Achmea B.V.

And Core Subsidiaries

Full Rating Report

Ratings

Insurer Financial Strength Ratings

Achmea Pensioen-en Levensverzekeringen N.V.	A+
Achmea Schadeverzekeringen N.V.	A+
Achmea Zorgverzekeringen N.V.	A+

Issuer Default Rating

Achmea B.V.	A

Long-Term Debt Ratings

Senior	A-
Subordinated	BBB
Junior Subordinated	BBB-

Outlooks

Insurer Financial Strength Ratings	Stable
Issuer Default Rating	Stable

Financial Data

Achmea B.V.

(EURm)	2017	2018	1H19
Shareholders' equity	8,288	8,044	8,691
Total assets	90,946	81,816	95,133
Net income	215	314	234
Net income return on equity (%)	-4	4	n.a.
Solvency II ratio (%)	184	198	195
Financial leverage (%)	23	24	22(E)

At 31 December and 30 June
Source: Fitch Ratings, Achmea

Related Research

Achmea Bank N.V. (May 2019)

Netherlands (November 2019)

Fitch Ratings 2020 Outlook: Dutch Insurance (December 2019)

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Key Rating Drivers

Very Strong Business Profile: Fitch Ratings ranks Achmea's business profile as 'favourable' compared to other insurance companies based in the Netherlands. This is driven by its 'favourable' competitive positioning, 'moderate' business risk profile, and 'favourable' diversification. Achmea is a leading Dutch insurance/financial services group with activities in health, non-life, life insurance, banking and asset management. It is a Dutch health and non-life insurance market leader with estimated market shares of 29% and 25% respectively.

Very Strong Capitalisation: Achmea's capital assessment is primarily based on a 'Very Strong' Prism Factor Based Capital Model (Prism FBM) result at end-2018, and post-dividend Solvency 2 coverage (S2) of 195% at end-1H19 (end-2018:198%).

Improved FLR: Achmea's financial leverage ratio (FLR) improved to around 22% at end-1H19 (end-2018: 24%), a level commensurate with a 'Very Strong' assessment. We expect Achmea's financial leverage to improve further following its issuance of S2 qualifying restricted tier 1 (RT1) on 24 September 2019. These perpetual securities receive 100% equity credit in our FLR calculation.

Good Financial Performance: Fitch views Achmea's profitability as a rating weakness, with net income return on equity ROE at 4% in 2018 (2017: 3%). Structurally low profitability partly reflects Achmea's business mix as the leading Dutch health insurer. The Dutch basic health insurance segment is a low-margin business.

An improved net result of EUR234 million in 1H19, versus EUR133 million in 1H18 was mainly driven by better non-life performance due to the absence of catastrophe losses in the period, and overall cost-saving benefits. Fitch expects Achmea's ROE to remain stable in the 3%-5% range, supported by health and non-life premium increases and continued focus on cost reductions.

Good Debt Service Capabilities and Financial Flexibility: Achmea's 'Good' debt-servicing capability and financial flexibility assessment is based on Fitch's expectation for Achmea's long-term fixed charge coverage (FCC) ratio of 3x–5x, stable market access, and robust contingent funding. The group's Fitch-calculated FCC was 4x in 2018 (2017: 3x).

Low Investment Risk: Fitch assesses Achmea's investment and asset risk as 'Very Strong' based on a low risky assets-to-equity ratio of 19% at end-2018. Investments mainly consist of investment grade debt securities and a conservative Dutch residential mortgage portfolio. Portfolio optimisations could lead to incremental investment risk but we expect the overall high-quality of the investment portfolio to be maintained.

Rating Sensitivities

Deteriorating Profitability: The ratings could be downgraded if net income ROE falls below 3% on a sustained basis.

