

Research Update:

# Netherlands-Based Achmea Group's Core Subsidiaries Affirmed At 'A'; Outlook Stable

September 6, 2019

## Overview

- Achmea Group has a leading position in the Dutch property/casualty (P/C) and health markets, with a well-diversified profile including life insurance, income protection, asset management, and banking activities.
- Despite a difficult operating environment for the Dutch health market, Achmea has demonstrated stable and improved operating earnings in the past two years, which reduced pressure on the group's fixed-charge coverage and earnings volatility.
- We are affirming our 'A' long-term issuer credit and financial strength ratings on the core subsidiaries of Achmea.
- The outlook is stable because we believe that the group will sustain improvements in operating performance and fixed-charge coverage, while maintaining capital in excess of the 'A' level.

## Rating Action

On Sept. 6, 2019, S&P Global Ratings affirmed its 'A' long-term insurer financial strength and issuer credit ratings on the core subsidiaries of Achmea Group. We also affirmed the 'BBB+' ratings on Achmea B.V. and the 'A-' ratings on highly strategic subsidiaries Achmea Reinsurance Company N.V. and Achmea Bank N.V. The outlooks on all our long-term ratings remain stable.

We affirmed our ratings on all outstanding hybrids and debt instruments issued by Achmea B.V.

## Outlook

The outlook is stable because we expect that Achmea will maintain its leadership position in the Dutch P/C and health insurance market, with a capital position at least in the 'A' range and a fixed-charge coverage ratio at or above 4x.

### PRIMARY CREDIT ANALYST

**Silke Longoni**  
Frankfurt  
(49) 69-33-999-195  
silke.longoni  
@spglobal.com

### SECONDARY CONTACT

**Tatiana Grineva**  
London  
(44) 20-7176-7061  
tatiana.grineva  
@spglobal.com

### ADDITIONAL CONTACT

**Insurance Ratings Europe**  
insurance\_interactive\_europe  
@spglobal.com

## Downside scenario

We could lower the ratings over the next two years if profitability is below our expectations and this prevents Achmea from maintaining its capital adequacy and funding structure within our expectations.

## Upside scenario

We see the possibility of raising the ratings over the next two years as remote. However, we could consider upgrading Achmea if earnings were significantly above our expectations, enhancing its capital position above the 'AA' benchmark.

## Rationale

Achmea has a strong presence in the Dutch insurance market with an unrivaled dominant position in the health insurance sector, a leading position in the P/C insurance market, and a top-five position in income protection and individual life insurance. The group has a limited track record of converting these leadership positions into higher earnings than its peers, however, especially owing to an unfavorable market for health business. We also see limited organic growth opportunities in the market and do not expect the operating environment to change materially in the coming years.

Achmea's earnings have improved in the past two years. For 2018, Achmea reported strong earnings of €391 million compared with a five-year average of €235 million, which exceeds our expectations. Furthermore, despite indirect political pressure and intense competition in the health business, additional loss provisions declined substantially to €21 million in 2018 and €108 million in 2017, compared with on average €400 million annually in the three years before 2017.

We think reduced earnings volatility in the past two years compared with historical performance has strengthened the financial risk profile. Average fixed-charge coverage ratios for 2019-2021 are likely to remain above 4x and capital adequacy is likely to remain in excess of the 'A' level under our capital model.

Our rating on the group's subordinated debt and the inclusion of those instruments in our measure of Achmea's capital remains unchanged.

## Ratings Score Snapshot

<b>Business Risk Profile</b>	<b>Strong</b>
Competitive position	Strong
IICRA	Intermediate
<b>Financial Risk Profile</b>	<b>Strong</b>
Capital and earnings	Very Strong
Risk exposure	Moderately High
Funding structure	Neutral
Anchor*	a

**Modifiers**

Governance	Neutral
Liquidity	Adequate
Comparable ratings analysis	0
<b>Financial Strength Rating</b>	<b>A</b>

\*This is influenced by our view of the group's leading positions in the Dutch Health and property/casualty market compared to peers.

**Related Criteria**

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

**Ratings List**

**Ratings Affirmed**

**Achmea B.V.**

Issuer Credit Rating	
Local Currency	BBB+/Stable/--
Senior Unsecured	BBB+
Subordinated	BBB
Junior Subordinated	BBB-

**Achmea Bank N.V.**

Issuer Credit Rating	A-/Stable/A-2
Certificate Of Deposit	A-2
Senior Secured	A-
Senior Unsecured	A-
Subordinated	BBB
Commercial Paper	A-2

**Achmea Reinsurance Co. N.V.**

Financial Strength Rating	
Local Currency	A-/Stable/--

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### Ratings Affirmed

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**Achmea Pensioen & Levensverzekeringen N.V.**

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**Achmea Zorgverzekeringen N.V.**

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**Achmea Schadeverzekeringen N.V.**

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Issuer Credit Rating

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Local Currency      A/Stable/--

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Financial Strength Rating

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Local Currency      A/Stable/--

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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