 1882 under the name ‘Eerste Nederlandsche Verzekering-Maatschappij op het Leven, tegen Invaliditeit en Ongelukken’.\(^ {37}\) It was the first Dutch company active in the business of accident insurance, combined with life insurance, and, from 1890 onwards, with disability insurance. However, in practice it was predominantly a life insurer.\(^ {38}\) From the start, the company was also active in the Dutch East Indies.\(^ {39}\)

In response to adoption of the ‘Ongevallenwet 1901’ (henceforth, the ‘accident act 1901’),\(^ {40}\) the Eerste Nederlandsche established a non-life insurance company, the Nieuwe Eerste Nederlandsche. This subsidiary acquired in 1903 the accident insurance business previously carried on by its parent company, and initially specialised in this business.\(^ {41}\) After this transaction, the Eerste Nederlandsche deleted the reference to accident insurance from its name.\(^ {42}\) Soon after its incorporation, the Nieuwe Eerste Nederlandsche started to also sell insurance policies covering legal liability, burglary, bicycle accidents, and car damage.\(^ {43}\) In 1910, it acquired the portfolio of the ‘Verzekeringen- en Herverzekeringbank “Nova”’ (henceforth, the ‘NOVA’), a company of which it had already acquired the shares in 1903.\(^ {44}\)

\(^{32}\) Ibid, p. 307.
\(^{33}\) Nillmij 1859 (A1951).
\(^{34}\) Verzekeringkamer (A1951).
\(^{35}\) Verenigde Nillmij (A1967).
\(^{37}\) Ibid, p. 10.
\(^{38}\) Ibid, p. 86-87.
\(^{39}\) EN (A1883).
\(^{40}\) See section 4.2.3.
\(^{42}\) NEN (1928), p. 11.
\(^{44}\) Ibid, p. 168.
Regarding life insurance business, the Eerste Nederlandsche, after having obtained the portfolios of some smaller insurers, experienced a considerable expansion in 1913 when it acquired all shares of the ‘Vennootschap voerende den naam Nederland’. This was a life insurer, which had run into financial difficulties through its rapid foreign expansion in the 1890s. As a result of this acquisition, the insured capital of the Eerste Nederlandsche increased by 40%. A new step was taken in September 1918, when the Eerste Nederlandsche concluded a cooperation agreement with the Algemeene. The intention was to join forces in those countries where both companies were already active, i.e. the Netherlands, Belgium, Luxemburg, and the Dutch East Indies. However, the fall of the Algemeene prevented this, and the Eerste Nederlandsche obtained its non-Dutch business in 1922.

Before the transfer of the portfolio of the Algemeene, the Eerste Nederlandsche had already concluded another major acquisition in 1919, i.e. the shares of the ‘Levensverzekering Maatschappij Dordrecht’ (henceforth, the ‘Dordrecht’). In 1913, this company was one of the five largest life insurers in the Netherlands. At that time, excluding the Dutch Indies, over 50% of its insured capital was obtained from foreign business. However, in general this business suffered losses, which could be just compensated by the profits from the Dutch and the Dutch East Indies activities. The outbreak of the First World War brought the company in serious financial problems. As the Eerste Nederlandsche was only interested in the Belgian, Dutch, Dutch East Indies, and Italian portfolios of the company, the remaining business was sold. The existing life insurance portfolios were transferred to the Eerste Nederlandsche in 1927.

After these transactions, the Eerste Nederlandsche achieved its growth mainly internally. The only important external acquisition occurred in 1949 when it bought all shares of the life insurer ‘Algemeene Levensverzekering-Bank’. This was a company predominantly active in the area of industrial assurance business. For this reason, the Eerste Nederlandsche decided already in the year of acquisition that this company would be the sole risk carrier within the group for this business.

Compared to the other predecessors of AEGON, the establishment of the independent Republic of Indonesia in 1949 had only a limited impact on the Eerste Nederlandsche: measured in insured capital, it lost 8% of its business. The Dutch East Indies activities were gradually built off and ultimately terminated in 1955.

48 Ibid, p. 123.
50 EN (A1922).
52 Ibid, p. 61.
54 Ibid, p. 198.
56 Industrial assurance business, known in the Netherlands as ‘volksverzekeringen’, focused on insuring small amounts against weekly premiums, collected by agents.
57 EN (A1949).
59 EN (A1955).
Regarding non-life insurance business, the group was much more active in the area of acquisitions on the Dutch market. The first transaction took place in 1933, when the Nieuwe Eerste Nederlandsche acquired the shares of the ‘Nering- en Bedrijvenverzekering Maatschappij Holland’. Further acquisitions occurred in 1950 when it obtained all shares of the ‘Nederlandsche Verzekering Maatschappij De Unie’, and in 1964, when the ‘De Assurantie-Maatschappij van 1896’ and its subsidiary the ‘Verzekering-Maatschappij Emma’ were acquired.

A final important event for the Eerste Nederlandsche occurred in 1966, when its shares were listed at the Amsterdam Stock Exchange. As is shown later in this chapter, the listings of the Eerste Nederlandsche and the Nillmij in the 1960s were not the only ones in the Dutch insurance environment: in the same decade, also the AMEV and the Nationale-Nederlanden obtained a listing at the Amsterdam Stock Exchange. A number of drivers for these events were explained by Gales. He noted that the gradual expansion and diversification of the activities of the Dutch insurers increased the financing needs of these companies, which could no longer be met by the existing shareholders. Since the 1920s, most insurance companies had issued shares which were not fully paid-in, and shareholders experienced, in the early 1960s, more and more problems with such shares, because they were difficult to transfer and paid out only limited dividends. As a result, they were less and less inclined to buy such shares, which limited the possibilities for companies to issue new shares to existing shareholders. Through a stock exchange listing, companies were able to attract new shareholders and obtain additional financing. Such an expansion of the capital base was also necessary to face the increased competition on the Dutch insurance market and to participate in the flow of mergers, occurring in the second half of the 1960s in response to the creation of the Nationale-Nederlanden in 1963, as is described later in this chapter.

3.2.4 The developments of the AGO and the Ennia
After the creation of these two groups in 1968 and 1969, respectively, both continued to expand, nationally and internationally. These developments are described in this section and summarised in the figure presented next.

60 NEN (A1921).
61 NEN (A1952).
62 NEN (A1964).
64 Ibid, p. 315-319.
As is described earlier, the AGO was the result of a merger between the AFGN Groep and the Olveh. At the time of the merger, the new group had a market share of about 10%, measured in life insurance provisions. Immediately after the merger, it was decided that all group life insurance contracts would be concentrated at the Olveh, while any new individual life insurance policies sold by the Olveh would be for the risk of the Algemeene Friesche or the Groot-Noordhollandsche. However, it was soon clear that additional steps were required, to address the problems created by the different legal structures: the Algemeene Friesche and the Olveh were mutual insurance companies, and the Groot-Noordhollandsche was a society. To address these differences and to create a holding company structure, a number of events occurred, resulting in the incorporation of a holding company named the ‘AGO Holding’, a number of name changes and portfolio transfers, and the conversion of the Groot-Noordhollandsche into the ‘Vereniging AGO’, which was subsequently the shareholder of the holding company. The resulting life insurance risk carriers were the joint stock company ‘AGO Levensverzekering-Maatschappij’ (henceforth, the ‘AGO Leven’) and the mutual insurer ‘AGO Onderlinge Levensverzekering-Maatschappij’ (henceforth, the ‘AGO Onderlinge’), which was created by the absorption of the Olveh by the Algemeene Friesche, followed by a change of the name. Some years later, a similar reorganisation of the non-life insurance activities resulted in the concentration of these activities in the ‘AGO Schadeverzekering-Maatschappij’ (henceforth, the ‘AGO Schade’).

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68 AGO Leven (A1972) and AGO Onderlinge Leven (A1971).
69 AGO Schade (A1973).
This structure remained in place until about 1979, when the specialised health insurer ‘Nederlandsch Ziekenhuisverpleegingsfonds’ (henceforth, the ‘Nezifo’) became part of the group.\(^70\) The year after, all health insurance portfolios were concentrated at the Nezifo.\(^71\)

Regarding life insurance business in the 1970s, the AGO experienced internal growth, but also expanded through acquisitions. In the year of the merger, it had already acquired the tontine company ‘Spaarbeleg’. In 1975, this was followed by the life insurer ‘De Twaalf Gewesten’, a subsidiary of a bank, which had to be sold as a result of the so-called ‘structuurbeleid’ (henceforth, the ‘structural policy’), implemented by the banking supervisor ‘De Nederlandsche Bank’ (henceforth, the ‘Dutch Central Bank’ or the ‘DNB’).\(^72\) However, soon after the creation of AEGON, described in the next section, this life insurer was sold to its previous owner in 1985.\(^73\) Within the group, the mutual insurance company AGO Onderlinge was dissolved in 1978, after having transferred its portfolio to the AGO Leven.

On the international front, the AGO acquired in 1981 a majority share in the US-based life and health insurer ‘Life Investors Inc.’. The first step in this deal was made in 1979, when a 13% share was acquired with the agreement to expand this to 31% in the next two years. However, when the AGO announced in 1981 that it intended to increase its interest to more than 50%, a number of court cases were started in the US to prevent this. In the end, the AGO obtained approval, and the majority share was realised.\(^74\) The share of the AGO in the Life Investors, and subsequently the share of AEGON, gradually increased in subsequent years to 100%, which was achieved in 1988.\(^75\)

Because health insurance business was classified as non-life insurance business and this was a major part of the activities of the Life Investors, the acquisition increased the share of foreign premium income in non-life insurance business, which was virtually nil in 1980, to 46% in 1982, mainly from the US. In respect of life insurance business, the AGO received, shortly before the merger with the Ennia, about 54% of its total life premium income from foreign activities, again mainly from the US.\(^76\) At the time of the merger with the Ennia, described later in this section, the AGO was active in Surinam, Switzerland, and the US.\(^77\)

The main reasons to enter the US market by a Dutch insurance company were described by Gales, who noted that this market was considered to be one with many business opportunities.\(^78\) It was characterised as a dynamic market, open for foreign investors. Furthermore, the size of the market offered a good potential for growth and profits. As is described later in this chapter, all three companies reviewed in this dissertation developed themselves into (very) active players in the US, based on these arguments.

