

Danica Pension Livsforsikringsaktieselskab

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Table Of Contents

Rationale

Outlook

Related Criteria

Related Research

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 of Danske Bank, 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 that 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 in 2020 of about 23% by premiums and about 30% by assets under management. In addition, we believe that Danica benefits from its strong integration into Danske Bank, with close collaboration and distribution ties. In 2020, Danica's gross written premiums (GWP) increased to Danish krone (DKK) 27.4 billion (DKK24.5 billion in 2019) and its net profit was DKK1.1 billion (DKK1.98 billion in 2019, boosted by the sale of Swedish subsidiary Danica Pension Forsakringsaktiebolag). Profit in 2020 was affected by an impairment charge concerning receivables and other assets in connection with the merger with the former SEB Pension, and a provision for tax on pension returns in prior years. Danica's healthy solvency coverage ratio increased to 202% at year-end 2020 from 198% in 2019.

Danica profited from market developments in first quarter of 2021. Despite continued market uncertainty, Danica saw an increase in GWP and assets under management. We expect Danica's full-year results to be in line with those in 2020, albeit subject to developments in the financial markets and the strength of the economic recovery in rest of the year. As Danica has now completed the integration of former SEB Pension, we believe that Danica will further enhance its position as a leading provider of life insurance and pension products in Denmark. Additionally, we expect the merger of Forsikringsselskabet Danica, Skadesforsikringsaktieselskab af 1999, and Danica Pension, Livforsikringsselskab to be finalized in the first half of 2021, with Danica Pension as the continuing company. The merger is subject to regulatory approval.

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, and as such, we believe it 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 any indications of Danske Bank's reduced commitment 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

- 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: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Research

- Danske Bank Affirmed At 'A/A-1' On Limited Fallout Expected From FSA Inspection; Outlook Stable, Sept. 21, 2020
- Insurance Industry And Country Risk Assessment: Denmark Life, April 21, 2021

Ratings Detail (As Of May 5, 2021)*

Operating Company Covered By This Report

Danica Pension Livsforsikringsaktieselskab

Financial Strength Rating

Local Currency

NR/--/--

Issuer Credit Rating

A-/Stable/--

Subordinated

BBB

Ratings Detail (As Of May 5, 2021)*(cont.)

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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