



## RATING ACTION COMMENTARY

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

Fri 15 Jul, 2022 - 8:33 AM ET

Fitch Ratings - Frankfurt am Main - 15 Jul 2022: Fitch Ratings has affirmed Achmea B.V. core operating 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 business risk profile and its moderate diversification. 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 less than some Dutch competitors'.

International markets generated 6% of the group's total gross written premiums (GWP) in 2021 (2020: 5%) and accounted for 8% (2020: 4%) of its total operating earnings in 2021, driven by an improved operating expense ratio. Premiums increased 14%, faster than operating expenses, which rose only 2% in 2021.

**Very Strong Capitalisation:** We regard Achmea's capitalisation as very strong. Its Solvency 2 (S2) ratio post-dividend increased to 214% in 2021 from 208% in 2020. Its Fitch Prism Factor Based Model (Prism FBM) score was unchanged at 'Very Strong'. Its financial leverage ratio (FLR) was stable at 20% at end-2021.

**Good Financial Performance:** We expect Achmea to improve its profitability due to cost-efficiency programmes, albeit remaining under pressure from inherently low margins in Dutch mandatory health insurance. Achmea's net income return on equity ROE was 5.2% in 2021, down from 7.3% in 2020.

**Low Investment Risk:** 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 an excellent 36.8% at end-2021 (2020: 31.5%) due to slightly higher equity investments. 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, while maintaining the Prism FBM score and FLR at levels that are consistent with a 'Very Strong' assessment

Factors that could, individually or collectively, lead to negative rating action/downgrade:

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

-- Prism FBM score falls below 'Very Strong' for a sustained period

## **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)

## RATING ACTIONS

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

[VIEW ADDITIONAL RATING DETAILS](#)

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**APPLICABLE CRITERIA**

[Insurance Rating Criteria \(pub. 26 Nov 2021\) \(including rating assumption sensitivity\)](#)

**APPLICABLE MODELS**

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

Prism Factor-Based Capital Model, v1.7.2 (1)

## ADDITIONAL DISCLOSURES

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