Press Release

12 March 2020 - Achmea Annual Results 2019

Achmea records significantly increased operational result of €547 million

- Strong Non-Life result with a combined ratio of 95.0%
- Sustained good Pension & Life results
- Positive result current underwriting year for basic and supplementary health insurance
- Strong growth in Non-Life, Retirement Services and international activities; Assets under Management grew to €200 billion at the start of 2020
- Solvency ratio robust at 214%, partly supported by financial markets
- Business model expanded further with new propositions and services

Willem van Duin, Chairman of the Executive Board:

"As an insurer with a cooperative identity, Achmea is committed to a healthy, safe and future-proof society. We put that strategy into practice through our brands and make a difference to the lives of our customers. A sound and sustainable financial result is essential to our ability to properly fulfil our role in society.

Achmea ended 2019 well with an increase of the operational result to €547 million and a solvency ratio that rose further to 214% after dividend payments. We have seen growth in both the number of customers and written premiums in property & casualty insurance, as well as a further increase in the result from our pension & life insurance activities. Our new pension services model, in which we offer a comprehensive package of asset management and banking services, is appreciated highly by our customers. The result over the 2019 underwriting year was positive for both basic and supplementary health insurance. However, the negative results on prior underwriting years caused a negative result on overall basic health insurance. As a group, at the start of 2020 we held over €200 billion in Assets under Management, and a growing number of customers place their trust in our investment method and advice on socially responsible investment.

We completed our strategic period 'Delivering Together' at the end of last year. As a leading player in mobile and online services, we will continue to digitise our business operations. We are investing substantial amounts in websites, portals, apps and other innovative ways of serving our customers. Even greater convenience and accessibility are the key words here. Moreover, in the past three-year planning period we cut our expenses by over €200 million, while customer ratings for our insurance, products and services remained as high as ever.

In addition to good insurance policies and advice on prevention, we are also offering more services. Sustainability and innovation are central to these. For instance, Centraal Beheer also offers solar panels and more general assistance in making homes more sustainable. And Interpolis is working hard to improve road safety via its 'AutoModus' app. Following a successful campaign to raise awareness among drivers, Interpolis is now focusing on young cyclists on the road via 'PhoNo'. Health insurer Zilveren Kruis is focusing on bringing good health closer to everyone by organising more safe in-home care with the collaboration of healthcare providers and patients.

This year we kicked off a new strategic period entitled 'The Sum of Us'. We plan to put the combined forces of our company to even better use. We will continue to invest in innovation, platforms for distribution, and further improvement of our services. We also want to actively enter into more partnerships with which we can offer customers innovative services. This way we remain relevant to our customers and society in a changing world. For the realisation of our strategic ambitions, earning a healthy return and keeping a close eye on expenses remain essential. These ambitions match our identity as insurer with a cooperative identity with an active role in society."

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Group results

KEY FIGURES

(€ MILLION)

RESULTS	2019	2018	Δ
Gross written premiums	19,949	19,918	0%
Net earned premiums	19,524	19,685	−1%
Gross operating expenses [1]	2,092	2,211	−5%
Operational result excluding Health Netherlands[2]	**485**	**263**	**84%**
Operational result including Health Netherlands	**547**	**391**	**40%**
Transaction result	–	175	n.m.*
Result before tax	547	566	−3%
Net result	**481**	**315**	**53%**

BALANCE SHEET	31-12-2019	31-12-2018	Δ
Total assets	89,488	81,816	9%
Total equity	**10,191**	**9,705**	**5%**

SOLVENCY II	31-12-2019	31-12-2018	Δ
Solvency ratio after dividend (Partial Internal Model)[3]	**214%**	**198%**	**16%-pt**

EMPLOYEES IN THE NETHERLANDS AND ABROAD[4]	31-12-2019	31-12-2018	Δ
FTEs (internal)	13,801	13,714	1%
FTEs (external)	2,590	2,922	−11%

* *n.m: not meaningful*

Group results

OVERVIEW OF GROUP RESULTS

In 2019 Achmea again took important steps towards achieving its long-term financial and strategic objectives. The operational result increased substantially in 2019 to €547 million (2018: €391 million). This improved result was mainly driven by an increase in the result from Non-Life and our Other activities. The results from Pension & Life and Retirement Services also increased. Achmea's result therefore continues to evolve towards the result ambitions.

The combined ratio (COR) at our Dutch property & casualty and income protection business improved in 2019 and stood at 95.0% (2018: 95.5%). The operational result increased sharply to €178 million (2018: €97 million), due to premium growth, claims management and higher investment income. In addition, the result over 2018 was adversely affected by the January storms.

Our Dutch pension and life insurance business earned a strong operational result of €363 million in 2019 (2018: €334 million). The result improved due to higher technical results and higher investment results. The premiums have declined in line with our service book strategy. Furthermore, we continued to invest in our IT systems to further increase the flexibility of our operating expenses and to be able to reduce them in line with expected future expirations in the portfolio.

The operational result of Retirement Services increased to €30 million in 2019 (2018: €15 million). This increase is largely the result of a higher interest margin and a one-off fair-value result relating to Achmea Bank's acquisition of a part of a.s.r. bank's operations. Assets under Management at Achmea Investment Management grew further in 2019.

The operational result of our International activities amounted to €22 million (2018: €29 million). The lower result was caused by higher claims as a result of the wildfires in Australia and lower health results in Greece and Slovakia due to non-recurring income in 2018. At the same time, we invested in our Canadian online property & casualty business and the result in Turkey increased slightly.

