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Achmea Group

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Achmea Group

Please note that the ratings covered by this full analysis apply only to core entities of the group. These ratings do not apply to any noncore or unrated entities of the group. Ratings assigned to noncore entities of the group are published individually.

Major Rating Factors

Counterparty Credit Rating
Local Currency
A-/Stable/--

Strengths:

- Very strong capitalization.
- Strong competitive position.
- Strong investments.

Weaknesses:

- Strong operating performance, but not in line with the rating.

Rationale

The ratings on the core operating entities of Netherlands-based multiline insurer Achmea Group (Achmea or the group) reflect the group's very strong capitalization, strong competitive position, and strong investments, tempered by an operating performance that, although strong, is not in line with the rating.

We view Achmea's capitalization as very strong. Its capital adequacy, as measured by Standard & Poor's risk-based capital model, was extremely strong at year-end 2010 and continued to be so through to Sept. 30, 2011. Quality of capital is also strong, with over 60% of total adjusted capital derived from core shareholders' funds.

Achmea is the market leader in the Netherlands, and has strong positions in each of its three main lines of business. Moreover, its market shares have mostly been stable in the face of increasing competition, reflecting particularly the strength of its brands and its distribution channels. Achmea's banking and international operations are, in aggregate, very small and of very limited significance in our assessment of the group's competitive position.

We consider Achmea's investment profile to be strong, well-diversified, and appropriate for its liabilities. Credit quality is high, and market risk is moderately low. Asset-liability management (ALM) is good in the Netherlands, and ALM testing and procedures have been implemented across the group. This should stabilize contributions to the bottom line in future.

In our opinion, Achmea's operating performance is strong, but a weakness for the rating. This reflects continued strong health and non-life underwriting performance, an adequate life underwriting performance, and a weaker noninsurance contribution. Although the current performance is below that which Standard & Poor's expects at this rating level, we believe that the quality of earnings, arising primarily from the three distinct segments in The Netherlands, is something that can be built on and deliver improved results within the rating horizon.

Outlook

The stable outlook reflects our view that management will remain focused on executing its strategy, particularly its cost-cutting and complexity-reduction programs. We believe this will help Achmea to maintain its leading position in the Dutch health and non-life markets without sacrificing profitability. We expect non-life insurance to produce a net combined ratio under 97%; basic health insurance a ratio under 100%; and supplementary health insurance a ratio under 95%.

We also expect the life business to benefit from the above programs and maintain its new business margins in the Netherlands at 1% or higher. We anticipate that capitalization will remain very strong, with capital adequacy likely to be at least very strong. We expect growth to be organic, although small acquisitions are possible. The investment portfolio is likely to remain largely unchanged.

We consider it unlikely that the ratings will be raised over the rating horizon. The ratings may be lowered, however, if operating performance weakens materially, especially if health or non-life underwriting performance comes under sustained margin pressure.

Corporate Profile: Very Large Dutch Multi-Line Insurer

Achmea is primarily a very large Dutch multiline insurer. In 2010, it wrote gross premiums of €19.9 billion, 93% of which were written in the Netherlands, where the group is based. Of these total premiums, 62% were from health insurance, 20% from non-life insurance, and 18% from life insurance. In addition to insurance, Achmea has banking interests, mainly in the Netherlands, which accounted for 20% of its total reported assets at year-end 2010. The group also has insurance operations in Greece (InterAmerican), Turkey (Eureko Sigorta), and Russia (Oranta), as well as smaller interests in Ireland, Slovakia, Romania, and Bulgaria.

Table 1

Dutch Peer Group Premium Analysis

(Bil. €)	ASR	Delta Lloyd	Achmea	SNS REAAL
2010 GPW	4.8	4.8	18.4	3.7
Change in 2010 GPW (%)	(3.6)	7.6	1.0	(14.5)
The Netherlands market share (%)*	6.6	6.6	25.1	5.1

*We assume that all premiums reported by these companies are written in the Netherlands, except for Achmea, where we have input premiums written in the Netherlands. Source: Annual reports, Swiss Re sigma studies

Achmea is privately owned, its main shareholders being Achmea Association (65%) and Rabobank (29%), both of which are Dutch unlisted cooperative associations. In fact, Achmea Association operates for the benefit of Achmea, its employees, and its member customers.

