

A man and a woman are jogging along a paved path in a park. The man is wearing a blue t-shirt and black leggings, while the woman is wearing a grey jacket and black leggings. They are both smiling and looking towards the camera. The background features large trees, a grassy area, and a small pond. The sky is overcast.

Achmea Annual Results 2016

***Exceptional items impact result,  
fundamentals improved***

**Willem van Duin**  
*Chairman of the Executive Board*

**Huub Arendse**  
*Chief Financial Officer*

**achmea** 

**14 March 2017**



# Contents

## General overview

- Group results
- Strategy to 2020

## Financial overview

- Results by segment
- New segment structure
- Capital position and solvency ratio
- Investments

## Conclusion





# Exceptional items impact result, fundamentals improved

Net result of €382 million negative (2015: €386 million positive):

- Exceptional items have large impact on results
- Operating profit positive, if adjusted for these expenses

Completion of Acceleration & Innovation change programme:

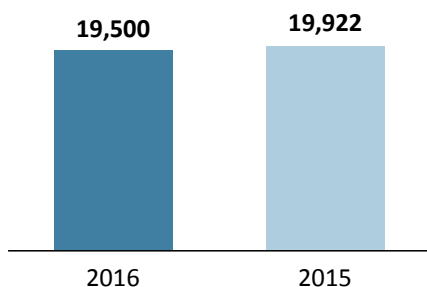
- Numerous innovations launched by brands; customers highly value innovation
- Expenses reduced by €390 million since launch of Acceleration & Innovation
- Improved fundamentals of Group's business operations
- Solid basis for upcoming planning period
- Solid financial position with a solvency ratio of approx. 183%<sup>1</sup>
- S&P 'A' rating for credit rating of insurance segments

<sup>1</sup> Before payment of dividend on preference shares and coupon on hybrids

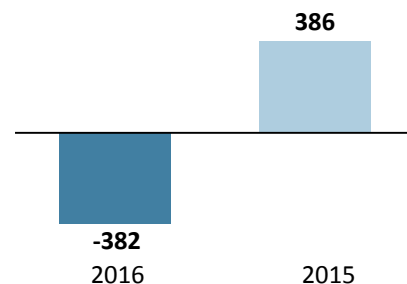


# Exceptional expenses have impact on results

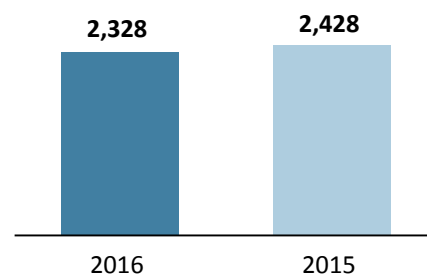
Gross written premiums  
(in €m)



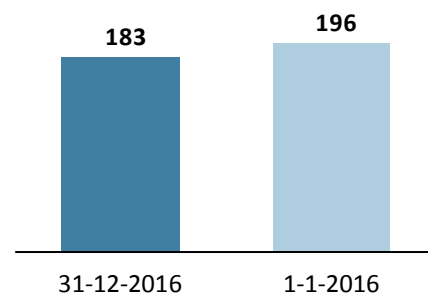
Net result  
(in €m)



Operating expenses  
(in €m)



Solvency ratio (SII)<sup>1</sup>  
(in %)



- Increase in gross written premiums as a result of:
  - Increase in market share in Property & Casualty for retail customers
  - Increase in number of health insurance customers for 2017
  - strong commercial performance internationally
- Lower equalisation contribution for healthcare and decrease of customers in 2016 result in lower written premiums in 2016 overall
- Net result impacted by five major exceptional expenses:
  - June's severe weather affected customers in Brabant and Limburg for more than €300 million. Impact on Achmea after reinsurance: €152 million
  - €178 million increase in provisions for personal injuries
  - Allocation of €434 million in health insurance income to limit rise in health insurance premiums in 2017
  - Creation of reorganisation provisions in excess of €100 million
  - €93 million write-down on goodwill on Turkish insurance business
- Continued investment in business operations, innovation and improvement of services to customers
- Expenses in 2016 reduced by 4% by Acceleration & Innovation, if adjusted for the reorganisation provision
- Solid financial position with a Solvency II solvency ratio of 183%<sup>1</sup>

<sup>1</sup> Before payment of dividend on preference shares and coupon on hybrids



# Results of insurance business per segment

Segment results (in €m)	2016	2015
Non-Life	-189	-7
Health	-196	271
Pension & Life	285	144
Retirement Services	-18	13
International Activities	25	44
Other Activities	-230	-97
<i>Operational result</i>	-323	368

## Non-Life: Initial efficiency improvements already visible

- Result affected by both severe weather and provision for personal injury. Adjusted for exceptional expenses result increases following efficiency measures

## Health: Loss in basic healthcare mainly due to increase in medical expenses

- Result affected by allocation of €434 million to limit rise in health premiums and increase in expenses for new, expensive medication, hospital care and district nursing

## Pension & Life: Significant higher result due to improved cost and investment results

- Higher investment results due to recovery in property market and higher commodity prices. Substantially lower operating expenses due to transition to closed book and completion of system migrations

## Retirement Services: Centraal Beheer APF launched with approximately €1 billion in assets under management

- Decision of pension funds RBS Nederland and Bavaria for Centraal Beheer APF. Segment result impacted by investments

## International: growth in premium income supports improvement in profitability

- Higher operational result adjusted for nonrecurring high results in 2015

## Other activities: positive result contribution from group companies

- Reorganisation provision in anticipation of further changes to our organisation impacts the result



# Acceleration & Innovation: strong improvement in the fundamentals beneath our business operations



## Background

- **Acceleration** in terms of customer focus and cost savings
- **Innovation** of processes and online services
- These changes are in response to customers' fast-changing needs

## Ambitions of Acceleration & Innovation

- Offering our customers new solutions
- Maintaining the current high level of customer satisfaction
- Maintaining long-term financial health



# Acceleration & Innovation: strong improvement in the fundamentals of our business operations



Customer-driven  
and innovative



Responsible  
returns



Competitive  
expenses



Evolving  
employees

## Customer-driven

- ✓ Customer satisfaction score remains high; NPS in Non-Life highest in sector
- ✓ Customer Centricity score awarded by AFM above market average: 4.0 on a scale of 5
- ✓ All Achmea brands retain Customer-Oriented Insurance quality seal
- ✓ **25% reduction in paper consumption in 2016 due to digitisation of customer communications and online policies**
- ✓ Increase in the number of options to contact customer services, including WhatsApp, Facebook and video phone
- ✓ Claims can be reported using the Centraal Beheer, Interpolis and FBTO apps
- ✓ More comprehensive services, including Centraal Beheer's RoadGuard and Zilveren Kruis' Actify
- ✓ Interpolis improves traffic safety through SlimOpWeg, Automodus and Safe2Bike technologies and in home environment through Thuismeester

