



**Willem van Duin**  
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**Strong improvement in results**

Achmea Annual Results 2017 – Analyst presentation

**achmea** 

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2. Strategy to 2020 'Delivering Together'



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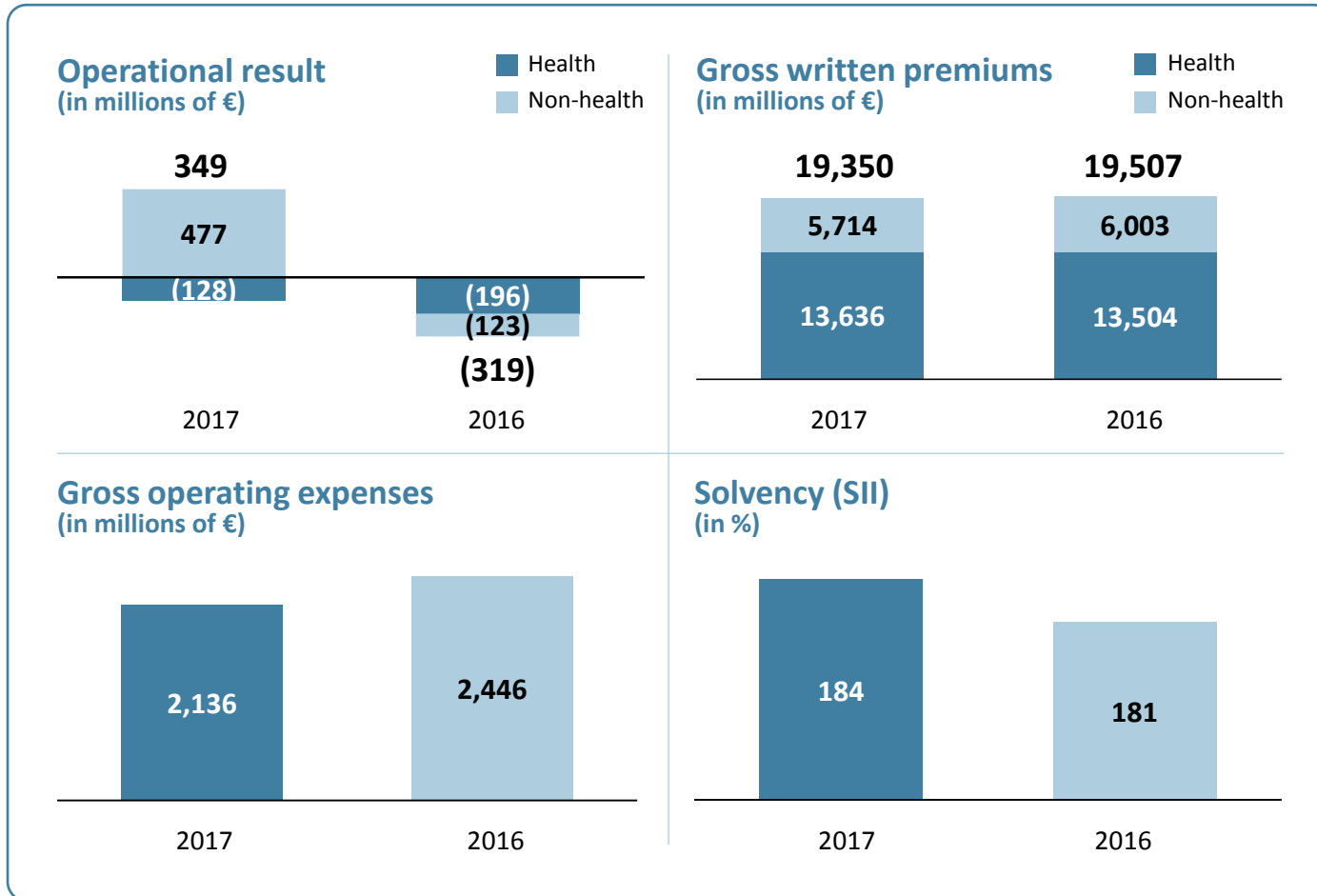


# Strong improvement in results in 2017

- Operational result increases to €349 million
  - Non-Life and Pension & Life are main contributors to improved results
  - Basic Health still loss-making in spite of smaller capital allocation for premiums below cost price of €108 million
  - Structural cost reduction of €117 million (5%)
- Solvency II ratio increases by 3%-pt to 184%
- On track to achieve strategic objectives 2020
- Focus on innovation and improvement of services to customers



# Strong improvement in results due to improvement measures



- Profitability increased strongly due to:
  - Premium measures, claims management and cost savings
  - Also improvement in results when adjusted for the hail calamity of €152 million in 2016
- Growth in written premiums in Non-Life, Health and International activities
- Structural cost reduction of 5% mainly in housing, IT and personnel
  - 13% cost reduction including one-off effects
- Financial position continuously robust:
  - Increase in solvency to 184% partly driven by positive results
  - Before dividends, share buy-back and coupons on hybrids Solvency II ratio of 191%

# Operational result - excluding Health - in line with long-term objectives

Segment results (in millions of €)	2017	2016
Non-Life	166	-185
Service organisation Pension & Life	342	285
Retirement Services	12	-18
International activities	16	25
Other activities	-59	-230
<b>Operational result (excl. Health)</b>	<b>477</b>	<b>-123</b>
Health	-128	-196
<b>Operational result</b>	<b>349</b>	<b>-319</b>

## Non-Life

- Strong recovery in results as a result of improvement measures

## Service organisation Pension & Life

- Higher result due to substantial cost savings and higher investment results

## Retirement Services

- Improved results due to accelerated termination sectoral pension funds at Achmea Pension Services, as well as higher results Achmea IM and Achmea Bank

## International

- Results declined slightly due to one-off charges in Turkey and Australia

## Other activities

- Improved results due to run-off of private banking activities, lower personnel expenses and one-off reorganisational expenses in 2016

## Health

- Basic Health still loss-making in spite of smaller capital allocation for premiums below cost price

# Strategy to 2020 'Delivering Together': innovation of services main focus

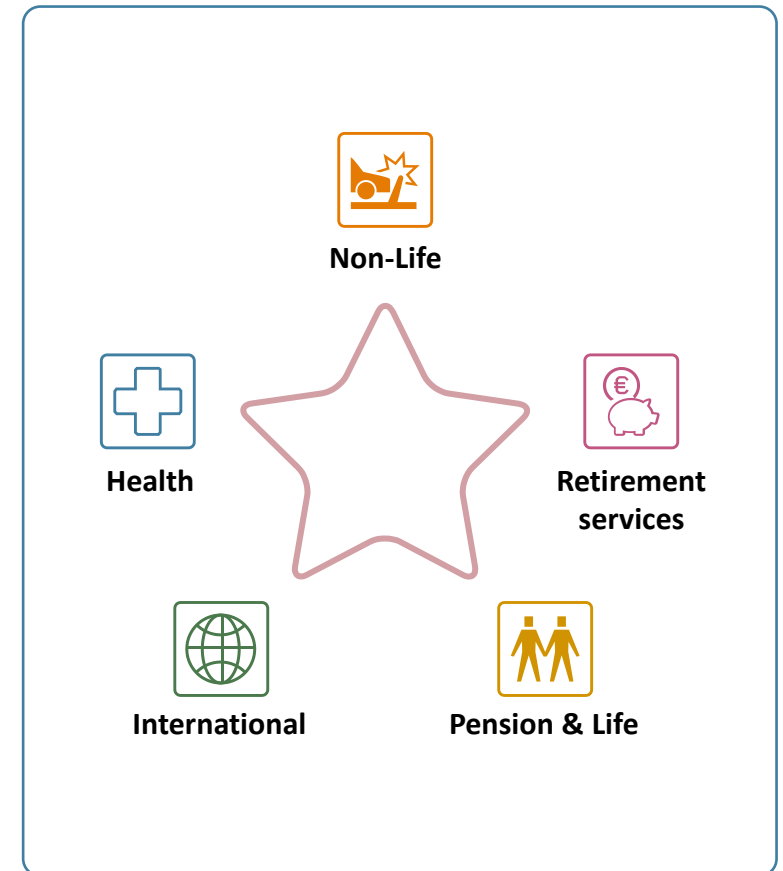
## Customer relevant and trendsetting

- Focus on innovation and services:
  - With our innovations we build a trendsetting organisation
  - A service provider personally relevant for its clients on a daily basis
- We contribute to a healthier, safer and future proof society
- Along four themes:
  - Good health accessible for everyone
  - Clean, safe and smart mobility
  - Safe living and working
  - (financial) solution for now and in the future

## Return and cost reduction

- Structural operational result of €450 million in 2020 excluding our Health insurance activities
- Ahead of plan with our cost reduction of approx. €200 million until 2020
  - Structural cost reduction realised of 5%; cost reduction of 13% when including one-off effects
- Number of FTEs in The Netherlands reduced by 7% to approx. 14,500

## Five market-oriented chains





# Good progress on group strategy to 2020 'Delivering Together'

## Strong brands with high customer ratings

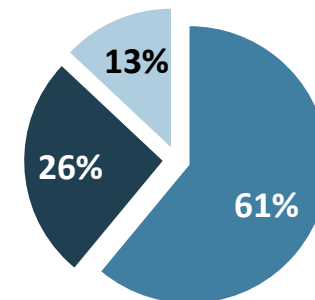


## Leader in mobile and online services; proven success in rolling out new concepts



## Distribution via multiple channels; market leader in direct and banking

- Direct
- Banking
- Brokers



## Large client base, with 10 million customers in The Netherlands; market leader in Non-Life & Health

Property & Casualty insurance #1	Health insurance #1	Income Protection #2	Ind. Life #2	Asset management #5
Achmea 22%	Achmea 30%	NN/Delta Lloyd	NN/Delta Lloyd	APG
NN/Delta Lloyd	VGZ	ASR	Vivat	Blackrock NL
ASR	CZ Group	Achmea 17%	Achmea 15%	PGGM
Allianz	Menzis	Goudse	Aegon	MN
Other	Other	Aegon	ASR	Achmea 7%
		Other	Other	Other