Competitive Position: Strong In Its Core Home Market

Table 2

Achmea Group -- Competitive Position

(Mil. €)	2010	2009	2008	2007	2006
GPW	19,852	19,645	19,306	14,853	14,302

Table 2

Achmea Group -- Competitive Position (cont.)					
Annual change in GPW (%)	1.1	1.8	30	3.9	117.4
NPW	19,139	19,007	18,384	13,822	13,337
Annual change in NPW (%)	0.7	3.4	33	3.6	116.3
Total assets under management	82,546	84,178	81,333	89,522	77,081
Nonlinked (%)	52.2	51.8	55.3	56.3	51.1
Linked (%)	27.4	25.3	21.4	23.6	26.5
Banking assets (%)	20.4	22.9	23.3	20.1	22.4

Source: Financial statements.

We believe that Achmea's competitive position is strong, and a strength for the rating. The group is the market leader in the Netherlands, and has strong positions in each of its three main lines of business. Moreover, its market shares have mostly been stable in the face of increasing competition, reflecting particularly the strength of its brands and its distribution channels. Achmea's banking and international operations are, in aggregate, very small and of very limited significance in our assessment of the group's competitive position.

In its home market of the Netherlands, we estimate Achmea is the leading insurer by gross premiums written (GPW) in 2010. In health insurance it is the market leader, with a 29% market share; in non-life insurance it is also the leader, with a market share of about 20%; and in life insurance it is the third-largest. It is the second-largest in income protection (20%), third-largest in individual life (14%) and pension services (21%), and fourth-largest in pensions (13%).

Table 3

The Netherlands Market Share Development		
(%)	**2010**	**2009**
Achmea's GPW (bil. €)	18.383	18.197
Annual change in Achmea's GPW	1.0	N.A.
The Netherlands market GPW (bil. €)	73.2	74.2
Annual change in the Netherlands market GPW	(1.3)	(4.7)
Achmea's Netherlands market share	25.1	24.5

Source: Annual reports, Swiss Re sigma studies.

Achmea's strong competitive position in the Netherlands is based on its diversity by distribution, brand, and product line. In the Netherlands, Achmea operates under the Achmea banner. Within that, it operates a multibrand strategy, split by product (for example, Zilveren Kruis and Agis for health) and distribution channel (for example, Centraal Beheer for direct distribution, and Interpolis for bank distribution). Standard & Poor's regards this multibrand approach in the Netherlands as sound and appropriate to the business.

Achmea companies frequently place well in customer satisfaction surveys of life and non-life businesses. The main area of relative weakness for distribution remains the intermediary channel, where the Avero brand does not have a strong position. About 15% of GPW in the Netherlands are distributed through Rabobank, under the Interpolis brand. The broker channel has come under pressure in The Netherlands, but this affects Achmea less than some peers because it relies less on intermediaries. In 2008, a new threat arose from the Dutch banking sector in the form of "banksparen" products (similar to insurance savings contracts, without any insurance element), which began to make an impact in 2009. While this has led to a decline in the individual life market, Achmea has responded successfully by focussing on term life sales.

Achmea lacks geographic diversity, but retains reasonable diversity by business line in its main market. In 2010, about 93% of GPW was in The Netherlands (2009: 93%). Within The Netherlands, about 65% of GPW in 2010 were from health insurance, 18% from non-life insurance, and the remainder from life insurance. As the businesses develop in other countries, particularly Turkey, the geographic profile of the group will change, but we expect this shift to occur very slowly over the long term, possibly supplemented by small acquisitions.

Prospectively, we expect Achmea's domestic business to expand in line with the Dutch market in terms of GPW and to preserve its leading position in the non-life and health markets, while maintaining its net combined ratios. In the Dutch life market, we expect the group to remain a top-three player, both overall and in income protection, while maintaining its new business margins. We anticipate that the group will meet these expectations largely through its ongoing cost-cutting program (which is designed to make the group more efficient), as well as through operating initiatives to improve its information technology and simplify its structures. Outside The Netherlands, we view Achmea's three main markets (Greece, Turkey, and Russia) as having better long-term growth prospects than the mature Dutch market, but anticipate that ongoing economic problems may limit organic growth.

Management And Corporate Strategy: Building A Good Track Record, But Some Challenges Lie Ahead

In our view, Achmea's strategy is clear and achievable, operational management is good, and financial management conservative. Our view of the management and corporate strategy of the group reflects a clear determination by the management, led by the CEO appointed in early 2009, to execute its strategy successfully, following a period of disappointing delivery under the previous management. We see this determination in the delivery of targets on time, where Achmea is building a good track record.