## Innovations

- ✓ **More than 150 innovations have started since launch of Acceleration & Innovation change program in 2014**
- ✓ Achmea joins global blockchain initiative B3i
- ✓ Facilitation of initiatives relating to sharing economy: AirBnB, Peerby, MyWheels and Barqo
- ✓ Completion of FBTO pilot project involving insurance premiums based on driving behaviour
- ✓ Start-up of Homies pilot project alerts neighbours to absence through WhatsApp



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# Acceleration & Innovation: strong improvement in the fundamentals beneath our business operations



Customer-driven  
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Responsible  
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employees

## Group

- ✓ Clear strategy and support for further adjustments of the Group
- ✓ Divestment of structurally loss-generating (non-core) activities
- ✓ Large-scale IT migration programmes completed and systems discontinued
- ✓ High score for CSR, sustainable investments from PAX and Eerlijke Verzekeringswijzer

## Segments

- ✓ Improved returns after premium increases in non-life and income protection insurance
- ✓ Lower cost of claims due to improved claims management and prevention
- ✓ Increase in market share retail market in Property & Casualty
- ✓ Number of customers division Zilveren Kruis health insurance increases by approx. 60,000
- ✓ First two pension funds joined Centraal Beheer Algemeen Pensioenfonds
- ✓ Concentration of asset management activities within Achmea Investment Management with AuM of €116 billion
- ✓ Improvement of Rabobank distribution: increase in premium volume achieved
- ✓ International growth strategy proved to be effective



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# Acceleration & Innovation: strong improvement in the fundamentals of our business operations



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Responsible  
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Competitive  
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employees



- ✓ **€390 million cost reduction since 2014**
- ✓ **Reduction in the number of jobs (FTEs) by approx. 3,350**
- ✓ Structural improvement of performance of IT services: increased productivity and lower expenses
- ✓ **Further efficiency increase and cost cuts included in plans for all segments**
- ✓ Further digitisation of expense claims processes helps cut operational expenses
- ✓ **Operating expenses to fall by approx. €200 million until 2020; number of FTEs reduced by approx. 2,000**



# Acceleration & Innovation: strong improvement in the fundamentals of our business operations



Customer-driven  
and innovative



Responsible  
returns



Competitive  
expenses



Evolving  
employees



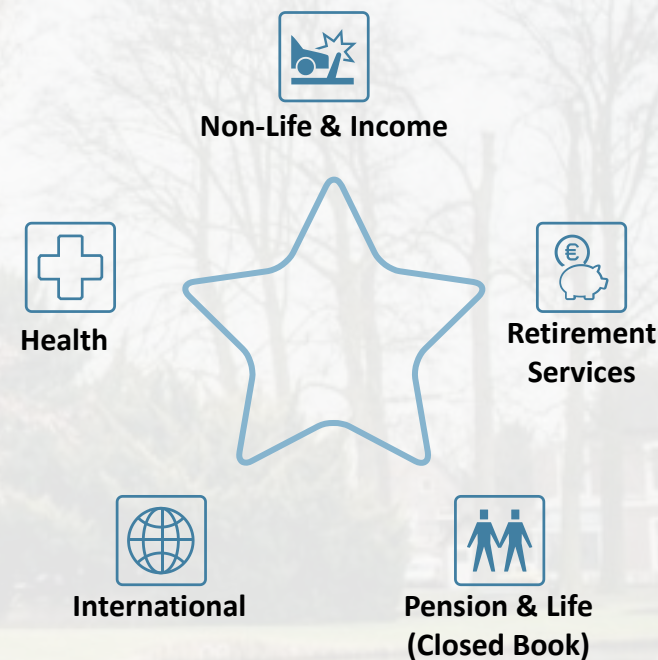
- ✓ **Achmea remains a good employer, despite radical measures**
- ✓ **Consistently high response rates, engagement and satisfaction in annual internal MBO survey**
- ✓ **Employment, careers and labour-market position central in Collective Labour Agreement and Social Plan**
- ✓ Achmea has best reputation of any employer among insurance companies and pension funds, according to general-interest weekly *Intermediair*
- ✓ Employability, Leadership, Flexible organisation, Working in a digital environment and War for talent are the central focus of the strategic HR plan
- ✓ Annual expenditure on external employee training and education accounts for approx. 3% of the wage bill
- ✓ Variety of internal opportunities for employee development, including Specialist Development programmes for experts and a Management Development programme for future leaders
- ✓ Support for redundant employees by the Achmea Transfer Centrum (ATC)



# Strategy to 2020: 'Delivering Together': Leading and relevant to customers

- 'Delivering Together' is the continuation of our strategy until 2020
- The fundamentals of our business operations have improved significantly
- Innovation of services provided to customers remains a central focus
- Further investment in innovation and customer focus
- Credo: leading and customer relevance
- Further change leads to reduction in expenses and jobs
- Operating expenses to fall by approx. €200 million until 2020; number of FTEs reduced by approx. 2,000

## Organisation of our operations according to five market-oriented chains:



Each market has its own dynamic and role



# Non-Life: market leadership and innovation



## Property & Casualty

- Further improvement and investments in online services for our customers
- Efficiency recovery due to premium increases for climate change, personal injury and other areas
- Further increases needed in the interest of all stakeholders
- Sharp focus on portfolio performance

## Income Protection

- Focus on further increase in profitability, following all premium measures implemented
- Focus on claims management and prevention





## Health: focus on delivering added value to customers



- Focus on delivering added value to customers
- Further reduction in administrative expenses in order to maintain competitive position
- Increase in number of customers by more than one type of insurance (cross-sell)
- Helping consumers and businesses to improve their lifestyles and using Zilveren Kruis' Actify and Gezond Ondernemen ('Healthy Entrepreneurship')
- Increase in the number of customers at the division Zilveren Kruis
- Since 2014, we have allocated more than €1.2 billion (the equivalent of roughly €250 per policy) to limit the increase in healthcare premiums
- Sharp increases in premiums will be unavoidable in the coming years in the interest of all customers





## Retirement Services: tailor-made pension solutions for customers



- Further investment in:
  - Centraal Beheer Algemeen Pensioenfonds (APF)
  - Company and sector pension funds
- RBS Nederland and Bavaria pension funds are first customers of Centraal Beheer APF
- Centraal Beheer to evolve into an integrated financial services provider, including mortgage and savings products, among other services
- **Achmea Investment Management's** assets under management further increase to €116 billion due to:
  - Growing portfolio with term life insurance and market leadership for new sales
  - Gradual reduction in administrative services to sectoral pension funds in 2019

