

19 JUN 2024

Fitch Affirms Achmea's Operating Subsidiaries at IFS 'A+'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 19 Jun 2024: Fitch Ratings has affirmed Achmea B.V.'s core operating insurers' Insurer Financial Strength (IFS) Ratings at 'A+' and Achmea B.V.'s Issuer Default Rating (IDR) at 'A'. The Outlooks are all Stable. A full list of rating actions is below.

The affirmation reflects Achmea's very strong company profile and capitalisation, its strong 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 moderate business risk profile. The company is a health and non-life insurance market leader in the Netherlands. However, its international activities are less than some Dutch peers.

International business generated 8% of the group's total gross written premiums in 2023 (2022: 7%). Its contribution to the group's total operating earnings remained marginal (EUR6 million) in 2023. International premiums increased 21%, stronger than the group's premium income, which rose 6% in 2023.

Very Strong Capitalisation: We regard Achmea's capitalisation as very strong. The company's Solvency 2 (S2) ratio post-dividend decreased to 183% in 2023 from 209% in 2022 due to repurchase of capital instruments, financial market developments (including mortgage spread widening) and model changes. Its Fitch Prism Global (Prism) score remained in the 'Strong' category at end-2023.

Moderate Leverage: Achmea's financial leverage ratio (FLR) improved to 22% at end-2023 from 24% at end-2022 because the company called EUR500 million Tier 2 subordinated debt and only issued EUR300 million. In 2024, Achmea issued EUR750 million Tier 2 subordinated debt and tendered EUR357 million of its perpetual EUR750 million callable in February 2025. Despite this, we expect the FLR to be very strong and broadly stable at end-2024.

Strong Financial Performance: Achmea's underwriting profitability is strong, which we expect it to maintain. It reported a stable non-life net combined ratio of 94% for its Dutch non-life business for 2023. We expect the net combined ratio to be stable in 2024, as long as catastrophe experience remains normal. Achmea's reported operational result increased to EUR628 million in 2023 from EUR519 million in 2022 by about 20% driven by premium growth and further investments in digitalisation.

Volatile Net Income: Achmea's net income return on equity (ROE) was 10.8% in 2023, up from a negative 10.4% in 2022. We expect the ROE to decrease, but to be at least 5% in 2024, driven by declined investment income. However, Achmea's almost pure fair value through profit and loss accounting leads to high volatility in results and makes predictions vulnerable.

Very Strong Investment Risk Management: Fitch assesses Achmea's investment-and-asset risk as low and scores it as 'Very Strong'. The company's risky-assets-to-equity ratio stood at a very strong and stable 53% at end-2023 (2022: 50%). 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 improving the S2 ratio to 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.

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.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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Rating Actions

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

ENTITY/DEBT	RATING	RECOVERY	PRIOR
• senior unsecured ^{LT}	A-	Affirmed	A-
• junior subordinated ^{LT}	BBB	Affirmed	BBB
• subordinated	BBB	Affirmed	BBB

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	⊕	◆
STABLE	⊙	

Applicable Criteria

[Insurance Rating Criteria \(pub.04 Mar 2024\) \(including rating assumption sensitivity\)](#)

Applicable Models

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

Prism Global (ex-U.S.) Model, v1.8.1 [\(1\)](#)

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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