The result of the Other activities segment strongly improved. In addition to the results of Achmea Reinsurance and Syntrus Achmea Real Estate & Finance, this segment also contains the financing expenses and shareholder expenses. The improved result can partly be attributed to higher results for Achmea Reinsurance, which profited from positive cost of claims relating to prior years, while 2018 had seen a high cost of claims arising from the January storms. Furthermore, reorganisation expenses were lower in 2019 than they had been in the previous year.

Our health activities contributed €62 million (2018: €128 million) to the result in 2019. A negative result of €26 million (2018: €45 million) was earned on basic health insurance due to the high cost of claims from prior years. The result on the current underwriting year amounted to €66 million (2018: €39 million negative). A positive result of €86 million was achieved on supplementary health insurance. Of this amount, €79 million derives from the current underwriting year (2018: €62 million). In addition, the operating expenses decreased further, partly due to the integration of Zilveren Kruis and De Friesland.

Despite the positive growth of our results over 2019 and prior years, we continue to face significant challenges in the markets in which we operate. Low interest rates put pressure on traditional revenue models, climate change leads to increased weather-related claims damage and the result of our insurance operations remains inherently volatile. In this context we also closely monitor the developments around the Coronavirus and their potential impact on our business operations, our insurance results and the financial markets. The outcomes of this are still uncertain, but are being closely monitored. In light of these challenges, among other things, we will continue to invest in our strategy, which is aimed at diversified domestic and international growth and development of new propositions and services, while at the same time staying focused on the need for active claims management and further balance sheet optimisation.

OPERATIONAL RESULT BY SEGMENT

(€ MILLION)

	2019	2018	Δ
Non Life Netherlands	178	97	84%
Pension & Life Netherlands	363	334	9%
Retirement Services	30	15	100%
International activities	22	29	−24%
Other activities	−108	−212	49%
Operational result (excl. Health Netherlands)	**485**	**263**	**84%**
Health Netherlands	62	128	−52%
Operational result	**547**	**391**	**40%**

The net result increased to €481 million in 2019 (2018: €315 million). The effective tax rate was 12% (2018: 44%).

The effective tax rate was lower mainly due to the fact that we adjusted the deferred tax position in 2018 after a reduction in the corporate tax rate was announced. Last year, this planned tariff reduction was postponed by a year and scaled back, leading to a partial reversal of the reduction in the provision for deferred taxes in 2019. Moreover, an adjustment to the IAS12 reporting standard means that the interest paid on perpetuals is processed via the income statement as of 2019. Combined with the tax-exempt income from Health, the effective tax rate is therefore €66 million.

Income

The gross written premiums remained virtually stable in 2019 at €19,949 million (2018: €19,918 million).

Total retail and commercial premiums at Non-Life Netherlands and International grew further (5%) due to portfolio growth and premium adjustments. Internationally, gross written premiums increased for our property & casualty activities in local currency, but were stable in euros due to exchange-rate effects.

Group results

Gross written premiums within Health are up slightly (1%) due to a higher premium for basic health insurance and a larger contribution from the Health Insurance Equalisation Fund as a result of higher healthcare expenses in the Netherlands. This increase compensated for the decrease in the number of policyholders. Premiums from supplementary health insurance decreased slightly due to a lower number of policyholders. On balance, the international health activities saw growth in gross written premiums in Slovakia and Greece.

Gross written premiums from Pension & Life insurance activities in the Netherlands decreased by 18% as a result of our earlier strategic decision to stop actively selling pension insurance products in the Netherlands. Total gross written premiums were also lower than last year due to the sale of Irish life insurance company Friends First as of 1 June 2018.

GROSS WRITTEN PREMIUMS IN THE NETHERLANDS AND ABROAD (€ MILLION)

	2019	2018	Δ
Non-Life	4,104	3,897	5%
Health	14,582	14,435	1%
Life	1,263	1,586	−20%
Gross written premiums	**19,949**	**19,918**	**0%**

We are increasingly evolving from being a traditional insurer into a broad financial service provider. As a result, we receive a growing portion of our income from sources other than insurance premiums. This income has grown by €40 million to €272 million (2018: €232 million) within the Retirement Services segment. Revenue also increased at SAREF: this amounted to €90 million over 2019 (2018: €82 million). Our service propositions continue to evolve. With these services we not only contribute to a healthy, safe and future-proof society through means such as damage prevention, but we also expand our business model.

Operating expenses

Gross operating expenses decreased by €119 million to €2,092 million in 2019 (2018: €2,211 million). This decrease follows mainly from more efficient business operations as a result of measures such as IT rationalisation and digitisation. Expenses are also lower in 2019 due to the sale of Friends First and Independer in 2018.

The total number of employees has decreased slightly to 16,391 FTEs (2018: 16,636 FTEs). In the Netherlands, the number of employees decreased further to 13,414 FTEs in 2019 (2018: 13,772 FTEs). The decrease in the number of employees of more than 350 FTEs is due to the continued optimisation of processes and systems. The largest decreases occurred at Pension & Life and Health, as a result of more efficient business operations, and the integration of Zilveren Kruis and De Friesland.

The total number of employees outside the Netherlands increased slightly to 2,977 FTEs (2018: 2,864 FTEs). This increase is due to the focus on controlled and selective expansion of our market share in the various markets.

Combined with the cost savings realised in previous years, we more than accomplished our objective of cutting expenses by €200 million during the 'Delivering Together' strategic planning period (2017-2019). Based on the normalized gross operating expenses, we have achieved a cost reduction of €273 million in the period 2017-2019. This is the result of more efficient business operations achieved through means such as IT rationalisation and the digitisation of business operations, which in part enabled a reduction in the number of employees. Additionally the number of business locations has been reduced in previous years, leading to further cost savings. In the period 2017-2019, the number of FTEs in the Netherlands declined by about 1,850. Partly due to our decision to insource some tasks from a cost perspective, this decrease is slightly lower than our previously stated ambition to reduce the number of employees by 2,000 FTEs in the period 2017-2019.