## Pension & Life: management of 'closed portfolios'

- Focus on highly efficient administration while retaining the current high service levels
- Integration of portfolios with pension and life insurance provides economies of scale in administration in the long term





## International: growth and positive contribution to the result



- Continued focus on high-potential countries and markets
- Greece, Turkey, Ireland, Slovakia and new market Australia
- Providing insurance and services in an innovative fashion
- Focus on core competencies:
  - direct online and banking distribution
  - non-life and health insurance products





## Strategy to 2020: ‘Delivering Together’



- ‘Delivering Together’ is the continuation of our strategy until 2020
- Innovation of services provided to customers remains a central focus
- Further investment in innovation and customer focus
- Further change leads to further reduction in expenses and jobs
- Operating expenses to fall by approx. €200 million until 2020; number of FTEs reduced by approx. 2,000
- We apply new technologies which add new solutions to insurance products
- We are trendsetters in the way we work and are relevant to our customers every day





# Contents

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- Strategy to 2020

## Financial overview

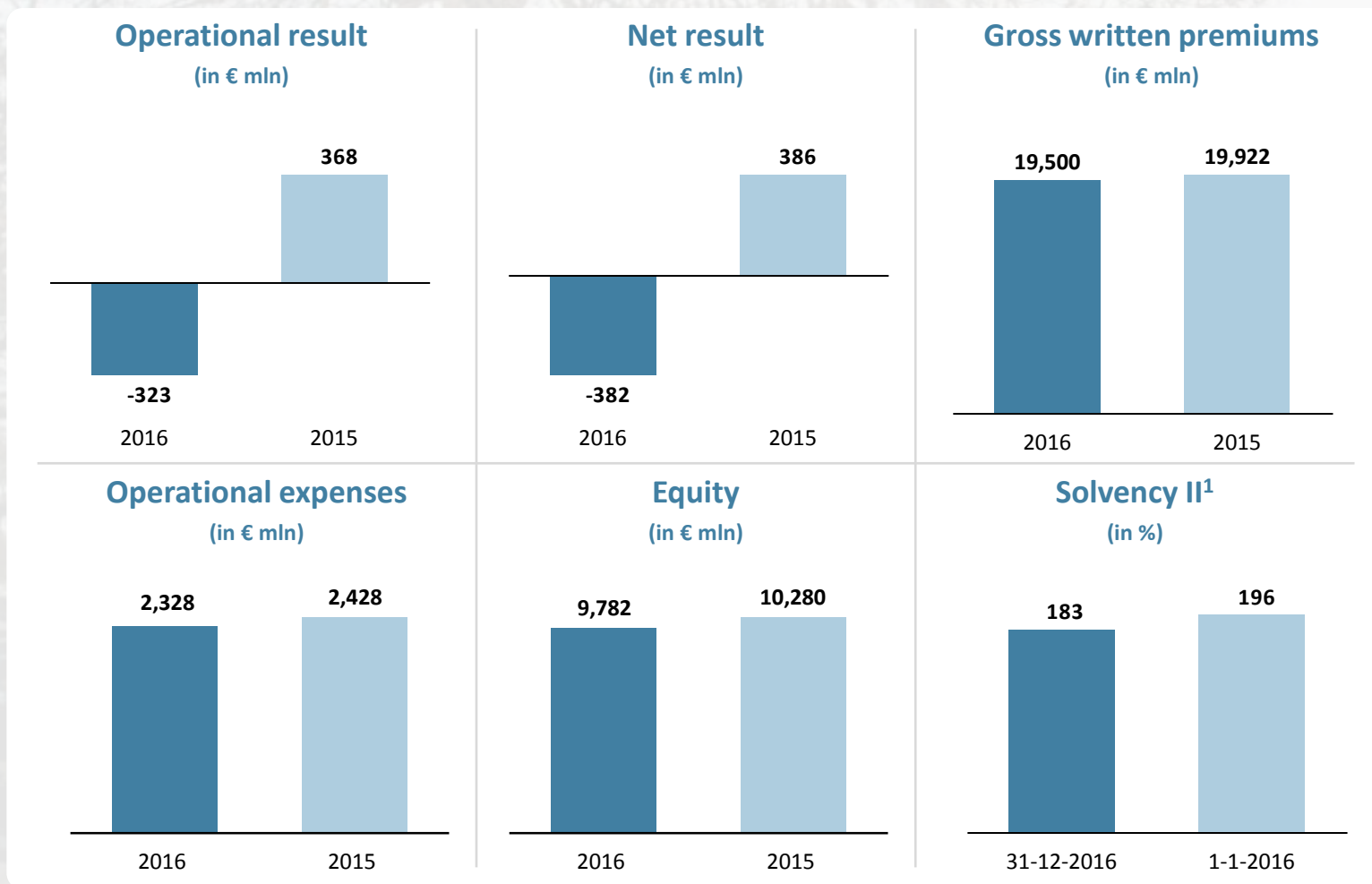
- Results by segment
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# Exceptional items impact the result



- Operational result impacted by:
  - Hail calamity in June 2016
  - Increase in provision personal injury due to regulatory changes
  - Higher health expenditures particularly for underwriting year 2016 and as a result of changes in the composition of our portfolio
  - Allocation of reserves to limit premium increases for our clients in 2017
  - Preparing our organisation for the future leads to a reorganisation provision
- Net result impacted by goodwill impairment on our Turkish activities due to economic developments
- Gross written premiums increased within Property & Casualty and International. Lower health premiums due to lower number of insured clients in 2016
- Operational expenses decrease with 4% to €2,328 million after adjusting for non-recurring expenses
- Solid financial position with a Solvency II ratio of 183%<sup>1</sup> and a debt leverage ratio of 26%

<sup>1</sup> before dividend on preference shares and coupon on hybrids. After payment it is 181%

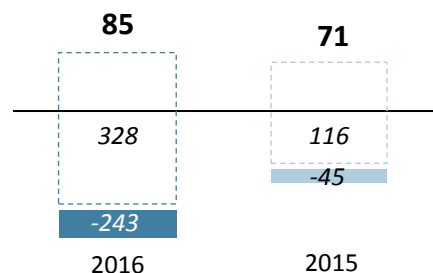


# Non-Life: Initial efficiency improvements already visible

## Operational Result Property & Casualty

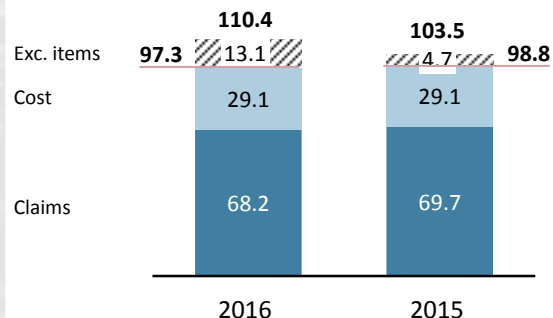
(in € mln)