Strategy

Achmea's strategy is clear: it has a three-part plan aimed at making it the "most trusted insurer" in The Netherlands. First, it is addressing profitability in the short term through a cost-cutting program. We believe the planned cost reduction of €300 million by year-end 2011 has been achieved. Similarly, we believe the reduction of 2,500 FTE employees by year-end 2011 has been reached, and view a further reduction as likely in 2012. Second, it is instituting medium-term improvement initiatives, such as SENS, which will further reduce complexity and costs. Complexity reduction continues across products, processes, entities, and IT. Examples include the design and launch of new pension products, the accelerated creation of an integrated health division, the merger of the two holding companies, and continued IT modernization. The third phase is to implement a set of long-term strategic choices, a number of which it has already initiated. The international strategy is also clear: Achmea will focus on its three main countries, while managing the others for value. This follows the sale in 2011 of its operations in countries such as Belgium, Cyprus, and France.

Overall, this means that management is focusing on improving the profitability of Achmea's business in The Netherlands. If managed well, the portfolio of nondomestic operations (collectively known as Division International) could provide meaningful diversification for the group in the long term, but in the near term Division International will continue to face some management challenges and will require strong leadership to realize its potential.

Operational management

We believe the group's operational management of the group has improved. It is meeting its targets for delivery of the planned expense and efficiency savings. In our opinion, delivery on information technology projects has been a relative weakness for the group in the past, but now we see that Achmea is delivering on its latest efficiency programs.

Financial management

In our opinion, Achmea's financial management is conservative. Following action in 2008 and 2009 to protect its balance sheet by reducing its investment risk profile, it has an extremely strong level of capital adequacy and appears to have a low risk appetite. Capital is supported by preference shares and hybrid equity, as well as debt, but these are within our tolerance levels for the ratings.

Enterprise Risk Management: Adequate

We consider the quality of Achmea's enterprise risk management (ERM) framework to be adequate, but note the progress being made to establish, improve, and embed control processes throughout the group. The Value Management program and the Key Risks and Key Controls programs are delivering improved information to management. We have seen evidence of strategic decisions for the group being based on the ERM framework, and expect this will continue over the rating horizon. Explicit and detailed risk appetite statements have been approved and adopted by the management team, and the focus is now on refining the accompanying limit system and aligning the framework with remuneration incentives. There is also a focus on embedding risk management policies by risk type across the organization.

A new asset-liability management (ALM) framework was introduced in 2008, using replicating portfolios and decision matrices to optimize asset allocations. There is increased focus on value-based management, but it is not yet fully embedded in the planning processes of the group. Preparations for Solvency II appear to be progressing well, including participation in the fifth Quantitative Impact Study (QIS5). Achmea has also taken part in De Nederlandsche Bank's (DNB) recent risk study and run stress tests set by the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and DNB. Achmea's admission to full membership of the CRO Forum underlines its progress and commitment to ERM.

Three executive board members participate in the Financial and Risk Committee, which covers all group risks. In addition, in 2009 Achmea established a group risk management department. We view these as positive developments and believe that these have helped to drive improvements in Achmea's ERM framework.

Achmea allocates capital to each risk using its economic capital model and other sources, and identifies its risks as: strategic (based on its portfolio of companies and investments), market (34% of economic capital at the 99.95% confidence level as at year-end 2010), insurance (49%), credit (12%), liquidity (not measured in the model), and operational (5%). Management of each of these risks then falls to a committee at the holding and/or division level. Outside The Netherlands, each operating company within the group has its own risk department, which reports through the local board to the group executive board. Achmea Bank operates its own risk management system.

All risks are monitored and reported on throughout the year. External audits of the control processes are carried out biannually by PWC. Internally, a broad array of monitoring and reporting schedules are in place, including: "in control" statements that are required from each division and holding department once a year; quarterly solvency statements for each legal entity showing their exposure to the risk of immediate interest rate and equity shocks; and the economic capital model, which is run fully once a year, with approximate updates in between.

Economic/risk-based capital modeling is progressing well and is being used in conjunction with risk appetite considerations for financial decision making, for example in hedging investment exposures or structuring the reinsurance program. Further progress on ERM may be important to the ratings, especially if the group expands meaningfully outside The Netherlands, but this is not expected in the near term.

Accounting: Conservative, With Very Good Disclosure

Achmea produces consolidated financial statements in accordance with IFRS (International Financial Reporting Standards). Disclosure overall, including the group website, interim financial statements, and investor presentations, is considered to be very good.

