

Premium growth and improved underlying health and accident result – yet financial market turbulence pushes earnings into the red

Danica Pension's underlying business is sound, the insurance part of the health and accident business is improving and the premium growth continues, but Danica Pension's earnings for the first half were adversely impacted by the atrocious war in Ukraine and soaring inflation and interest rates, resulting in a sharp market downturn.

For the first half, Danica Pension posted a loss before tax from continuing operations of DKK 202 million – including a DKK 415 million profit from the sale of the Norwegian business – against a profit before tax of DKK 971 million for the same period last year. The drop in earnings before tax was exclusively due to a major negative investment result because of the downturn in financial markets the world over. Improved earnings in the underlying business, strong progress in the insurance result of the health and accident business and the sale of the Norwegian business pulled in the opposite direction. In the first half of 2022, Danica Pension reported 5.9% premium growth in Denmark relative to the year-earlier period, which comes on top of full-year 2021 premium growth of 32%. Regular premiums were up 8.8% in the first half of 2022.

Søren Lockwood, CEO:

“Our underlying operations remain very sound, and our profitable growth continues. The insurance part of our health and accident business is also improving due to our success in helping a growing number of our customers avoid long-term absence due to illness through a major early action campaign. Like the rest of our society, Danica Pension was marked by the atrocious war in Ukraine in the first half of 2022. Combined with rising inflation and soaring interest rates, this resulted in negative investment results for Danish pension savers, including our customers. The financial market decline also caused the drop in our earnings and resulting loss before tax.”

Continued premium growth

Danica Pension's gross premiums in Denmark grew 5.9% from DKK 17,382 million to DKK 18,408 million in the first half. The increase came on top of a full-year 2021 when Danica Pension posted a 32% increase in premium payments. Regular premiums in Denmark were up 8.8% on the year-earlier period.

“We offer 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. As a result, we hold a strong market position, and customers choose us. Consequently, we continue to see good, profitable growth following last year's very substantial growth. We are very pleased with that” says Søren Lockwood.

Negative returns for the first half

The return for Danica Pension customers with a medium risk profile and 20 years to retirement was a negative 14.3% for the first six months of 2022. Over the past three calendar years, these customers have achieved a net return of 54.2%. 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.

“It was an exceptionally turbulent first half for the financial markets. Negative returns were the order of the day across all asset classes, resulting in negative net returns for Danica Pension customers with unit-linked products. It is important to keep in mind that investment of pension savings is a long-term discipline, and while it is of course regrettable that our pension customers had negative returns for the first six months, the trend follows a three-year period in which customers have achieved very high net returns. We encourage our customers to stay calm, and we maintain our investment strategy, which has yielded our customers the highest net returns in the market during the past three calendar years. It remains our clear ambition to generate long-term returns among the highest in the pension market in the coming years,” says Søren Lockwood.

Underlying health and accident business improved

The underlying health and accident result improved significantly in the first half. The loss for the first six months of 2022 was DKK 88 million, against a loss for the year-earlier period of DKK 464 million. The strong improvement was mainly due to the fact that the number of customers experiencing long-term absence due to illness has been lowered by 25% in the past three years, and that, of customers on long-term absence, 10% more have been able to return to work in the past year.

As the investment result of the health and accident business deteriorated by DKK 773 million in the first half due to the financial market downturn, from a profit of DKK 109 million to a loss of DKK 664 million, the overall loss on the health and accident business increased from DKK 355 million to DKK 752 million.

“We are pleased to have broken the curve. The number of reported long-term absences due to illness is significantly lower, and we are helping more to return to work. This is great news for our customers, their employers, society and also for our bottom line. This positive trend is the result of a number of major healthcare and prevention initiatives and investments we have made in recent years and the fact that our customers are extensively using our new healthcare solutions, such as online access to psychologists, doctors and dieticians, as well as the fact that we tailor our customers' treatment according to their needs rather than what they are entitled to,” explains Søren Lockwood and continues:

“Naturally, it is frustrating that our health and accident result was dragged down by the plunging financial markets, but we are pleased to be complying with the requirement of the Danish FSA's new executive order that underlying health and accident results must be in balance,” he says.

Sharp increase in the use of online consultations with psychologists and doctors

In the first six months of 2022 alone, 12,664 online consultations with doctors, psychologists and dieticians were conducted via the Health Package. This was an 88% increase compared with the same period last year. The increase was particularly strong in online consultations with doctors and psychologists.

The Health Package was launched at the beginning of 2021 as an extra preventive measure designed to make customers consult with doctors, psychologists and dieticians online before their problems escalate and potentially develop into serious injuries.

Furthermore, Danica Pension has for some years invested in creating improved and comprehensive preventive measures throughout the health and accident segment. As a result of these measures, the number of new claims for loss of earning capacity benefits has fallen by 25% over the past three years.

“During the past three years, we have invested heavily in providing our customers with earlier and more comprehensive healthcare solutions. We can see that these options have been extremely well received by our customers and that our early preventive measures have the intended effect. The clearest example of this is that we have recorded a sharp drop in the number of new loss of earning capacity claims,” says Søren Lockwood.

A quarter of a million customers have now taken a Pension Check

This year, the number of Danica Pension customers who have taken a Pension Check has reached 250,000. This is an important milestone, as the Pension Check gives customers an overview of their pension and insurance solutions and thus gives them a sense of financial security here and now as well as for the future. The fact that the number of Pension Checks is increasing year by year is a welcome trend.

“For a number of years, we have focused strongly on ensuring that our customers feel secure about their pension and insurance solutions. The Pension Check is an invaluable tool in this respect, as it provides clear recommendations followed up by personal advisory services. We also note that a larger proportion of our customers than previously have the right pension and insurance coverage today, and we are very pleased about this trend, as it is essential to their retirement and their potential quality of life if anything should happen to them,” says Søren Lockwood. He points out that one of the main explanations for this trend is Danica Pension’s long-standing practice of proactively contacting customers when they experience life changes that could affect their pension and insurance covers.

	H1 2022	H1 2021
Premiums, continuing operations, DKK billions	18.4	17.4
Return on customer funds - Danica Balance Mix, medium risk profile and 20 years to retirement (%)	-14.3	9.6
Return on customer funds - Danica Pension Traditionel (%)	-13.5	-1.3
Return on customer funds - Danica Pension Traditionel after change in additional provisions, (%)	-5.8	3.1
Profit/loss before tax, continuing operations, DKK millions	-617	971
Pension assets under management, continuing operations, DKK billions	415	460

For more information, please contact Tim Smidemann, Head of Communications and Marketing on +45 23 48 26 51 or at tism@danicapension.dk.

Solvency ratio disclosure		
June 30th 2022	Danica Pension Livsforsikringsaktieselskab	Danica Group
SCR (DKKm)	14,043	14,039
Solvency rate	184%	184%

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