-243 Operational result      328 Exceptional items



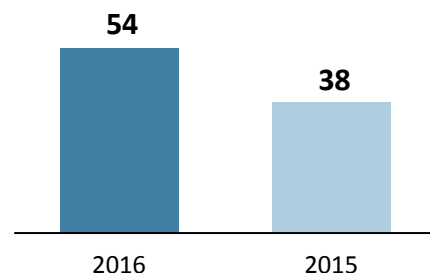
## Combined ratio Property & Casualty

(in %)



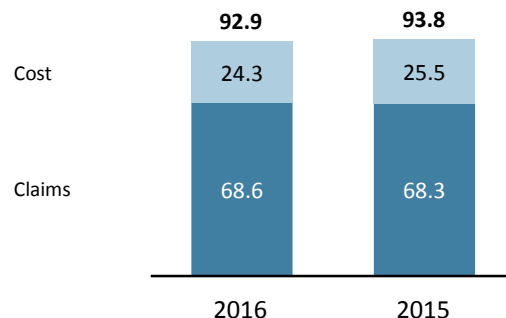
## Operational result Income Protection

(in € mln)



## Combined ratio Income Protection

(in %)



## Property & Casualty (P&C)

- Operational result adjusted for exception items improved slightly as a result of cost savings and profitability measures
- Extreme weather, impact of €150 million, mainly due to the hail calamity in June
- Provision for personal injury increased with €178 million due to higher damages non-objectifiable symptoms, deterioration reintegration for people with work-related disabilities and higher number of recourse claims due to regulatory changes
- Combined ratio adjusted for exceptional items improves with 1.5%-pt to 97.3%
- Gross written premiums P&C increases to €2,594 million (2015: 2,529 million) due to higher inflow new clients and profitability measures

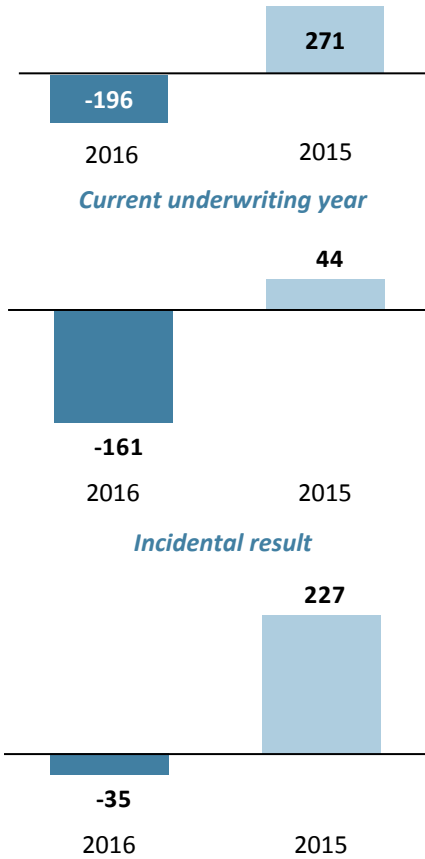
## Income Protection

- Operational result improves mainly as a result of a reserve release on Group Disability
  - Continuous focus on claims management whereby clients rehabilitate faster and a portion of the provision on Group Disability is released
  - Higher duration of absence as a result of an increase in complex and workload related symptoms (e.g. burn-out)
  - Result individual disability stable
- Combined ratio improves with 0.9%-pt to 92.9% on the back of a lower cost ratio due to the cost savings
- Gross written premiums decline in line with the market to €590 million (2015: €610 million)



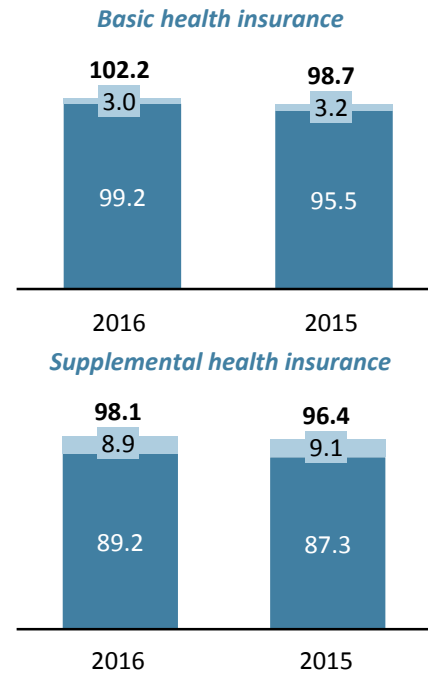
# Health: Loss in basic healthcare mainly due to increase in medical expenses

## Operational result Health (in € mln)



## Combined ratio (in %)

Cost ratio Claims ratio



## Basic health insurance

- Result underwriting year 2016 impacted by:
  - Higher health expenditures due to higher expenses for medicines, hospital care and district care
  - Equalisation does not fully compensate change in portfolio composition
  - Lower results from investments due to low interest rates
- Incidental result 2016 lower due to:
  - Allocation of reserves of €434 million (2015: €481 million) to limit premium increases. Allocation over three years is €1.2 billion (approx. €245 per policy)
  - Release from previous years is €399 million in 2016 (2015: €703 million)
- Lower operating expenses as a result of efficiency improvements
- Gross written premiums influenced by lower number of insured and lower contribution equalisation (2016: €11,779 million; 2015: €12,179 million)

## Supplemental health insurance

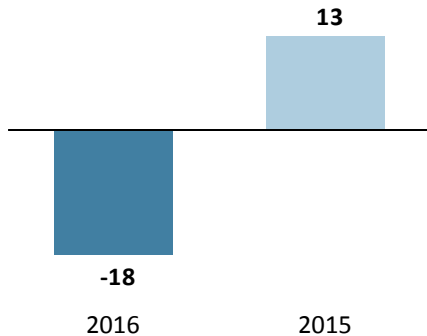
- Clients insured for supplemental health make a more conscious choice for their cover. This development is mainly in paramedical care and dental care in 2016
- Premium income remained stable at €1,313 million (2015: €1,310 million)



# Retirement Services: Centraal Beheer APF launched with approximately €1 billion in AuM

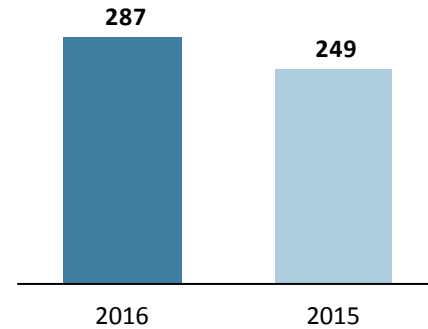
## Operational result

(in € mln)