Investments

Investment income[5] from our own risk investment portfolio was €1,115 million in 2019 (2018: €1,066 million). Higher realised gains on fixed-income investments and equities, as well as less negative foreign exchange results, had a positive impact on the results compared to 2018. Real estate revaluations were also positive in 2019, but the flattening market sentiment meant these were lower than the previous year.

The increase in the value of our fixed-income securities and interest-rate derivatives in our Dutch pension and life business, caused by fluctuations in the market interest rate, is not directly reflected in the results. All realised and unrealised investment results on fixed-income securities and interest-rate derivatives for own risk are set aside in a Fund for Future Appropriation (FFA). This fund is part of our technical provisions to cover liabilities to our customers with pensions or life insurance policies. As a result of lower interest rates and tighter spreads, the FFA increased by €2.8 billion to €9.8 billion in 2019.

The value of our investment portfolio grew strongly to €50.8 billion (2018: €45.1 billion). This is largely due to the decreased interest rates and tightened spreads in 2019.

CAPITAL MANAGEMENT

Total equity

Achmea's equity increased by €486 million to €10,191 million in 2019 (2018: €9,705 million). Of this amount, €481 million derives from the net result. The increase is also partly due to higher unrealised gains and losses on equities and bonds caused by the higher market prices and the impact of the lower interest rates. Furthermore, repayment of a 'Restricted Perpetual Tier 1' bond worth €600 million and a Restricted Tier 1 bond issuance worth €500 million took place in 2019. As both instruments qualify as equity, on balance these events led to a reduction in the amount of equity. In addition, dividend payments on ordinary and preference shares, and coupon payments on hybrid capital limited the increase in the amount of equity slightly.

DEVELOPMENT OF TOTAL EQUITY (€ MILLION)

Total equity 31-12-2018	**9,705**
Net result	481
Movement in revaluation reserve	344
Movement in exchange difference reserve	-13
Remeasurement of net defined benefit liability	-18
Dividends and coupon payments to holders of equity instruments and impact capital transactions	-304
Other changes	–4
Total equity 31-12-2019	**10,191**

Solvency II

The solvency ratio increased to 214% in 2019 based on the approved Partial Internal Model and after dividend payments. Before dividend payments the solvency ratio stood at 219%. The increase in Eligible Own Funds (€392 million) and the decrease in the Solvency Capital Requirement (€145 million) are largely linked to the higher equity prices and changes to the modelling and calibration of the internal model for market risk and expense risk for the life business. The issue of two capital instruments (totalling €750 million) combined with the repayment of hybrid capital securities worth €600 million led to an increase in the Eligible Own Funds. The lower market interest rates combined with a decrease in the Volatility Adjustment (VA) lead to a higher value for liabilities and therefore an increase in the technical risk for the life business. Moreover, the annual result and dividends from the banking and asset management activities, which do not form part of group solvency, have a positive effect on the own funds.

SOLVENCY II RATIO FOR ACHMEA GROUP (€ MILLION)

	31-12-2019	31-12-2018	Δ
Eligible Own Funds under Solvency II	9,317	8,925	392
Solvency Capital Requirement	4,352	4,497	–145
Surplus	4,965	4,428	537
Solvency II Ratio	**214%**	**198%**	**16%-pt**

Since the introduction of Solvency II on 1 January 2016, Achmea has used a partial internal model approved by the regulators to calculate the SCR for the property & casualty and income protection insurance risks in the Netherlands and Greece. As of 1 July 2018, Achmea also applies the internal model to calculate the SCR for the market risk for the Dutch entities, with the exception of the health entities. The other risks are defined using the standard formula.

Free Capital Generation[6]

Free Capital Generation over 2019 amounted to €546 million. The Free Capital Generation is largely supported by the increased operational results and the increased equity values, balance sheet optimisations and model changes. These have largely mitigated the unfavourable impact of the interest and spread developments and a decrease in the UFR by 15 basis points to 3.9%. The operational results of our health activities are not part of the Free Capital Generation.

Financing

The debt-leverage ratio[11] decreased to 24.9% (2018: 26.5%) due to the achieved result and the redemption of a CHF 200 million loan. In addition, Achmea repaid a €600 million Restricted Perpetual Tier 1 bond and held a dual-tranche issuance of Restricted Tier 1 Notes worth €500 million and Tier 2 Notes worth €250 million, all of which qualify as equity.

The above-mentioned transactions and the higher operational result improved the fixed-charge coverage ratio to 5.3x (2018: 4.4x).

In the first half of 2019, Standard & Poor's announced it would raise its outlook to 'stable' for all the Achmea entities. S&P's judgement was that Achmea had achieved a stable and improved operational result. It added that it expects Achmea to maintain both its leverage ratio and capital position at a stable level for the next few months. S&P affirmed its allocated rating (FSR[7]) for the Dutch insurance entities at A as of the same date. The credit rating (ICR[8]) for Achmea B.V. remained unchanged at BBB+. The rating (FSR) for Achmea Reinsurance Company N.V. and the rating (ICR) for Achmea Bank N.V. remained unchanged at A-. These ratings were confirmed later in the year.

On 30 September 2019, Fitch affirmed its rating for Achmea B.V. and its insurance entities: A (IDR[9]) and A+ (IFS[10]) respectively with a stable outlook. Fitch's rating (IDR) for Achmea Bank N.V. was affirmed at A with a stable outlook.