\(^70\) Gales (1986), p. 322.
\(^71\) AGO Schade (A1980).
\(^72\) For a description of the background and components of the structural policy, see section 6.6.8.
\(^74\) Ibid, p. 326.
\(^76\) Gales (1986), p. 325-326.
The expansion described above triggered several changes in the organisational structure of the AGO. Jagersma noted that, at the end of 1972, the group was segmented in accordance with its activities: life insurance business, non-life insurance business, and other activities. It was the period in which the main focus of the group was on the integration of activities of the merger partners, with much emphasis on decentralisation, which was judged to be the best approach for cost savings. However, in 1974, a matrix organisation – combining centralisation and decentralisation – was introduced, including five profit centres: individual life insurance business, group life insurance business, non-life insurance business obtained through the insurance exchanges, other non-life insurance business, and diversified activities. These profit centres were supported by service centres and staff departments. But at the end of the 1970s this structure proved too complex, and in 1979 a comprehensive reorganisation was executed, introducing the following division structure: domestic health insurance business (through the Nezifo), domestic life insurance business, domestic non-life insurance business, domestic financial services, and international insurance business. This structure was still in place at the time of the formation of AEGON, described in the next section.

The developments of the Ennia occurred along quite different lines, although its starting position in the Dutch market was about the same as that of the AGO: at the time of the merger, the market share of the group was about 11%, measured in life insurance provisions. However, it focused much more than the AGO on expanding its international position and was hardly involved in domestic business combinations. Next to acquisitions, this international focus was evidenced by its initiatives, soon after the merger, to become listed not only on the stock exchange of Amsterdam, but also in Basel (Switzerland), Geneva (Switzerland), London, and Zurich.

The creation of the Ennia was effected by share exchanges and renaming the holding companies, followed by legal mergers and portfolio transfers. The holding company operated under the name Ennia (after a short period in which the name ‘Eerste Nederlandsche-Nillmij’ was used), with the ‘Ennia Levensverzekering’ (henceforth, the ‘Ennia Leven’) and the ‘Ennia Schadeverzekering’ (henceforth, the ‘Ennia Schade’) as the risk carriers for life and non-life insurance business, respectively. The shares of the Ennia were listed at the Amsterdam Stock Exchange, replacing the formerly listed shares of the Eerste Nederlandsche and the Nillmij. Related to the above legal reorganisation, the Ennia amended its organisational structure, which had been split into life insurance business, non-life insurance business, and other activities, by creating a single sales force for all businesses. In subsequent years, this structure remained in place, with a division focusing on accepted reinsurance business being added. As is noted earlier, the creation of the Ennia was partially a response to the creation of the Nationale-Nederlanden, but another intention was to obtain a better position in the developing ‘European Economic Community’ (henceforth, the ‘EEC’), described in a following chapter.

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81 Ennia (A1972), Ennia Leven (A1973), and Ennia Schade (A1973).
83 See section 5.3.1.2.
Initially, the primary focus of the international expansion was on non-life insurance business. In 1972, the Ennia obtained an interest in the ‘Insurance Company of Ireland’ and, indirectly, in its life insurance subsidiary ‘Insurance Corporation of Ireland (Life)’.84 A next step was taken in 1974, with the acquisition of the UK-based ‘Triumph Insurance Company Limited’, renamed the ‘Ennia Insurance Company (UK)’.85 The last transaction in non-life insurance business occurred in 1980, when the Spanish ‘Galicia Seguros y Reaseguros’ was acquired.86

Regarding foreign life insurance business, the first transaction took place in 1981, when the shares of the US-based insurer ‘National Old Line Insurance Company’ were acquired.87 In the same year, an interest of 18.75% was acquired in the Canadian company ‘Extendicare Ltd’, mainly active in life insurance business; this company held a 92.2% interest in the Canadian life and non-life insurer ‘Crown Life Insurance Co’.88 Next to the acquisitions described in this section, the Ennia was also involved in setting-up a number of joint ventures and obtaining minority shares in a number of other countries.89

As a result of these foreign acquisitions, the share of foreign business as a percentage of total non-life premium income increased from 38% in 1975 via 47% in 1980 to almost 55% just before the merger with the AGO.90 For life insurance business, this percentage was much smaller: in 1982, only 15% of total life insurance premiums were originated abroad, two-thirds of which in the US. At that time, the Ennia was active in Belgium, Canada, Spain, Surinam, the UK, and the US.91

3.2.5 The developments of AEGON
As is mentioned earlier, AEGON was formed in 1983 through a merger between the AGO and the Ennia. The name included the first letters of its five predecessors: the Algemeene Friesche, the Eerste Nederlandsche, the Groot-Noordhollandsche, the Olveh, and the Nillmij.92 The merger was initiated by the Ennia, which was convinced that the number of players on the Dutch market would decrease sharply, and had decided that it did not want to be left on its own. Furthermore, its market shares were under pressure as a result of an extreme level of competition on the Dutch market, in particular for non-life insurance business.93 For these reasons, the Ennia contacted the AGO for the first time in December 1982, which resulted, in June 1983, in the announcement of an intended merger. The exchange rate was 56.5-43.5 in the advantage of the Ennia, which gave the Vereniging AGO an interest of 43.5% in the group, and therefore, de facto, control.94 This was caused by the wide dispersion of ownership of the remaining shares. The merger was legally effected by the renaming of the Ennia into AEGON, followed by the acquisition of the shares of the AGO Holding, in exchange for new AEGON shares. Because the Ennia shares were already listed at the Amsterdam Stock Exchange, the same was the case for the AEGON shares.

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85 Ennia (A1974).
87 Ibid, p. 327.
94 InterAEGON (2002), p. 82-93.
Aligned with this exchange of shares, the name of the Vereniging AGO was changed into the ‘Vereniging AEGON’, which now had the purpose to protect the interest of AEGON (including its independence), its employees and its policyholders. The legal merger date was 30 November 1983, accounted for as if the transaction had happened at the beginning of that year.

On the Dutch level, the merger was effected in 1985, through a series of portfolio transfers, legal mergers, and name changes. In the end, the domestic life insurance activities were carried on by the ‘AEGON Levensverzekering’ (henceforth, the ‘AEGON Leven’), and the domestic non-life insurance activities by the ‘AEGON Schadeverzekering’ (henceforth, the ‘AEGON Schade’). The Dutch health insurer was the mutual insurance company ‘AEGON Onderlinge Ziektekostenverzekeringen’ (the former Nezifo).

The figure hereafter presents the subsequent steps in the development of AEGON.

The first of these activities occurred in 1984, when the 20% interest in the Insurance Corporation of Ireland was sold, followed, in the next year, by sale of the minority interest in the Canadian ‘Extendicare/Crown’ group.

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96 AEGON (A1983).
97 AEGON Leven (A1986).
98 AEGON Schade (A1985).
99 Ennia Schade (A1985).
101 AEGON (A1984).
102 Jagersma (1994), p. 239.
This year 1985 also showed the listing of AEGON in New York (NASDAQ), which gave the company a solid basis for further international expansion.\(^{103}\) This event was followed, in 1986, by the acquisition of the US life insurer ‘Monumental Corporation of Baltimore (Life)’, and the Spanish life and non-life insurer ‘Union Levantina’.\(^{104}\) The expansion continued in 1987 with the acquisition of the remaining shares in the Dutch mortgage bank ‘Friesch-Groningsche Hypotheekbank’ (the ‘FGH’), in which AEGON had already obtained a 25% interest in 1985. Also, the Spanish life and non-life insurer ‘Union Previsora’ was bought,\(^{105}\) and in the US the life insurer ‘National Old Line Life Insurance Company’ was established.\(^{106}\) After this event, AEGON was, at the end of 1988, organised along four divisions: Dutch insurance business, US insurance business, insurance business in other countries, and Dutch non-insurance business. In 1989, the three US insurers ‘Life Investors’, ‘Monumental’, and ‘National Old Line’ were merged into ‘AEGON USA’, which focused on life and health insurance business, annuity business, and investment products.\(^{107}\)

The existing trend of international expansion and streamlining continued in the 1990s.
In 1990, the US home service activities of the life insurer ‘Washington National Insurance Company’ were acquired.\(^{108}\) In this year, also negotiations started between AEGON, the Nationale-Nederlanden (part of ING) and the ‘Delta Lloyd’ (a Dutch subsidiary of the UK-based insurer ‘Aviva’) to establish a cooperation agreement in the area of health insurance products.\(^{109}\) In 1991, this resulted in the incorporation of the ‘NUTS-AEGON Ziektekosten’, a joint venture between AEGON and the Delta Lloyd and a revision of the role of the ‘AEGON Onderlinge Ziektekostenverzekeringen’.\(^{110}\) Also in this year, AEGON acquired the US-based life insurer ‘Western Reserve Life Assurance of Ohio’. However, the most important event for the future was the listing on the NYSE on 5 November 1991, further opening the US market for future acquisitions, because it enabled AEGON to pay in US-listed shares instead of in cash.\(^{111}\) Additionally, it provided an additional source of financing on the largest stock exchange in the world.\(^{112}\)