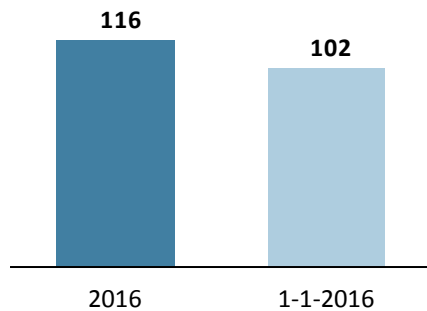
## Operational expenses

(in € mln)



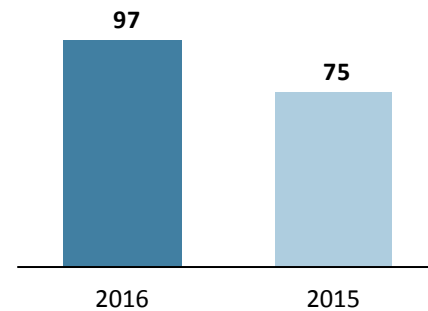
## Assets under Management of Achmea Investment Management

(in € bn)



## Net interest margin Achmea Bank

(in bps)



## General

- Centraal Beheer APF launched with pension funds RBS Nederland and Bavaria as its first clients
- Investments in the implementation of the retirement services strategy impact operational result

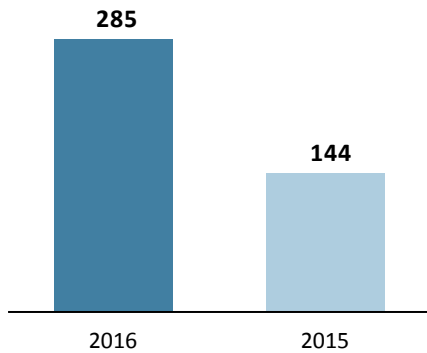
## Achmea Investment Management, Achmea Bank en Syntrus Achmea pension administration

- Assets under Management of Achmea Investment Management increased due to increase in investments Achmea own risk and external clients and higher results financial markets. As a result the management fees also increase
- Higher interest margin Achmea Bank due to lower financing charges and higher interest results as a result of prepayments
  - Core Tier 1 Ratio increased to 19.1% (2015: 16.7%)
- Reduction pension administration activities of mandatory sectoral pension funds leads to higher temporary expenses and lower administration and management fees

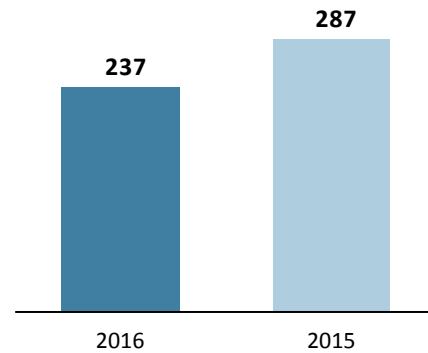


# Pension & Life: Significant higher result due to improved cost and investment results

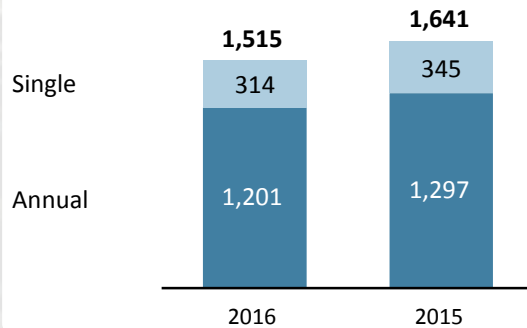
**Operational result**  
(in € mln)



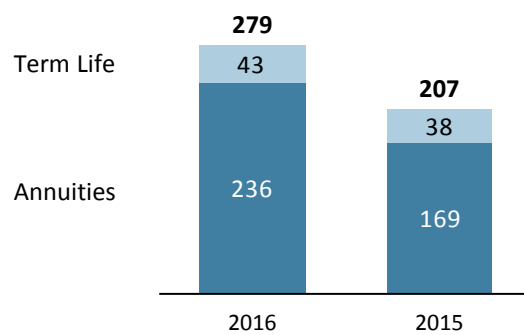
**Operational expenses**  
(in € mln)



**Gross Written Premiums closed book**  
(in € mln)



**Gross Written Premiums Annuities & Term Life**  
(in € mln)



## Pension & Life

- Operational result doubled as a result of:
  - Higher investment result due to recovery real estate market and higher commodity prices
  - Operational expenses significantly lower due to transition to closed book organisation and completed system migrations
  - Lower amortisation of Value Of Business Acquired (VOBA)

## Annuities & Term Life

- Market leadership with 24% market share in new term life sales
- Premium income annuities and term life increased with 35%

## Closed book

- Gross written premiums declined with 8% mainly as a result of regular premium lapses and a large single premium contract in 2015

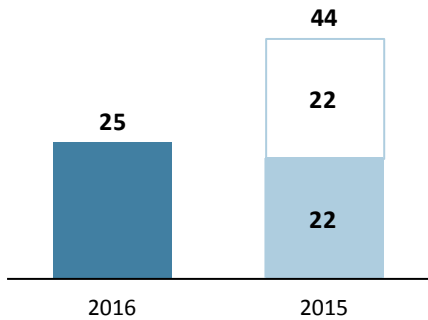


# International: growth in premium income supports improvement in profitability

## Operational result

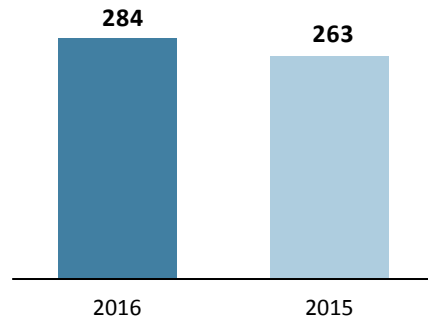
(in € mln)

□ Non-recurring income



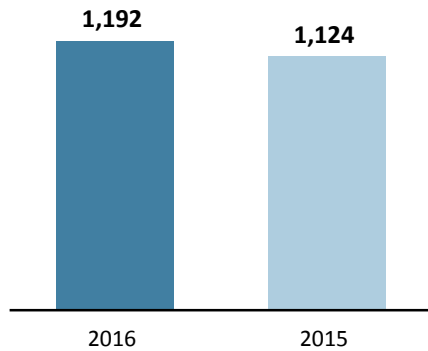
## Operational expenses

(in € mln)



## Gross written premiums

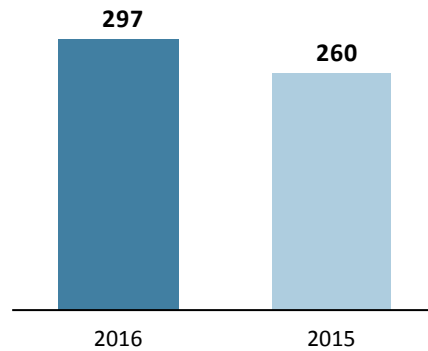
(in € mln)