Operating Performance: Strong, But Not In Line With The Rating

Table 4

Achmea Group -- Premiums and Profits

(Mil. €)	2011*	2010	2009	2008
GPW: health insurance	6,560	12,289	10,617	11,259
GPW: non-life insurance	2,359	3,992	4,030	3,816
GPW: life insurance	2,037	3,571	4,998	4,231
Pre-tax profit: health insurance	171	262	342	(28)
Pre-tax profit: non-life insurance	250	401	259	(95)
Pre-tax profit: life insurance	73	107	(108)	(1,381)
Pre-tax profit: banking	22	49	(47)	36
Net income	180	1,220	1,381	(2,118)
Comprehensive income	45	1,366	1,778	(3,029)

*Half-year to June 30, 2011. Source: Annual and interim reports.

In our opinion, Achmea's operating performance is strong, but a weakness for the rating. This reflects continued strong health and non-life underwriting performance, an adequate life underwriting performance, and a weaker noninsurance contribution. Although the current performance is below that which Standard & Poor's expects at this rating level, we believe that the quality of earnings, arising primarily from the three distinct segments in The Netherlands, is something that can be built on and can deliver improved results within the rating horizon.

Health insurance

Health underwriting performance has been low margin but stable in the five years since the introduction of the new Dutch health insurance system in 2006 (see table 5). This reflects the characteristics of the basic health business. About 97% of health GPW is generated in The Netherlands, where the basic health market (89% of the group's Dutch health GPW in 2010) is a volume business, with profitability based on cost management. With real scale advantages (Achmea is the market leader with nearly five million customers; only four insurers have more than one million customers), the group's basic health expense ratio was just 3% in 2010, and its net combined ratio 99.8%. We expect basic health insurance to continue to produce low margin, but stable, underwriting performance for the group (the combined ratio for basic health insurance for the first six months of 2011 was 98.9%).

Supplementary health in The Netherlands typically produces a better relative technical result than basic health: in 2010, the combined ratio was 86.3% (excluding one-off items) compared with 88.9% in 2009 and 90.3% in 2008. Despite some deterioration in the ratio in the first six months of 2011 to 90.2%, we expect supplementary health to continue to produce higher margins than basic health and for growth to match that of the market. This line should provide another stable source of earnings for the group.

Table 5

Achmea Group -- Health Insurance

(Mil. €)	2011*	2010	2009	2008	2007	2006	2005
GPW	6,560	12,289	10,617	11,259	7,521	7,154	2,072
Combined ratio (%)	98.1	98.8	98.8	100.1	99.0	100.4	94.5
Profit before tax	171	262	342	(28)	141	47	111

*Half-year to June 30, 2011. Source: Financial statements.

Non-life insurance

Non-life underwriting performance has been strong and steady over the past four reported years (see table 6). About 82% of non-life GPW is generated in The Netherlands. Achmea aims to maintain its market leadership in the non-life segment, but pressure on pricing means that it needs greater operating efficiency and lower costs of acquisition to maintain profit. In 2010, the expense ratio for the group improved again to 27.6% from 28.1% in 2009 and 30.3% in 2008. The flat net combined ratio of 95.7% in 2010 reflected an improvement in the Property & Casualty segment ratio to 92.4% from 94.8% in 2009, but a sharp deterioration in the income protection segment ratio to 109.4% from 100.8%. This latter performance was due to additional provisions taken for disability business. This weakness persisted in the first six months of 2011, with income protection weaker than for the same period of 2010 (104.7% versus 101.7%), leaving the non-life ratio slightly worse at 92.8% versus 92.5%.

Table 6

Achmea Group -- Non-Life Insurance

(Mil. €)	2011*	2010	2009	2008	2007	2006	2005
GPW	2,359	3,992	4,030	3,816	2,915	2,684	1,699
Combined ratio (%)	92.8	95.7	95.9	95.6	96.4	88.5	89.9
Profit before tax	250	401	259	(95)	296	474	321

*Half-year to June 30, 2011. Source: Financial statements.

Life insurance

Life results have been disappointing (see table 7). About 89% of life GPW is generated in The Netherlands, where life insurers face significant challenges including a loss of consumer confidence in traditional life products, growing life expectancy, limited ability to offer attractive guaranteed products, and the increasing competition provided by banks. We believe that Achmea is adapting successfully to these market challenges, but its results remain under pressure, in large part due to its overseas business.