Subsequently, the focus was on Europe again, with, in 1992, the acquisition of a 75% interest in the Hungarian life insurer ‘Állami Biztosító’, subsequently named the ‘AB-AEGON’.\(^{113}\) In 1993, a strategic important investment was made in the UK, where AEGON acquired the shares of the ‘Scottish Equitable PLC’, which was a demutualisation vehicle for the former mutual life insurer ‘Scottish Equitable Life Assurance Society’. At the start, AEGON was entitled to 40% of the annual profits of this company, a percentage which gradually increased during subsequent years.\(^{114}\)

\(^{104}\) Jagersma (1994), p. 239.
\(^{105}\) AEGON (A1987).
\(^{107}\) Ibid, p. 281.
\(^{109}\) InterAEGON (2002), p. 108.
\(^{110}\) AEGON Schade (A1991).
\(^{111}\) AEGON (A1991).
\(^{113}\) InterAEGON (2002), p. 110.
\(^{114}\) AEGON (A1993-A1995).
The year 1994 was more directed to divestments. Among others, AEGON sold its share in the NUTS-AEGON Ziektekosten.\textsuperscript{115}

However, soon after business combinations in the Americas occurred again. In 1995, a life insurance joint venture named the ‘Seguros Banamex AEGON’ was established with the Mexican ‘Grupo Financiero Banamex-Accival’ (henceforth, the ‘Banamex’), in which AEGON participated for 48%.\textsuperscript{116} In 1997, another major step on the path of international expansion was taken by the acquisition of the US-based life insurer ‘Providian Corporation’.\textsuperscript{117} And in 1998, the cooperation with the Banamex was enhanced, and AEGON started to participate for 49% in the non-life insurer ‘Afore Banamex’.\textsuperscript{118} However, in this year, it also sold the Friesch-Groningsche Hypotheekbank.\textsuperscript{119}

The first acquisition in 1999 concerned the life insurance business of the UK-based ‘Guardian Royal Exchange’. But the biggest transaction in this year was the acquisition of the US-based ‘Transamerica Corporation’.\textsuperscript{120} This made AEGON the third largest life insurer in the US, and also opened the Canadian market.\textsuperscript{121} After this acquisition, AEGON USA represented about 70% of the activities of the whole group.\textsuperscript{122}

In the period 2000-2005, AEGON continued to execute the strategy it implemented at the time of its creation. This strategy was described in 2002 as one of ‘focus and limitations’.\textsuperscript{123} Essentially, the group identified only six countries of importance. This meant that the former strategy of the Ennia, which had proxies in over 40 countries and was represented by branch offices or subsidiaries in a large number of countries, had to be fundamentally revised. AEGON now wanted to be active only in those countries where it could achieve a top-five position in the local market place, and the activities in all other countries had been and would be divested. At the end of 2001, this strategic goal had been realised in all countries, except for Spain. Based on this strategy, AEGON executed a number of divestments and did selective acquisitions, but, apart from the sale of its interest in the Mexican joint ventures in 2001,\textsuperscript{124} none of these transactions were of such significance that they are mentioned in this brief overview.

3.2.6 Overview of companies described and analysed in the next chapters

Based on the research goal of this dissertation, the following companies are selected to be described and analysed:

\textsuperscript{115} AEGON (A1994).
\textsuperscript{116} AEGON (A1995).
\textsuperscript{117} AEGON (A1997).
\textsuperscript{118} AEGON (A1998).
\textsuperscript{119} InterAEGON (2002), p. 122.
\textsuperscript{120} AEGON (A1999).
\textsuperscript{121} InterAEGON (2002), p. 124.
\textsuperscript{122} Ibid, p. 75.
\textsuperscript{123} Ibid, p. 31.
\textsuperscript{124} AEGON (A2000-A2005).
The Algemeene Friesche, the Algemeene Friesche Brand and its successor the Algemeene Friesche Schade;
• The Groot-Noordhollandsche;
• The Olveh;
• The Eerste Nederlandsche and the Nieuwe Eerste Nederlandsche;
• The Verenigde Nillmij, the Nillmij 1859 and the Nillmij Leven;
• The AGO Holding, the AGO Leven, the AGO Onderlinge, and the AGO Schade;
• The Ennia, the Ennia Leven, and the Ennia Schade; and
• AEGON, the AEGON Leven, and the AEGON Schade.

3.3 Fortis

3.3.1 Introduction

According to a description in its 2005 financial statements, Fortis was, at the end of that year, an international services provider active in the fields of banking and insurance. With a market capitalisation of EUR 35 billion, it ranked in the top-20 of European financial institutions. In its home market (the Benelux), Fortis occupied a leading position which it aimed to develop and bolster.

Fortis had a legal structure with two parent companies: ‘Fortis SA/NV’, incorporated in Belgium, and ‘Fortis N.V.’, incorporated in the Netherlands. These parent companies each owned 50% in two holding companies, which in turn were the shareholders of the operating and service companies, either directly or indirectly through subsidiaries. The shares of the two parent companies were, from 1 January 1998 onwards, linked through a ‘twinned share principle’: under this principle, when purchasing a Fortis share, shareholders effectively acquired a unit that comprised one ordinary Fortis SA/NV share and one ordinary Fortis N.V. share. The structure was depicted as follows.

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Figure 3.5: The legal structure of Fortis

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125 Fortis (A2005).
At 31 December 2005, Fortis had an amount of total assets of EUR 729.0 billion, with a shareholders’ equity of EUR 18.9 billion. Net profit for the year 2005 was over EUR 3.9 billion, including EUR 0.4 billion result on divestments. The company was listed in Amsterdam, Brussels, and Luxembourg. Furthermore, it had a sponsored ADR-program in the US.

Regarding its business activities, Fortis operated through three banking segments (retail banking, merchant banking, and commercial and private banking) and three insurance segments (Belgium, Netherlands, and international).

The description in this section is divided into two parts: first, the history of the Utrecht and of the AMEV (the Dutch predecessor of Fortis) are presented, followed by the history of Fortis. The section concludes with an overview of the companies of which the financial reporting developments are described and analysed in the next chapters.

3.3.2 The history of the Utrecht and the AMEV

The history of the AMEV, which was the holding company of the Dutch part of Fortis, can be best described on the basis of the figure presented hereafter.

As the figure shows, the history of Fortis started in 1847, with the establishment of the funeral fund ‘Zieken- en Begrafenisfonds “Let op uw einde”’ (henceforth, the ‘Let op uw einde’). As a result of both internal and external growth, this fund was the largest in the Netherlands in the 1870s.126

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However, in the early 1880s financial problems were discovered, and management of the fund decided, in 1883, to establish a life insurance company named the Utrecht, already mentioned before. This company absorbed the whole portfolio of the Let op uw einde as at 1 January 1893. The transfer concerned about 500,000 policyholders, almost NLG 2.5 million of investments (which included mainly mortgage bonds and government securities), and NLG 400,000 premium income.

Soon after its incorporation, the Utrecht established branch offices in 1883 in Brussels, in 1889 in Paris (France) and in 1899 in Copenhagen (Denmark). Next to internal growth, it expanded through acquisitions: in the period 1883-1922 it acquired the portfolios of 24 Dutch funeral funds and life insurance companies, as well as five Belgian portfolios.

The next step was taken in 1920, when the owners of the Utrecht incorporated the AMEV. They paid their shares in the AMEV by contributing two-thirds of the shares in the Utrecht, giving the AMEV control of that company. Since the acquisition capacity of the Utrecht had reached its limits at the time and further acquisitions could not anymore be financed from its own funds, the intention behind the establishment of the AMEV was that this company would acquire and manage other insurance companies, until they were considered fit to be integrated in the Utrecht. The latter would pay the AMEV an annual amount for the acquisition and management of these companies. In other words, the AMEV was created to keep the shares of the Utrecht in the hands of the original owners, as a protective construction.

In the first 40 years of its existence, no one outside those directly involved in the activities of the AMEV was aware of its existence, enabling the company to perform its activities more of less ‘in the dark’. Although the AMEV played a role in acquiring insurance companies for the Utrecht in the 1920s and 1930s, it had become a dormant holding company after 1945. However, to enable the group to continue to grow and diversify, the management board decided in 1961 to end the existing hidden structure of the AMEV and to bring the company into the spotlight. A large-scale recapitalisation was effected, swapping one old share for ten new shares, thereby increasing the tradability of the shares. Furthermore, the articles of association were amended, abolishing the provision that members of the management board were entitled to 40% of surplus profits.