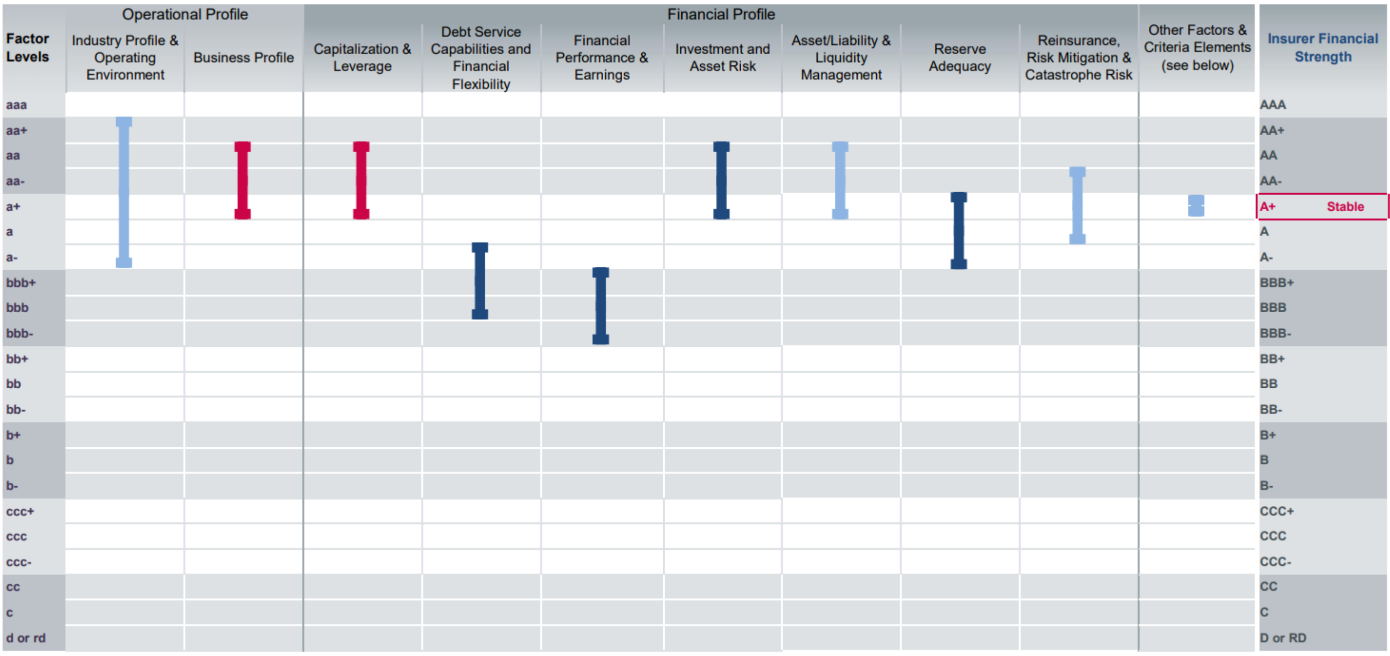
Weaker Capital, Higher Leverage: The ratings could also be downgraded if the Prism FBM score falls below 'Very Strong' or if the FLR increases above 30% for a sustained period.

Improved Profitability: The ratings could be upgraded if net income ROE increases above 9% on a sustained basis, while maintaining its Prism FBM score and FLR at levels consistent with a 'Very Strong' assessment.

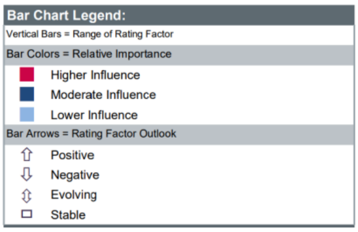
Achmea B.V.

ESG Relevance:

Insurance Ratings Navigator
European Composite



Other Factors & Criteria Elements				
Provisional Insurer Financial Strength				**A+**
Non-Insurance Attributes	Positive	**Neutral**	Negative	+0
Corporate Governance & Management	**Effective**	Some Weakness	Ineffective	+0
Ownership	Positive	**Neutral**	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	AAA	+0
Insurer Financial Strength (IFS)			Final:	**A+**
IFS Recovery Assumption	**Good**			-1
Issuer Default Rating (IDR)			Final:	**A**



ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'–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 our ESG Relevance Scores, visit www.fitchratings.com/esg

Applicable Criteria

Insurance Rating Criteria (November 2019)

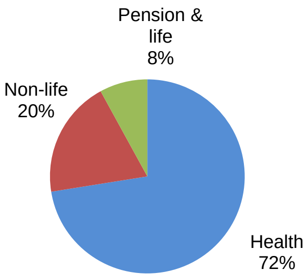
Business Profile

'Very Strong' Business Profile

Fitch ranks Achmea's business profile as 'favourable' compared to other insurance companies based in the Netherlands (discussed in Appendix A of this report), driven by its 'favourable' competitive positioning, 'moderate' business risk profile and 'favourable' diversification.

Achmea is a leading Dutch insurance/financial services group with activities in health, non-life, life insurance, banking and asset management.

Gross Premiums by Segment
(2018: EUR20bn)



Source: Fitch Ratings, Achmea

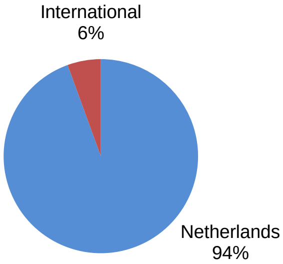
Leading Dutch Insurer

Achmea's 'favourable' competitive positioning score reflects its market leading positions in its key Dutch market segments. Overall, Achmea was the largest Dutch insurance group with EUR20 billion gross written premiums (GWP)[1] in 2018. It is a Dutch health and non-life insurance market leader with estimated market shares of 29% and 25%, respectively. It is the market leader in property and casualty and a top three insurer in income protection and individual life insurance. Achmea Investment Management is a top-200 global, and the fifth-largest asset manager in the Netherlands with EUR129 billion in managed assets (2017: EUR120 billion) in 2018.