## Number of online policies

Anytime & Onlia

(x 1,000)



## International activities

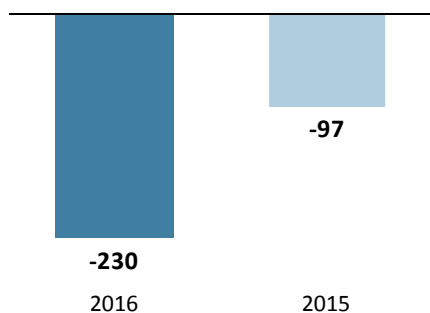
- Total premium growth of 6%:
  - Strong increase in premiums **Turkey** (11%), in local currency (23%)
  - Increase in market share in **Greece** in a shrinking market. Market leadership in private non-life market with 12% market share
  - In a stable market in **Ireland** APE grows with 25% as a result of improved service offering
  - Online initiatives Onlia (**Slovakia**) and Anytime (**Greece**) successful
- Investments in digital growth strategy and orientation on new markets
- Slight increase in profitability when adjusted for non-recurring income in 2015



## Other activities: positive contribution from group companies

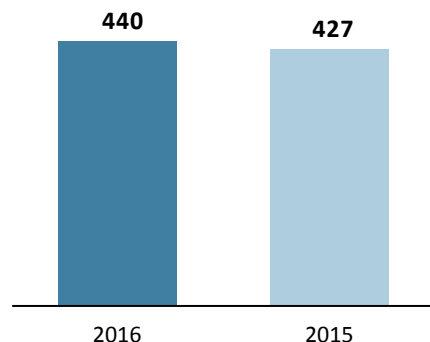
### Operational result

(in € mln)



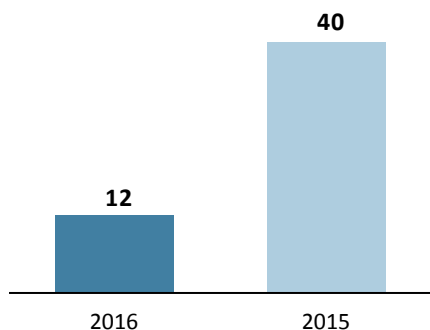
### Operational expenses

(in € mln)



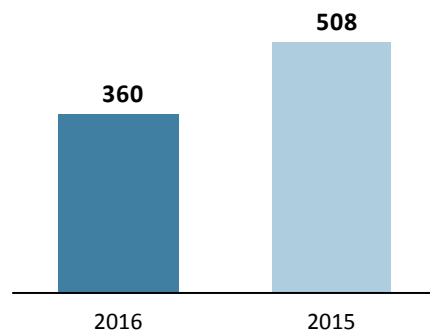
### Operational result Achmea Re

(in € mln)



### Gross written premiums Achmea Re

(in € mln)



### Other activities

- The segment Other activities includes the result of group companies<sup>1</sup>, shared service centers and costs at holding level
- All group companies contribute positively to the result:
  - Positive contribution from **Achmea Reinsurance** of €12 million (2015: €40 million). Result impacted by hail calamity in June and incidental higher realised gains on investments in 2015
  - Assets under Management from **real estate management activities** increased to €18.1 billion as a result of growth in the mortgage portfolio and positive revaluation of real estate. The management fees also increased because of this to €69.8 million (2015: €63.5 million)
- Reorganisation reserve as a result of the planned reduction in the number of jobs impacts the result by €82 million
- Gross written premiums reinsurance activities mainly impacted by reduction in incoming mortality business Life
- Private banking activities Staalbankiers sold to Van Lanschot in line with strategy

<sup>1</sup> Achmea Reinsurance Company, Synstrus Achmea Real Estate & Finance en Independer



# Solvency II ratio remained solid at 183%

## Solvency II (partial internal model) 2016

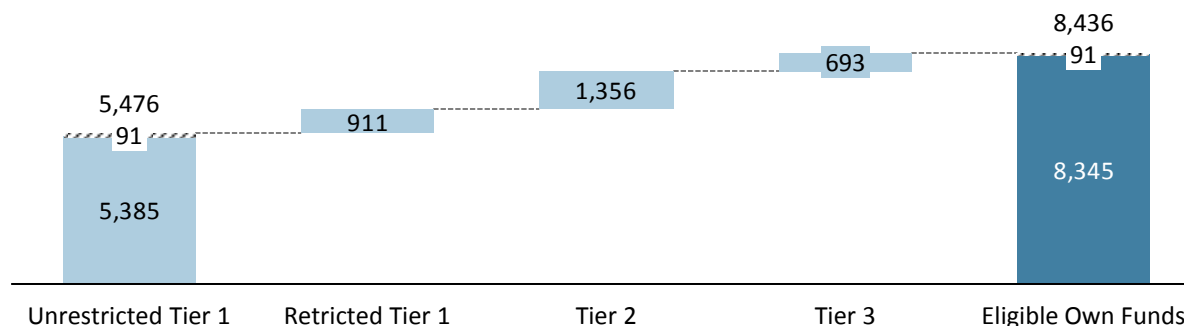
(in € mln)

### Financial head room<sup>1</sup>



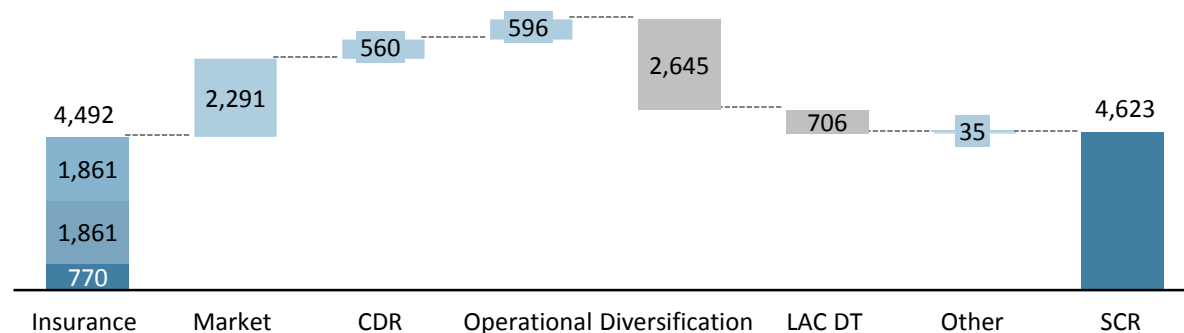
### Eligible Own Funds

Impact dividend proposal 2017



### Required Capital

Health risk  
Life risk  
Non-Life risk



## Solvency II

- Solvency II ratio 2016 is 183% mainly as a result of a decline in eligible own funds
- Solvency II ratio 181% after payment preference dividends and coupons on hybrids

