



# Approval of Alka acquisition

6 November 2018

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# Approval of Alka acquisition

## Today's news

- Danish Competition and Consumer Authority has approved the Alka acquisition together with certain non-structural remedies.

## Non-structural remedies

- Tryg has submitted three main non-structural remedies approved by the authorities
  - An annual donation to Forsikringsguiden (a comparison portal)
  - Elimination of certain existing fees related to early cancellation of policies
  - Removal of exclusivity agreements with certain partners
- The non structural remedies have an estimated cost of DKK 20m per annum for five years

## Synergies confirmed

- Tryg firmly maintains its guidance (despite the non structural remedies cost) for a DKK 300m synergies with unchanged timing and a full run-rate impact in 2021

## Robust Solvency

- Tryg continues to expect a Solvency ratio of approximately 170 per cent when Alka is consolidated

## Three non-structural remedies effective for five years after closing

- 1 Supporting 'forsikringsguiden' financially**
  - Tryg has accepted to support 'forsikringsguiden' with a yearly donation for five years
- 2 Suspending termination fees**
  - Tryg has accepted to suspend existing early termination fees for five years
- 3 Suspending exclusivity clauses with partners**
  - Tryg has accepted to suspend requirements of exclusivity towards a number of both Tryg and Alka partners for five years

**Estimated yearly costs of remedies (for five years)**

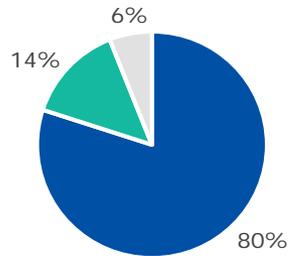
**~ 20 mDKK**

# Alka: Strong financial track record

- Alka reported a Q1-Q3 technical result of DKK 276m driven by a Combined ratio of 84
  - Premiums growth was 4% while the run-off result was 5%
- Alka financial performance has been very strong for a long period
- Tryg expects a Solvency ratio of approximately 170 when Alka is consolidated

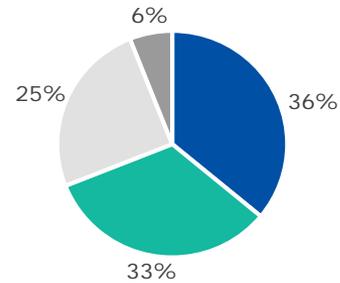
DKKm	2013	2014	2015	2016	2017	Q1-Q3 2017	Q1-Q3 2018
<b>Non-life</b>							
Premium growth		4 %	3 %	0 %	4 %	3 %	4 %
Technical result	368	335	357	191	331	288	276
Combined ratio	82%	84%	83%	91%	85%	82%	84%
Run-off gains (%)	11%	10%	12%	7%	10%	8%	5%

Gross premiums by business (DKK 2.7bn in 2017)



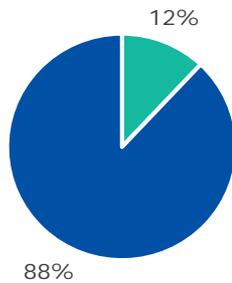
- Non-life, Private
- Group life
- Non-life, Commercial

Gross premium, Non-life private (DKK 2.0bn in 2017)



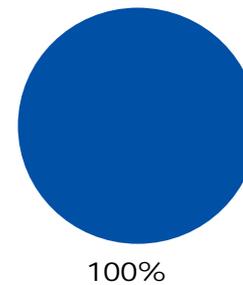
- Fire and property
- Motor
- Accident & health
- Other

Gross premium, Non-life commercial (DKK 0.2bn in 2017)