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128 See chapter 1.
131 Ibid, p. 76-81.
135 Almanak (1895, 1901, 1910, 1914, and 1923).
137 Ibid, p. 190.
139 Ibid, p. 190-192.
Finally, preference shares were issued to the ‘Stichting Belang AMEV’, the trustees of which were appointed by the members of the management and supervisory boards of the AMEV. In May 1964, certificates of the AMEV shares were listed on the Amsterdam Stock Exchange.\(^\text{140}\)

During the period 1923-1969, the AMEV and the Utrecht enacted a large number of acquisitions on the Dutch insurance market. In respect of life insurance business, the acquisition in 1963 of the medium-sized insurer ‘HAV Bank’ strengthened the position of the Utrecht considerably.\(^\text{141}\) This transaction also brought the non-life insurance company ‘Assurantie Maatschappij NIEUWE HAV Bank’ into the group, which helped the AMEV to further build its non-life insurance activities. This business had started in 1958 with the conclusion of a cooperation agreement between the Utrecht and the ‘Brandverzekeringmaatschappij “Holland van 1859”’ (henceforth, the ‘Holland van 1859’).\(^\text{142}\) This agreement ended a long period of contacts and joint activities, which had already started at the end of 1946, with an exchange of agents and the joint establishment of a finance company and the Belgian non-life insurer ‘Belgische Verzekering Maatschappij “Utrecht” Allerlei Risico’s’.\(^\text{143}\) At the same time, the Holland of 1859 had also been active on the international front in a joint venture with the ‘Nederlanden van 1845’ and the ‘Nederlandsche Lloyd’, described later in this chapter when discussing the history of ING. In the second half of the 1960s, the Dutch non-life insurance activities were increased again with the acquisitions of the ‘Verenigde Verzekering Maatschappijen/Algemeene Verzekering Sociëteit’ (in short, the ‘VVM/AVS’) in 1966, and the ‘Maatschappij van Brandverzekering voor het Koninkrijk der Nederlanden’ (known as the ‘Groote Bossche’) in 1968.\(^\text{144}\)

To improve the operational structure of the domestic activities, these were, near the end of the 1960s, integrated into two risk carriers: one for life insurance business (the Utrecht), and one for non-life insurance business (a new company named the ‘Verzekering Maatschappij Holland’, henceforth, the ‘Holland’), with a separate intermediate holding company for the diversified activities.\(^\text{145}\) This was the ‘Brabant’, established to hold, manage, and develop non-life subsidiaries.\(^\text{146}\) This revised group structure remained in place until the end of the 1970s.\(^\text{147}\) In 1985, the old names Utrecht and Holland were replaced by the ‘AMEV Levensverzekering’ (henceforth, the ‘AMEV Leven’) and the ‘AMEV Schadeverzekering’ (henceforth, the ‘AMEV Schade’), respectively.\(^\text{148}\)

The AMEV’s first step in respect of foreign acquisitions was made in 1968, when a 65% share in the life insurer ‘The Northern Life Insurance Company of Australia’ was obtained.\(^\text{149}\) This was followed by smaller acquisitions in selected countries and the establishment of foreign branch offices.\(^\text{150}\)

\(^\text{140}\) Ibid, p. 197.
\(^\text{141}\) Ibid, p. 195.
\(^\text{142}\) Ibid, p. 159.
\(^\text{143}\) Ibid, p. 181-184.
\(^\text{144}\) Ibid, p. 197.
\(^\text{146}\) Ibid, p. 244.
\(^\text{150}\) Ibid, p. 242-244.
As a result, in the mid-1970s, the AMEV had grown into a multinational group with 23 operating companies in seven countries: the Netherlands, Australia, Belgium, Denmark, France, New-Zealand, and the UK. These companies were active in life insurance business, non-life insurance business, investments, finance, real estate development, and participations.\textsuperscript{151} In short, the AMEV could be classified as a domestic insurance company with small foreign activities.\textsuperscript{152}

In the US, the AMEV’s activities were, at that time, limited to assessing the opportunities in the market.\textsuperscript{153} The strategy was to access the market through targeted acquisitions, which started in 1977 when the ‘Time Holdings’, a company with a strong position in accident and health insurance business, was bought. The new subsidiary was legally acquired by the ‘AMEV Holdings’, a US holding company incorporated in the same year, which would also be the owner of any further US business combinations.\textsuperscript{154} The acquisition of the Time Holdings was followed, in 1980, by the acquisition of the ‘Interfinancial Corporation’, a holding company with subsidiaries active in life insurance business, non-life insurance business, real estate business, consumer credits, and leasing. These international acquisitions were part of a large diversification program, intended to decrease the overall risk profile of the AMEV.

The rapid expansion in general, and the fast multinationalisation in particular, created the need for a revised geographical-based group structure, which was effected in 1983. After this reorganisation, the AMEV had three subholding companies: the ‘AMEV Nederland’, the ‘AMEV International’, and the Brabant.\textsuperscript{155} The AMEV Nederland comprised the Dutch operating companies, with all foreign companies organised under the AMEV International. Regarding the non-insurance activities, organised under the umbrella of the Brabant, a new strategy was formulated. It was decided that majority participations would only be obtained in companies, which were active in businesses in which the AMEV had specific expertise. Other participations would be minority shares only, and would be only held if the AMEV could receive a larger contribution than from its role as investor or financing company. As a result of this strategy, participations in trading companies were disposed, but real estate development remained one of the AMEV’s activities.\textsuperscript{156} As part of the legal restructuring, the branch offices of the Utrecht in Belgium, Denmark and France were transformed into subsidiaries under the AMEV International. This was effected in 1984 and 1985.\textsuperscript{157} The 1983 structure was still in place as at 31 December 1989.\textsuperscript{158}

Foreign investments continued after this reorganisation. In 1984, the AMEV acquired two operating companies of the US-based ‘St. Pauls Companies’: the ‘Western Life Insurance Company’ and the ‘St. Paul Life Insurance Company’.\textsuperscript{159} After this transaction, the AMEV owned ten US-based insurers.

\textsuperscript{152} Jagersma (1994), p. 190.
\textsuperscript{154} Jagersma (1994), p. 244-245.
\textsuperscript{155} Ibid, p. 285-286.
\textsuperscript{157} Utrecht (1984 and A1985).
\textsuperscript{158} Jagersma (1994), p. 287.
\textsuperscript{159} Ibid, p. 245-246.
Next to this US expansion, the AMEV continued to strengthen its international presence, for instance
by the acquisition in 1982 of a 25% participation in the Spanish life and non-life insurer
‘Bilbao Compania Anónima de Seguros y Reaseguros’ (henceforth, the ‘Bilbao’). In subsequent years,
this share was gradually increased, until, at the end of 1995, it was almost 100%. The Bilbao was
sold in 2004. In the 1980s, the AMEV also expanded its activities in Australia and started
operations in Hong Kong.

As a result of all acquisitions, the share of the foreign activities, as a percentage of the total business
of the AMEV, had increased rapidly in the second half of the 1970s and the 1980s. Between 1978
and 1989, the share of Dutch revenue decreased from 76% to 37%, with an increase of the US
activities from 11% to 42%. The split between life and non-life insurance business had also changed
considerably: while the first accounted for 71% of total revenue in 1975, it decreased to 47% in 1989.
In the same period, the share of non-life insurance business increased from about 23% to 49%.

This description of the history of the AMEV ends in 1990, when the group merged with the Dutch
saving bank ‘VSB Groep’, which was the fifth largest bank in the Netherlands. After already having
opened access to the market of mortgage bonds by the acquisition of the ‘Friesch-Hollandsche
Hypotheekbank’ (the ‘FHH’) in 1983, this merger gave the AMEV full access to the Dutch banking
market. The merger was possible as a result of the liberalisation of the structural policy, as is
described later in this dissertation.

3.3.3 The history of Fortis
The merger between the AMEV and the VSB Groep in May 1990, resulting in the new
‘AMEV/VSB Groep’ (henceforth, the ‘AMEV/VSB’), was followed, at the end of that year, by a merger
with the largest Belgian insurer ‘Assurances Générales’, henceforth, the ‘AG’. This transaction was
agreed after two-and-a-half year of negotiations to join forces into one group. However, both parties
kept their corporate structure and national character. The AMEV/VSB obtained a 50% interest in the
new group, which – since 1991 – was named Fortis. In the legal structure immediately after the
merger, both parent companies owned (indirectly) 50% of all subsidiaries. It was agreed that all
activities of both parent companies would be pushed down to subsidiary-level. The management
board of the combination consisted of two members from each parent company, and also the
supervisory board was structured on an equal basis. The AG would pay the AMEV/VSB an amount
of NLG 575 million over a period of 10 years: this was 50% of the surplus value of the AMEV/VSB
compared to the AG.

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161 Fortis (A2005).
164 Ibid, p. 286.
165 Ibid, p. 279.
166 See section 6.6.8.
The two mergers changed the geographical and business balances of AMEV/Fortis significantly. Geographically, the US share decreased considerably in favour of Belgium, and, based on activities, banking business now represented 13% of total revenue.\textsuperscript{169}

Immediately after the creation of Fortis, it continued the domestic and international expansion activities, previously employed by the AMEV. The figure hereafter presents the development of the group in the period 1991-2005.

Figure 3.7  The history of Fortis

Regarding insurance business, the main acquisitions still took place in the US. In 1991, Fortis acquired the group life insurance portfolio of the ‘Mutual Benefits Life Insurance Company’.\textsuperscript{170} Further major US acquisitions occurred in 1998, being the non-life insurer ‘John Alden Financial Corporation’ and the life insurer ‘Pierce National Life Insurance Company’,\textsuperscript{171} and, in 1999, the mixed financial group ‘American Bankers Insurance Group’ (in short, the ‘ABIG’).\textsuperscript{172} The US expansion was concluded in 2000 with the acquisition of the life insurer ‘American Memorial Life Insurance Company’ (in short, the ‘AMLIC’).\textsuperscript{173} In 2004, all US insurance activities were disposed by listing, through an initial public offering at the NYSE, 65% of the shares of the ‘Assurant, Inc.’, formerly called the ‘Fortis Inc.’, which was the holding company of all US insurance subsidiaries of Fortis.\textsuperscript{174} Fortis divested another 20% of its shares in the ‘Assurant’ in 2005.\textsuperscript{175}

\textsuperscript{170} Ibid, p. 289.
\textsuperscript{171} Fortis (A1999).
\textsuperscript{172} Fortis (A2000).
\textsuperscript{173} Fortis (A2001).
\textsuperscript{174} Fortis (A2005).
\textsuperscript{175} Fortis (A2006).
In Europe, Fortis acquired a number of small insurance companies between 1991 and 2005, but it also established, in 1993, a joint venture with the Barcelona-based Spanish saving bank group ‘La Caixa’.\textsuperscript{176} Under this agreement, Fortis participated for 40% in the life insurance company ‘VidaCaixa’, and for 60% in the non-life insurer ‘SegusCaixa’. The combination was known as the ‘Caifor’. And in the same year it obtained a controlling interest in the Belgian insurance company ‘ASLK Verzekeringen’, as part of a larger transaction which is described later in this section.