## Non-Life: high customer satisfaction and leader in online distribution

- Strong performance recovery in Non-Life as a result of improvement measures

### Centraal Beheer provides insurances, savings, investments, mortgages and pensions

- Real-time insight into progress on claims via personalised online track & trace page for customers
- Centraal Beheer also helps customers to repair vehicles even if damage is not covered by their policy
- Centraal Beheer first insurer to provide insurance for driverless, electric vehicles of partner Amber
- Centraal Beheer offers the best liability insurance (Dutch Consumers' Association)

### Interpolis: successful strategic partnership with Rabobank intensified further

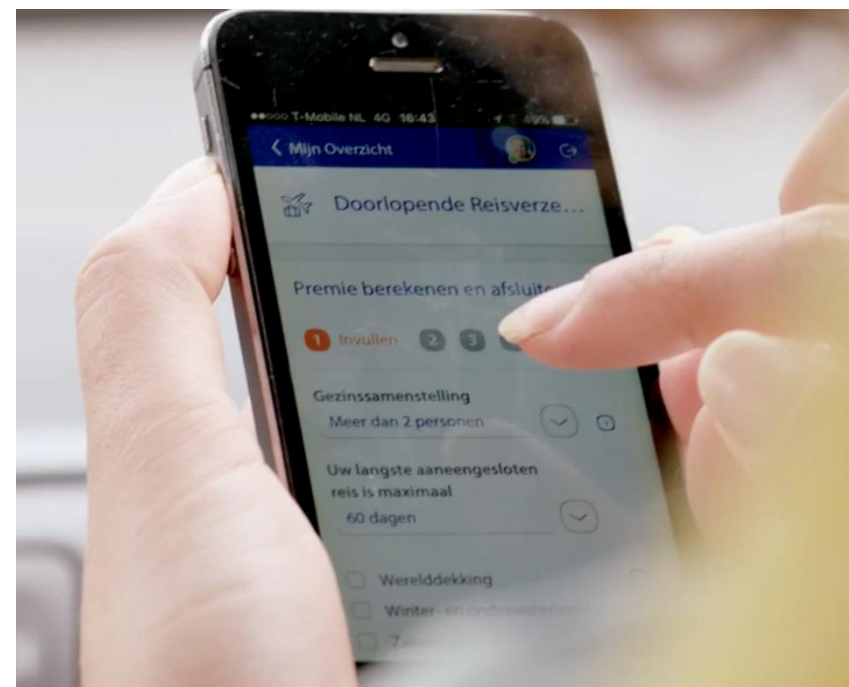
- All common insurance policies for retail customers can easily be arranged via the Rabo banking app
- Interpolis works to improve overall traffic safety via Automodus campaign
- Prevention advice on cybercrime for small and medium-sized businesses via ZekerVanJeZaak policy
- Dutch Consumers' Association: Interpolis home insurance 'Best Tested Policy'



### Uw schademelding bij Centraal Beheer

Hoe staat het met uw schade?

- ✓ **Schade melden** Minder ^  
U meldde de schade op 12 juni 2017.
- ✓ **Uw schade afhandelen** Meer v
- ✓ **De kosten regelen** Meer v
- ✓ **Schademelding afronden** Meer v







# Health: Good health accessible for everyone

## Zilveren Kruis: Maintain balance between solidarity, market share and solvency

- Market leadership with stable market share of ~30% and growth in online health insurance
- Further cost reductions and focus on added value for customers
- Merger of De Friesland Zorgverzekeraar and Zilveren Kruis
- E-Health service Hartwacht helps to improve blood pressure of insured
- Customers live and work healthier and stay in shape via Actify and Gezond Ondernemen (Healthy Enterprise)
  - International Institute for Health Management and Quality: Golden certificate for Gezond Ondernemen as best practice for commercial customers (iHMQ)
- Senior citizens are living longer and safely at home thanks to Alles-Oké service of Zilveren Kruis and Eneco
- Zilveren Kruis among top-three best insurers on social media (ITDS)
- WUA: Zilveren Kruis best health insurer for online orientation and arranging policies



# Hartwacht





# Retirement Services: together with customers comprehensive solutions for now and in the future

## Achmea Pension Services: improved result after termination of services to sectoral pension funds

- Centraal Beheer General Pension Fund (APF) the pension solution for pension funds and employers
- Top 3 position with €1.1 billion Assets under Management (AuM)
- New employer and member portals at Centraal Beheer APF and for company pension funds
  - Pension communication Centraal Beheer APF 'best-in-class' (PBM)

## Achmea Investment Management: AuM increased to over €120 billion

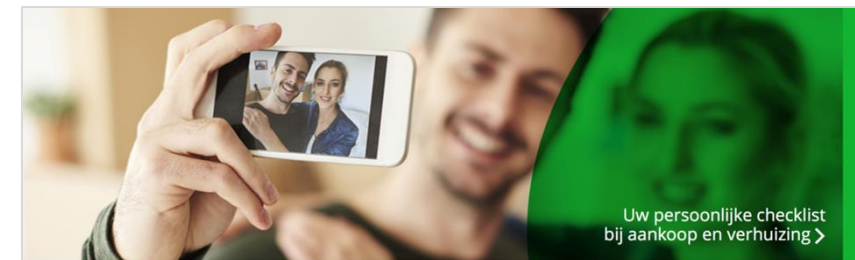
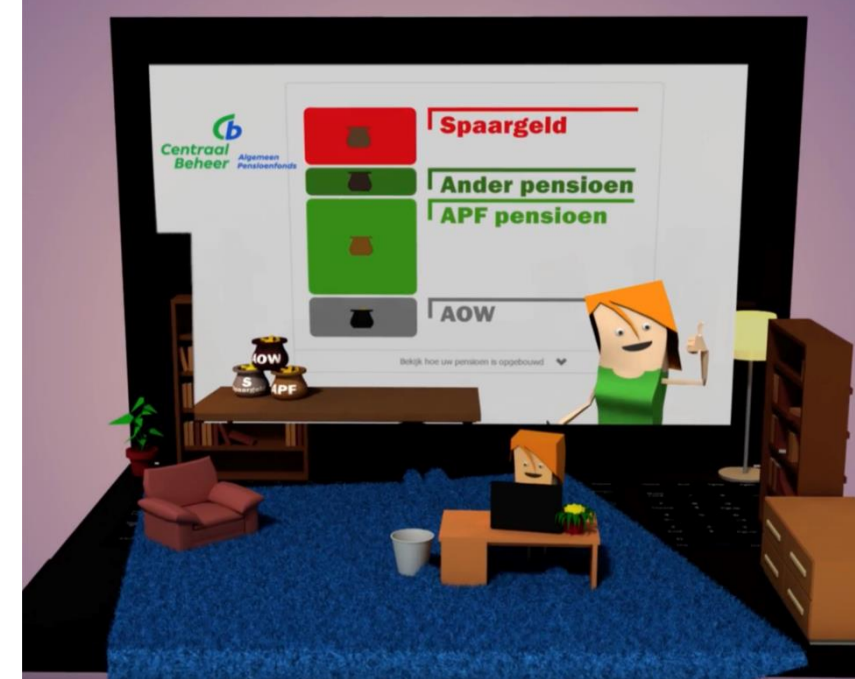
- Agreement with Stichting Pensioenfondsen Huisartsen for fiduciary management

## Achmea Bank: improved services after outsourcing mortgages and savings processes

- Centraal Beheer offers Buying Service to house buyers to ease mortgage process



Woonfondsen



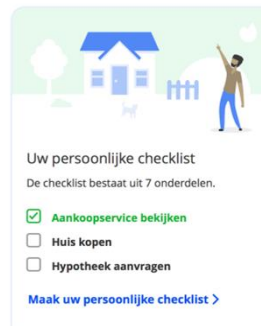
### Aankoopservice

Dit komt er kijken bij het kopen van een huis

U gaat een huis kopen. Dat doet u niet elke dag. Wat komt er allemaal kijken bij de aankoop van een huis? Waar moet u rekening mee houden? Wanneer regelt u wat? Centraal Beheer helpt u stap voor stap met de Aankoopservice. Zo weet u zeker dat u niets vergeet. Bovendien kunt u via ons eenvoudig een goedkope taxatie regelen en de overdracht bij de notaris. Uiteraard bent u vrij om uw eigen taxateur of notaris te regelen. En u krijgt u 10 gratis verhuisdozen als u de Thuis Hypotheek afsluit.

- ✓ Alle stappen voor de aankoop van een huis overzichtelijk op een rij
- ✓ Korting op services die u bijna altijd nodig hebt
- ✓ Handige tips en checklists voor de aankoop van een huis

[Naar de Checklist Verhuizen >](#)





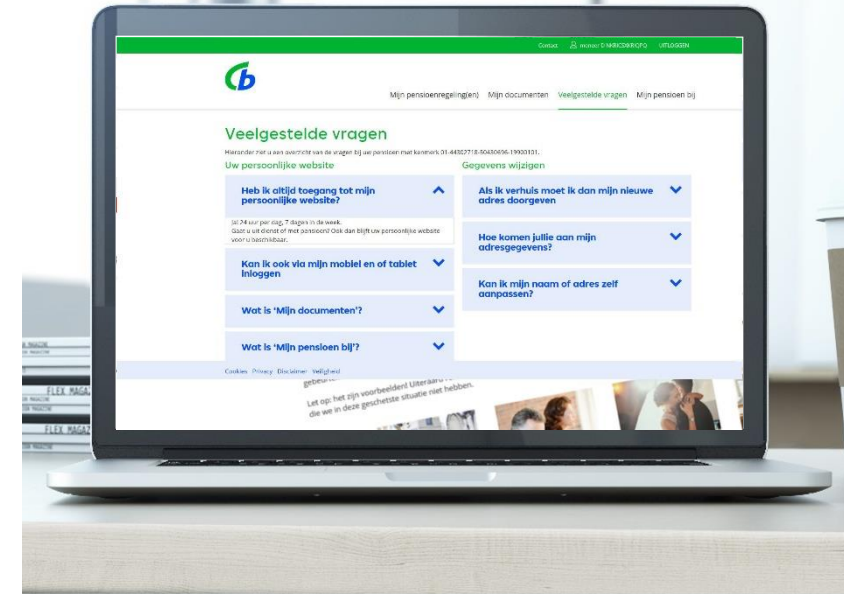
# Pension & Life service organisation: providing optimal services to customers and growth in term life