- Workers' compensation
- Fire and property

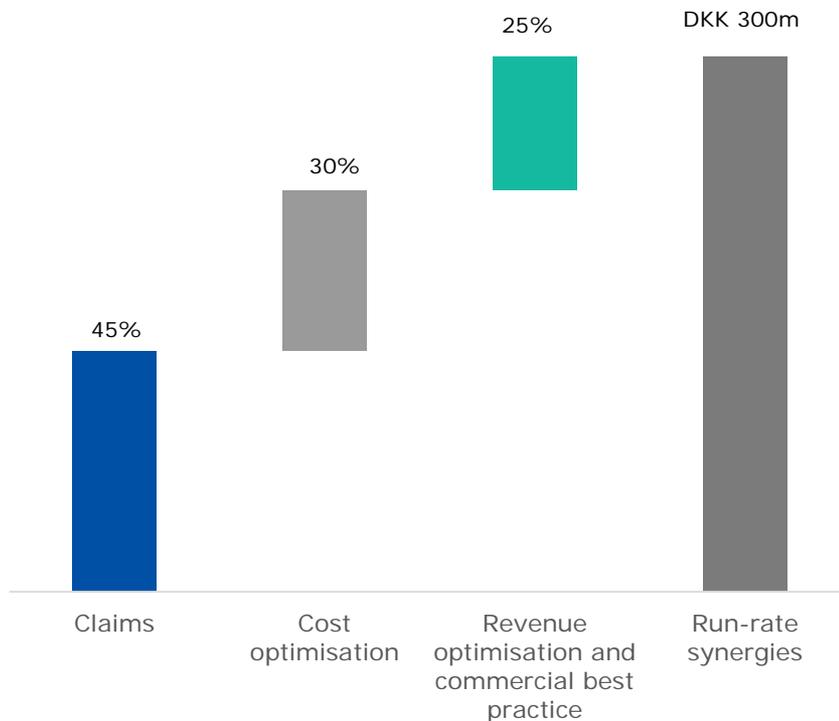
Technical result (DKK 328m in 2017)



- Non-life
- Group life

# Compelling merger benefits of DKK 300m

## DKK 300m in run-rate merger benefits in combined entity

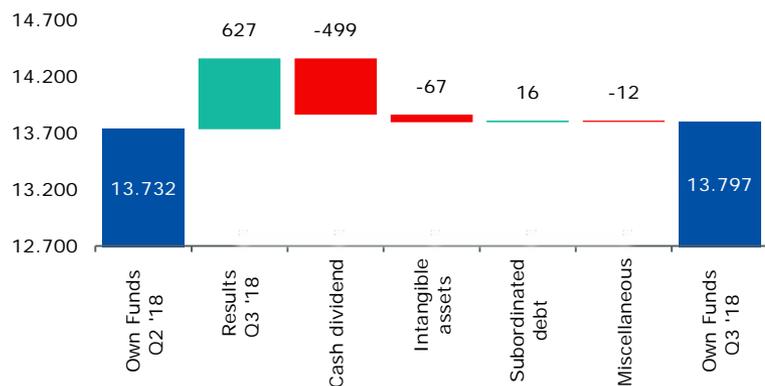


## Commentary

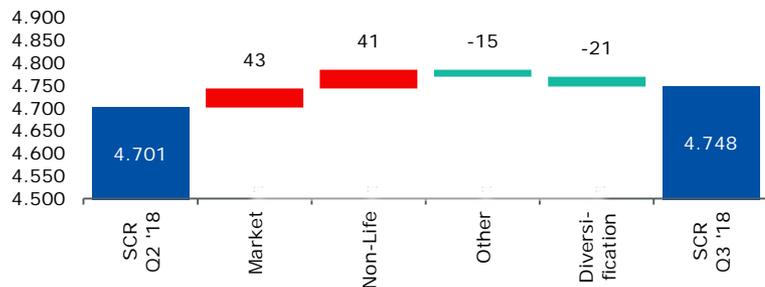
- Full run-rate impact in 2021 of DKK 300m
- 25% impact expected in 2019, 50% impact in 2020
- Drivers include:
  - Claims procurement
  - Fraud detection
  - Data analytics
- Online
- Product and service innovation
- Reduction in overlapping labour costs will mostly be delivered through natural attrition across the combined entity
- DKK 200m in one-off transaction costs and restructuring provision in Q4 2018 (as previously disclosed)