## Solvency II core entities

- Non-Life : 138%
- Health: 147%
- Pensions & Life: 130%

## Uncertainties

- Guidelines Dutch regulator (DNB) relating to the loss-absorbing capacity of deferred taxes (LAC DT)
- Draft legislation relating to the restriction of health insurers' capital

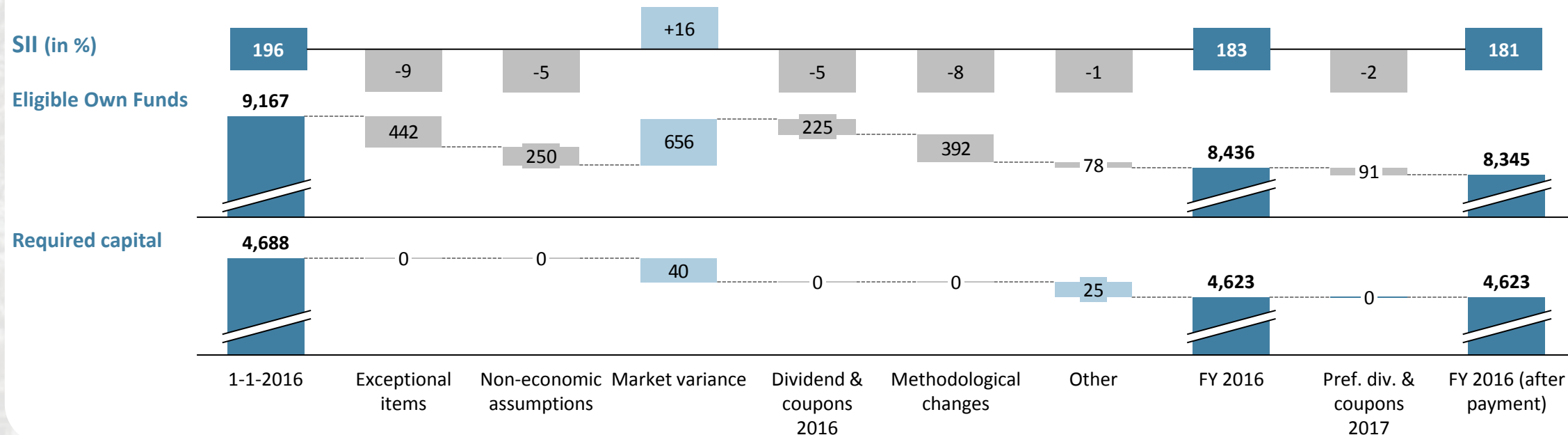
<sup>1</sup> **RT1 capacity:** (UT1 / 80%) – UT1 – outstanding RT1; **Tier 2 capacity:** (consolidated SCR \* 50%) – outstanding Tier 2 – outstanding Tier 3; **Tier 3 capacity:** (consolidated SCR \* 15%) – outstanding Tier 3



# Solvency II ratio mainly impacted by decrease in eligible own funds

## Solvency II (partial internal model) 2016

(in € mln)



### Eligible Own Funds

- Eligible Own Funds impacted by exceptional items. Also changes in cost assumptions Pension & Life and methodological changes in the calculation of the pension fund own employees
- Positive contribution from interest and spread movements
- Coupon & dividend payments in 2016 and 2017

### Required capital

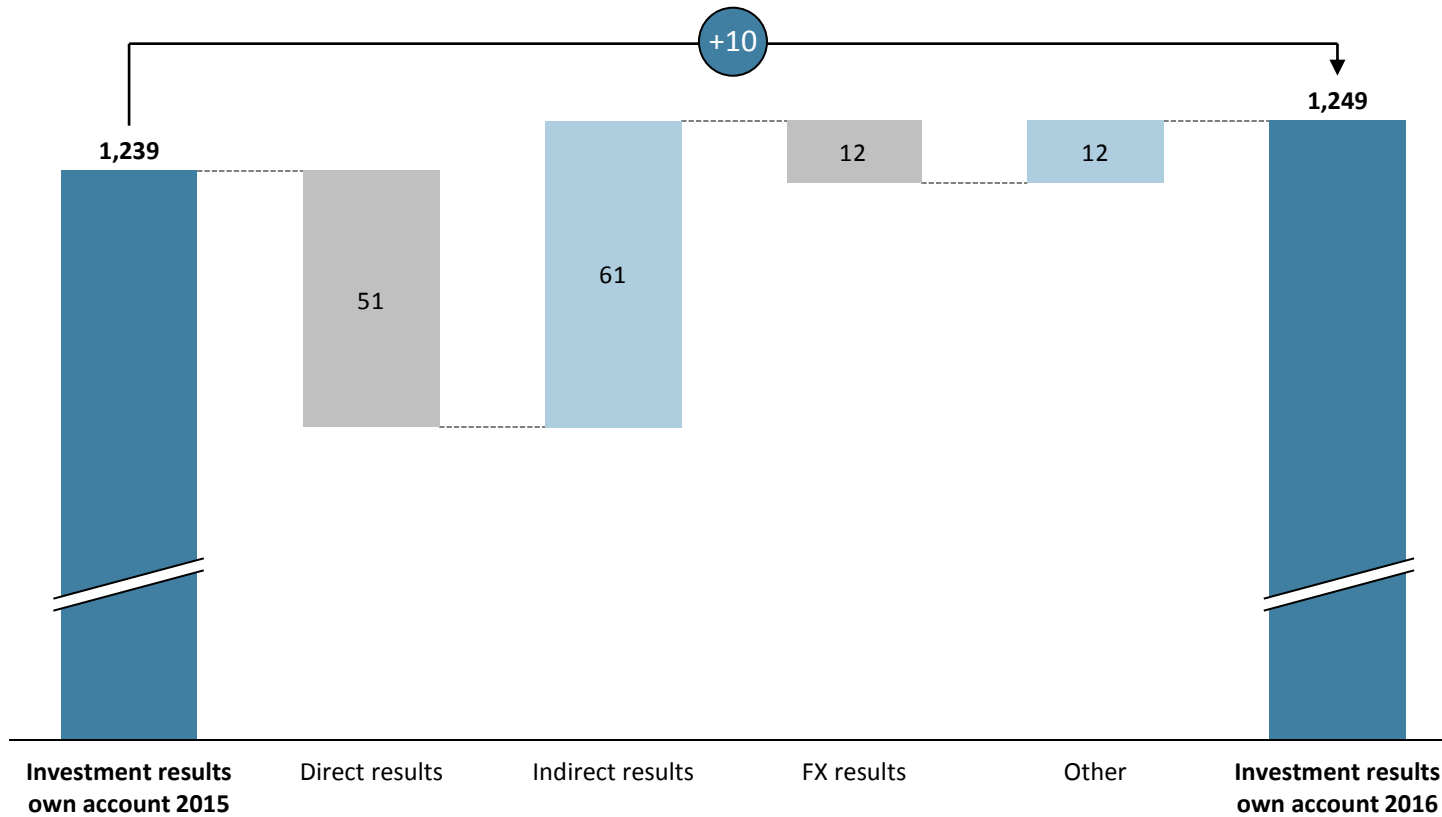
- Decline in required capital mainly as a result of a lower market risk and higher loss-absorbing capacity expected profits (LAC EP)
- Insurance risks after diversification increased slightly due to portfolio developments and decline in interest rates