## Significant contribution to result and good progress on implementing 'service strategy'

- Portfolio size stable with moderate run-off
- Improved customer service due to digitisation and streamlining administration

## Strong growth of 14% in written premiums for term life insurance

- Market leadership in new sales term life insurances with 25% market share, partly as a result of Interpolis and Rabobank
- Improved insight into pensions thanks to new online member portal 'Mijn Toekomst' for customers
- Website Centraal Beheer best for online orientation on term life insurances (WUA)



januari 2017			maart 2016		januari 2016	
		Score	Positie	Score	Positie	Score
1	CentraalBeheer.nl	72	2	71	2	67
2		71	1	79	1	79
3		64	7	59	9	54
4		58	6	62	4	62
5		57	4	62	8	54
6	FBTO.nl	55	-	-	-	-
7		54	3	64	3	66
8		52	5	62	5	61

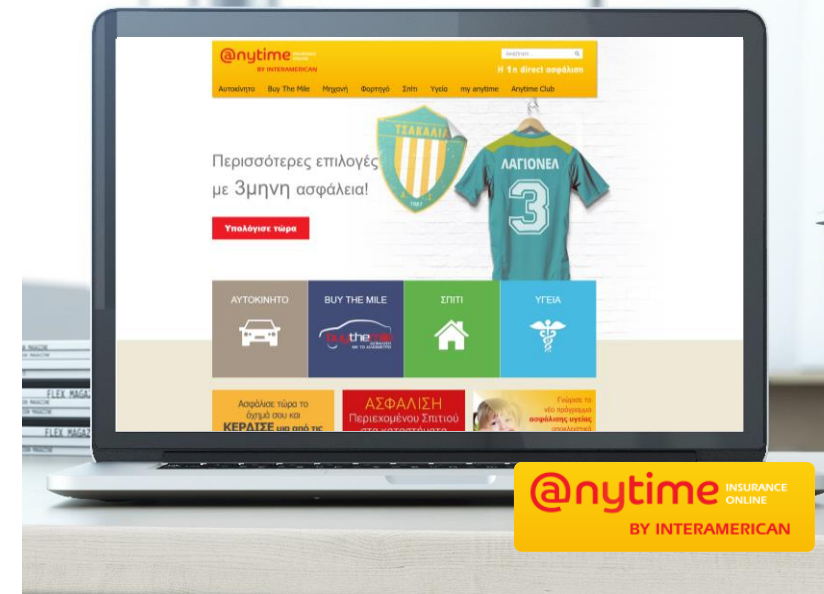




## International: growth in premiums and positive contribution to the result

### Growth with core competencies Non-Life, Health via online and banking channel

- Larger market shares and premium growth in local currencies of 8%
- Increase in premium income in Turkey of 12% in local currency
  - Strongest premium growth in online channel, set up together with Garanti Bank
- Premium growth in Greece mainly due to growth in online insurer Anytime
  - Promising start Anytime in Cyprus after success in Greece
- Good partnership with Rabobank in Australia: premium growth and client satisfaction
- Announced sale of Irish life insurer Friends First in line with strategy
- Strategic alliance initiated with partner for online property & casualty in Canada



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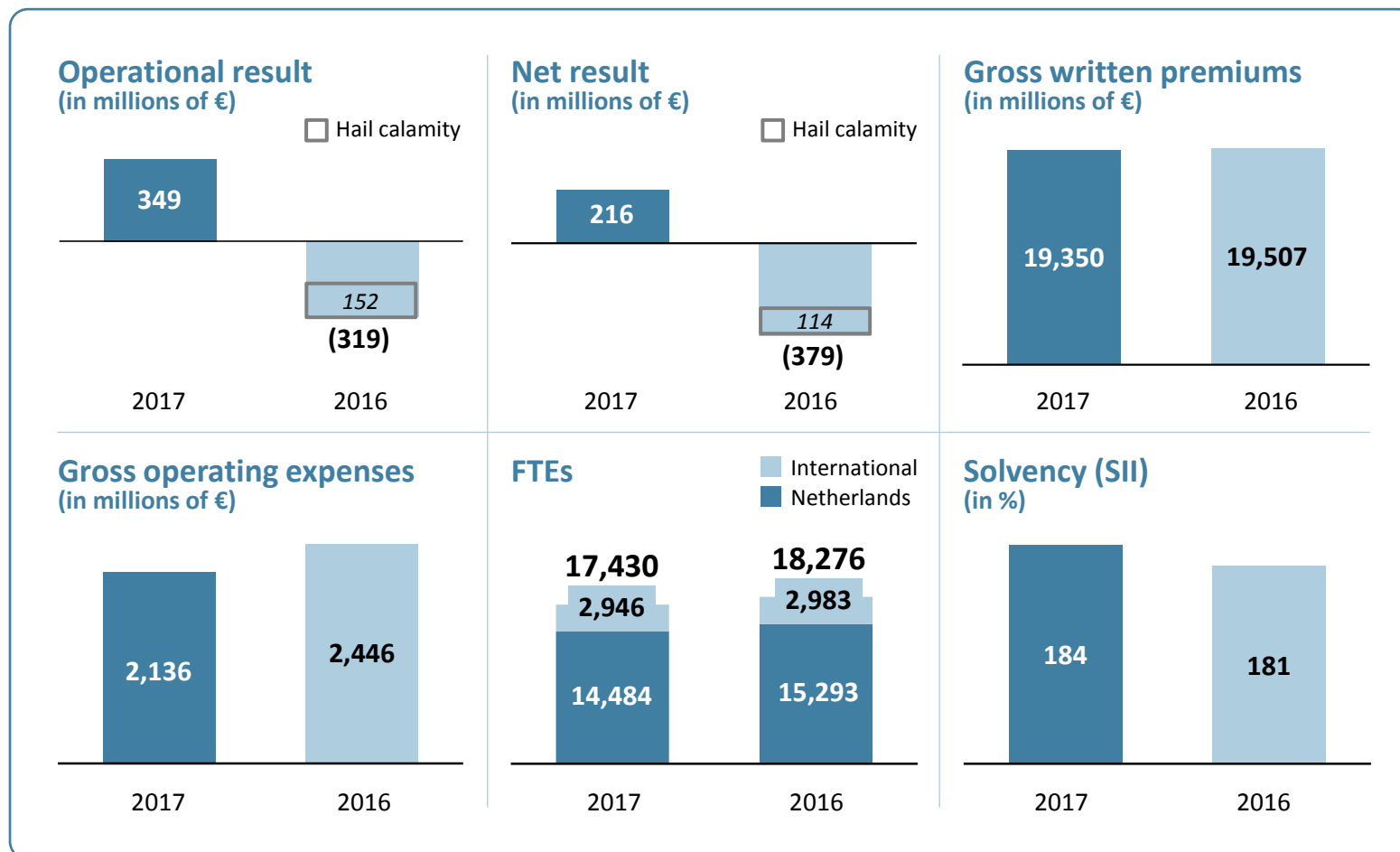


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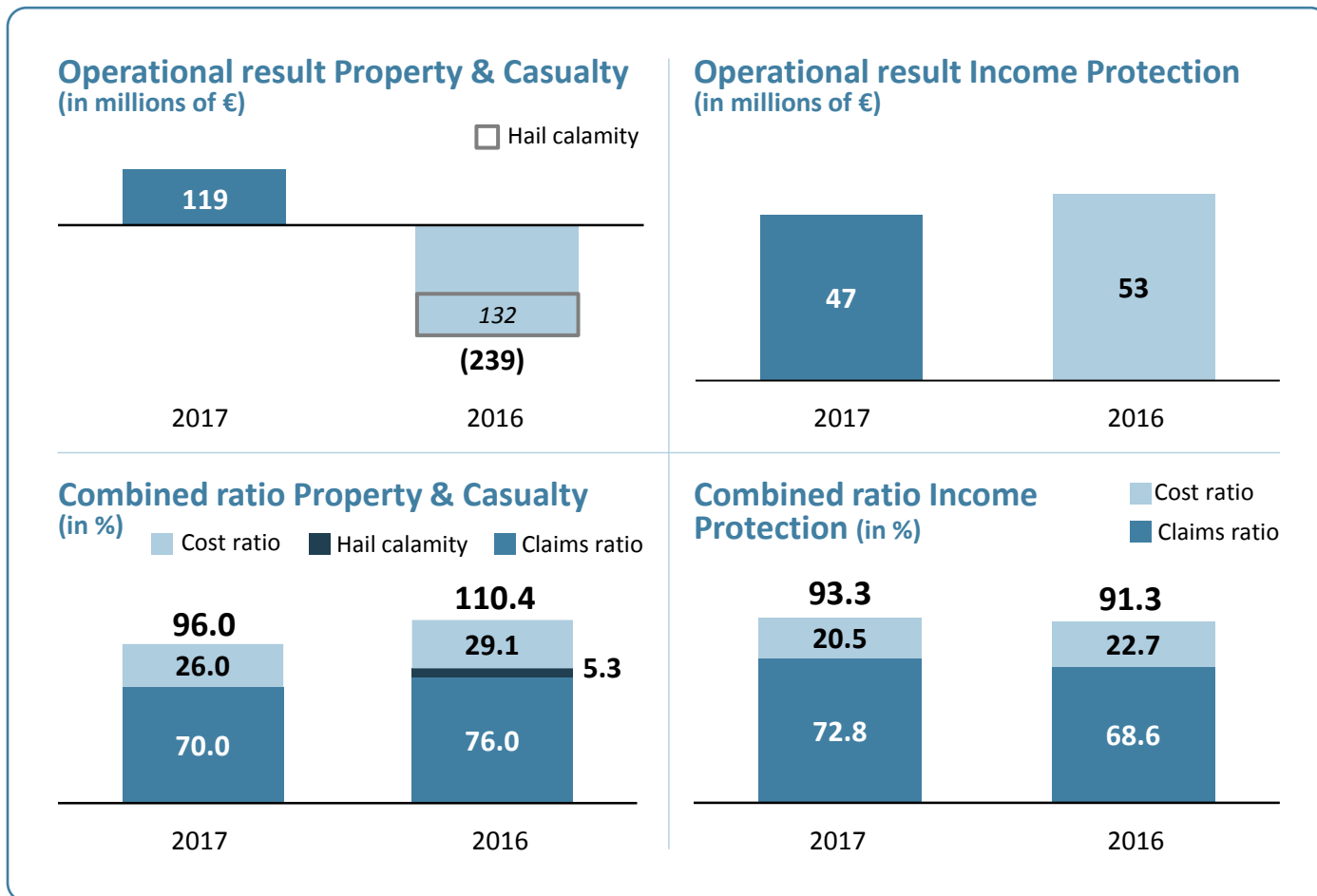
# Strong improvement in results due to improvement measures