Non-Life Netherlands

- Strong result with a combined ratio of 95.0%
- Higher written premiums due to growth in customers and premium adjustments
- Continued investment in technology and sustainable innovations for customers

RESULTS			(€ MILLION)
	2019	2018	Δ
Gross written premiums	3,564	3,364	6%
Operating expenses	890	845	5%
Operational result	**178**	**97**	**84%**

NON-LIFE NETHERLANDS	2019	2018	Δ
Claims ratio	69.0%	70.1%	−1.1%-pt
Expense ratio	26.0%	25.4%	0.6%-pt
Combined ratio	**95.0%**	**95.5%**	**−0.5%-pt**

GENERAL INFORMATION

Achmea is the market leader in property & casualty insurance and ranks in the top three in income protection insurance. We provide our retail and business customers with products such as car insurance, fire insurance, liability insurance and travel insurance. In addition, we offer sickness and disability insurances. We assist our customers via innovative services that, for example, give them insight into the risks to which they are exposed. In doing so, we help our customers to prevent or restrict damage or loss as much possible and as a company we respond to changing market conditions and new customer needs. We distribute our products and services through our brands Centraal Beheer, Interpolis, FBTO, Avéro Achmea, Hagelunie and InShared, whereby our focus is on a high level of customer satisfaction, innovative services and digitising processes. With our omnichannel service, customers can communicate with us more often, at any time, and in the way they want.

Gross written premiums

Gross written premiums increased by 6% to €3,564 million in 2019 (2018: €3,364 million).

Gross written premiums from our property & casualty insurance business increased to €2,948 million (2018: €2,784 million) as a result of growth in the number of customers and premium measures in both the retail and commercial lines. The portfolio growth was partly achieved via the introduction of new propositions.

Gross written premiums from the income protection insurance business increased to €616 million (2018: €580 million). This is mainly due to premium measures in response to a market-wide increase in the complexity and length of absenteeism.

Operating expenses

Operating expenses increased by 5% to €890 million in 2019 as a result of a growing portfolio and higher marketing expenses. Moreover there is ongoing investment in digitization of our customer services and prevention aimed at reducing damage for our customers and in doing so achieving a lower claims ratio.

Operational result

The operational result of Non-Life Netherlands increased substantially to €178 million over 2019 (2018: €97 million), due to an improved technical result partly supported by an absence of large weather-related claims. Investment results also increased due to the positive developments on the stock markets and realised gains generated by optimisation of the investment portfolio.

PROPERTY & CASUALTY

The result on property & casualty increased to €164 million in 2019 (2018: €72 million). As a result of this, the combined ratio for the property & casualty insurance business improved to 94.8% (2018: 96.0%). We have again seen a rise in the number of small weather-related events in 2019. In the long term, we will therefore continue to invest in innovative services aimed at preventing or restricting the damage to customers as much as possible. We do so within the retail portfolio via initiatives such as Bluelabel and the Green Roofs ('Groene Daken') concept of Interpolis, while we devote a great deal of attention to preventing damage and loss in the commercial portfolio as well. Good examples in the agricultural portfolio include the continuous monitoring and warning systems at farms and the installation of hardened glass in greenhouses. All these solutions contribute to a future-proof result and a safer and more climate-proof society.

Non-Life Netherlands

INCOME PROTECTION

The operational result from our income protection insurance business was €14 million over 2019 (2018: €25 million). The decrease is mainly due to an increase in the complexity of absences due to sickness and the resulting length of claims. We are also investing in renewing our systems. We assist our customers by placing the emphasis on recovery and facilitating their return to work by, for example, reimbursing retraining programmes. Continuous improvements to our approach allow us to accelerate the return to work of our customers with long-term illnesses. At the same time, this also benefits the cost of claims of the disability insurance portfolios and supports our result for the long term. The combined ratio for income protection stood at 96.3% over 2019 (2018: 93.2%).

In 2019 we reinsured a portion of our group disability insurance portfolio. This was done with the aim of reducing volatility in future results. At the same time this improves our capital position under Solvency II.

Health Netherlands

- Positive Health result for current underwriting year for basic and supplementary health insurance
- Practically cost-covering premiums set for basic health insurance 2020
- Integration of Zilveren Kruis and De Friesland Zorgverzekeraar completed

RESULTS			(€ MILLION)
	2019	2018	Δ
Gross written premiums	14,082	13,942	1%
Operating expenses	515	526	−2%
Operational result	**62**	**128**	**−52%**
Result current year	147	21	600%
Result prior years[12]	−85	107	n.m.*

BASIC HEALTH	2019	2018	Δ
Claims ratio	98.0%	97.1%	0.9%-pt
Expense ratio	2.2%	2.3%	−0.1%-pt
Combined ratio	**100.2%**	**99.4%**	**0.8%-pt**

SUPPLEMENTARY HEALTH	2019	2018	Δ
Claims ratio	82.3%	82.1%	0.2%-pt
Expense ratio	10.5%	10.3%	0.2%-pt
Combined ratio	92.8%	92.4%	0.4%-pt

* *n.m: not meaningful*

GENERAL INFORMATION

Zilveren Kruis, De Friesland, FBTO, Interpolis, ZieZo and Pro Life offer basic and supplementary health insurance. Emergency response centre Eurocross Assistance also provides healthcare services worldwide.

Under the Dutch healthcare system, basic health insurance is mandatory for all and insurers have a duty to accept all applicants. The uniform insurance package for basic health insurance, without discrimination in customer premiums as to age or condition, means there is solidarity between young and old, poor and wealthy, ill and healthy. This is unique in the world: less than 5% of the world's population lives in a country in which everyone has access to the same high standard of healthcare. Trends such as the ageing population, new treatments and medicines, shortfalls on the job market and Collective Labour Agreement increases for hospitals and mental healthcare institutions are putting the affordability and accessibility of healthcare in the Netherlands under pressure. This underlines the importance of organising healthcare properly and of continuing to devote attention to prevention and a healthy lifestyle. Organising solidarity between customers and uniting various interests in healthcare are objectives aligned with Achmea's cooperative identity. This is one way we give substance to our role in society.