Excluding the effects of a pension fund merger in 2009, the value of new business (VNB) fell to €25 million in 2010 from €36 million in 2009. This reflects a slight rise in the Dutch VNB to €24 million from €22 million, and a sharp fall in European VNB to €1 million from €14 million. Similarly, while the new business margin for the group decreased in 2010 to 1.4% from 1.6% in 2009, the Dutch margin showed good progress to reach 2.1% (1.5%), reflecting the focus on profitability rather than growth, and Europe declined to 0.2% (1.7%), with margins falling in every country. After six months of 2011, the same pattern is evident: compared to the first half of 2010, Dutch

VNB was up to €11 million and Europe VNB down to minus €5 million, leading to a flat performance overall of €6 million; similarly, the Dutch new business margin improved to an encouraging 2.2% while the European margin declined to minus 2.1%, although this still resulted in an improvement in the overall margin to 0.8%. Despite improving margins in the Netherlands, with Dutch premiums and European margins still under pressure it is very hard to see how Achmea can make any significant improvement in its life underwriting performance in the short-to-medium term.

Table 7

Achmea Group -- Life Insurance							
(Mil. €)	**2011***	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
GPW	2,037	3,571	4,998	4,231	4,417	4,464	2,807
New business margin (%)	0.8	1.4	1.6	1.3	1.7	1.6	0.6
Profit before tax	73	107	(108)	(1,381)	470	533	202

*Half-year to June 30, 2011. Source: Financial statements.

Other

Division International remains a minor contributor to the group's bottom line. For Achmea, banking is a complementary business in The Netherlands to ensure customers have a complete service offering. Banking generated a pre-tax profit of €49 million in 2010 and, in the first six months of 2011, it made a pre-tax profit of €22 million.

Settling the decade-long dispute with Poland over PZU had a major impact on operating performance for 2009 and 2010. PZU paid a special dividend in November 2009, and Achmea's share was supplemented by a compensation payment from Poland. The pretax benefit to Achmea was about €1.2 billion in 2009, with further material benefit of €835 million pretax in 2010.

We expect Achmea to maintain its overall underwriting performance over the short-to-medium term, especially in the Dutch life and non-life markets, where its competitive strengths should allow it to take advantage of its large market presence. In particular, we expect non-life insurance to produce a net combined ratio under 97%; basic health insurance a ratio under 100%; and supplementary health insurance a ratio under 95%. We also expect the life business to benefit from the programs mentioned earlier and maintain its new business margins in The Netherlands at 1% or higher.

Investments: Well Diversified, With Limited Exposure To Risky Assets

Table 8

Achmea Group -- Investment Statistics (Non-linked portfolio %)					
	2010	**2009**	**2008**	**2007**	**2006**
Investment in affiliates	0.3	3.5	5.6	6.6	6.8
Bonds	66.4	60.4	53.2	45.7	57.7
Mortgages	0.0	0.0	0.0	0.0	0.6
Equities	4.8	4.6	7.6	11.8	14.6
Property	4.1	4.1	3.4	3.2	4.2
Cash	11.2	15.4	6.0	4.7	2.7
Loans	8.0	8.5	8.2	7.6	10.7

Table 8

Achmea Group -- Investment Statistics (cont.)					
Derivatives	4.6	2.9	4.3	1.6	2.1
Other investments	0.5	0.6	11.7	18.7	0.6
Total non-linked investments	65.4	67.4	72.1	70.5	65.9
Assets held to cover linked liabilities	34.6	32.6	27.9	29.5	34.1
Total investments (mil. €)	65,437	65,217	62,412	71,487	59,809

Source: Financial statistics.

We consider Achmea's investment profile to be strong, well-diversified, and appropriate for its liabilities. Credit quality is high, and market risk is moderately low. ALM is good in The Netherlands, and ALM testing and procedures have been implemented across the group. This should stabilize contributions to the bottom line in future.

Investment strategy

Achmea's investment strategy is determined by its focus on the long term because of its co-operative background and the need to minimise the risk of forced sales. As a result, it has a relatively conservative investment portfolio. At year-end 2010, 63% of its €64 billion of total investments were at its own risk, 36% backed linked liabilities, and 1% were in investment related to cash collateral. On June 30, 2011, the group held 80% of its assets in bonds, 8% in cash, 4% in property, 3% in derivatives, and 2% in equities (these figures exclude investments in associated companies and participating interests). This was little changed from the position at year-end 2010.

Credit risk

Credit risk is low for Achmea. On June 30, 2011, 92% of the above bond portfolio was rated 'A' or higher, with more than half of the portfolio being invested in 'AAA' sovereign debt. Only 1.8% of its portfolio was in the government bonds of Portugal, Italy, Ireland, Greece, and Spain.