- Operational and net results higher:
  - Strong recovery in results for Non-Life due to improvement measures
  - Service organisation Pension & Life makes important contribution to results
  - Improvement in results at Health partly due to lower capital allocation than in previous years
- Premium income slightly lower, in spite of growth at Non-Life and Health, due to decline in income from premiums at Pension & Life
- Structural cost reduction of 5% due to substantial savings on housing, personnel and IT
  - Cost reduction of 13% including one-off effects
- Increase in solvency to 184%<sup>1</sup> driven by positive trends in financial markets and optimisation

<sup>1</sup> After dividends, coupons on hybrids and buy-back of Achmea shares

# Non-Life: impact of improvement measures leads to COR of 95.5%



## Property & Casualty insurance

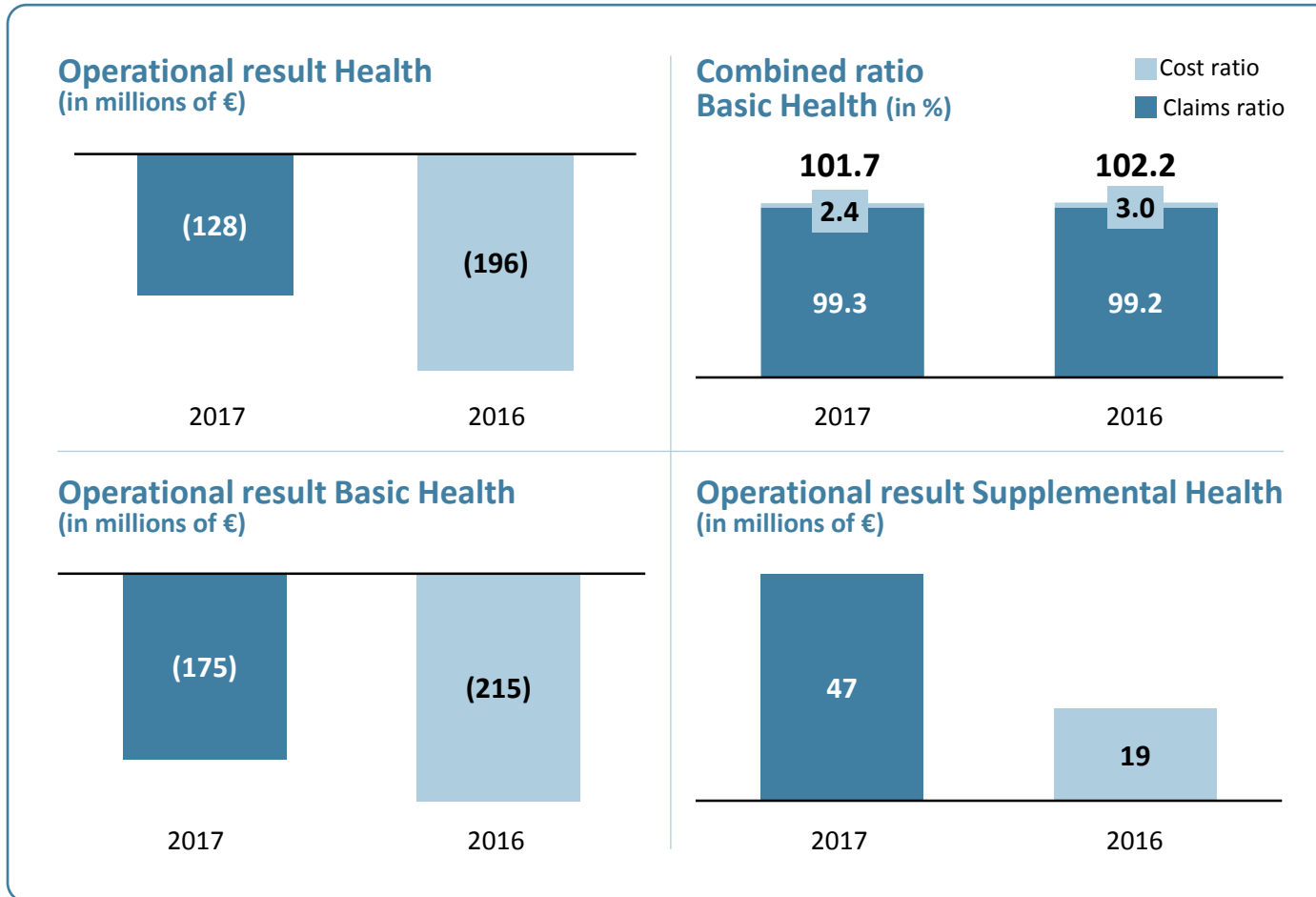
- Result improved substantially via combination of higher premium income, claims management and cost reduction
  - When adjusted for the severe hailstorms in 2016 (€132 million) the increase is €226 million
- Gross written premiums increased to €2,690 million (2016: €2,601 million) due to growth in the retail market

## Income Protection insurance

- Operational result driven by:
  - Higher inflow into Group Disability (WIA) in line with national trend
  - Release of provision for Group Disability partly as a result of claims management
  - Lower operating expenses partly due to efficiency measures
- Increase in premium income to €600 million (2016: €590 million) due to expansion of Group Disability market (BeZaVa<sup>1</sup>)

<sup>1</sup> Restriction of Absenteeism and Disability Safety Net Act

# Health: Basic Health still loss-making in spite of smaller capital allocation for premiums below cost price

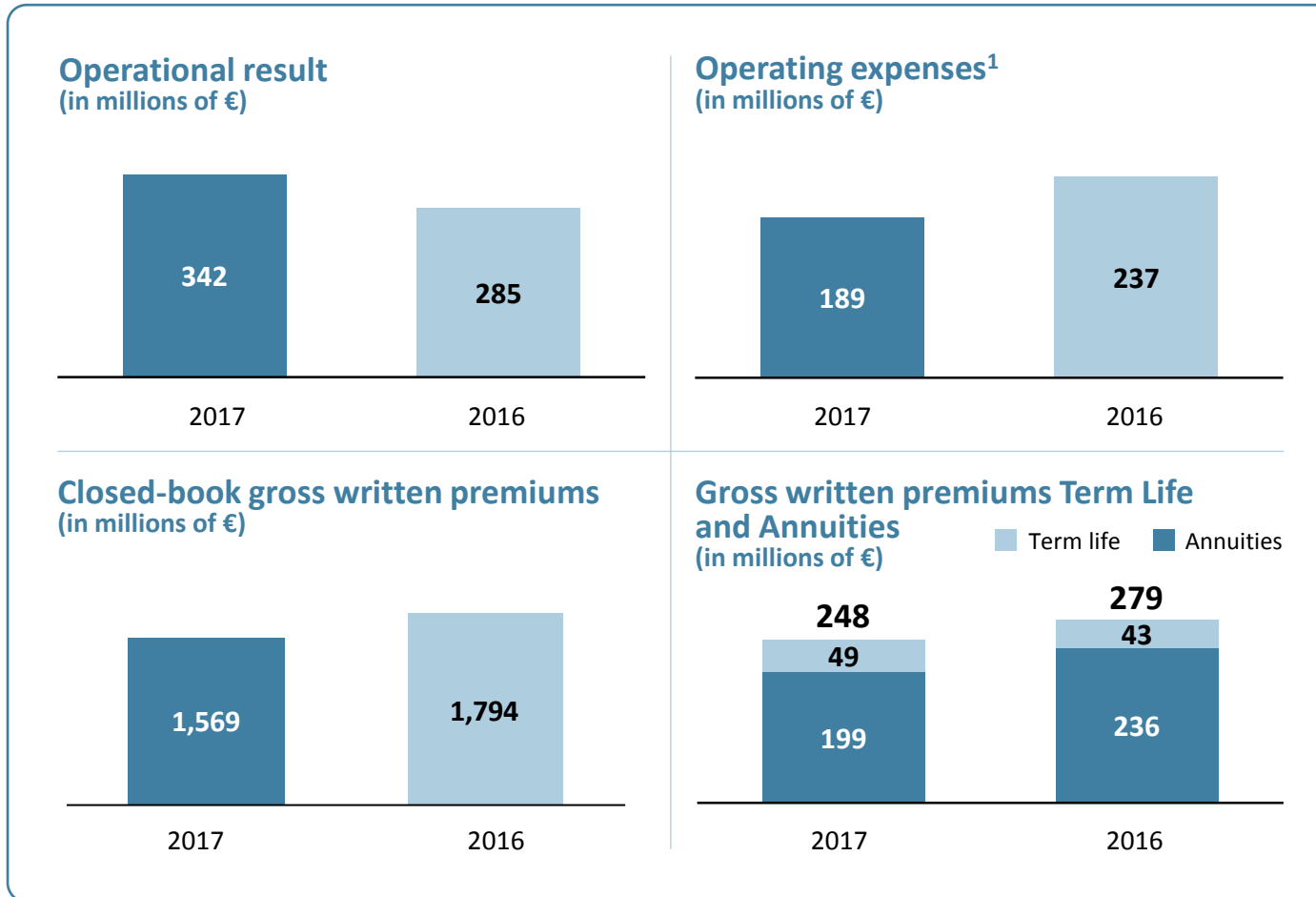


## Basic health insurance

- 2017 results driven by:
  - Positive development in medical expenses Basic Health for current underwriting year
  - Lower expenses in Supplemental Health for specialist medical care and dental care
  - Lower operating expenses (10%) due to continued focus on efficiency and digitisation
- Smaller capital allocation for premiums below cost price of €108 million (2016: €426 million) is fully compensated by lower than expected contribution from equalisation fund
- Increase in gross written premiums
  - Premium income Basic Health increased to €11,869 million (2016: €11,779 million) due to higher number of customers and higher premiums across the market
  - Premium income Supplemental Health stable at €1,315 million with stable percentage of customers taking out supplementary insurance at ~80%