Achmea aims to bring good health closer to everyone and does so via, for instance, Zilveren Kruis and its other health brands. Examples of ways in which we do this include helping people via an app to lead healthier lives and offering safe in-home services for a growing number of types of healthcare. For instance, together with our healthcare partners we are investing in offering chemotherapy and immunotherapy, kidney dialysis and a variety of types of telemonitoring at home. This will reduce the impact of treatments, improve the quality of life for our customers and help keep premiums affordable. Initiatives such as Gezond Ondernemen (Healthy Enterprise) and the Actify lifestyle platform enables us to help our customers to work and live more healthily.

About 4.9 million people in the Netherlands choose to be insured by one of our health insurance brands in 2020. This makes Achmea the market leader with a market share of 28%.

Gross written premiums

Gross written premiums from basic and supplementary health insurance increased by 1% to €14,082 million (2018: €13,942 million). Gross written premiums from basic health insurance amounted to €12,834 million (2018: €12,621 million). The increase in gross written premiums is in line with higher premiums for basic health insurance and a larger contribution from the Health Insurance Equalisation Fund as a result of rising healthcare costs in the Netherlands, combined with a slight decrease in the number of policyholders. Gross written premiums from supplementary health insurance decreased to €1,248 million

(2018: €1,321 million). This is due to a slight reduction of the number of policyholders compared to 2018.

Operating expenses

The total operating expenses of our health activities decreased to €515 million (2018: €526 million). The decrease can largely be attributed to lower reorganisation expenses and the integration of Zilveren Kruis and De Friesland, which led to the harmonisation of systems and processes and a reduction in the number of employees.

Operational result

Our healthcare activities achieved an operational result of €62 million in 2019 (2018: €128 million). Positive results on the current claim year supported the result. The result on prior underwriting years of the basic health insurance was negative due to higher than expected healthcare costs. As a result, the total operating result was lower than in 2018.

BASIC HEALTH INSURANCE

The operational result from basic health insurance amounted to €26 million negative over 2019 (2018: €45 million). The lower result is caused by the results on prior underwriting years. In contrast, an improved result was earned over the current underwriting year, in line with our goal of a cost-covering premium.

The operational result in the current underwriting year amounted to €66 million (2018: €39 million negative). The higher result is due to lower than expected medical expenses, particularly due to favourable expense developments for district nursing. Higher investment results and lower operating expenses also contributed to the improvement. The negative result in 2018 was caused by higher than expected healthcare expenses, partly due to higher than expected expenses for expensive medicines – this was partly compensated for by a higher contribution from the Health Insurance Equalisation Fund. Higher reorganisation expenses were also made in 2018.

The result from prior years amounted to €92 million negative (2018: €84 million). In 2019, the result from previous years can partly be attributed to higher than expected medical expenses for Specialist Medical Care for the 2016 underwriting year. In 2018 the result from previous years benefited from a positive trend in medical expenses from prior years for Specialist Medical Care, Pharmacy and mental healthcare, in particular for the 2017 underwriting year.

In 2019, limited capital reserves were deployed for setting premiums for 2020. A provision of €17 million in total was made for three labels for setting premiums below cost price in 2020. In 2018, a provision was made of €21 million for setting premiums below cost price in 2019. The very limited use of the capital reserves is in line with our objective of stable and sound premium development over time for the basic health insurance business.

The combined ratio of basic health insurance increased to 100.2% (2018: 99.4%) as a result of higher healthcare expenses than expected on prior years. The combined ratio for the current underwriting year was 99.5%.

SUPPLEMENTARY HEALTH INSURANCE

Supplementary health insurance posted a positive operational result of €86 million (2018: €85 million). The decrease in premium income caused by a lower number of policyholders is in line with the lower healthcare expenses due to the smaller number of policyholders. The percentage of basic health insurance policyholders with supplementary coverage remained stable in 2019 at around 80%. This reaffirms the value of supplementary health insurance to our customers.

The current underwriting year accounted for €79 million of the result (2018: €62 million). The increase is mainly due to lower organisational expenses and higher investment income. There was also a positive result from previous underwriting years of €7 million (2018: €23 million). In 2019 a small adjustment was made on the estimate for prior years, while last year a substantially lower cost of claims had been expected for previous underwriting years.

The combined ratio of supplementary health insurance policies increased slightly in 2019 and stood at 92.8% (2018: 92.4%) as a result of higher medical expenses on the one hand and lower premium income on the other.

OTHER (HEALTHCARE OFFICES & SERVICES)

The Other category relates to healthcare offices that implement the Long-term Care Act (Wlz) and the healthcare service companies. The healthcare service companies aim to assist customers if they urgently require healthcare when abroad, travelling in the Netherlands or at home and to help people to improve their vitality at work and in everyday life. The operational result for Other was €2 million in 2019 (2018: €2 million negative). The higher operational result can be attributed to higher reimbursements for administrative expenses relating to the Wlz. Furthermore, operating expenses have been reduced at both the healthcare offices and the healthcare service companies.

Pension & Life Netherlands

- Sustained good Pension & Life results
- Development of gross written premiums and expenses in line with service-book strategy
- IT investments and reorganisations will further improve efficiency over coming years

RESULTS (€ MILLION)

	2019	2018	Δ
Gross written premiums	1,164	1,420	–18%
Operating expenses	155	150	3%
Operational result	**363**	**334**	**9%**

GENERAL INFORMATION

Achmea's Pension & Life services the group pension contracts and traditional savings and life insurance products. In addition, the service organisation manages a growing open-book portfolio containing term-life insurance policies and individual annuities and pension products. The service organisation's ambition is to earn a stable result with positive capital generation combined with a high level of customer satisfaction.