Regarding the Dutch insurance market, the most important transaction took place in 2000, when Fortis acquired all shares of the life and non-life insurance group ‘ASR Verzekeringsgroep’ (henceforth, the ‘ASR’).\textsuperscript{177} This company was established in 1720 as one of the oldest insurance companies in the Netherlands, and the oldest joint stock company on the European continent.\textsuperscript{178} After the acquisition by Fortis, the ASR merged its Dutch insurance subsidiaries with the Dutch insurance operations of Fortis, adopting the combined name the ‘Fortis ASR Verzekeringsgroep’, in October 2005 renamed into the ‘Fortis Verzekeringen Nederland’.\textsuperscript{179}

In the banking segment, Fortis was also very active in respect of acquisitions. The first important transaction occurred in 1993, when it obtained a controlling interest of 49.9% in the Belgian bancassurer ‘Algemene Spaar- en Lijfrentekas’ (in short, the ‘ASLK’), comprising the ‘ASLK Bank’ and the ‘ASLK Verzekeringen’.\textsuperscript{180} A further 25% was acquired in 1997,\textsuperscript{181} with the remaining 24.1% following in 1998.\textsuperscript{182} The 1993 transaction concerning the ASLK was succeeded by the acquisition of the Belgian ‘Nationale Maatschappij voor Krediet aan de Nijverheid’ (in short, the ‘NMKN’) in 1995,\textsuperscript{183} and the Dutch-based internationally-operating bank ‘MeesPierson’ in 1996.\textsuperscript{184}

However, the most important transaction in this period was the acquisition of the Belgian ‘Générale de Banque’ (in Dutch, the ‘Generale Bank’), by far the largest bank in Belgian with numerous international operations.\textsuperscript{185} This acquisition fundamentally changed the business profile of Fortis, giving it a much heavier focus on banking activities and a much stronger Belgian-based profile. The major banking acquisitions, completing the expansion activities in the Benelux, were concluded in 2000 when all shares of the Luxembourg ‘Bank Générales de Luxembourg’ (in short, the ‘BGL’) were obtained.\textsuperscript{186}

Next to the large transactions described in this section, Fortis also acquired a number of smaller banking activities in the countries where it was active.

\textsuperscript{176} Fortis (A1993).
\textsuperscript{177} Fortis (A2001).
\textsuperscript{178} Fortis ASR (2005), p. 5.
\textsuperscript{179} www.ageas.com/en/Pages.precursors.aspx, the website of Ageas, which is the successor of Fortis after its demise in 2008.
\textsuperscript{181} Fortis (A1998).
\textsuperscript{182} Fortis (A1999).
\textsuperscript{183} Fortis (A1996).
\textsuperscript{184} Fortis (A1997).
\textsuperscript{185} Fortis (A1999).
\textsuperscript{186} Fortis (A2001).
3.3.4 Overview of companies described and analysed in the next chapters

Based on the research goal of this dissertation, the following companies are selected to be described and analysed:

- The Utrecht and its successor the AMEV Leven;
- The Holland van 1859 and its successors the Holland and the AMEV Schade; and
- The AMEV and its successors the AMEV/VSB and Fortis.

3.4 ING

3.4.1 Introduction

According to its 2005 annual report, ING was a global financial service company, providing a wide array of insurance, banking and asset management services in over 50 countries and serving a broad customer base: individuals, families, small business, large corporations, institutions, and governments. Based on market capitalisation, it was one of the 15 largest financial institutions worldwide and in the top-10 in Europe.

In 2005, it operated through six business lines, based on a clear client focus and strong business logic:

- Insurance Europe, which included Belgium, Central Europe, Greece, the Netherlands, and Spain. In these countries, it offered life insurance with a particular focus on pensions, but in Belgium and the Netherlands it offered also non-life insurance. This business line also included the European asset management operations;
- Insurance Americas, which included asset management activities. In the US, ING offered retirement services, annuities, life insurance, and asset management. It also had a leading position in non-life insurance business in Canada, and was active in Brazil, Chile, Mexico, and Peru;
- Insurance Asia/Pacific, focusing on life insurance and asset/wealth management activities in this region. ING had well-established positions in Australia and New-Zealand, Hong Kong, Japan, Malaysia, and South-Korea, with growing operations in China, India, and Thailand;
- Wholesale banking, which operated on a global basis, offering a full range of products to corporates and institutions in the home markets of the Benelux countries, and applying a client/product-focused approach in other countries;
- Retail banking, offered in Belgium, China, India, the Netherlands, Poland, and Romania. This business line also included private banking, offered in Belgium, Luxembourg, the Netherlands, Switzerland, and various other countries in Asia, Central and Eastern Europe, and Latin America; and
- ING Direct, operating retail banking activities for individual clients in Australia, Austria, Canada, France, Germany, Italy, Spain, the UK, and the US. The main products offered were savings, mortgages, and mutual funds.

As at 31 December 2005, ING had an amount of total assets of EUR 1,158.6 billion, with a shareholders’ equity of EUR 36.7 billion. Net profit for the year 2005 was EUR 7.5 billion. The company was listed in Amsterdam, Brussels, Frankfurt, New York, Paris, and Switzerland.

\(^{187}\) ING (A2005).
The description of the history of ING is structured as follows:

- First, the history of the ‘Assurantie-Maatschappij tegen Brandschade “De Nederlanedien” van 1845’ (henceforth, the ‘Nederlanden van 1845’), one of the two predecessors of the Nationale-Nederlanden, and its life insurance subsidiary ‘Levensverzekering-Maatschappij van “De Nederlanden van 1845”’ (henceforth, the ‘Nederlanden Leven’) are presented;
- This description is followed by the history of the ‘Nationale Levensverzekering-Bank’ (henceforth, the ‘Nationale’);
- Subsequently, the focus is on the Nationale-Nederlanden, which resulted from a merger between the Nederlanden van 1845 and the Nationale; and
- This section ends with the history of ING, created through a merger of the Nationale-Nederlanden and the ‘NMB Postbank’.

The section concludes with an overview of the companies of which the financial reporting developments are described and analysed in the next chapters.

3.4.2 The history of the Nederlanden van 1845 and the Nederlanden Leven

The history of the Nederlanden van 1845 and its subsidiary the Nederlanden Leven is summarised in the figure presented hereafter.
The oldest predecessor of ING was the Nederlanden van 1845, originally established in 1845 in the city of Zutphen (the Netherlands) as the ‘Assurantie Maatschappij tegen Brandschade, De Nederlanden van 1845’ (henceforth, the ‘Zutphense’). The company was active in fire insurance business and was created to capture the market opportunities that arose after the separation of Belgium in the 1830s. Before that period, it were in particular insurers from the southern part of the Netherlands that dominated this part of the insurance market. However, after the separation these companies became more and more unpopular among the general public, giving room to new companies established in the northern parts of the formerly combined Netherlands.

From the start, the Zutphense obtained business from the insurance exchanges in Amsterdam and Rotterdam (the Netherlands), particularly domestic fire insurance business concluded with the ‘Nederlandsche Handel-Maatschappij’ (henceforth, the ‘NHM’). This company was established in 1824 to compete with the UK and US companies in the Dutch East Indies, but was also active in promoting the economic activities in the Netherlands itself.

From 1857 onwards, the Zutphense also obtained non-domestic business from the NHM, through its network of agents in a large number of European and non-European countries, including those in North and South America, and in Asia. To increase its share of the NHM-business and to control its risks, it established in 1859 a new fire insurer — with different shareholders but the same management and staff — named the ‘Assurantie-Maatschappij tegen Brandschade “De Nederlanden”’ (henceforth, ‘De Nederlanden van 1859’). This company insured part of the NHM-business directly, but also acted as a reinsurer of the Zutphense: in the period 1859-1888, it received 63.5% of the total reinsurance premiums paid by the Zutphense. However, in 1888 it was decided to merge the two companies under the name the Nederlanden van 1845, following a gradual decrease of the NHM-business. After this merger, the share of the non-domestic business (which was around 30% for the Zutphense) increased to about 75%. At the end of the 19th century, domestic business measured in gross premiums accounted for about 20% of the total, the remainder consisting of direct non-domestic business (about 50%) and indirect non-domestic business (about 30%). Of the second category, the US business represented about half of the total. The foreign business was supported by a large international network of agents and by branch offices in several countries, including the US.

Expansion in the domestic market was mainly internally generated: the only acquisitions in the 1890s concerned the ‘Geldersche Algemeene Brandassurantie-Maatschappij’ in 1892, and the ‘Nijmeegsche Brandwaarborg-Maatschappij’ and the ‘Bataafsche Brandassurantie-Maatschappij’ in 1899. On the domestic market, the company was the largest fire insurer at the end of the 19th century.

189 Ibid, p. 41-43.
190 Ibid, p. 43-47.
191 Direct insurance business refers to contracts with non-insurance clients, while indirect business refers to contracts with other insurers or reinsurers, also called ‘incoming’ or ‘accepted’ reinsurance business.
From the beginning of the 20th century, the Nederlanden van 1845 started to diversify. In 1903, it commenced life insurance business, initially focusing only on the Netherlands and the Dutch East Indies. And in 1917 the company acquired the ‘Ongevallen Verzekering-Maatschappij ‘Fatum’’, mainly active in health insurance business, but, since 1913, also in motor liability insurance business. This transaction was followed by the acquisition of the ‘Bedrijfsverzekering-Maatschappij Labor’ in 1921, a pioneer in the area of insurance of business interruption as a result of fire or lightning. Shortly after, the company continued its path of diversification by the acquisition, in 1925, of the marine insurer ‘Binnenlandsche Vaart Risico Sociëteit’.