# Service organisation Pension & Life: Improved results due to substantial cost savings and higher investment results



## Pension & Life

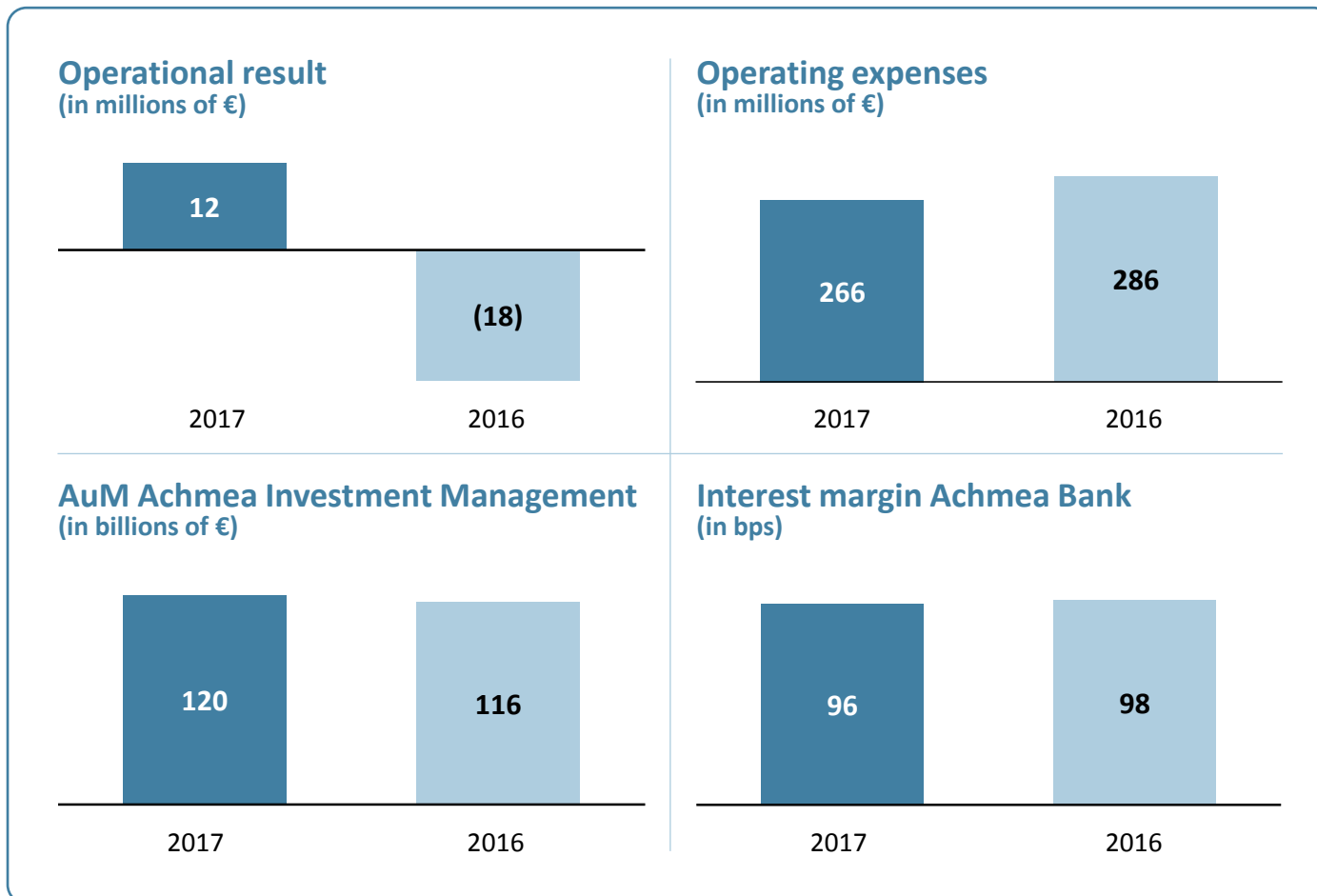
- Good progress in administration of Pension & Life portfolios:
  - Small decline in portfolio size in line with expectations
  - Portfolio with long-term liabilities supports long-term stable result
- Result improved substantially:
  - Significant cost reduction (20%) due to simplifying processes and systems and reduction in sales expenses
  - Higher investment results due to higher real estate revaluations, realised gains on equities and FX-results
  - Addition to provisions for premium waiver on disability partly compensated by high mortality result

## Term Life and Annuities

- Increase in gross written premiums, especially at Interpolis; 25% market share in new term life insurance policies
- Decision to choose return over volume results in lower premium income on annuities

<sup>1</sup> Excluding premium-related fees for reinsurance premiums

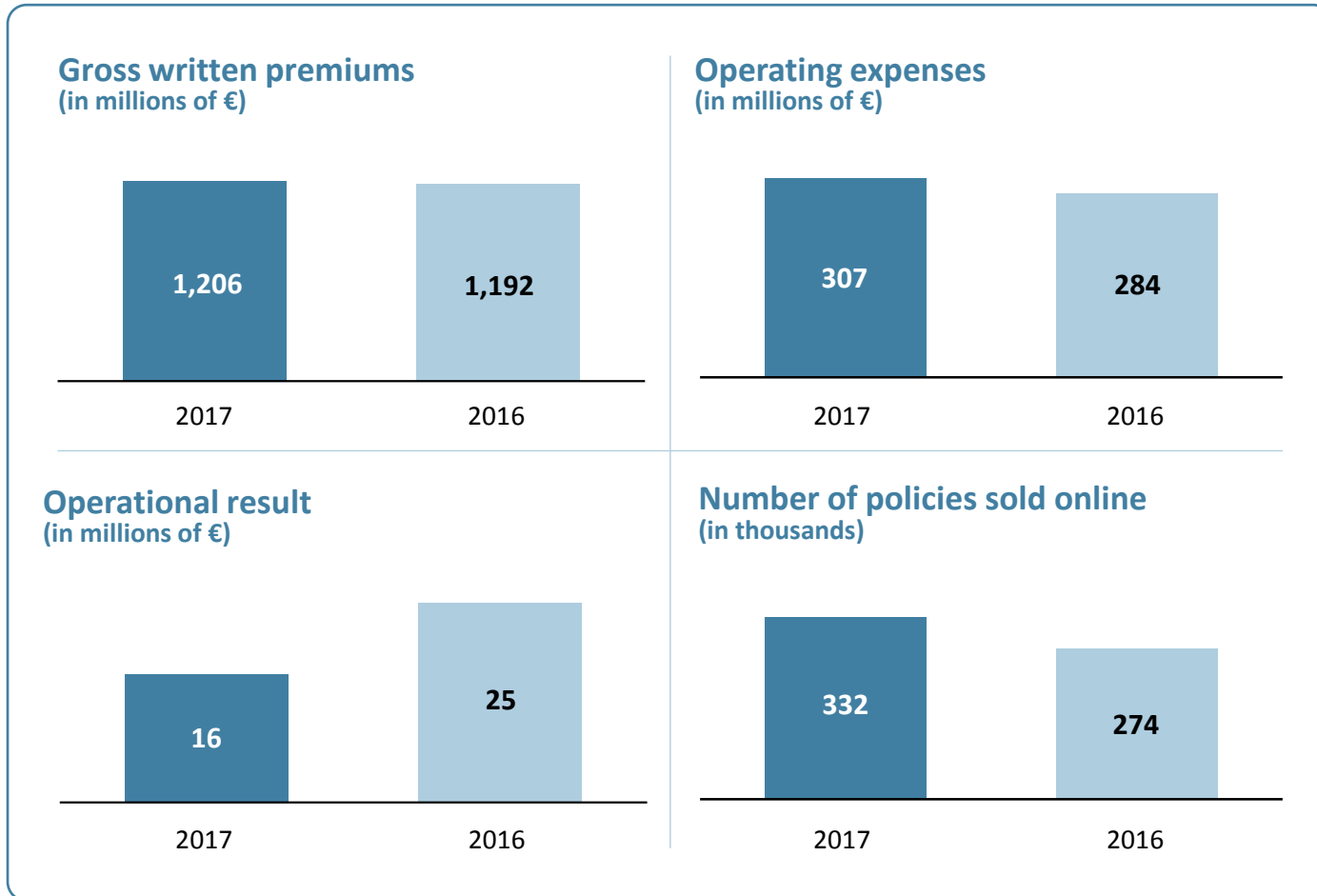
# Retirement Services: improved results due to accelerated termination sectoral pension funds at Achmea Pension Services, as well as higher results Achmea IM and Achmea Bank



## Retirement Services

- Investment in a strong position in the changing Dutch pension sector with Centraal Beheer APF
- Improved results in all entities:
  - Accelerated termination of services to sectoral pension funds and lower start-up investments for Centraal Beheer APF lead to a higher result at **Achmea Pension Services**
  - Improved result for **Achmea Investment Management** due to lower personnel and consultancy fees
    - Assets under Management at Achmea Investment Management increased to €120 billion due to net inflow into Centraal Beheer APF and positive market trends
  - Higher result for **Achmea Bank** derived partly from housing market developments with a release of loan loss provisions at a relatively stable interest margin