With end-2018 total assets of EUR82 billion and total shareholders' equity of EUR8 billion, Achmea's operating scale ranks as 'favourable' in a European context.

Non-Life, Health Drive Business Risk

Gross Premiums by Markets
(2018: EUR20bn)



Source: Fitch Ratings Achmea

Achmea's business risk profile score of 'moderate' predominantly reflects its business mix as a non-life and health insurance market leader. It is exposed to catastrophic events such as wind and hailstorms in the Netherlands as well as medical expense risks.

Fitch expects that Achmea, along with the broader trend in the Dutch insurance market, will focus on establishing a fee-based franchise in the Dutch life and pensions segment. The development of the general pension fund (Centraal Beheer APF) is at the centre of the group's growth strategy, while the non-APF group pension business is in run-off.

Limited International Diversification

Achmea's 'favourable' diversification score reflects its composite business profile and geographic focus. International markets complement Achmea's Dutch franchise, even if it is limited relative to the group's domestic business and to more diverse Dutch competitors. International activities are predominantly non-life: they generated 6% of Achmea's total GWP (2017: 6%) and accounted for 7% (2017: 5%) of the group's total operating earnings in 2018.

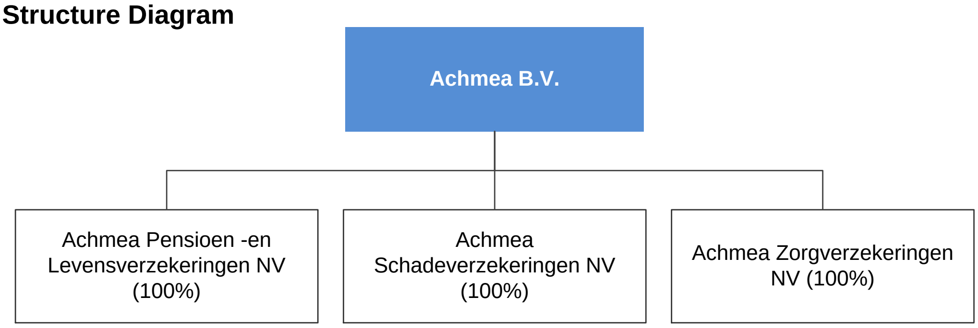
Achmea is present in international markets through local brands Eureko Sigorta (Turkey), Union (Slovakia), Interamerican (Greece), Onlia[2] (Canada) and a partnership with Rabobank in Australia. Friends First Life Assurance (Ireland) was fully divested in 2018. Achmea may explore new growth opportunities in foreign markets but Fitch does not expect this to affect its business profile assessment.

[1] Including mandatory health insurance.
[2] Joint venture with Fairfax.

Ownership is Neutral to Rating

Achmea's largest shareholders; Achmea Association (Vereniging Achmea) and Rabobank both have cooperative backgrounds, with the former representing all of Achmea's customers. Mutual ownership tends to offer fewer conflicts of owner and creditor interest but typically has a lower degree of financial flexibility compared with a publicly-owned organisation.

Structure Diagram



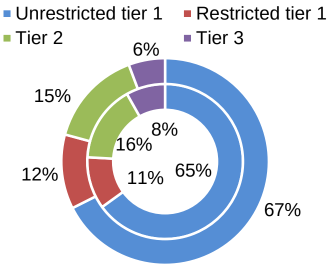
Source: Fitch Ratings, Achmea

Capitalisation and Leverage

(%)	2014	2015	2016	2017	2018	Fitch's expectation
Shareholder'sequity (EURm)[a]	8,851	8,930	8,432	8,288	8,044	Fitch expects Achmea's capitalization to remain stable and financial leverage to decrease.
Total financing and commitments (x)	1	1.1	1.1	1.1	0.9	
Financial leverage	21	23	24	23	24	
Group solvency II ratio	n.a.	201	181	184	198	

[a] Excluding other equity instruments and preferred shares
Source: Fitch Ratings, Achmea

Achmea S2 Eligible Own Funds
(Outer: 2018; EUR8.9bn; Inner:2017; EUR8.4bn)



Source: Fitch Ratings, Achmea

'Very Strong' Capitalisation and Leverage

Fitch assesses Achmea's 'Capitalisation and Leverage' as 'Very Strong' driven by its 'Very Strong' capital score based on Prism FBM and S2, and commensurate financial leverage.

Stable Fitch Capitalisation

Achmea's capital score in Fitch's Prism FBM remained 'Very Strong' in 2018. The assessment is broadly unchanged from the previous year as there have not been material changes in Achmea's risk profile or available capital. We expect Achmea to maintain its 'Very Strong' Prism FBM capital score. The maturity of CHF200 million senior notes in 2019 will have no effect on the Prism FBM result as it does not form part of available capital.