Regarding foreign non-life insurance business, it was decided in 1912 to re-enter the US market, after the company had left this market in 1906, which was so successful that the US share of the non-domestic gross premiums was already 50% in 1913.

To prevent contagion between businesses, the company decided to introduce, in the beginning of the 20th century, separate departments for life and non-life insurance business, but took it one step further at the outbreak of the First World War in 1914, by establishing a separate life insurance subsidiary called the Nederlanden Leven. The main reason for this decision was to eliminate the risk of war-related events in the non-life insurance business influencing the financial position of the life insurance business.

At the end of the 1920s, the Nederlanden van 1845 was, measured in net premium income, by far the largest fire insurer on the Dutch market. This position had been mainly achieved by internal growth, since in the period 1894-1918 only the portfolios of 14 smaller insurance companies had been acquired.

In the 1930s, the Nederlanden van 1845 continued its domestic expansion by the acquisition of several insurance companies, active in life and non-life insurance business. One of these transactions concerned the Dutch portfolio of the life insurer ‘Verzekeringsbank “Kosmos”’ (henceforth, the ‘Kosmos’) in 1931, which had gone bankrupt in the early 1920s. Another acquisition was the ‘s-Gravenhaagsche Hypotheekbank’, a mortgage bank, in 1938, followed, in the same year, by the ‘Verzekeringsbank Victoria’ (henceforth, the ‘Victoria’), a group active in life insurance and non-life insurance business, and in health insurance business through a health insurance fund. Further strengthening of the life insurance position on the domestic market was achieved in 1932 by the set-up of the joint venture with the Nationale operating on the group life insurance market. This was the so-called ‘Bureau voor Groepsverzekering’.

\[194\] Ibid, p. 126-127.  
\[195\] Ibid, p. 121.  
\[196\] Ibid, p. 132.  
\[197\] Ibid, p. 47.  
\[198\] Ibid, p. 129.  
\[199\] Ibid, p. 143-144.  
\[200\] Ibid, p. 121.  
\[201\] Ibid, p. 129.  
\[202\] Ibid, p. 205.  
\[203\] See section 4.4.3.9.2.  
Overall, the company’s market share in life insurance business increased from 6.5% in 1930 to 9.5% in 1950, bringing it to the second position on the Dutch market, after the Nationale. In non-life insurance business, the Nederlanden van 1845 maintained its first place, with a gross premium income that was almost twice the amount of the second on the market. About 50% of these premiums was derived from the Dutch market; regarding classes of business, fire insurance also represented about half of the total. These ratios were about the same in 1961.

Foreign activities were strengthened in the Dutch East Indies in 1930 with the acquisition of the ‘Indische Combinatie’, a combination of five fire insurers, and in Belgium in 1939 with the acquisition of the life insurer ‘De Vaderlandsche/Patriotique’ (henceforth, the ‘Vaderlandsche’) and its non-life subsidiary the ‘De Nieuwe Vaderlandsche’. After the Second World War, the company started life insurance business in South Africa, a country in which it already employed non-life insurance activities for a number of years.

A further step towards international expansion was made in 1954, with the conclusion of a participation agreement with the US non-life insurance company ‘Peerless Insurance Company’. In the same year, the Nederlanden van 1845 established a joint venture called the ‘Drie Koningen’ (henceforth, the ‘Three Kings’) with two other Dutch insurers, being the ‘Nederlandsche Lloyd’ and the Holland van 1859 (a subsidiary of the AMEV, described before). The joint venture immediately started non-life insurance activities in Canada and, in 1956, acquired the ‘Commercial Life Assurance Company of Canada’, which was, in 1984, renamed the ‘Halifax Life Insurance Company’. On its own, the Nederlanden van 1845 was also active in Canada from 1958 onwards, when it acquired the non-life insurer ‘Halifax Insurance Company’. The Three Kings was also active in Australia, where it established, in 1954, the non-life insurer ‘Australia Netherlands Insurance Company’, in short the ‘ANIC’, later renamed the ‘Associated National Insurance Company’. In 1960, the ANIC expanded its activities into life insurance business. The joint venture was liquidated in 1961, and all subsidiaries were acquired by the Nederlanden van 1845.

The new foreign activities were, in the beginning, not able to compensate for the loss of the very profitable Dutch East Indies activities in 1959, related to the establishment of the independent Republic of Indonesia. In that year, the Indonesian government nationalised the local business of the company. On the Dutch market, the main event in the 1950s was the establishment of a separate fire insurance subsidiary, the ‘Brandverzekering Maatschappij van De Nederlanden van 1845’ (henceforth, the ‘Nederlanden van 1845 Brand’) in 1954, which subsequently absorbed the business formerly employed by the Nederlanden van 1845 itself.

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211 Ibid, p. 204.
217 Ibid, p. 313.
As a result of the continued period of growth, the Nederlanden van 1845 ranked tenth in the list of European life insurers when the EEC was established in 1957.\textsuperscript{218} The only other Dutch insurer in this list was the Nationale, ranking seventh.\textsuperscript{219}

3.4.3 The history of the Nationale

The history of the Nationale is summarised in the figure presented hereafter.

Figure 3.9 The history of the Nationale

The Nationale was incorporated as a life insurer in 1863.\textsuperscript{220} From the start, it offered a variety of life insurance products on sound actuarial bases, including industrial assurance policies. Group insurance business was concluded since 1879, although, during the 19\textsuperscript{th} century, it remained only a small component of the total activities.\textsuperscript{221} The company focused predominantly on the domestic market, although it opened a branch office in Belgium in 1864 and representative offices in the Dutch East Indies and West Indies in 1884.\textsuperscript{222} The Belgian office was closed in 1898,\textsuperscript{223} and the Dutch East Indies office in 1916.\textsuperscript{224}

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\textsuperscript{218} See section 5.3.1.2.
\textsuperscript{220} Ibid, p. 75.
\textsuperscript{221} Ibid, p. 80-81.
\textsuperscript{222} Ibid, p. 82-83.
\textsuperscript{223} Ibid, p. 94.
\textsuperscript{224} Ibid, p. 117.
The growth of the company started in the first three decades of the 20th century: in this period, it grew from a relatively modest life insurer to the leader on the Dutch market.\footnote{Ibid, p. 153-154.} To increase its market share, the company became active again in 1902 in the area of industrial assurance business, a market it had left in 1865. However, this portfolio was sold to the Utrecht in 1908.\footnote{Ibid, p. 158.} On the other hand, the Nationale acquired the life insurance portfolio of the ‘Levensverzekeringmaatschappij Securitas’ in 1911,\footnote{Ibid, p. 160-162.} and the life insurance business of the ‘Eerste Rotterdamsche Maatschappij van Verzekering tegen Ongevallen’ (henceforth, the ‘Eerste Rotterdamsche’) in 1916. As a result of the latter transaction, the total insured capital increased by 30%. After this transfer, the Eerste Rotterdamsche was active as an accident insurer, in close cooperation with the Nationale through a shared staff structure. The Nationale acquired all shares of the Eerste Rotterdamsche in 1928, as the start of its non-life insurance activities. Other important acquisitions in the period concerned the Dutch life insurance portfolios of the ‘New York Life Insurance Company’ in 1922 and of the UK-based ‘Equitable Life Assurance Society’ in 1924.

In 1931, the company re-entered the Dutch market of industrial assurance business for a second time by the acquisition of the ‘Vesta Maatschappij van Levensverzekering met uitkeering bij geboorte’ (henceforth, the ‘Vesta’), which subsequently executed a number of acquisitions.\footnote{Ibid, p. 232-233.} Furthermore, it established in 1932 jointly with the Nederlanden van 1845 the Bureau voor Groepsverzekering, described before. As a result of these transactions, the Nationale was able, in a growing life insurance market, to maintain its market share, which was about 11.5% in 1950.\footnote{Ibid, p. 251.} A small part of this growth was the result of the acquisition of seven smaller portfolios between 1937 and 1953.\footnote{Almanak (1937, 1938, 1940, 1942, 1946, 1949, and 1953).}

Several acquisitions were made between 1930 and 1950 in the non-life insurance business as well.\footnote{Barendregt and Langenhuyzen (1995), p. 234.}

The growth on the Dutch market continued in the 1950s, starting, in 1953, with the acquisition of the ‘Nederlandsche Spaarkas’, a tontine company.\footnote{Ibid, p. 328.} However, the biggest transaction occurred in 1956, when all shares of the ‘Tiel Utrecht’ were acquired. This company was particularly active in fire insurance business, and ranked in the top-ten of Dutch non-life insurers.\footnote{Ibid, p. 330-332.} After this transaction, the Nationale occupied second place on the list of largest non-life insurance companies on the Dutch market.\footnote{Dankers and Verheul (1988), p. 14.}
3.4.4 The creation of the Nationale-Nederlanden

On 29 October 1962, the two largest Dutch insurers, the Nationale and the Nederlanden van 1845, announced their merger. The newly created group the Nationale-Nederlanden left all others far behind in size on the market. The news came as a complete surprise for all in the industry and the financial press. At the time of the merger, the Nationale had a market share of 11.6% in the Dutch life insurance market, and the Nederlanden van 1845 a share of 9.5%.

The motives and drivers behind this merger, which created a shockwave of subsequent mergers on the Dutch market, were analysed by Barendregt and Langenhuyzen. They noted that, although there were hardly any records available in respect of the attitude of the Nationale regarding the merger, its main motive seemed to be the lack of qualified successors for its top management. Additionally, it was important for the Nationale to maintain its position as the domestic market leader in life insurance business, a position it had achieved at the end of the 1930s.