Market risk

Following the disposal of the shares Achmea owned in PZU, we believe that market risk is now small. According to the group, it is almost fully-hedged against interest-rate volatility.

Liquidity: Strong, Reflecting Strong Balance Sheet Liquidity

In our view, Achmea's liquidity is strong. This is mainly due to the strong liquidity of the balance sheet, but is partially constrained by its operating cash flow volatility. Liquid assets (reported Level 1 non-linked financial assets) to reported gross non-linked technical reserves were 66.5% at June 30, 2011 (70.1% at year-end 2010). As life reserves were 68.9% of the total reserves, we use two supplementary ratios to assess insurance liquidity: the ratio of liquid assets to the reported estimated timing of net cash flows within one year, which was 319.2% at year-end 2010; and the ratio of liquid assets to claims and participating benefits paid, which was 134.0% at year-end 2010. Achmea itself states that liquid assets represented 74% of the investment portfolio at year-end 2010.

Cash flow from operating activities has been volatile, with negative €1.1 billion in 2008 swinging to positive €1.6 billion in 2009, then back to negative €770 million in 2010. In the first half of 2011, it was -€611 million. Additional liquidity comes from undrawn, committed credit facilities of €750 million at Achmea B.V.

Capitalization: Very Strong

We view Achmea's capitalization as being very strong. Its capital adequacy, as measured by Standard & Poor's risk-based capital model, was extremely strong at year-end 2010 and continued to be so through to Sept. 30, 2011. Its capital position was bolstered in 2009 by the injection of share capital from its main shareholders (€1.0 billion) and the first payment from the PZU settlement (a net profit of €1.1 billion, subsequently paid as dividends to shareholders). In 2010, the capital position benefited from the sale of most of the group's shares in PZU Group for €835 million pre-tax profit. Quality of capital is also strong, with over 60% of total adjusted capital derived from core shareholders' funds.

On a statutory basis, solvency coverage was 224% for the group on June 30, 2011, compared with 220% at the end of 2010. As for the group's banking activities, the group's two banks each had a Tier I ratio of at least 13.1% on June 30, 2011.

Capital in the group is no less fungible than for most other insurance groups, with the exception of certain of the Dutch and Slovakian health subsidiaries, which have legal or tax constraints on the transfer of capital or dividends to other group entities.

Reserves

Standard & Poor's considers the life reserves to be adequate and makes no additional haircuts to credit given for value in force in the capital model. Non-life reserves are seen as adequate, and we do not expect material adverse reserve development on previous years to emerge. Small prior year claims reserves for non-life insurance were released in 2010 and 2009 of €112 million and €162 million, respectively. We consider that some redundancy exists in these reserves and, consequently, give them partial capital credit in our analysis. Achmea tests its reserves deterministically each quarter and, for non-life, stochastically each quarter. It actively manages the actual level of reserves to within a band around target levels.

Reinsurance

Achmea benefits from a comprehensive reinsurance program, which provides very good coverage against claims frequency and severity. This program is provided mainly by leading reinsurers, all of which are generally rated 'A-' or higher for short-tail contracts and 'A+' or higher for long-tail contracts. Achmea's catastrophe program provides cover for a one-in-200-year event.

Financial Flexibility: Strong, Despite Private Ownership

In our opinion, Achmea's financial flexibility is strong. We do not anticipate the group will require additional short-term liquidity or long-term capital over the rating horizon. In our view, the most likely requirement would be to replenish capital following a severe adverse movement arising from its market risk.

Sources of capital (liquidity has been discussed above) may include an increase in the use of reinsurance, or further borrowing, including hybrid debt, which Achmea has been issuing in the capital markets since 2005. However, we do not view a reduction in dividends as a likely source due to the strict dividend policy that mandates a 45% payout ratio. Similarly, we believe an equity issue is an uncertain source given the cooperative structure of its main shareholder (the last issue was in 2009 for €1,028 million, and Achmea Association funded its participation by means of a loan).

Ratings Detail (As Of January 26, 2012)		
Achmea B.V.		
Counterparty Credit Rating		
Local Currency		A-/Stable/--
Junior Subordinated (4 Issues)		BBB
Senior Unsecured (2 Issues)		A-
Subordinated (1 Issue)		BBB+
Counterparty Credit Ratings History		
23-Dec-2010	*Local Currency*	A-/Stable/--
01-Dec-2008		A-/Negative/--
08-Nov-2007		A-/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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