Gradual Capital Release Supports Capital Generation

Achmea's operating capital generation is somewhat weaker than main competitors' due to its weaker financial performance. However, gradual capital release from run-off portfolios (primarily in the Netherlands) and limited new business strain are offsetting factors. Operating capital generation added 10 percentage points (pps) to the S2 ratio in 2018

Market movements, a more volatile driver of regulatory capitalisation added 14 pps to the S2 ratio mainly due to favourable credit spread movements for Achmea[3] which more than offset equity markets volatility in the second half of 2018.

Financial Leverage to Decrease

Fitch expects Achmea's financial leverage to improve to below 22% by end-2019 mainly driven by the maturity of CHF200 million senior notes and the issuance of restricted tier 1 (RT1) securities. These securities receive 100% equity credit in the financial leverage calculation under our insurance rating criteria.

[3] Achmea is more exposed to top grade sovereign bonds compared to the EIOPA reference portfolio.

Debt Service Capabilities and Financial Flexibility

(EURm)	2014	2015	2016	2017	2018	Fitch's expectation
Fixed charge coverage (x)	2	4	-1	3	4	Fitch expects Achmea's debt service capabilities and financial flexibility metrics to remain stable.
Cash at holding company	670	299	33	232	232	

Source: Fitch Ratings, Achmea

Holding Company Liquidity

The holding company, Achmea B.V., had liquid (current) assets of EUR360 million and short-term liabilities (due within one year) of EUR341 million (at end-2018) resulting in a liquidity ratio of 105% (end-2017: 259%). The increase in short term liabilities in 2018 was mainly due to the maturity of Achmea's CHF200 million senior notes in 2019.

HoldCo's liquidity was further supported by EUR411 million listed bonds bringing total liquidity to EUR681 million (2017: EUR504 million), an improvement on end-2017.

Achmea B.V.'s end-2018 cash position was moderate. As a holding company, Achmea B.V. has limited ability to generate cash flows and predominantly reliant on subsidiary dividends and/or external sources to maintain liquidity.

Debt Maturities

(As of end-2018)	(EURm)
2019	177[a]
2020	750
2021	0
Total	

[a] Matured on 19/06/2019
Source: Fitch Ratings, Achmea

'Good' Debt Service Capabilities and Financial Flexibility

Achmea's debt-servicing capability and financial flexibility is 'Good' based on Fitch's expectation for the long term fixed charge coverage ratio in the 3x – 5x range, and expectedly maintained market access complemented by robust contingent funding in place.

Stable Interest Expenses

Achmea's FCC increased to 4x in 2018 supported by improved operating profitability. Fitch expects interest expenses will not change significantly as the redemption of grandfathered 6% RT1 notes and the maturity of 1.5% CHF200 million senior notes mostly offset interest expenses on new RT1 and tier 2 bonds issued in September 2019. Coupons on all of Achmea's outstanding debt securities were fixed as at end-1H19.

Strong Credit Profile Support Market Access

Fitch believes Achmea could attract funding from capital markets despite its mutual ownership background, which typically implies a lower degree of financial flexibility. This ability was also demonstrated by the recent successful issuance of RT1 and T2 bonds at favourable rates. Achmea's strong credit profile and market leading Dutch franchise supports this view.

Robust Contingent Funding

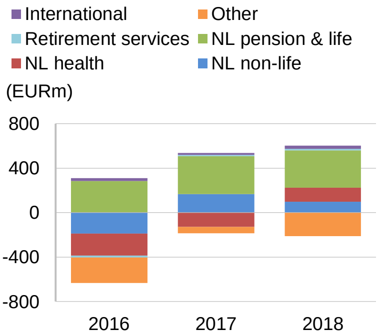
Achmea's contingent funding was increased to EUR1 billion from EUR750 million as part of a capital optimisation initiative. Achmea concluded the new EUR1 billion long-term multi-currency credit facility in March 2019 with a syndicate of banks. The facility is available until 2026. The contingent facility was undrawn at end-2018.

