



## Fitch Affirms Achmea's IFS Ratings at 'A+'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 30 September 2019:

Fitch Ratings has affirmed Achmea B.V.'s core operating entities' Insurer Financial Strength (IFS) Ratings at 'A+' (Strong) and its Issuer Default Rating (IDR) at 'A'. The Outlooks are Stable

### Key Rating Drivers

The ratings reflect Achmea's very strong capitalisation and leverage, and business profile. These strengths are somewhat offset by the group's profitability and debt servicing capabilities, which we assess as good.

Fitch ranks Achmea's business profile as 'favourable' within the Dutch insurance sector, and given this ranking, we score its business profile at 'aa-' under our credit factor scoring guidelines. This ranking 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.

Our assessment of Achmea's capitalisation is primarily based on a 'Very Strong' Prism Factor Based Capital Model (Prism FBM) result at end-2018 and Solvency II (S2) coverage of 195% at end-1H19 (end-2018: 198%). 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 issue of EUR500 million S2 qualifying restricted tier 1 (RT1) notes as part of a EUR750 million dual-tranche issue on 24 September 2019, and the planned redemption of grandfathered securities. These perpetual RT1 securities receive 100% equity credit in our FLR calculation.

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 partially 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 continued 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.

Achmea's 'good' debt-servicing capability and financial flexibility assessment is based on Fitch's expectation of 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).

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 Dutch residential mortgages.

### RATING SENSITIVITIES

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

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

## 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 to the way in which they are being managed by the entity.

For more information on our ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

### RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Achmea Schadeverzekeringen NV	Ins Fin Str A+ ● Affirmed	A+ ●
Achmea Pensioen- en Levensverzekeringen N.V.	Ins Fin Str A+ ● Affirmed	A+ ●
Achmea Zorgverzekeringen N.V.	Ins Fin Str A+ ● Affirmed	A+ ●
Achmea B.V.	LT IDR A ● Affirmed	A ●
senior unsecured	LT A- Affirmed	A-
subordinated	LT BBB Affirmed	BBB
junior subordinated	LT BBB- Affirmed	BBB-

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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## **Applicable Criteria**

Insurance Rating Criteria (pub. 11 Jan 2019)  
Exposure Draft: Insurance Rating Criteria (pub. 11 Sep 2019)

## **Additional Disclosures**

Dodd-Frank Rating Information Disclosure Form  
Solicitation Status  
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