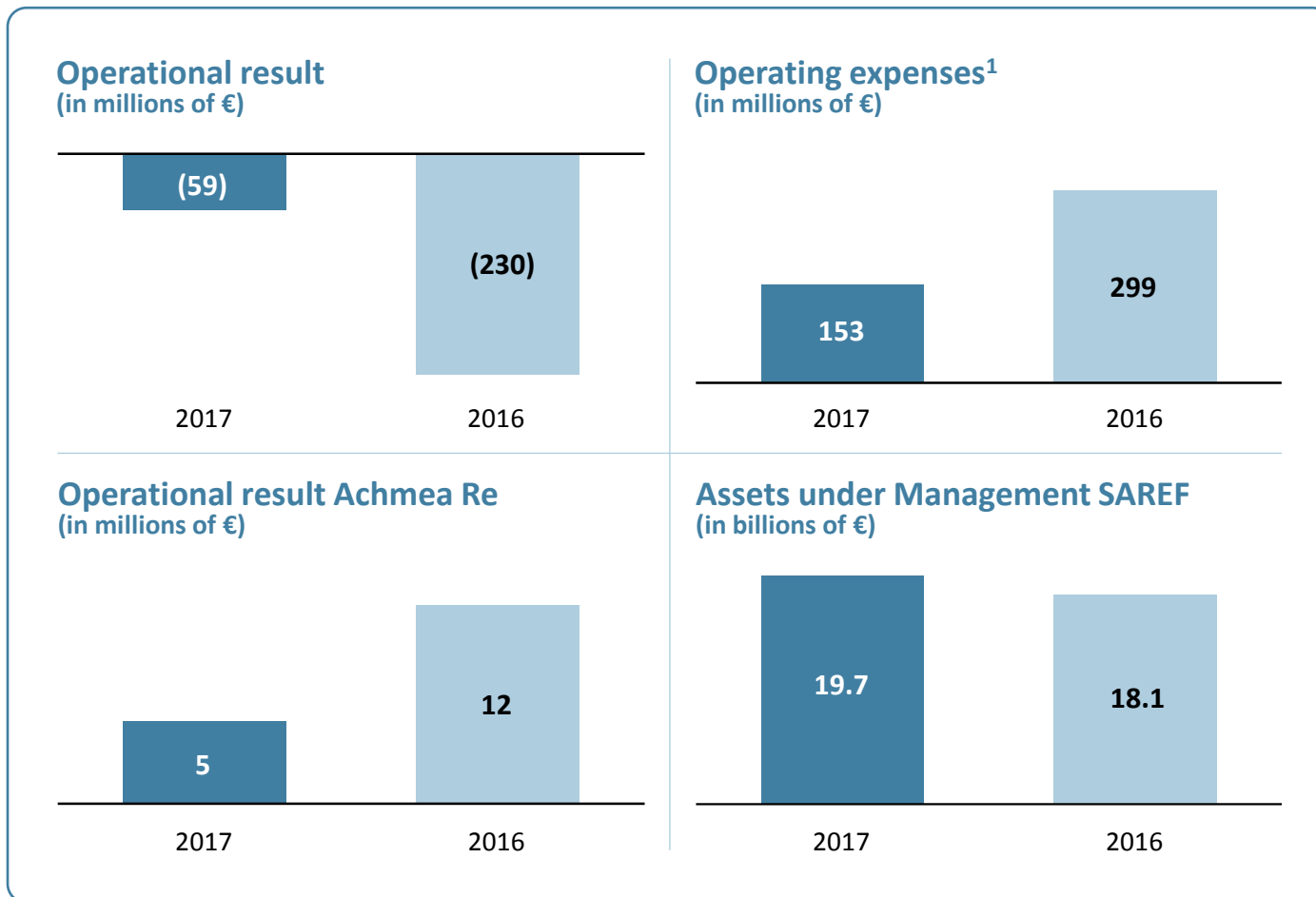
# International: Further growth in premiums for all countries in local currency



## International activities

- Increase in gross written premiums of 8% in local currency
  - Growth in premiums in **Turkey** in all market segments driven by digital channel
  - Higher written premiums in **Greece** in a stagnating property & casualty market, partly thanks to growth of Anytime brand. Anytime successfully expanded to Cyprus
  - Successful development of direct channel in **Slovakia** with growth of 25%
- Higher profitability in Slovakia and Greece as a result of improved health and property & casualty results
- Results affected by new legislation governing maximum premiums for MTPL insurance in Turkey, investments and calamities in Turkey and Australia

# Other activities: improved results following lower personnel expenses, run-off of private banking activities and one-off reorganisational expenses in 2016



## Other activities

- Improved operational result thanks to lower expenses for housing, IT, personnel and run-off of loss-making activities
  - 2016 result affected by an addition to the reorganisation provision of €82 million
- Achmea Reinsurance, Syntrus Achmea Real Estate & Finance and Independer all added positively to the result

## Achmea Reinsurance

- Positive result:
  - Higher investment results and new third party property & casualty and life insurance contracts
  - Impact of global catastrophes €37 million

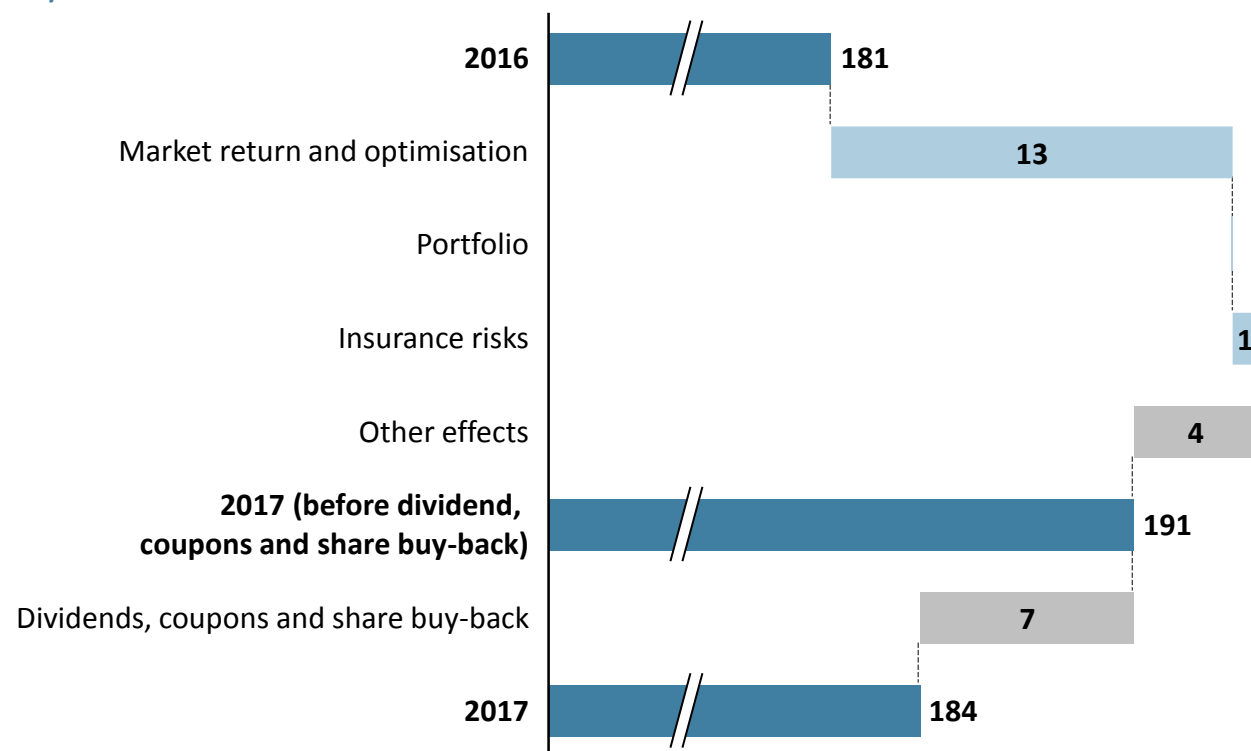
## Syntrus Achmea Real Estate & Finance

- Assets under Management increased to €19.7 billion (2016: €18.1 billion), mainly due to net inflow into the mortgage portfolio