Financial Performance and Earnings

(%)	2014	2015	2016	2017	2018	Fitch's expectation
Net income attributable to shareholders (EURm)	14	383	-380	215	314	Fitch expects Achmea's financial performance and earnings metrics to improve gradually but remain below Dutch peers.
Net income return on equity	0	4	-4	3	4	
Pre-tax operating return on assets	0.4	0.6	-0.2	0.5	0.7	
Group non-life combined ratio (reported)	99.3	100.5	105.2	96.1	96.3	
Group health combined ratio (reported)	99	99.3	102.3	101.6	98.8	

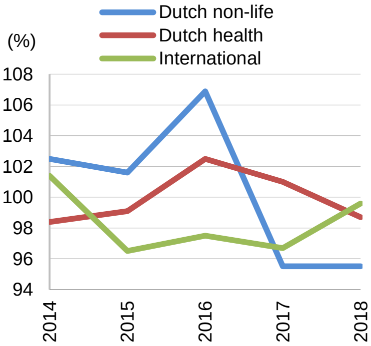
Source: Fitch Ratings, Achmea

Operating Result By Segment



Source: Fitch Ratings, Achmea

Reported Combined Ratios



Source: Fitch Ratings, Achmea

'Good' Financial Performance

Fitch views Achmea's profitability as a rating weakness. However, Fitch assigns moderate importance to financial performance to reflect the inherently low returns in health insurance which distort overall profitability metrics.

Gradual Earnings Improvement

Fitch expects gradual moderate improvement in Achmea's financial performance driven by premium increases in non-life and health insurance, improving cost efficiency, and the gradual reduction in the corporate tax rate from 25% to 21.7% by 2021. Fitch expects Achmea to realise its EUR250 million cost-saving target ahead of plan (originally by end-2020), and it could achieve further cost savings exceeding EUR250 million in total by end-2021. This could further benefit Achmea's financial performance. However, earnings measured by net income ROE is likely to remain below most large Dutch insurers due to Achmea's exposure to the price sensitive and low-margin mandatory health insurance business in the Netherlands.

Storms Impact Non-Life Result

Storm-related losses in the first quarter of 2018 mostly offset premium increases and cost savings, resulting in an unchanged non-life combined ratio (COR) for the year. Excluding storm losses the combined ratio would have improved to below 93% reflecting the underlying improvement of the underwriting result. Non-life results improved in 1H19 due to the absence of catastrophic losses, though tempered by increasing claims experience in income protection driven by a rise in employee absenteeism (1H19 COR: 95.8%).

Achmea, as a Dutch non-life market leader, has significant pricing power and pricing flexibility. It has successfully adjusted premiums to match rising claims frequency and severity without significant lapses.

Reducing Health Premium Gap

In line with the general trend in Dutch mandatory health insurance Achmea has deployed excess capital to subsidise policyholder premiums, although less so recently. Provisions set aside to cover the health insurance premium gap decreased to EUR21 million[4] from EUR108 million in 2017 and we expect the premium gap will close by 2019/2020.

Overall health insurance activities achieved an operating profit of EUR128 million (2017: EUR128 million loss)[5] as a result of lower loss provisioning for 2019 but also lower than previously budgeted healthcare costs. We expect the financial performance of the health insurance segment to continue normalising, although the profit margin of basic health insurance is unlikely to exceed 1% through the cycle due to the political and social sensitivity of policy pricing.

[4] Provisions set for a 100% combined ratio based on Achmea's estimates.
[5] EUR45 million operating result on basic health insurance (2017: EUR175m loss)

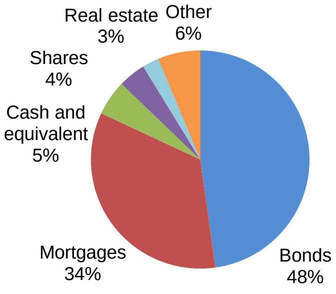
Investment and Asset Risk

(%)	2014	2015	2016	2017	2018	Fitch's expectation
Risky assets to equity	22	19	21	21	19	Fitch expects Achmea's investment and asset risk metrics to remain stable. Incremental increase in investment risk is unlikely to affect our assessment.
Unaffiliated shares to equity	15	15	17	16	15	
Non-investment grade bonds to equity	6	3	3	4	3	
Mortgages to equity[a]	64	72	65	61	60	

[a] Excluding mortgages guaranteed by the NHG
Source: Fitch Ratings, Achmea

General Account Investments

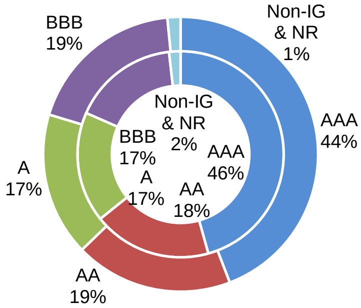
(End-2018: EUR57bn)



Source: Fitch Ratings, Achmea

Bond Portfolio by Rating

(Outer ring: 2018; EUR27bn
Inner ring: 2017; EUR26bn)



Source: Fitch Ratings, Achmea

Low Investment Risk

Fitch assesses Achmea's investment and asset risk as low and scores the credit factor as 'Very Strong'. Investments mainly consist of investment grade debt securities and a conservative Dutch residential mortgage portfolio.