Gross written premiums

In 2019, total gross written premiums decreased by 18% to €1,164 million in 2019 (2018: €1,420 million). Of this amount, €924 million comes from the service book and €240 million from the open book.

In 2019, total written premiums on our service-book pension portfolio amounted to €244 million (2018: €424 million). Total written premiums on our service-book life insurance portfolio amounted to €680 million (2018: €769 million). In line with our strategy, no new insurance contracts are being sold in these portfolios. The decline in the premium income is therefore the result of natural portfolio development.

The technical provisions for our traditional pension and life insurance products are gradually declining, in line with our long-term projections, and stood at €20.8 billion as of year-end 2019.

The open-book portfolio showed a slight increase from written premiums from term-life insurance policies to €57 million (2018: €54 million). Production of individual annuities and pensions amounted to €183 million in 2019 (2018: €173 million). Due to the growing open-book portfolio we are able to keep the average expenses low for longer and extend the total duration of the complete portfolio.

Operating expenses

The operating expenses increased slightly to €155 million in 2019 (2018: €150 million) due to investments in future efficiency. In 2019 we invested a larger amount in further automation of processes and also made an additional reorganisation provision. The additional investments in IT will bring down operating expenses in the years to come, as less IT systems and less employees will be required. When adjusted for these expenses and the additional investments, a small decrease was visible in operating expenses.

Operational result

The operational result increased to €363 million in 2019 (2018: €334 million). This was driven by an improvement of both the technical and investment results.

The technical result increased by €35 million in 2019 compared to the same period last year. This improvement was primarily driven by a recalibration of the provision for insurance liabilities. In contrast, a lower mortality rate versus 2018 partially limited the increase in the result.

The investment results increased by €9 million, largely due to more positive trends on the equity markets and improved foreign exchange results. These positive developments were partially cancelled out by lower revaluation results on real estate and tightening spreads.

Retirement Services Netherlands

- Result increased to growth and one-off fair-value result
- AuM grows to €147 billion; successful onboarding of Pensioenfonds Vervoer as of 1 January 2020
- Continuous investments in growth and implementation of new customers

RESULTS (€ MILLION)

RETIREMENT SERVICES TOTAL	2019	2018	Δ
Total Income	272	232	17%
Of which: administration and management fees pension administration	125	121	3%
Operating expenses[13]	242	217	12%
Operational result	**30**	**15**	**100%**
ACHMEA BANK			
Net interest margin	146	112	30%
Fair value result[14]	−2	−2	0%
Operating expenses	105	79	33%
Withdrawals from loan loss provisions	3	1	200%

	31-12-2019	31-12-2018	Δ
Common Equity Tier 1 ratio	19.2%	20.8%	-1.6%-pt

(€ BILLION)

ACHMEA INVESTMENT MANAGEMENT	31-12-2019	31-12-2018	Δ
Assets under Management[15]	147	129	18

GENERAL INFORMATION

Through Retirement Services, Achmea provides pension funds, employers and retail customers with solutions for pensions and capital accrual as well as housing-related products. Achlmea Pension Services administers the pensions for the Centraal Beheer General Pension Fund (GPF), which provides an alternative to pension insurance in the second pillar of the Dutch pension system. Combined with products for capital accrual and mortgage solutions in the third and fourth pillars, customers can choose from a wide range of financial services. These products and services are distributed through, among others, the Centraal Beheer brand and managed by Achmea Bank, Achmea Investment Management, Achmea Pension Services and Achmea Pension & Life.

Operational result

The operational result for Retirement Services increased to €30 million in 2019 (2018: €15 million). The increase in the result can largely be attributed to a higher interest margin and a one-off fair-value result at Achmea Bank. This higher result was achieved against a background of higher investments in future growth at Achmea Bank and Achmea Investment Management and higher expenses due to an adjusted cost allocation to Achmea Bank. The strategic growth ambitions of Achmea Pension Services, combined with efficiency improvements deriving from investment in automation, are expected to lead to a further reduction of operational losses over the coming years.

Achmea Bank

Achmea Bank's result increased to €50 million (2018: €36 million). The increase in the result was driven by a higher interest margin, a higher fair-value result and increased fee income. This more than fully absorbed the higher expenses that followed from a changed cost allocation. As a result of the changed cost allocation, Achmea Bank's operating expenses increased by €15 million. Furthermore, expenses were higher due to increased investments in projects. The interest margin improved due to lower financing expenses. About €18 million of the fair-value result relates to the interest and spread result on the savings and mortgage portfolios acquired from a.s.r. bank. New mortgage origination increased significantly by €863 million to €1,774 million in 2019. Of this amount, €1,037 million is for the balance sheet of Achmea's pension and life insurance business. Moreover, the size of the mortgage portfolio was expanded by about €2 billion as a result of the acquisitions. In addition to the above-mentioned transaction with a.s.r., this also includes the acquisition of a mortgage portfolio from the balance sheet of Achmea's Pension & Life insurance business.

Retirement Services Netherlands

Alongside the growth in the mortgage portfolio arising from the acquisition of part of a.s.r. bank's banking operations, a savings portfolio containing approximately 125,000 customers was also acquired. The acquisition of these portfolios is aligned with Achmea's strategy to position and grow Centraal Beheer as a financial service provider.

As of 31 December 2019, the Common Equity Tier 1 ratio stood at 19.2% (31 December 2018: 20.8%), a decrease caused by the two above-mentioned transactions.

