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Danica Pension Livsforsikringsaktieselskab

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Danica Pension Livsforsikringsaktieselskab

Rationale

The 'A-' long-term issuer credit rating on Danica Pension

Livsforsikringsaktieselskab (Danica) is based on S&P Global Ratings' view of its role as a core subsidiary of Danske Bank A/S (A/Stable/A-1). The core status reflects Danica's key role in Danske Bank's financial services offering, as a market-leading life insurer in Denmark, and its strong integration within the group. As a core entity, we rate Danica at the level of the bank's unsupported group credit profile (UGCP), since we expect that it would receive support under all foreseeable circumstances if needed. However, we do not believe it will benefit from the bank's additional loss-absorbing capacity in resolution.

We view Danica as being one of the leading life insurers in Denmark, with a market share for 2019 of about 24% on premiums and about 31% on assets under management. In addition, we believe Danica benefits from its strong integration into Danske Bank with close collaboration and distribution ties. For 2019, Danica's gross written premiums (GWP) increased to Danish krone (DKK) 24.5 billion (DKK23.4 billion in 2018) and net profit was DKK1.98 billion (DKK0.6 billion in 2018). The increase in net profit was due to the sale of Swedish entity Danica Pension Försäkringsaktiebolag, which received regulatory approval in May 2019. Danica's solvency coverage ratio stood robust at 198% at year-end 2019 (203% in 2018).

In first half 2020, Danica was significantly affected by the COVID-19 pandemic.

This came as financial markets declined sharply, with adverse effects on its financial performance, particularly return on investment allocated to shareholders' equity. However, some losses incurred in the first quarter were recovered in the second quarter and the solvency coverage ratio remained healthy at 184%. We expect net profit for 2020 will be less than DKK1 billion, subject to financial market and COVID-19 developments. Nevertheless, we believe that Danske Bank will remain highly committed to support Danica in times of stress, in particular, we expect Danske Bank to provide capital if needed.

Operating Company Covered
By This Report

Financial Strength Rating

Local Currency

NR/--/--

Outlook

Our stable outlook on Danica reflects that on Danske Bank. This is because we regard Danica as a core subsidiary of the bank, which would receive support under all foreseeable circumstances if needed.

Downside scenario

We could lower the ratings over the next 12-24 months if we revised our assessment of Danske Bank's UGCP downward.

We could also lower the ratings if we no longer regarded Danica as core to Danske Bank. We consider this unlikely, but it could result from a significant weakening of Danica's operating performance or group integration, or indications of a reduced commitment from Danske Bank to Danica.

Upside scenario

We could raise the ratings over the next 12-24 months if we revised our assessment of Danske Bank's UGCP upward.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- Insurance Industry And Country Risk Assessment: Denmark Life, April 27, 2020
- Danske Bank Affirmed At 'A/A-1' On Limited Fallout Expected From FSA Inspection; Outlook Stable, Sept. 21, 2020

Ratings Detail (As Of October 22, 2020)*

Operating Company Covered By This Report

Danica Pension Livsforsikringsaktieselskab

Financial Strength Rating

| | |
|-----------------------|--------------|
| <i>Local Currency</i> | NR/--/-- |
| Issuer Credit Rating | A-/Stable/-- |
| Subordinated | BBB |

Domicile Denmark

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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