

Despite sound underlying business, results pushed into the red by financial markets and impairment loss

Danica Pension's underlying business remains strong, and the insurance part of the health and accident business improved compared with last year. However, global market downturns and an impairment loss on goodwill took their toll on the performance before tax for the first nine months of 2022.

For the first nine months, Danica Pension posted a loss before tax from continuing operations of DKK 2,203 million. The performance was impacted by a DKK 1,627 million impairment loss on goodwill from the acquisition of SEB Pension in 2018 and adverse financial market developments in the first nine months of 2022 as well as an expected payment of compensation to customers for an inconsistency in the insurance conditions related to the Danica Balance product.

The goodwill impairment loss was the result of financial market turbulence and a rising discount rate.

The underlying business remains sound, however, and the insurance part of the health and accident business continues to improve.

In the first half of 2022, Danica Pension saw a minor 0.8% decline in premiums relative to the year-earlier period, following upon 32% premium growth in 2021. Regular premiums were up 8.5% in the first nine months of 2022.

Søren Lockwood, CEO:

"I focus on the positives in our financial statements, namely a sound underlying business, which is what we are working on improving on a daily basis. However, rising inflation and soaring interest rates resulted in negative investment results for Danish pension savers, including our customers. The financial market downturn and the technical impairment write-down of goodwill were what caused the drop in our earnings and the resulting loss before tax."

Negative returns for the first nine months

The return for Danica Pension customers with a medium risk profile and 20 years to retirement was a negative 16.2% for the first nine months of 2022. Over the past three years, this customer group has achieved a net return of 12.5%. This year's negative returns were caused by the atrocious war in Ukraine, surging inflation and substantial interest rate increases within a very short period of time.

"Global markets have been declining over the first nine months of the year, and negative returns have been the order of the day across all asset classes, resulting in negative returns for Danica Pension customers with unit-linked products. It is important to keep in mind, however, that pension is a long-term discipline, and that we have produced good returns over the past three years. We therefore still recommend our customers to hold on to their chosen investment profile, as we will hold on to our investment strategy with the clear ambition to generate long-term returns among the highest in the pension market in the coming years," says Søren Lockwood.

Health and accident business

The underlying health and accident business has improved compared with last year and is now closer to the break-even point. The loss for the first nine months of 2022 was DKK 113 million, against a loss for the year-earlier period of DKK 270 million.

Our ongoing investments in prevention in the healthcare area meant that we referred 60% more customers to preventive treatment offers in the third quarter than in the year-earlier period. We have successfully prevented long-term absence due to illness by way of extended treatment programmes, and we expect this extra investment in the health of our customers to prove beneficial in the long term, not only to our customers' health but also to our business in general.

"Our health and accident business is on the right track, and we offer our customers more and better treatment today than three years ago. The strength of our position is that our efforts seem to be paying off, both because we expect our treatment to result in fewer long-term absences due to illness and because we have established a strong market position as the quality of our healthcare solutions are in demand among business customers," says Søren Lockwood.

As the investment result of the health and accident business deteriorated by DKK 668 million in the first nine months due to the financial market downturn, from a loss of DKK 89 million to a loss of DKK 757 million, the overall loss on the health and accident business increased from DKK 359 million to DKK 870 million.

Decline in premiums

Following a long period of strong premium growth, Danica Pension recorded a 0.8% decline in premiums in the third quarter compared with the same period last year.

Danica Pension's gross premiums declined by 0.8% from DKK 26,570 million to DKK 26,360 million in the first nine months. However, the decline happened from a high level in 2021, when Danica Pension posted a 32% increase in premium payments. Regular premiums in the third quarter were up 8.5% on the year-earlier period.

"We hold a strong market position. In recent years, we have seen strong profitable growth, and our focus remains on investing in offering a strong combined value proposition of advisory services providing financial security, attractive long-term net returns, focus on sustainable investments and the market's best healthcare solutions," explains Søren Lockwood.

DKK 100 million invested in preventive healthcare measures

In the first nine months of 2022 alone, we provided more than 18,000 treatments by doctors, psychologists and dieticians online through Danica Pension's Health Package - a 76% increase on the same period last year.

The Health Package was launched at the beginning of 2021 as an extra preventive measure designed to make customers consult doctors, psychologists and dieticians online before their problems escalate and potentially develop into serious injuries. This product has a 95% customer satisfaction rating for the year to date, and we continue to record an increasing number of customers using it - many of whom would not have received treatment without the Health Package.

It remains Danica Pension's ambition to reduce the number of cases of long-term illness by setting in with early treatment offers, and that this will eventually have a positive impact on our health and accident results.

Furthermore, Danica Pension has for some years invested in creating improved and comprehensive preventive measures throughout the health and accident segment. Over the coming five years, Danica Pension will invest a further DKK 100 million in preventive healthcare measures, including in the development of user-oriented digital services and in recruitment of additional staff:

"In creating the healthcare solution for the future, it is a high priority for us to have the most skilled employees helping our customers remain healthy, which is what we are now going to invest in. Having accumulated several years of experience and developed a special method of preventing long-term illness, particularly in the mental health area, we are now going to apply this for the benefit of our customers suffering from physical conditions as well," says Søren Lockwood.

Robust solvency coverage ratio

The Danica Pension Group's solvency coverage ratio at the end of the third quarter was 196%, which means that the Group still has strong excess solvency.

"At a time when the industry can expect heightened focus on its resilience to market volatility, I am pleased with our strong solvency coverage ratio and a very robust market position as a result of being part of a strong group," states Søren Lockwood.

	Q3 2022	Q3 2021
Premiums, continuing operations, DKK billions	26.4	26.6
Return on customer funds - Danica Balance Mix, medium risk profile and 20 years to retirement (%)	-16.2	11.6
Return on customer funds - Danica Pension Traditionel (%)	-17.1	-0.9
Return on customer funds - Danica Pension Traditionel after change in additional provisions, (%)	-7.4	4.3
Profit/loss before tax, continuing operations, DKK millions	-2,203	1,635
Pension assets under management, continuing operations, DKK billions	404	461

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Solvency ratio disclosure		
September 30th 2022	Danica Pension Livsforsikringsaktieselskab	Danica Group
SCR (DKKm)	13,342	13,303
Solvency rate	196%	196%

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