Gradual Portfolio Optimisation

Fitch expects Achmea to continue optimising its investment portfolio, mainly by shifting to higher yielding fixed income assets. Portfolio optimisation could lead to higher investment returns and reduced S2 sensitivity to credit spread changes through better matching with the reference portfolio EIOPA (European Insurance and Occupational Pensions Authority) uses for the calculation of the S2 volatility adjuster.

Top 'AAA' rated Dutch and German sovereign debt exposure decreased by approximately EUR1.2 billion to EUR8.7 billion in 2018.

Portfolio optimisation could lead to incremental investment risk, but we expect that the overall high-quality of the investment portfolio will be maintained and therefore this is unlikely to affect our assessment of Achmea's investment and asset risk.

Low Risk Mortgage Book

Fitch assesses credit risk on Achmea's EUR19 billion[6] Dutch residential mortgage portfolio as low given low delinquency rates and a conservative loan-to-value ratio of approximately 80%. In addition, 33% (EUR6 billion) of the mortgage portfolio is guaranteed by the Dutch National Mortgage Guarantee scheme (NHG; The Netherlands are rated IDR 'AAA'). Fitch expects Achmea to increase its mortgage exposure but this is neutral to the investment and asset risk assessment.

[6] Including Achmea Bank

Asset/Liability and Liquidity Management

(%)	2014	2015	2016	2017	2018	Fitch's expectation
Liquid assets to net technical reserves	81	76	73	72	72	Fitch expects Achmea's asset liability and liquidity risk management score to remain in line with a 'Very Strong' assessment.
Liquid assets to net technical reserve (life; excluding unit linked)	87	76	70	72	74	

Source: Fitch Ratings, Achmea

'Very Strong' Asset-Liability and Liquidity Risk Management

Fitch assesses Achmea's asset/liability and liquidity management as 'Very Strong'. This is based on the insurer's sophisticated and comprehensive risk management framework and prudent investment policy. Achmea uses cash flow-matching, duration-matching, as well as derivatives-based hedging to manage risks in insurance portfolios.

Interest Rate Risk Well Managed

Interest-rate risk arising from the duration mismatch of assets and liabilities is minimised through close cash-flow matching and an interest-rate hedging programme for the Dutch life and pensions businesses. The aim of the programme is to minimise S2 volatility of the Dutch business, while the interest-rate risk management of other entities is based on their respective economic positions. The interest-rate sensitivity of Achmea's regulatory solvency (to both parallel and non-parallel shocks) was negligible at end-2018.

Interest rate risk on an economic basis is somewhat higher due to the application of the ultimate forward rate. However the planned UFR reduction to 3.6% by 2021 puts only moderate pressure on the S2 ratio which is likely more than offset by other factors.

Products with interest rate or performance guarantees are in run-off and therefore risks associated with these products will gradually decline.

Liquidity Risk within Tolerance Level

Consolidated liquidity metrics were somewhat improved in 2018 from 2017, mainly due to the decrease in insurance liabilities. Liquidity stress situations at the operating company level mainly arose from non-life insurance and related to the occurrence of catastrophic events. Achmea mitigates this risk by maintaining significant amounts of high quality liquid investments.

Reserve Adequacy

(%)	2014	2015	2016	2017	2018	Fitch's expectation
Loss reserves to equity (non-life and health)	1	1	2	2	2	Fitch expects Achmea's reserve adequacy to remain 'Strong'.
Change in ratio of loss reserves to earned premiums (non-life and health)	-1.6	2.8	-5.5	-0.5	-8.7	
One year reserve development to prior year equity (non-life only)	-0.8	-0.2	0.1	-0.2	-5.8	
One year reserve development to prior year loss reserves (non-life only)	-1.3	-0.3	0.2	-0.3	-7.5	

Source: Fitch Ratings, Achmea

'Strong' Reserves

Achmea's 'Strong' reserving score reflects overall favourable run-off experience and the absence of material past reserve short falls.

Cautionary Reserve Growth

Achmea's non-life and health reserve growth is cautionary as it remains below premium growth since 2016. However, Fitch believes this is mainly caused by re-pricing of previously under-priced non-life and health insurance contracts and does not indicate deteriorating reserve adequacy as business volumes are stable. The negative reserve growth trend relative to premiums could continue in the short term due to re-pricing.

Negative Past Experience in Motor

Increasing frequency and severity of bodily injury claims resulted in some weakness in Achmea's non-life reserves, which was addressed in 2016 through reserve strengthening. Non-life reserve development has been favourable since then. The trend of increasing bodily injury claims is market-specific in the Netherlands and affected most insurers operating in the market. Although motor claims continue to rise, Fitch does not expect further non-life reserve strengthening need for Achmea.