Achmea Investment Management

As of 31 December 2019, Assets under Management (AuM) had grown to €147 billion (31 December 2018: €129 billion). This increase in AuM is mainly due to the positive growth in value of the investments thanks to the favourable financial markets. Furthermore, LocalTapiola and Pensioenfonds Horeca & Catering have opted for Achmea Investment Management's Socially Responsible Investment proposition. The Green Bond Fund launched in 2018 has now exceeded €120 million. On 4 April 2019, Pensioenfonds Vervoer announced that it had selected Achmea Investment Management as its overall manager for the fund. Onboarding of Pensioenfonds Vervoer was completed as of the start of 2020 and the total asset value of approximately €32 billion was added to the AuM of Achmea Investment Management. This is a major step towards further increasing the scale of our asset management activities.

Achmea Investment Management's contribution to the result decreased slightly to €6 million (2018: €8 million). This decrease can partly be attributed to one-off higher expenses for the onboarding of Pensioenfonds Vervoer.

Achmea Pension Services

Since the phasing-out of administrative services to mandatory sectoral pension funds in 2018, Achmea Pension Services has focused solely on services to the Centraal Beheer General Pension Fund (GPF) and to company, occupational and exempt sectoral pension funds.

It welcomed the Alliance and Metro company pension funds as clients in 2019. At the same time, the number of affiliated employers in the Centraal Beheer GPF also grew and was expanded further. The Delta Lloyd GPF, Cindu and Sligro pension funds switched to the Centraal Beheer GPF in 2019. In addition, as of January 2020 about 250 new employers joined the Centraal Beheer GPF, as did the Chemours and Equens pension funds.

The operational result of Achmea Pension Services improved slightly to €26 million negative in 2019 (2018: €29 million negative). This improvement derives from the phasing-out of our sectoral pension fund services and growth in revenue from the Centraal Beheer GPF. Achmea Pension Services is currently in a transitional phase, whereby the portfolio containing mandatory sectoral pension funds has been phased out and large-scale investments are now being made in the sustainable growth of the general pension fund and company pension fund administration. We are optimising processes in order to reduce expenses, while at the same time this enables us to maintain highly-valued services. Moreover, the replacement of the legacy IT infrastructure is an important element in further improvements of future results.

International

- Good commercial developments, with premium growth in Non-Life (8%) and Health (5%)
- Innovative online proposition launched in Canada
- In Australia we deliver on our purpose "Keep Farmers Farming" especially in times of crisis

RESULTS			(€ MILLION)
	2019	2018	Δ
Gross written premiums (excluding Ireland)	1,041	1,037	0%
Gross written premiums (including Ireland)	1,041	1,106	−6%
Operating expenses	240	266	−10%
Operational result	**22**	**29**	**−24%**

GROSS WRITTEN PREMIUMS PER COUNTRY	2019	2018	Δ
Slovakia	442	415	7%
Greece	341	331	3%
Turkey	231	271	−15%
Australia	27	20	35%
Ireland [16]	–	69	n.m.*

* *n.m: not meaningful*

GENERAL INFORMATION

Achmea International focuses on property & casualty, health and agricultural insurance products, distributed via the online (direct) and banking channels. Achmea pursues an international growth strategy by exporting knowledge and online expertise gained in the Netherlands. This expertise is used selectively and capital-light in specific international markets. We are accelerating growth and gaining market share in existing and new markets. We do so on the basis of our commitment to the individual local societies. For instance, in Australia we do our best to "Keep Farmers Farming", allowing Achmea to deliver added value to its customers in times of crisis, such as during the wildfires.

Gross written premiums

When adjusted for exchange-rate effects and the absence of premium contribution from Friends First, which was sold in 2018, gross written premiums increased by 3% to €1,041 million (2018: €1,006 million).

In Slovakia both the property & casualty and health businesses performed well, with premium growth of 15% and 6% respectively. The digital channel, a cornerstone of our international strategy, noted a 22% increase in premiums.

In Greece, Interamerican saw growth of 4% in its property & casualty business versus 2018, partly thanks to its leading role in creating a mobility ecosystem. In doing so it outperformed the general market and consolidated its position as market leader. Within the health business, Interamerican launched the 'BeWell' modular healthcare product and showed growth in gross written premiums of 4% here as well. Interamerican's direct online insurance channel 'Anytime' also grew further this year, with the new portfolio in Cyprus displaying particularly strong growth and doubling its market share.

In Turkey, gross written premiums decreased by 4% in local currency to TRY 1,467 million (2018: TRY 1,522 million). In line with our strategic objectives, Non-Motor products are undergoing growth, while Motor products are noting a decline. Health business premiums decreased by 49% due to the departure of a major group health contract.

In Australia, gross written premiums grew in local currency by 34% to AUD 43 million (2018: AUD 32 million) thanks to its unique 'All-in-One Farm Pack'. This product is sold via a successful partnership with Rabobank and Angus Australia.

In Canada, Onlia was successfully launched with the digital motor vehicle proposition and an app aimed at promoting safe driving behaviour. The 'Onlia Sense'-app got off to a promising start and, combined with the sales of online car insurance, Onlia made an innovative breakthrough in the Canadian market.

Operating expenses

Operating expenses totalled €240 million (2018: €266 million). When adjusted for exchange-rate effects and the sale of Friends First, operating expenses were up slightly by 2%, mainly caused by higher personnel expenses due to strong inflation in Turkey and investments in growth. The expense ratio improved by about 1%-pt in Australia, Greece and

International

Slovakia, in line with our strategic objective of creating added value for customers.

