

Strong first half with significant top-line and bottom-line growth and solid returns for customers

Danica Pension achieved considerable premium income growth and an improved profit before tax for the first half of 2021. Customers received solid net returns and responded well to our new healthcare solutions, offering access to doctors, psychologists and dieticians with extended opening hours and without requiring referral from a doctor or filing of a claim.

For the first half of 2021, Danica Pension posted a profit before tax of DKK 1,018 million, against DKK 892 million in the same period of 2020. That is an increase of 14.1%, or DKK 126 million. The improved financial performance was primarily driven by favourable financial market conditions, which meant solid returns for our customers and a sound underlying business. On the downside, we made a DKK 270 million provision for possible future payment of pension returns tax on the health and accident business. In addition to bottom-line growth, the first six months of 2021 also saw significant top-line growth in the form of a 30.2% year-on-year increase in gross premiums.

Danica Pension's Chief Executive Officer, Ole Krogh Petersen comments:

"It was a good first half for us, and I particularly noted that our customers received solid net returns and that our overall value proposition is increasingly attracting customers. This resulted in strong and profitable growth, as reflected in the increase in both profit and premium income."

Strong premium growth

In the Danish business, Danica Pension's premium income totalled DKK 17,382 million in the first half of 2021, compared with DKK 13,967 million in the same period of 2020 – a 24.5% increase. For Danica Pension as a whole, total premiums grew 30.2% from DKK 15,268 million to DKK 19,877 million in the first half.

"We are pleased with our good market position and strong value proposition comprising proactive advisory services providing financial security, competitive long-term net returns, strong focus on sustainability in our investments and strong healthcare solutions. We find that customers are opting for this package, which means that price is not the only factor. We are very pleased with this growth, particularly as it is profitable, which is essential to us. That so many customers are choosing us is a huge vote of confidence, and we are looking forward to living up to it," states Ole Krogh Petersen.

Solid returns for our customers

Danica Pension's customers saw solid returns net of expenses in the first half. Customers with Danica Balance Mix, medium risk profile and 20 years to retirement received a net return of 9.6% in the first half, which was among the highest in the commercial pension market.

"It is very positive that our customers have received significant returns over a prolonged period of time, as it helps generate financial security. However, it is also worth noting that the financial markets cannot be expected to perform as strongly in the coming years, and we are naturally composing our portfolio accordingly", Ole Krogh Petersen explains, pleased that Danica Pension has been generating attractive net returns for customers for several consecutive years.

The bullish equity markets mean that particularly customers with high risk profiles have benefitted from the highest returns in the first half. For example, customers with Danica Balance high risk profile and 30 years to retirement received a return of 13.1%.

Negative health and accident result

The loss on the health and accident business for the first half was DKK 362 million, compared with a loss of DKK 300 million for the same period last year. The increased loss was solely attributable to an additional provision of DKK 270 million for possible future pension returns tax in the health and accident area, resulting in a lower investment result in the health and accident business year-on-year. Without this provision, the overall health and accident loss would have continued to move in the right direction:

"The loss on our health and accident business remains unsatisfactory, but we are on the right track, as we are seeing the effects of the initiatives we have launched over the past couple of years, particularly healthcare and prevention measures. We are therefore optimistic that we will fulfil the ambition of reducing our losses in this area. However, the corona crisis and its after-effects – mental and otherwise – remains an unknown factor, and we are not yet able to predict how it will impact our customers and, by extension, our business. We are certain that we have the right focus in terms of prevention and early action to reduce absence due to illness among our customers," explains Ole Krogh Petersen.

New healthcare solutions off to a good start

In healthcare, Danica Pension introduced a number of new solutions in the first half, aimed at reducing our customers' absence due to illness. This year, customers with a Danica Pension health package have been given the option to consult a psychologist, a doctor or a dietician without a referral from either Danica Pension or their own doctor. This initiative has been very well received. There were 6,750 consultations under the new solution in the first six months of 2021, and 94% of the users responded that they were satisfied or very satisfied.

"With our new healthcare solutions, we aim to contribute to providing security and reducing absenteeism among our customers. If we succeed in this, it will also benefit our health and accident result in the longer term," says Ole Krogh Petersen, noting particularly that more than one in four of those who consulted a psychologist state that they would not otherwise have sought professional help.

“This indicates that by making it easy, we can get our customers to seek help before their problems grow bigger, and this is the path to reducing absenteeism,” he states.

Partnership with Tryg coming to an end

On 30 September, the partnership between Tryg and Danica Pension will terminate by mutual agreement.

“We have enjoyed a fruitful collaboration with Tryg, but we have decided by mutual agreement to terminate our partnership at 30 September. It has become clear to both Tryg and Danica Pension that neither company has been able to achieve the ambitious objectives we each had when we entered into the partnership, so the best solution for both is to part ways”, explains Danica Pension CEO Ole Krogh Petersen and continues:

“When the partnership with Tryg ends, the resources we used on this will be channelled back into Danica Pension for our existing and future customers. We are confident that this will result in an even better and more focused customer experience and a continuation of the growth we have generated in the past 18 months, and which has really gathered momentum in 2021,” says Ole Krogh Petersen.

Tryg and Danica Pension will continue to collaborate in areas where this is useful for customers and the two companies.

DKK billions	H1 2021	H1 2020
Premiums	19.9	15.3
Premiums in Denmark	17.4	14.0
Return on customer funds - Danica Balance Mix, medium risk profile and 20 years to retirement (%)	9.6	-4.3
Return on customer funds - Danica Pension Traditionel (%)	-1.3	1.4
Return on customer funds - Danica Pension Traditionel after change in additional provisions, (%)	3.1	-1.0
Profit before tax (DKK m)	1,018	892
Total pension assets	481	429

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Appendix:

Solvency ratio disclosure		
June 30th 2021	Danica Pension Livsforsikrings- aktieselskab	Danica Group
SCR (DKKm)	13,168	13,321
Solvency rate	218%	215%

Summary of Danica's subordinated loan capital

Issuer	Danica Pension Livsforsikringsaktieselskab
Securities code (ISIN)	XS1117286580
Amount	EUR 500 m
Coupon	4.375 % p.a
Issued	29 September 2015
Matures	29 September 2045
First call date	29 September 2025
Rate of interest will reset on	29 September 2025