# Solvency position Q3 & Q4 2018

## Own funds walk

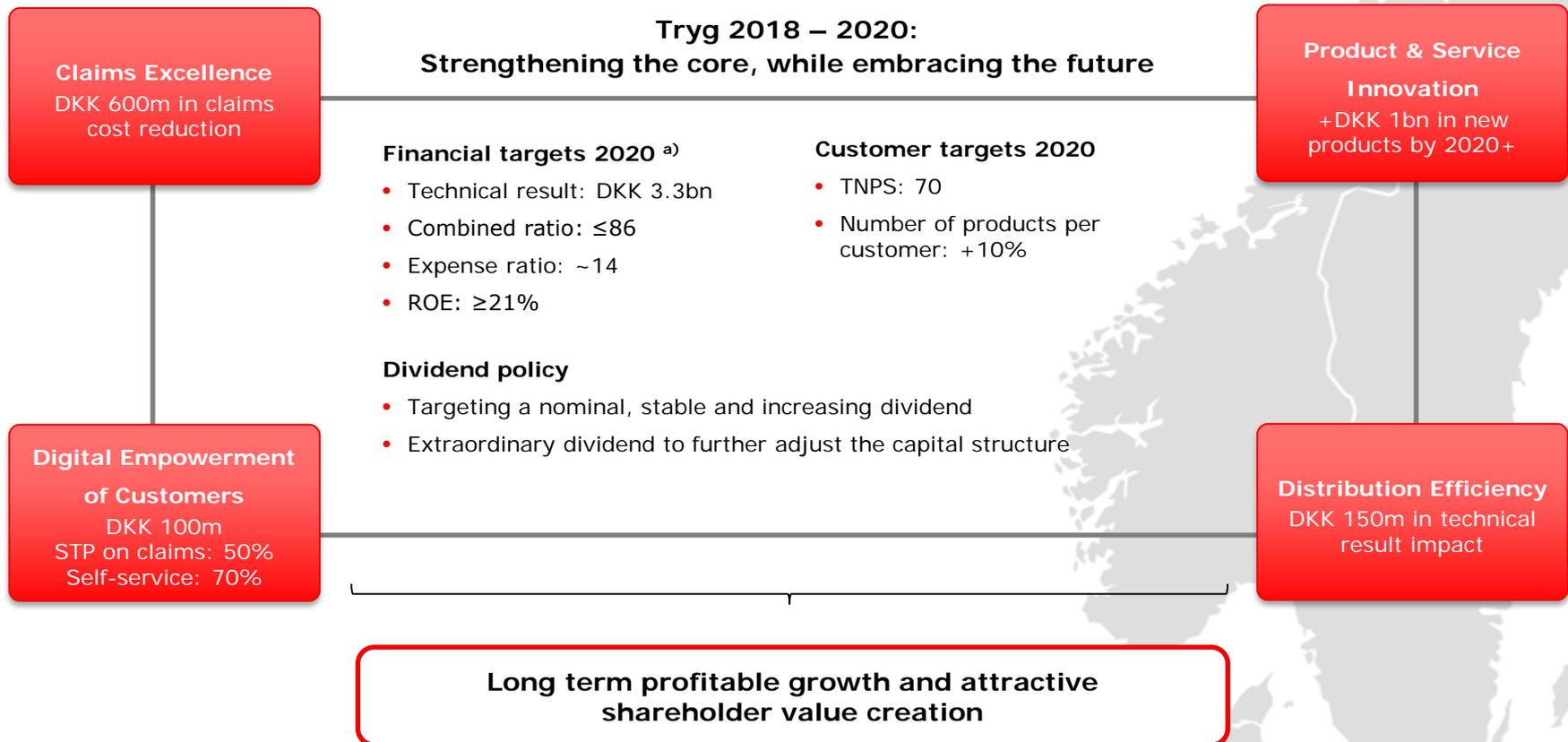


## Solvency capital requirement walk



- Solvency ratio based on the Partial Internal Model was 291 as per Q3 2018
- **Solvency ratio remains expected around 170 at the end of Q4 2018**
- No extraordinary dividend for the FY 2018 following the DKK 4bn capital increase (December 2017) to fund the Alka acquisition
- **High & recurrent profitability and ambitious ROE target ( $\geq 21\%$ ) instil discipline into capital consumption and shareholders' distribution**
- Private lines will represent approximately 60% of Group premiums (including Alka) as opposed to 50% previously. Private lines are the most profitable segment with the lowest capital requirement.

# Tryg's equity story – a leading Scandinavian non-life insurer



## Tryg 2018 – 2020: Strengthening the core, while embracing the future

### Financial targets 2020 <sup>a)</sup>

- Technical result: DKK 3.3bn
- Combined ratio: ≤86
- Expense ratio: ~14
- ROE: ≥21%

### Customer targets 2020

- TNPS: 70
- Number of products per customer: +10%

### Dividend policy

- Targeting a nominal, stable and increasing dividend
- Extraordinary dividend to further adjust the capital structure

**Claims Excellence**  
DKK 600m in claims cost reduction

**Digital Empowerment of Customers**  
DKK 100m  
STP on claims: 50%  
Self-service: 70%

**Product & Service Innovation**  
+DKK 1bn in new products by 2020+

**Distribution Efficiency**  
DKK 150m in technical result impact

**Long term profitable growth and attractive shareholder value creation**

a) The targets are conditional upon the authorities' approval of the Alka acquisition

It is important to know your investment case



*"Do you know the only thing that gives me pleasure?*

*It's to see my dividends coming in."*

John D. Rockefeller