The motives of the Nederlanden van 1845 were much clearer. It was about maintaining and increasing its domestic market position and becoming an important player in the international insurance market. The Nederlanden van 1845 considered the Dutch market, at the time, still one with a large potential for growth, and preferred the creation of a domestic market in which a limited number of large players could set the rules, instead of having to compete against a huge number of medium-sized and smaller companies without such rules. Regarding the international market, the Nederlanden van 1845 had the view that it was too small to compete with international players in the area of acquisitions, while at the same time the competition was increasing because of the developments within the EEC, described in a next chapter. For these reasons, it had already been looking for merger possibilities with other domestic insurers, and considered a merger with the Nationale as the best step forward.

During the merger discussions, it appeared that, after eliminating the secret and undisclosed reserves of both companies, the equity of the Nederlanden van 1845 was about NLG 477 million, against an amount of NLG 372 million of the Nationale. This, ultimately, resulted in a relative value comparison of 54-46, and the shares of the Nationale were swapped for those of the Nederlanden van 1845, which company was subsequently renamed the Nationale-Nederlanden.

A stock exchange listing of the new shares on the official market of the Amsterdam Stock Exchange was effected on 29 April 1963. Before this event, the shares of the former two companies were only traded on the unofficial market and not officially listed. At its incorporation date, the Nationale-Nederlanden was the second largest life insurer in the EEC, and the fifth largest non-life insurer.

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238 See annex 6.
239 See section 5.3.1.2.
Soon after the merger, a period of internal reorganisation and integration started. Firstly, the Belgian activities of the merger partners were integrated into the Vaderlandsche. Next, in 1966, the non-life insurance activities of the Victoria and the Vesta were transferred to the new company ‘Schadeverzekering Maatschappij Victoria-Vesta’; a similar integration of the life insurance activities into the ‘Levensverzekering Maatschappij Victoria-Vesta’ occurred in 1972. In the meantime, in 1968, the Nationale-Nederlanden was transformed into a real holding company, with the Nationale now active as the subsidiary for life insurance business and the Nederlanden van 1845 Brand for the international activities. The final step was taken in 1970, with the creation of the focused subsidiaries the ‘Nationale-Nederlanden Levensverzekering Maatschappij’ (henceforth, the ‘Nationale-Nederlanden Leven’, the former Nationale) for the Dutch life insurance business, and the ‘Nationale-Nederlanden Schadeverzekering Maatschappij’ (henceforth, the ‘Nationale-Nederlanden Schade’, the former Nederlanden van 1845 Brand) for the Dutch non-life insurance business, followed by a number of portfolio transfers within the group.

The subsequent developments of the Nationale-Nederlanden are summarised in the figure presented hereafter.

Figure 3.10 The history of the Nationale-Nederlanden

Next to its activities to streamline the existing Dutch organisation, the Nationale-Nederlanden was active in respect of business combinations. After the acquisition of the life and non-life insurer ‘De Oude Haagsche van 1836’ in 1970, which was integrated into the Tiel Utrecht three years later, it expanded into the banking area by the acquisition of the ‘VOLA’ in 1974, a company active in personal loans, consumer credit, and leasing business.

244 Ibid, p. 386-392.
Another step occurred in the 1980s with the acquisition of the ‘AMFAS Algemene Maatschappij voor Financiën en Assurantien’ (henceforth, the ‘AMFAS’). This company was created in 1968 from a merger, including the life insurer ‘Levensverzekering-Maatschappij Rotterdamsche Verzekering-Sociëteiten (RVS)’ and the non-life insurer ‘De Zeven Provinciën’. The Nationale-Nederlanden acquired in 1982 a share of 12% in the AMFAS, which had increased to 51.5% at the end of 1983 through transactions on the stock exchange. When the AMFAS ran into financial problems in 1984, the Nationale-Nederlanden acquired the remaining shares to become the sole shareholder.

A special kind of acquisition occurred in 1982 and concerned the acquisition of the ‘Westland/Utrecht Hypotheekbank’ (the ‘WUH’). This mortgage bank had ran into financial difficulties as a result of unsuccessful efforts to expand its activities into real estate developments, and the DNB, as its prudential supervisor, had asked the large banks and insurers to help preventing a bankruptcy situation. As the Nationale-Nederlanden already had a large interest in the bank as a major shareholder, it was decided that it would buy out the other shareholders and rescue the bank. In total, an amount of NLG 700 million had to be written off.

The Nationale-Nederlanden expanded in other European countries as well. In the UK, the original interest of 45% in the non-life insurer and reinsurer ‘The Orion Insurance Company’ (henceforth, the ‘Orion’), acquired by the Nederlanden van 1845 shortly before the merger in 1963, was gradually increased to a majority share of 67% in 1971 and a full subsidiary in 1975. Furthermore, in 1968 the ‘Life Association of Scotland’ (the ‘LAS’) was acquired, a life insurer active in the UK as well as in Ireland. Other European acquisitions concerned the Norwegian non-life insurer ‘Agder’ in 1964, and the Greek non-life insurer ‘Proodos Hellenic Insurance and Reinsurance Company’ in 1980. The interest in the Agder was sold in 1985.

Outside Europe, the company became active in South-Africa with the incorporation, in 1964, of the life insurer ‘Netherlands Insurance Company of South-Africa Inc.’, which was, however, because of the political developments in that country, sold in 1986. In Japan, the Nationale-Nederlanden obtained, as the first European insurer, the necessary authorisation to start life insurance activities in 1986, which followed up the initial activities employed since 1982 in the form of a representative office. And in Australia the company acquired, in 1981, a 50% share in the ‘Mercantile Mutual’, increased to 100% in 1986. On the other hand, the shares in the ANIC were sold in 1984.

However, the main acquisitions took place in the US. The main arguments for these steps were similar to those described earlier in this chapter and dealt with the size and profitability of the market, and the need to continue to diversify the activities to decrease the business risk of the group. In the area of life insurance business, a number of companies were acquired in 1974: the ‘Wisconsin National Life Insurance Company’, the ‘Midwestern United Life Insurance Company’, and the ‘Security Life & Accident Company’.

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In 1979, the Nationale-Nederlanden acquired the ‘Life Insurance Company of Georgia’, which was, at the time, its largest transaction in the US market. Concerning non-life insurance business, the company increased, in 1974, its share in the Peerless to a majority stake, followed by a buyout of the minority shareholders in 1982. Furthermore, in 1981 the fire insurer ‘First of Georgia Insurance Company’ was acquired, and in 1983 the ‘Excelsior Insurance Company’. In this segment, the largest transaction took place in 1985 with the acquisition of the ‘Indiana Insurance Group’, which increased the annual premium income from US non-life insurance business by 50%.

A final area of activities of the Nationale-Nederlanden concerned international reinsurance business. In this segment of the market, there were originally two dominant players in the Netherlands, being the ‘Universeele Reassurantie Maatschappij’, in which the Nederlanden van 1845 had been the largest shareholder, and the ‘Algemeene Herverzekeringsmaatschappij’.252 In 1968, these two companies merged under the name ‘Nederlandse Reassurantie Groep’ (henceforth, the ‘NRG’), in which the Italian insurer ‘Generali’ was the majority shareholder, and the Nationale-Nederlanden, with 16% of the shares, the second largest owner. However, 35% of the NRG-shares were sold by the Generali in 1974 to the Nationale-Nederlanden, making the latter the majority shareholder from that moment onwards.

In the first two decades after the creation of the Nationale-Nederlanden, it kept its top position on the Dutch insurance market. In respect of life insurance business, its market share was stable around 25% in the years 1963-1980, and increased to 30% in 1985.253 Regarding non-life insurance business, the market share first dropped considerably, from 14% in 1969 to 8.5% in 1983, but then increased again to 10.5% in 1985. The geographical split of gross premium income in that year showed that about 56% of the life insurance business came from the domestic market, with the Americas following with about 25%.254 On the non-life insurance market, these percentages were about 30% and 35%, respectively.

In the late 1980s, the expansion on the North American market continued through the acquisitions of the US-based non-life insurer ‘Associated Doctors Health and Life Insurance Company of Birmingham’ in 1985, the Canadian non-life insurer ‘Western Union Insurance Company’ in 1987 and the life insurer ‘MONY Life Insurance Company of Canada’ in 1988.255 In this last year, the Nationale-Nederlanden also acquired the US-based life insurer ‘Southland Life Insurance Company’. This transaction was followed in 1989 by the acquisition of two Canadian non-life insurers, being the ‘Groupe Commerce Compagnie d’Assurances’ and the ‘Compagnie d’Assurances Belair’, jointly called the ‘Commassur Inc.’.256 Regarding divestments, the only relevant transaction occurred in 1987 with the sale of the Midwestern United Life Insurance Company.

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252 Ibid, p. 401.
In addition to the acquisitions described in this section, during the period 1971-1989 the Nationale-Nederlanden established new branch offices in Australia, France, Greece, Hong Kong, Indonesia, Italy, the Philippines, South-Korea, Spain, Surinam, and Taiwan, and incorporated joint ventures with local partners in Hong Kong, Indonesia, Malaysia, and Singapore.

As a result of all foreign activities and investments, the share of foreign gross premium income in the total amount increased from 36% in 1977 to 58% in 1989. Measured in total turnover for that year, the domestic business still accounted for 47%, followed by the Americas (US and Canada) with 23%, Australia/New-Zealand with 10%, and the remaining countries with 20%.