<sup>1</sup> Excluding premium-related reinsurance fees

# Solvency II ratio increased to 184%

## Changes to Solvency II ratio (in %)



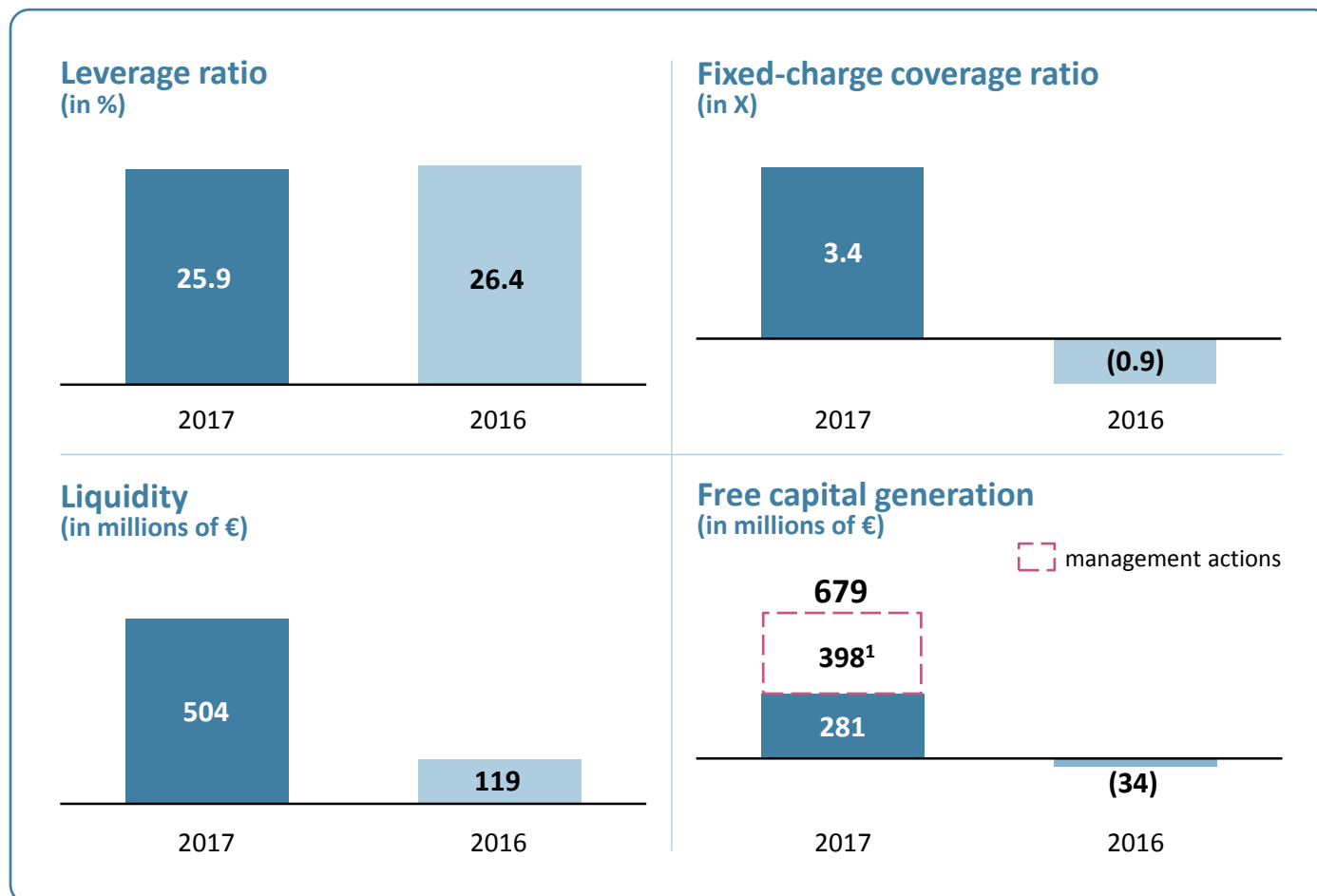
## Group solvency

- Positive effects financial markets and optimisation market risk:
  - Increase in available capital from investments partly due to rising interest rates, incoming spreads and higher equity prices
  - Lower market risk due to implementation of capital hedge and divestment of commodity portfolio
- Portfolio developments impacted by capital allocation Health, compensated by positive technical results Non-Life and refining of expenses Pension & Life
- Decrease in life risk due to higher interest rates and refining of expenses
- Other effects mainly driven by decrease in LACDT as a result of decline in market risk

## Solvency of core insurance entities

- Non-Life: 140% (2016: 137%)
- Health: 142% (2016: 154%)
- Pension & Life: 142% (2016: 130%)

# Decisive management actions contribute to improved key financial ratios



## Financial ratios

- Improvement in leverage ratio and fixed-charge coverage ratio due to improved results
- Holding liquidity improved by upstreaming of dividends and redemption of internal loans

## Free capital generation

- Free capital generation driven by improvement in solvency
- Substantial contribution from optimising capital at Pension & Life in particular

## Miscellaneous

- Fitch Rating A+ for the insurance entities<sup>2</sup> and A for Achmea Group<sup>3</sup>. Both with stable outlook

<sup>1</sup> Management actions in Pension & Life (including sale of commodity portfolio, realised losses and refined expense) | <sup>2</sup> Insurer Financial Strength | <sup>3</sup> Issuer Default Rating

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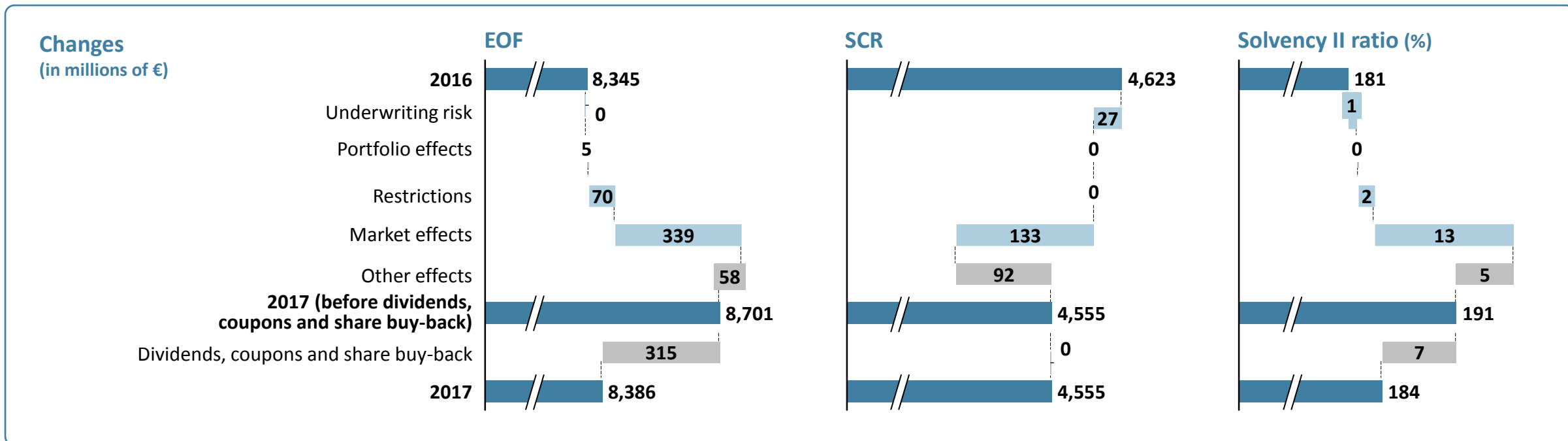
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# Solvency II ratio improved to 184%



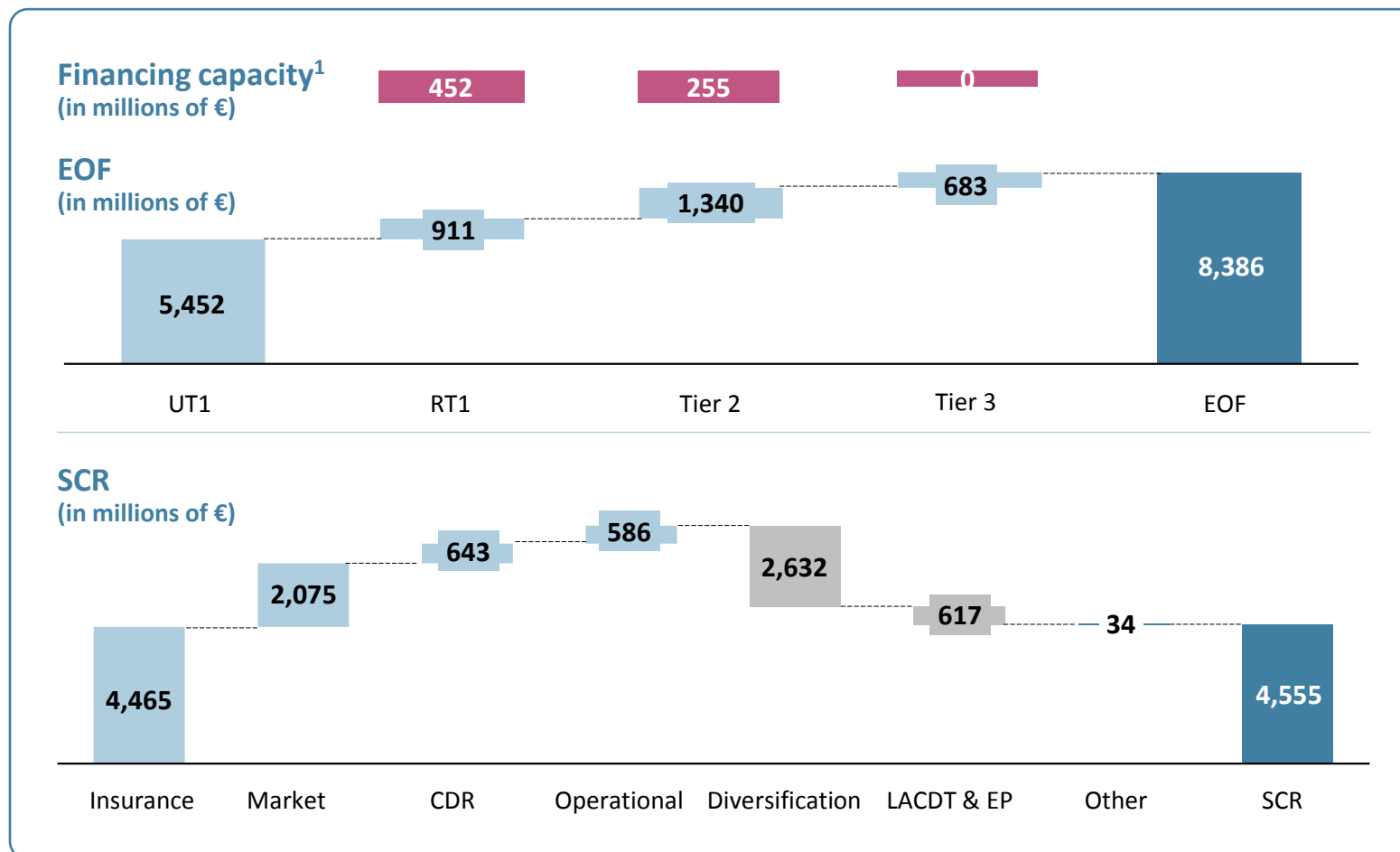
## Eligible Own Funds (EOF):

- Capital allocation for health insurance premiums compensated for by positive results and refining of expense assumptions
- Restrictions reduced due to loss realisation for tax purposes
- Positive trends in financial markets
- Payment of dividends, coupons on hybrids and share buy-back

## Solvency Capital Requirement (SCR)

- Lower life risk due to higher interest rates and refining of expense assumptions
- Lower market risk due to implementation of capital hedge (interest rate risk) and reduction of commodity portfolio (equities and currency risk)
- Decrease in LACDT mainly as a result of lower market risk