Reinsurance, Risk Management and Catastrophe Risk

(%)	2014	2015	2016	2017	2018	Fitch's expectation
Net written premiums to gross written premiums	98	99	99	98	99	Fitch does not expect a change in Achmea's reinsurance, risk management and catastrophe risk assessment.
Reinsurance recoverable to capital	17	16	19	7	8	

Source: Fitch Ratings, Achmea

'Strong' Risk Management and Reinsurance Protection

Fitch scores Achmea's reinsurance, risk management and catastrophe risk as 'Strong' based on the strong risk management framework, robust reinsurance protection and the strong credit quality of reinsurance counterparts.

Risk Framework Adapted for S2

Achmea's risk-management framework is adapted for S2 and its risk appetite is set to ensure sufficient group capitalisation under severe stress events. Fitch believes Achmea's risk-management framework is robust and adequate, underpinned by frequent monitoring of risk exposures and the effectiveness of risk-mitigating tools with emphasis on interest-rate risk, longevity risk and cybersecurity.

Reinsurance Programme Continuously Optimised

Achmea runs a sophisticated reinsurance programme mainly through its internal reinsurer, Achmea Re, to limit non-life earnings volatility. Achmea Re further cedes risks exceeding its limits to the open market. The reinsurance programme performed well in past catastrophic events and significantly reduced Achmea's loss exposure.

Programme parameters are continuously optimised; catastrophe retention for property and Achmea Re's own retention was further reduced in 2018. Achmea is exposed to catastrophe risks mainly through its property and motor hull lines. The dominant perils are wind and hail in the Netherlands and earthquakes in Greece and Turkey.

Low Risk, Diversified Reinsurance Exposure

Reinsurers on the reinsurance panel are rated a minimum 'A-' for short-tail contracts, 'A' or higher for collateralised long-tail contracts, and 'A+' or higher for uncollateralised long-tail contracts.

Appendix A: Industry Profile and Operating Environment

Regulatory Oversight

Fitch considers regulatory oversight in the Netherlands as very strong. The Dutch insurance market is highly regulated, with well-developed regulatory practices and supervision processes. As member of the European Union, the Netherlands adopted the risk-adjusted solvency framework (Solvency II), which came into force on 1 January 2016. The Dutch insurance regulator is focused on ensuring that insurance organisations are viable and their conduct of business is appropriate. Fitch considers the regulator's enforcement as effective.

Technical Sophistication of Insurance Market; Diversity & Breadth

The Dutch insurance market is the fifth largest in Europe (EUR74 billion of gross written premiums in 2018), although the size of the market is largely explained by the importance of the mandatory health insurance segment. Fitch believes the market is technically highly sophisticated. This is underpinned by the use of strong and generally accepted actuarial practices for underwriting analysis, calculating claims reserves and products pricing. In addition, the adoption of Solvency II improved the level of sophistication of enterprise risk management in the market.

The Dutch insurance market is concentrated in health insurance, which is of a mandatory nature. The health insurance business represented 64% of gross written premiums, followed by life (21%) and non-life (15%), at end-2018. As the market is highly mature, premium growth is low, albeit higher in the property and casualty segment than in life and health.

Competitive Profile

Fitch believes the Dutch insurance market is very competitive in all insurance segments and relatively concentrated with the five largest insurance groups representing approximately 80% of total gross written premiums. The remainder of the market is fragmented and market share is distributed among a larger number of small companies, especially in the non-life segment. At end-2018, there were a total of 160 insurers under the supervision of the Dutch National Bank (117 non-life, 30 life, 9 re-insurers, and 4 funeral in-kind insurers).

Life insurers have been repositioning their business to cope with persistently low interest rates in Europe, favouring the distribution of retirement solutions, often in the form of capital-light and unit-linked savings products. Apart from pension products, there are also pockets of growth in term life; however we expect growth to level-off in this segment. In non-life, strong competition creates pressure on prices which is currently mitigated by an ongoing phase of "harder" pricing.

Financial Markets Development

The Dutch financial market is sophisticated and has considerable breadth and depth both in its insurance and non-insurance segments. The Dutch stock and bond markets are among the largest globally, providing sufficient liquidity in most traded products. Companies' and financial institutions' access to capital markets is strong.

Country Risk

The Netherlands' Long-Term IDR is currently 'AAA' with a Stable Outlook. The Netherlands' ratings are underpinned by a large, wealthy and diversified economy, strong and effective civil and social institutions and a track record of macro-financial stability. The Netherlands also benefits from strong financial flexibility, helped by the ultra-loose financing conditions prevailing in the eurozone, and the access to deep and liquid capital markets as a core eurozone member.

