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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+/Negative/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 stand-alone credit profile (SACP), 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 one of the leading life insurers in Denmark, with a market share in 2021 of about 26% by premiums and about 30% by assets under management. We believe that Danica benefits from its strong integration into Danske Bank, with close collaboration and distribution ties. In 2021, Danica group's premiums increased to Danish krone (DKK) 36.8 billion (DKK27.9 billion in 2020) while net profit increased to DKK1.73 billion (DKK1.5 billion in 2020). These improvements followed strong financial market performance and an improved result for the life insurance segment. However, the health and accident segment continued to report losses, albeit lower than in the previous year due to fewer claims. Danica group's solvency coverage ratio remained healthy--increasing to 210% at year-end 2021 (191% in 2020).

Negative financial markets in first quarter of 2022, and further refocusing on its domestic market. Given the current macroeconomic uncertainty and geopolitical situation, we expect turbulence in the financial markets to persist throughout the year. As such, we anticipate that Danica's 2022 results will be lower than those in 2021. In December 2021, we note that Danica decided to divest its Norwegian subsidiary, Danica Pensjonsforsikring AS, to Storebrand. This transaction in Norway follows Danica's disposal of its Swedish business back in 2019. Following these disposals, we believe that Danica will further foster its position as a leading provider of life and pension insurance products in Denmark. We note that the proceeds from the transaction in Norway will likely reach around DKK400 million and will be recognised in the 2022 income statement. We appreciate that the acquisition will be subject to approval by the relevant authorities.

Operating Company Covered
By This Report

Financial Strength Rating

Local Currency

NR/--/--

Outlook

Our negative outlook on Danica reflects that on Danske Bank. This is because we regard Danica as a core subsidiary of the bank, so we believe it would receive support under all foreseeable circumstances.

Downside scenario

We could lower the ratings on Danica over the next 12-24 months if we revised our assessment of the group' SACP 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 on Danica over the next 12-24 months if we revised our assessment of Danske Bank' SACP 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
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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 25, 2022
- Storebrand's Bolt-On Acquisition Of Danica's Pension Business In Norway Won't Affect The Ratings On Either Life Insurer, Dec. 22, 2021
- Danske Bank A/S, April 7, 2022
- Denmark-Based Danske Bank Upgraded To 'A+'; Outlook Negative; Off UCO On Implementation Of Revised FI Criteria, Dec. 16, 2021

Ratings Detail (As Of May 31, 2022)*

Operating Company Covered By This Report

Danica Pension Livsforsikringsaktieselskab

Financial Strength Rating

Local Currency

NR/--/--

Issuer Credit Rating

A-/Negative/--

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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