# Solvency II: financial position continuously robust



## Group solvency

- Available capital Tier 1 is 140% of the total Solvency Capital Requirement

## Solvency of core insurance entities

- Non-Life: 140% (2016: 137%)
- Health: 142% (2016: 154%)
- Pension & Life: 142% (2016: 130%)

## Capital allocation

- Capital predominantly allocated to underwriting risk in line with our risk appetite

<sup>1</sup> RT1 capacity:  $(UT1 / 80\%) - UT1 - \text{outstanding RT1}$ ; Tier 2 capacity:  $(SCR * 50\%) - \text{outstanding Tier 2} - \text{outstanding Tier 3}$ ; Tier 3 capacity:  $(SCR * 15\%) - \text{outstanding Tier 3}$

# Interest rate sensitivity decreased due to implementation of capital hedge

## Solvency II PIM sensitivities in 2017

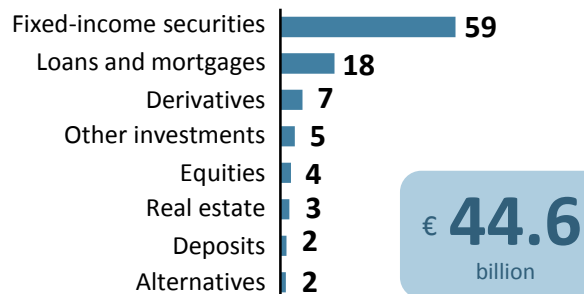
	Scenario	EOF (in millions of €)	SCR (in millions of €)	SII PIM (in %)	2017 Δ SII PIM (in % pt)	2016 Δ SII PIM (in % pt)
	BASIC	8,386	4,555	184	---	---
Interest	+50 bps	8,274	4,546	182	-2	-14 <sup>1</sup>
	-50 bps	8,536	4,836	177	-8	15 <sup>1</sup>
Credit Spread	+50 bps	8,392	4,543	185	1	N/A
	-50 bps	8,454	4,729	179	-5	N/A
UFR <sup>2</sup>	@4.05%	8,335	4,567	182	-2	N/A
	No UFR	7,329	5,114	143	-41	-50
VA	No VA	8,258	4,693	176	-8	-13
Equity	-20%	7,815	4,374	179	-5	-10
	No Eq. Trans.	8,413	4,733	178	-6	-9
Property	-20%	8,076	4,523	179	-6	-5

- Interest rate sensitivity decreased due to implementation of capital hedge
- Impact of UFR decreased due to increase in interest rate
- Impact of Volatility Adjustment (VA) decreased due to lower volatility financial markets
  - VA declined from 13 bps to 4 bps
- Sensitivity to equity risk lower due to divestment of commodities portfolio
- Impact of equity transitional decreased due to movements in investment portfolio and regular decline in equity transitional

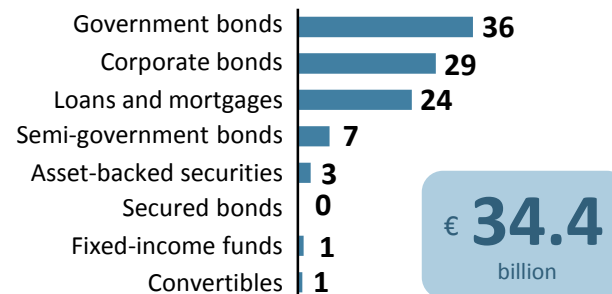
<sup>1</sup> Calculated based on +100 bps and -100 bps | <sup>2</sup> Capital Hedge adjusted for change in UFR

# Conservative investment profile maintained

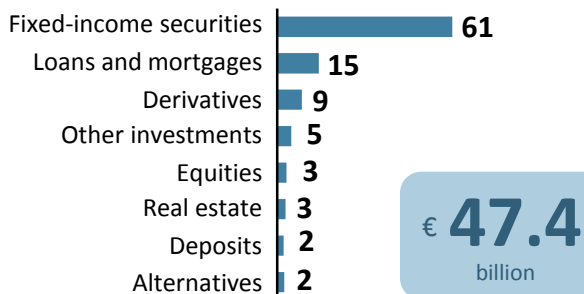
## Total investment portfolio (2017, in %)



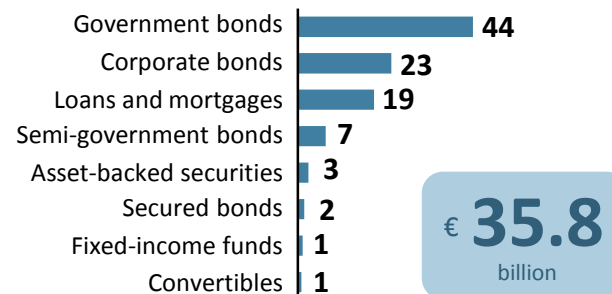
## Fixed-income portfolio (2017, in %)



## Total investment portfolio (2016, in %)



## Fixed-income portfolio (2016, in %)



## Total investment portfolio

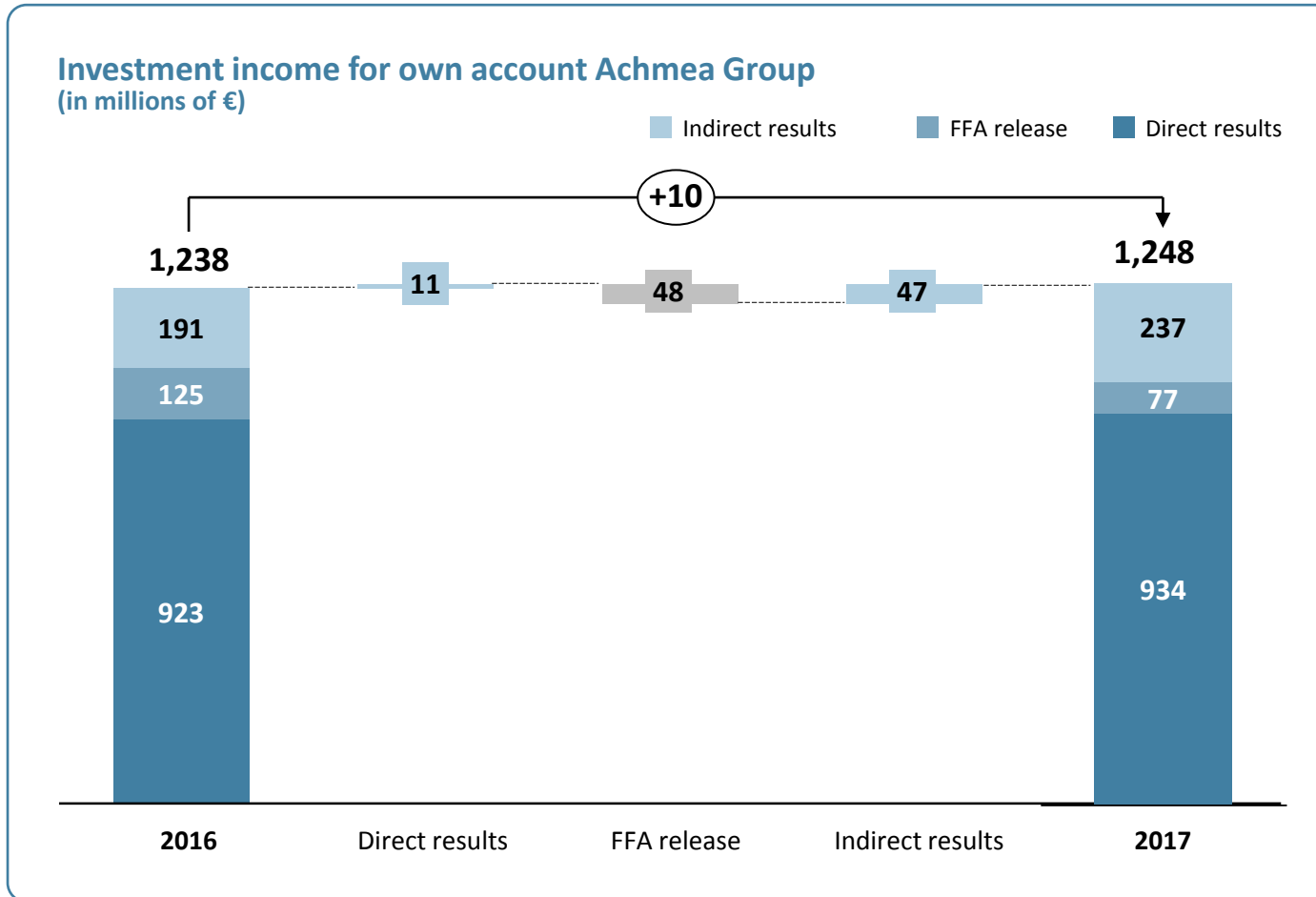
- Investment portfolio decreased by 6%, mainly due to reclassification of Friends First assets to held for sale
- When adjusted for this the decrease is 3%:
  - Decrease in derivatives portfolio due to higher interest rates
  - Decrease in alternatives due to reduction of commodity portfolio
  - Equity portfolio increased as a result of higher equity prices
  - Real estate portfolio stable. Positive revaluations compensate for divestments

## Fixed-income portfolio

- High-quality portfolio with around 76% invested in investment grade fixed-income securities<sup>1</sup>
- Mortgage portfolio increased by €1.4 billion to €7.2 billion, financed from government bonds

<sup>1</sup> BBB rating or higher

# Investment income increased due to higher realised gains on equities and real estate revaluations



## Investment income

- Higher investment income for own account:
  - Higher realised gains on equities and real estate revaluations compensate for lower realised gains on fixed-income securities
  - Higher direct income in Pension & Life mainly from derivatives portfolio is compensated for by lower release from the FFA
  - Direct income from other entities lower due to reinvestment at lower interest rates
- Running yield at 2.2% (2016: 2.1%)
- The size of the FFA fell in 2017 to €6.9 billion (2016: €7.8 billion) due to higher interest rates



**Willem van Duin**  
*Chairman of the Executive Board*

**Michel Lamie**  
*Chief Financial Officer*

**Strong improvement in results**

Achmea Annual Results 2017 – Analyst presentation

**achmea** 