Regarding the business structure of the Nationale-Nederlanden, Jagersma noted that this was oriented, during a large part of its existence, on its products. Originally, the company had three divisions, focusing on insurance and tontine activities, mortgage banks, and reinsurance activities. In 1970, this structure was amended to be more aligned with the strategy of continuous expansion, in particular in the international arena. From the end of that year, the company had four product divisions, directed at the activities of domestic life insurance and tontine subsidiaries, domestic non-life insurance subsidiaries, financial institutions, and reinsurance companies. The non-domestic insurance activities were all subsidiaries of a separate intermediate holding company, named the ‘Nationale-Nederlanden International’, and were outside the product divisions. However, the successful international expansion created the need to amend the internal structure again at the end of the 1970s. From 1979 onwards, the Nationale-Nederlanden applied a hybrid structure, showing three segments: domestic insurance activities, foreign insurance activities and reinsurance companies, and investments and other activities. As part of this internal reorganisation, the North American subsidiaries were organised in 1977 under another intermediate holding company, named the ‘Nationale-Nederlanden US Corporation’.

3.4.5 The establishment and developments of ING

Following the liberalisation of the structural policy regarding financial institutions, a merger was announced at the end of 1990, effective in 1991 under the name ING, between the insurance group the Nationale-Nederlanden and the banking group ‘NMB Postbank’. Despite the legal local prohibitions concerning a merger between a bank and an insurer, the US authorities granted an exemption period of four years.

Background information on the founding of ING was provided in an article, published in 1996. It first explained the merger of the ‘NMB Bank’ and the ‘Postbank’ in 1989. The former was a fast growing company, which experienced funding problems in its international expansion plans.

The Postbank was a former state owned bank, which had been privatised in 1986 and served, partly through the direct marketing channel, about six million retail clients. As a result, it had a 15% market share in the Dutch savings market, providing a strong and cheap funding basis. However, its growth opportunities were modest because of a number of legal limitations imposed at the privatisation date. For the Postbank, a merger with another bank would abolish these restrictions. The article continued with an explanation of the position of the Nationale-Nederlanden in the merger process. The transaction offered this insurer two major strategic opportunities: the utilisation of the distribution power of the Postbank in the Dutch market, and the knowledge, expertise and market position of the NMB Bank to assist the Nationale-Nederlanden as a major institutional investor.

In other words, the merger enabled both groups to capitalise on each other’s strengths, as was shown in the merger prospectus. This document presented two sets of objectives:

- The commercial objectives included four elements:
  - The transformation of a combination of insurance and banking operations into a true financial services group, offering a wide variety of products in the domestic market, with growth opportunities through further segmentation;
  - The utilisation of each other’s products and distribution channels to expand the offerings to private individuals and in the SME-segment;
  - The utilisation of the strong capital position and funding capabilities of the new group to improve and expand the offerings to the higher business segment; and
  - The strengthening and expansion of the international activities, both through internal growth and acquisitions;

- The financial objectives included two elements:
  - To achieve an increase in profits and an improvement in the quality of the ING shares; and
  - A strengthening of shareholders’ equity, which should predominantly be based on retained profits, to finance further growth of the group.

To capture the merger opportunities as best as possible, ING reorganised its organisational structure in 1994 to integrate the banking and insurance activities. After this process, the company had two major segments, each divided into two subsegments:

- Retail business, focusing on the regional market. The subsegments were ‘ING Netherlands’, organised along the lines of distribution channels, and ‘ING Financial Services International’, geographically split into (East and South) Europe and Latin America, North America, and Asia and Australia. Both subsegments included banking and insurance activities; and
- Corporate business, focusing on the global markets. Within this segment, a split was made between ‘ING Asset Management’ and ‘ING Corporate & Investment Banking’. The latter included all ‘big market’ activities: corporate banking, investment banking, treasury, risk management, and research.

The history of ING is summarised in the figure presented hereafter.
Regarding the business developments and activities in respect of acquisitions and divestments of ING in the period 1991-2005, this description starts with the international reinsurance activities. In this segment, ING experienced a number of adverse developments. Starting in the 1980s, large claims were received from the US, mostly concerning asbestos-related issues from the 1950s and 1960s. This development severely impacted the Orion. In 1992, it was decided to end the activities of this company on the London market, and in 1993 a part of the company was sold, with the remainder going into run-off, i.e. no new contracts were being sold, and the only remaining activity was ‘running-off’ the old business. The other reinsurance subsidiary NRG experienced financial difficulties as well, but this was mainly caused by the acquisition in 1990 of the UK-based ‘Victory Reinsurance Group’. After the transaction, the technical provisions of this company showed considerable deficits, resulting – as was the case for the Orion – in a loss of several hundreds of millions. To address this situation, the NRG had to be recapitalised, and, in 1991, ING acquired the remaining 41% of the shares of the company from the other shareholders. In 1993, the NRG sold its profitable life reinsurance business and went into run-off as well.

Between 1991 and 2005, the international expansion of the other activities continued, but ING made strategic divestments as well. In the insurance business, the first of these occurred on 1993, when the Life Association of Scotland and the Wisconsin National Life Insurance Company were sold.

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However, this was followed in 1995 by the acquisition of the Canadian non-life insurer ‘Wellington Insurance Company’,\textsuperscript{270} and the US-based life insurer ‘Equitable of Iowa’ in 1997.\textsuperscript{271} Linked to the last acquisition, ING obtained a listing at the NYSE. Vergoossen noted that, before this listing, ING shares were already traded in the US under a sponsored ADR program.\textsuperscript{272} The year 1998 showed the acquisitions of the non-life activities of the UK-based ‘Guardian Royal Exchange Group’ and the non-life insurer ‘Insurance Company of Canada’.\textsuperscript{273}

In 2000, several transactions occurred.\textsuperscript{274} On the one hand, the Tiel Utrecht was sold to another Dutch insurance group, but on the other hand ING acquired three US-based life insurers, being the ‘Aetna Financial Services’, the ‘Aetna International’, and the ‘ReliaStar’. In 2001, it obtained the remaining 52% stake in the Mexican non-life insurer ‘Seguros Comercial América’.\textsuperscript{275} The last acquisition in the period reviewed in this dissertation took place in 2004, when the non-life insurance business of ‘Allianz of Canada’ was obtained.\textsuperscript{276} However, in the same year ING decided to fully reinsure its US individual life insurance business, effectively leaving this market, and sold its Australian non-life insurance activities.\textsuperscript{277} These divestments were followed in 2005 with the sale of the Life Insurance Company of Georgia.\textsuperscript{278}

In the banking business, ING also expanded its international position considerably. In 1995, it acquired all shares of the UK-based ‘Barings Group’, which had run into financial difficulties because of extensive speculations.\textsuperscript{279} In 1996, a 55% stake in the Polish ‘Bank Slaski’ was acquired,\textsuperscript{280} which interest was increased to 83% in 2001.\textsuperscript{281} A next transaction occurred in 1998, when, through the acquisition of an additional 13% interest, the majority of the shares of the Belgian bank ‘Banque Brussels Lambert’ was obtained.\textsuperscript{282} And in 1999, the German ‘BHF-Bank’ was acquired,\textsuperscript{283} followed by the increase of the stake in the German ‘DiBa Bank’ to 100% in 2002 and 2003.\textsuperscript{284}

3.4.6 Overview of companies described and analysed in the next chapters

Based on the research goal of this dissertation, the following companies are selected to be described and analysed:

\textsuperscript{270} Ibid, p. 428.
\textsuperscript{271} ING (A1997).
\textsuperscript{272} Vergoossen (1995).
\textsuperscript{273} ING (A1998).
\textsuperscript{274} ING (A2000).
\textsuperscript{275} ING (A2001).
\textsuperscript{276} ING (A2004).
\textsuperscript{277} ING (A2004).
\textsuperscript{278} ING (A2005).
\textsuperscript{280} ING (A1996).
\textsuperscript{281} ING (A2001).
\textsuperscript{282} ING (A1998).
\textsuperscript{283} ING (A1999).
\textsuperscript{284} ING (A2002-A2003).
• The Nederlanden van 1845 and its life insurance subsidiary the Nederlanden Leven;
• The Nationale;
• The Nationale-Nederlanden;
• The Nationale-Nederlanden Leven;
• The Nationale-Nederlanden Schade; and
• ING.

3.5 Summary and conclusions

The introduction to this chapter noted that the purpose of presenting a brief overview of the history of AEGON, Fortis and ING is to provide the answers to the first research question:

What were the important company developments and events in respect of the legal structure, the organisational structure, ownership, and the (multi)national corporate strategy within the selected companies?

The descriptions presented in this chapter show that all three companies were created as a result of mergers, initially only between domestic insurance companies but later, for Fortis and ING, also with domestic and foreign banks. Furthermore, all were involved in a large number of acquisitions of majority and minority interests, the creation of joint ventures, and several divestments. A part of these transactions was executed in the Dutch market, but international expansion occurred as well, since the 1970s in particular in the US market. In the case of Fortis, an additional element in its expansion concerned the set-up of a binational legal structure involving Dutch and Belgian components after a cross-border merger with the largest Belgian insurance company.

These events triggered a number of organisational restructurings within the groups, resulting in portfolio transfers, legal mergers, and revised divisional structures. In the case of AEGON, this also included the legal changes from mutual insurance companies or societies to joint stock companies.

Finally, the history of the companies also showed important changes in ownership, through listings on the Amsterdam Stock Exchange in the mid-1960s, subsequent listings on other European stock exchanges, and the issuance of shares in the US, either through listings in New York or through a sponsored ADR-program.

All these events and developments created specific financial and prudential reporting challenges, among others in respect of the increasing pressure on a single-track reporting approach adopted by the Dutch supervised insurance subsidiaries (the type of approach is explained in the following chapters), but also concerning the accounting treatment of business combinations, the publication of segment information, and the reporting practices adopted by the holding companies of insurance groups. This, in particular, started to occur after the listing of the groups on the domestic and foreign stock exchanges. Which these challenges specifically were and how the individual companies addressed them, is presented in the next five chapters.