Peer Comparison Table - 2018

(EURbn)	IFS Rating/Outlook[c]	Total assets	Shareholders' equity	Gross written premiums	Net Income attributable to shareholders	Return on equity (%)	Reported combined ratio (%)	Solvency II ratio (%)	Financial leverage (%)
Aviva[a]	AA-/Stable	479	19	33	1.8	10	96.6	204	28
Zurich[b]	AA-/Stable	453	37	56	4.6	12	97.8	221[d]	24
NN	A+/Stable	224	23	13	1.1	5	99.4	230	28
Aegon	A+/Stable	393	20	19	0.7	4	n.a.	211	27
Achmea	A+/Stable	82	8	20	0.3	4	95.5[e]	198	24
Ageas	A+/Stable	102	9	9	0.8	9	94.3	215	21
UMG Groupe VYV	A+/Stable	18	5	7	67	1.5	n.a.	160	8
Groupama	A/Positive	97	8	14	0.5	6	99.3	167[f]	28
VIVAT	BBB+/Stable[g]	56	3	3	-0.3	-8	96.8	192	30

[a] 1GBP=1.13EUR
[b] 1USD=1.14EUR
[c] Insurer Financial Strength Ratings of primary operating entities
[d] Swiss solvency test ratio
[e] Non-life only
[f] Excluding transitional
[g] Rating Watch Positive on VIVAT Schadeverzekeringen
Source: Fitch Ratings, Companies

Appendix B: Peer Analysis

Health Insurance Limits Achmea's Profitability and S2 Coverage

Achmea's S2 capitalisation is very strong but slightly below most peers. This is partly explained by large health insurance operations where insurers typically maintain more moderate capital buffers compared to other lines. Achmea's business mix also results in weaker net income ROE compared to peers not involved in the Dutch health insurance segment. Dutch health insurance is a low-margin, and in recent years loss-making, business due to capital distribution to customers in the form of subsidised premiums. Excluding health insurance, Achmea's profitability is comparable to competitors'.

As a non-life market leader in the Netherlands Achmea has strong pricing power and pricing flexibility. Together with excellent cost management, this results in a best-in-class combined ratio in Dutch non-life insurance.

International diversification is somewhat limited and lacks the scale of NN and Aegon, as well as international competitors but benefits from a very strong business profile in the Netherlands as a non-life and health insurance market leader. It is also well diversified into complementary business segments such as banking and asset management, similar to other large Dutch insurers. The smaller operating scale in terms of total assets relative to other insurers in the peer group is due to Achmea's more limited life and pensions operations.

Appendix C: Other Ratings Considerations

Below is a summary of additional ratings considerations that are part of Fitch's ratings criteria.

Group IFS Rating Approach

Fitch views the group's Dutch life (Achmea Pensioen-en Levensverzekeringen), health (Achmea Zorgverzekeringen), and non-life (Achmea Schadeverzekeringen) insurance subsidiaries as 'Core' to the group due to their strategic importance, high degree of integration and common branding with the group. The IFS rating of Achmea's insurance operating subsidiaries are therefore based on a group rating approach.

Notching

For notching purposes, the regulatory environment of the Netherlands is assessed by Fitch as being Effective, and classified as following a Group Solvency approach.

Notching Summary

IFS Ratings

A baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS "anchor" rating to the [implied] operating company IDR.

Holding Company IDR

Standard notching was applied between the insurance operating company and holding company IDRs for a group solvency regulatory environment.

Holding Company Debt

A baseline recovery assumption of 'Below Average' was applied to Achmea B.V's senior debt securities. Standard notching relative to the IDR was used.

Hybrids

For Achmea B.V.'s subordinated notes a baseline recovery assumption of 'Poor' and a non-performance risk of 'Moderate' were used. Notching of minus three was applied relative to Achmea B.V.'s IDR, which was based on minus two notches for recovery and minus one notch for non-performance risk.

For the subordinated Restricted Tier 1 notes issued by Achmea B.V. a baseline recovery assumption of "Poor" and a non-performance risk assessment of "Moderate" were used. Notching of four notches was applied relative to Achmea B.V.'s IDR, which was based on two notches for recovery and two notches for non-performance risk.

Hybrids – Equity/Debt Treatment

Hybrids Treatment

Hybrid	Grandfathering Status	Amount	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
Achmea B.V.					
5.5% Preferred shares	Grandfathered for S2	EUR311m	0	100	50
4.625% Restricted Tier 1	-	EUR500m	100	100	0
6% Tier 2 callable subordinated	Grandfathered for S2	EUR500m	0	100	100
4.25% Tier 2 perpetual callable subordinated	Grandfathered for S2	EUR750m	0	100	100
2.5% Tier 2 callable subordinated	-	EUR250m	0	100	100

CAR – Capitalization Ratio: FLR – Financial Leverage Ratio. N.A. – Not Applicable
For CAR, % shows portion of hybrid value included as available capital, both before (Fitch %) and the regulatory override. For FLR, % shows portion of hybrid value included as debt in numerator of leverage ratio
Source: Fitch Ratings

Corporate Governance and Management

Corporate governance and management are adequate and neutral to the rating.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.