

Research Update:

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

June 15, 2020

## Overview

- Achmea Group's top line and bottom line will be affected by the COVID-19 pandemic in 2020, but we believe the group will stand strong due to solid capitalization as per S&P Global Ratings' capital adequacy and at Solvency II levels.
- The group has a leading position in the Dutch property and casualty and health markets, with a well-diversified profile including life insurance, asset management, and banking activities.
- We are affirming our 'A' long-term issuer credit and financial strength ratings on Achmea's core subsidiaries.
- The outlook is stable because the company will meet our operating performance and fixed-charge coverage targets, while maintaining capital exceeding the 'A' level.

## Rating Action

On June 15, 2020, S&P Global Ratings affirmed its 'A' long-term insurer financial strength and issuer credit ratings on the core subsidiaries of Achmea Group. At the same time, S&P Global Ratings affirmed its '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 is stable.

## Outlook

The stable outlook reflects our expectation that Achmea will maintain its leadership position in the Dutch property and casualty (P/C) and health insurance markets, with a capital position at least in the 'A' range and a fixed-charge coverage ratio at 4x or higher.

## Downside scenario

We could lower the ratings over the next two years if profitability is sustainably below our expectations, preventing Achmea from maintaining capital adequacy and funding structure within

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our forecasts based on current assumptions.

## Upside scenario

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

## Rationale

The affirmation reflects our view that a solid capital position and broad product diversification will protect Achmea to withstand the effects of COVID-19 and the resulting recessionary environment. Earnings volatility from investments will be greater risk than increases in insurance liabilities over the next 12 months.

Due to the recession, we project a significant downturn in net income, mainly hampered by investment income. Nevertheless, following our overall expectation of an improved macroeconomic environment in 2021 and 2022, and Achmea's strong market position, we expect net income of €350 million–€375 million annually for 2021 and 2022.

Current capital stands above the 'AA' level, according to our risk-based capital model, and we believe that capital will remain above the 'A' level over 2020-2022 although weakened because of the capital market turmoil in first-quarter 2020. However, almost 70% of total adjusted capital, per our model, is core shareholders' funds, which aid what we view as a solid capital position. Furthermore, Achmea's solvency position remains robust with a solvency ratio of about 214% at year-end 2019 and we expect it to stay above 190% in 2020 given the capital position is very insensitive to interest rates and spreads.

Combined with modest business growth following the recession, we believe average fixed-charge coverage ratios for 2020-2022 are likely to remain above 4x.

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.

## 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

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Anchor*	a
<b>Modifiers</b>	
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**

\*\*\*\*\* Achmea B.V. \*\*\*\*\*

**Ratings Affirmed**

**Achmea B.V.**

Issuer Credit Rating	BBB+/Stable/--
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**Achmea Bank N.V.**

Issuer Credit Rating	A-/Stable/A-2
Certificate Of Deposit	A-2

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

**Achmea Zorgverzekeringen N.V.**

**Achmea Schadeverzekeringen N.V.**

Issuer Credit Rating	A/Stable/--
Financial Strength Rating	A/Stable/--

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

Financial Strength Rating	A-/Stable/--
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**Achmea B.V.**

Senior Unsecured	BBB+
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**\*\*\*\*\* Achmea B.V. \*\*\*\*\***

**Ratings Affirmed**

Junior Subordinated	BB+
Junior Subordinated	BBB-

**Achmea Bank N.V.**

Senior Unsecured	A-
Commercial Paper	A-2

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. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at [https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/sourceld/504352](https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceld/504352) 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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