

03 JUL 2023

## Fitch Affirms Achmea at 'A'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 03 Jul 2023: Fitch Ratings has affirmed Achmea B.V.'s Issuer Default Rating (IDR) at 'A' and its core operating insurers' Insurer Financial Strength (IFS) Ratings at 'A+'. The Outlook on all ratings is Stable. A full list of ratings actions is below.

The affirmation reflects Achmea's very strong company profile and capitalisation, its good financial performance and its very strong investment-risk management.

### Key Rating Drivers

**Very Strong Company Profile:** Fitch ranks Achmea's business profile as 'Favourable' compared with other Dutch insurance companies', driven by its favourable competitive positioning and diversification and its moderate business risk profile. Achmea is a health and non-life insurance market leader in the Netherlands with Fitch-estimated market shares of 29% and 25%, respectively. However, its international activities are smaller than some Dutch peers'.

International business generated 7% of the group's total gross written premiums (GWP) in 2022 (2021: 6%). However, it did not contribute to Achmea's total operating earnings in 2022, as it reported a small operating loss of EUR8 million. International premiums increased 15%, stronger than the group's premium income, which rose 5% in 2022.

**Very Strong Capitalisation:** We regard Achmea's capitalisation as very strong. The company's Solvency 2 (S2) ratio post-dividend decreased to 209% in 2022 from 214% in 2021 and its Fitch Prism Factor-Based Model (Prism FBM) score dropped to the high end of the 'Strong' category from the low end of the 'Very Strong' category. The declines were due to a fall in fixed-income investments' revaluation reserve within shareholder funds. We expect the Prism FBM score to improve to 'Very Strong' from 'Strong' and the S2 ratio to be maintained at very strong levels.

**Very Strong Leverage:** Achmea's financial leverage ratio (FLR) weakened to 24% at end-2022, from 20% at end-2021 after its issue of EUR500 million senior debt. In April 2023, it called EUR500 million Tier 2 subordinated debt, and issued EUR300 million Tier 2 debt in June 2023. This means that the FLR is likely to improve at end-2023.

**Good Financial Performance:** We expect Achmea to improve its profitability due to cost-efficiency programmes, albeit remaining under pressure from inherently low margins in its Dutch mandatory health insurance. Profitability was constrained by a weak investment result in 2022, driven by rising interest rates. Achmea's net income return on equity (ROE) was 1.2% in 2022, down from 5.2% in 2021. We expect the ROE to recover to more than 3% for 2023.

Achmea's underwriting profitability is strong, which we expect to be maintained. It reported an improved non-life net combined ratio of 93% for its Dutch business for 2022 (2021: 94%), despite general claims inflation and natural catastrophe activity resulting in additional net claims of EUR100 million.

**Very Strong Investment Risk Management:** Fitch assesses Achmea's investment-and-asset risk as low and scores it as 'Very Strong'. Its risky-assets-to-equity ratio stood at a very strong 45% at end-2022 (2021: 37%) with the increase driven by a smaller equity position. Investments mainly consist of investment-grade debt securities and a conservative Dutch residential mortgage portfolio.

## RATING SENSITIVITIES

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

-- A net income ROE of at least 7% on a sustained basis combined with a 'Very Strong' Prism FBM score, while maintaining a S2 ratio of at least 200%

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

-- S2 ratio declines to below 160% or Prism FBM score weakens to the lower-end of the 'Strong' category with limited prospects for recovery

-- A net income ROE below 3% on a sustained basis

## Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

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## Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Achmea Schadeverzekering N.V.	IFRS	A+ 	Affirmed	A+ 
Achmea Pensioen- en Levensverzekeringen N.V.	LT IFS	A+ 	Affirmed	A+ 
Achmea Zorgverzekering N.V.	IFRS	A+ 	Affirmed	A+ 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Achmea B.V.	LT IDR	A 	Affirmed	A 
	• senior unsecured <sup>LT</sup>	A-	Affirmed	A-
	• subordinated	BBB	Affirmed	BBB
	• junior subordinated <sup>LT</sup>	BBB-	Affirmed	BBB-

#### RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

#### Applicable Criteria

[Insurance Rating Criteria \(pub.15 Jul 2022\) \(including rating assumption sensitivity\)](#)

#### Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.8.0 [\(1\)](#)

#### Additional Disclosures

[Solicitation Status](#)

## Endorsement Status

Achmea B.V.	EU Issued, UK Endorsed
Achmea Pensioen- en Levensverzekeringen N.V.	EU Issued, UK Endorsed
Achmea Schadeverzekeringen N.V.	EU Issued, UK Endorsed
Achmea Zorgverzekeringen N.V.	EU Issued, UK Endorsed

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