# Higher investment results due to increased commodity and residential property prices

## Analysis of Change own account investments Achmea Group

(in € mln)



## Investment results

- Investment results own account and risk increased with €10 million due to higher indirect results which more than compensated the lower direct results as a result of low interest rates:
  - Increased commodity prices
  - Positive revaluation on residential properties
  - Lower realised gains on fixed income and equities
- Running yield at 2.2%
- All realised and unrealised investment results on fixed-income securities and interest-rate derivatives for own account and risk for our Dutch Pension and Life business are set aside in a Fund for Future Appropriation (FFA).
  - The FFA increased to €7.8 billion in 2016 (2015: €6.2billion)



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# Exceptional items impact result, fundamentals improved

Net loss of €382 million (2015: €386 million):

- Exceptional items have large impact on results
- Operating profit positive, if adjusted for these expenses

Completion of Acceleration & Innovation change programme:

- Numerous innovations launched by brands; customers highly value innovation
- Expenses reduced by €390 million since launch of Acceleration & Innovation
- Improved fundamentals of Group's business operations
- Solid basis for upcoming planning period
- Solid financial position with a solvency ratio of approx. 183%
- S&P 'A' rating for credit rating of insurance segments



# Questions?

## Please contact:

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# Programma

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## Appendix

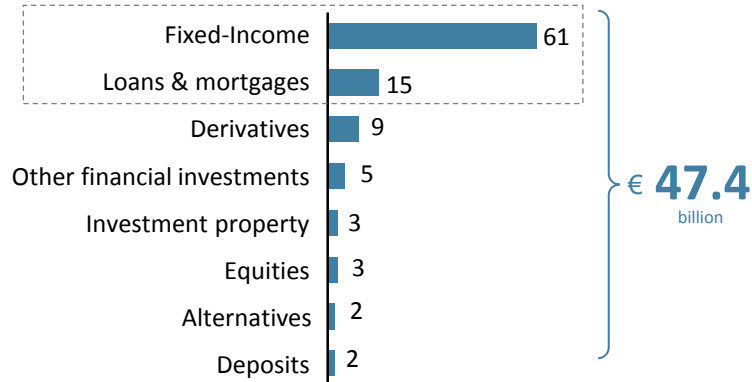
- Investment portfolio



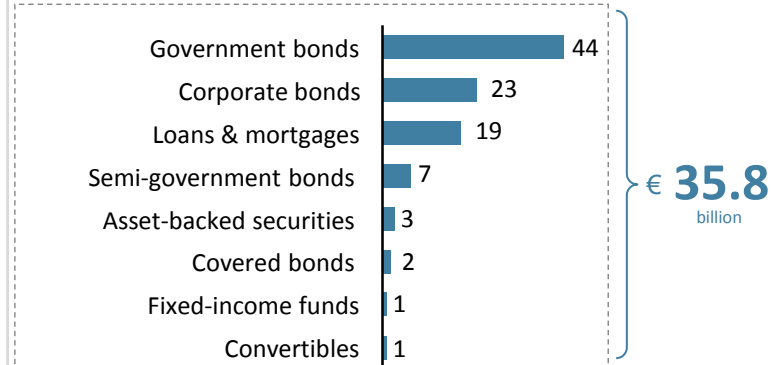


# Quality investment portfolio remains high

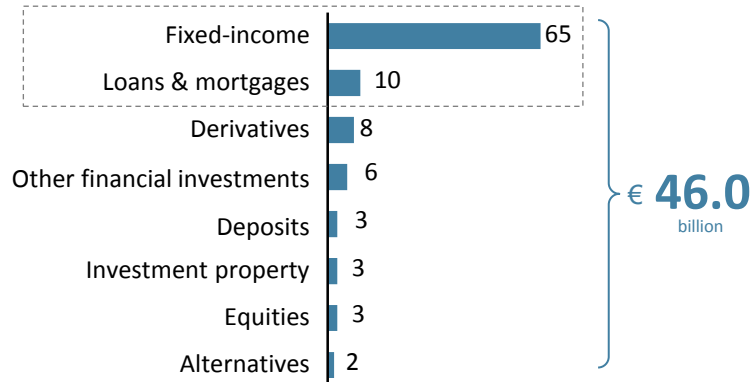
**Total investment portfolio 31-12-2016**  
(in %)



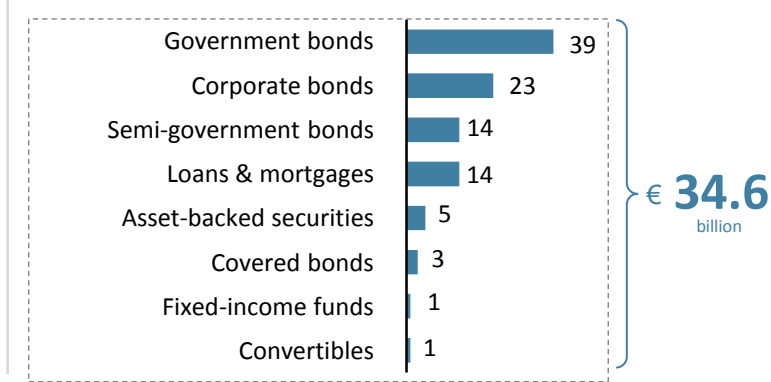
**Fixed-Income portfolio 31-12-2016**  
(in %)



**Total investment portfolio 31-12-2015**  
(in %)



**Fixed-Income portfolio 31-12-2015**  
(in %)



## Total investment portfolio

- Investment portfolio increased with 3%:
  - Increase mainly within fixed-income as a result of lower interest rates in the longer maturities
  - Equities and real estate portfolio increased in value due to positive revaluation residential properties and higher prices commodities and equities.

## Fixed-income portfolio

- 83% of the fixed-income portfolio has a investment grade rating (BBB or higher). Slight decline in rating profile compared to 2015 as a result of the increase in the mortgage portfolio (part of non-rated exposure)
- Mortgage portfolio increased with €2 billion to €5.8 billion<sup>1</sup>
  - Target for year-end 2017: approx. €7 billion

<sup>2</sup> Financed through the sale of covered bonds and semi-government bonds