Operating result

The total operational result was €22 million (2018: €29 million). The decrease can mainly be attributed to a higher cost of claims deriving from the wildfires in Australia, as well as to lower positive one-off results on Health in Slovakia and Greece. In spite of the economic conditions in Turkey, the business displayed stable and positive results. Greece and Slovakia also made a stable, positive contribution to the result for International.

Other activities

- Improved result due to higher result at Achmea Reinsurance and lower reorganisation expenses
- Assets under Management of Syntrus Achmea Real Estate & Finance increased to €23.3 billion

RESULTS (€ MILLION)

	2019	2018	Δ
Total gross Income	384	330	16%
Operating expenses	250	352	−29%
Interest and similar expenses	66	57	16%
Operational result	−108	−212	n.m.*

ACHMEA REINSURANCE

Gross written premiums	271	205	32%
Operational result	**33**	**−13**	**n.m.***

* *n.m.: not meaningful*

GENERAL INFORMATION

Other activities comprises the results of Achmea Reinsurance and Syntrus Achmea Real Estate & Finance. Part of the result also relates to the non-allocated of costs for activities at holding company level and at the Shared Service Centers.

As Achmea's reinsurance expert, Achmea Reinsurance has three roles: advisor, purchaser and risk carrier. In its role as group reinsurer and risk carrier, Achmea Reinsurance provides reinsurance coverage to the Dutch and foreign insurance entities within Achmea. As such, it serves as the principal centre of excellence. The reinsurance portfolio on behalf of third parties has been created in order to diversify insurance risk and to increase earnings for Achmea.

Syntrus Achmea Real Estate & Finance manages in excess of €20 billion in real estate and mortgages on behalf of over sixty pension funds and other institutional investors. It expressly aims to make sustainable investments that earn both a financial and a social return.

Operational result

The operational result improved considerably to €108 million negative in 2019 (2018: €212 million negative). The result on our Other activities is negative, as part of the expenses from the holding company and shared service activities are shown in this segment. The improvement of the operational result was driven primarily by two factors. The operational result of Achmea Reinsurance increased to €33 million, while this amounted €13 million negative in 2018. Reorganisation expenses were also substantial lower in this segment in 2019 than they were last year, while expenses were lower due to an adjusted cost allocation method.

In addition to Achmea Reinsurance, Syntrus Achmea Real Estate & Finance also made a positive contribution to the result of €7 million. The sale of Independer means that this operating company no longer contributes to the result as of 2019.

ACHMEA REINSURANCE COMPANY

The result of Achmea Reinsurance improved considerably to €33 million in 2019 (2018: €13 million negative). While last year's result was significantly negatively affected by reinsurance claims for Dutch group business in the wake of the severe January storm (-€30 million), there were no exceptional claims in 2019. The improved result at Achmea Reinsurance was also supported by a more positive claims development of €8 million on group business from prior years compared to 2018.

Gross written premiums increased substantially to €271 million compared to 2018 (€205 million), largely due to a new group reinsurance contract for income protection which was retroceded to the market. Slight growth was also achieved in the reinsurance portfolio for third parties. Achmea Reinsurance's total risk profile remained broadly unchanged.

SYNTRUS ACHMEA REAL ESTATE & FINANCE

Assets under Management in real estate and mortgages increased to €23.3 billion (2018: €21.5 billion). This increase is due to the new mandates for institutional investors and higher revaluations of existing portfolios. Of the individual asset classes, residential property mortgages in particular experienced strong growth. Management fees increased to €90 million (2018: €82 million). The operational result decreased to €7 million (2018: €11 million) due to higher reorganisation expenses and higher investment in projects.

Footnotes

GROUP RESULTS

Key figures

[1] Gross operating expenses comprise personnel expenses, depreciation costs for land and buildings for company use and assets and equipment and general expenses, including IT expenses and marketing expenses. These are operating expenses excluding paid and due fees, profit sharing and reinsurance commission, and before the allocation of claims handling expenses and allocated investment costs.

[2] The operational result is calculated by adjusting the profit before tax for certain items. These are items within income and expenses which are significant and which arise from events or transactions which are clearly distinct from the normal business operations, and are therefore not expected to occur regularly. Examples of such items include exceptional depreciation losses from goodwill and pre-tax results from divestment of business activities.

[3] The solvency ratios reported here are after the deduction of (planned) dividends, but also after the payment of coupons on hybrid capital.

[4] The number of FTEs is based on a working week of 36 hours.

Investments

[5] Investment income consists of investment income (own risk) in the Consolidated Income Statement, including income from associates and joint ventures and realised and unrealised gains and losses, adjusted for investment income directly related to the insurance liabilities (both fair value and other).

Free Capital Generation

[6] This relates to the amount of disposable capital that is generated. This is the increase in capital above the Solvency Capital Requirement.

Financing

[7] ICR: Issuer Credit Rating.
[8] FSR: Financial Strength Rating.
[9] IDR: Issuer Default Rating.
[10] IFS: Insurer Financial Strength.
[11] Leverage ratio: (non-banking debt + perpetual subordinated bonds) as a percentage of the total (total equity + non-banking debt + perpetual subordinated bonds minus goodwill).

HEALTH NETHERLANDS

[12] Results on prior years refer to earnings from health expenses and/or equalisation from previous book years and allocations to a mutation of loss provisions.

RETIREMENT SERVICES NETHERLANDS

[13] Operating expenses including other expenses.
[14] The fair value result is an accounting result that is compensated for in other financial periods, in line with the value development of the underlying derivatives. Derivatives are used to restrict the interest rate risk. This explicitly comprises the result relating to the activities of Achmea Bank.
[15] The Assets under Management (AuM) include a derivatives (overlay) portfolio.

INTERNATIONAL

[16] The premiums for 2018 include the activities up to and including May 2018 for Irish insurer Friends First.