Conference call transcript

Second quarter of 2006

17 August 2006 at 10:00 CET / 09:00 BST

Investor Relations

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Presentation – Q2 2006 highlights

Operator

Good afternoon ladies and gentlemen. Welcome to the TrygVesta Conference Call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session. I would now like to turn the call over to your host Group CEO Stine Bosse.

Stine Bosse

Thank you very much and good morning. Welcome to the TrygVesta webcast for the second quarter and half-year results.

Q2 2006 highlights

Now first of all the highlights of the second quarter especially; the gross premium income of four billion up 2%, adjusted for premium discount up 2.6%. The combined ratio for the quarter itself 84.1. The technical result is 786 million; it is up 107 million from last second quarter. The outlook for 2006 is reaffirmed. Good premium growth in both corporate and Finland and the private and commercial in Denmark have shown very good sales, a bit lower retention. The private and commercial in Norway have shown very good retention but the sales have been a bit lacking but are now increasing.

The investment income in Danish Kroner 130 million minus definitely of course impacted by the stock market performance in the second quarter. The technical result is slightly upgraded and the result after tax maintained despite lower expectations for the investment income.

Income summary statement

If we look at the income summary statement you can see that we show here both the second quarter and the half-year. You can see that the premium growth for the second quarter isolated was 2%. If you look at the full half-year it is 2.5%. Now if we adjust for as I mentioned the premium side, if we adjust that it is close to 3% and that means that it is 3.4% in the Danish business for the first half, Danish private and commercial and it is just minus 0.2% for the Norwegian private and commercial and it is up 4% for corporate. If we look at the claims ratio you can see that there is a decrease in the claims ratio both for the second quarter isolated and for the full half-year. If we look at the ceeded business you can see that it caters for 5.1 in the second quarter. That is mainly due to very special occasions in the second quarter and Mr. Morten Hübbe who is with me here today and also Ole Søberg is with me and Morten Hübbe will return to that question on especially the ceeded premium.

Now the claims ratio net is 74.4 for the second quarter isolated, 1.1 better than last year and if we look at the half-year you can see that even though we in the first quarter had very many large claims you can see that now when we look at the half-year we are performing better than last year at the same time. The expense ratio is down slightly both over the half-year and in the same level for the second quarter. The combined ratio 84.1 for second quarter and 88.8 for the half-year, both show better performance than at the same time last year. Now the investment income as I mentioned of course heavily impacted by the stock markets especially in the second quarter. If we look at that isolated it is a minus of 130 million, the pretax results 651 and if we look at that the pretax result is a bit less result than last year but after tax as you can see the net result is up. The ROE 28 for the second quarter isolated and 27 for the full half-year.

Q2 financial highlights

Now if we go into the financial highlights for Q2 the gross premium up in corporate by 4.1, 1.3 in private and commercial Denmark and that is after we have the premium reductions and then in Finland an increase by 48.5, very good and satisfactory especially for the Finnish business. The claims ratio as mentioned 67.4 and that includes a large claim amount of 78 million. The expense ratio maintained largely the same level and that is of course because we still fine tune the operational leverage and the synergies within the group. The investment result as mentioned very much less than originally expected. The lower tax rates in 2006 due to reversal of provision; I would like to make you pay attention to the fact that ongoing you should expect our tax ratio not at 28% but ongoing at 25%.

Q2 non-financial highlights

If we look at the non-financial highlights of the second quarter TrygVesta launched a homogeneous branding campaign in both Denmark and Norway and that has been a success in both countries. That means of course now that we can leverage on a common branding platform in the group pan the countries.

A very good performance in the corporate line and it will be enhanced by the expectations to our Risk Advisory service that we have started the launch of but we will see that increasingly performing in the years to come.

In Denmark, launch of new customer retention initiatives in this coming autumn; we have that as a tradition but this autumn it is probably going to be a bit more interesting initiatives than you have seen earlier on. As well as that, adjustments of the car premiums in certain segments should be expected. Additional sales promotion; we launched that in the spring in Norway and we can see now that the affect of that within the last month has shown increasing sales in Norway.

Swedish insurance services were initiated in June spot on time as promised and of course fully operational at the end of Q2 and they are performing as planned.

The introduction of commercial insurance sales in Finland was also announced in Q2 and we will introduce that in the beginning of 2007.

Then finally we have made an agreement to divest Chevanstell Limited with the profit, not in these results but in the outlooks of 80 million. Now we decided in the middle of 2003 to set the UK business into runoff and this is the natural thing to happen after that decision but of course it has taken time to first negotiate and of course also to get a firm grip of the business over there.

Key figures

The key ratios; you can see the gross and premium in the far or the top left of Slide Six. You can see the claims ratio decreasing second quarter by second quarter from 2004 over 2005 and now to a level of as mentioned 67.4 also of course translating into a decrease in the combined ratio for the second quarter 2004, 2005 and 2006. The expense ratio you can see isolated in the quarter increasing a bit but the full-year we do expect a decrease from full-year 2005.

Gross premium drivers

Slide Seven shows you the gross premium drivers, the change in Danish million from second quarter last year and you can see that it is especially the corporate and the Finnish business together with the Danish private and commercial that caters for the growth whereas the growth in Norway is still at an unsatisfactory level but as mentioned we can see now that sales are improving and we expect to turn the picture around this year.

Technical result drivers

The technical result drivers on Slide Eight you can see that mainly for the second quarter it is the corporate business that shows significant improvement from last year second quarter but also still the private and commercial business in Denmark is doing very well even though it came from a very high level of performance.

Result distribution

If we look at Slide Nine and you can see the effects from previous efforts continue to materialize and I want you to pay attention to the left bottom on the slide where you can see that still both the Danish and the Norwegian business is participating, which shows stability in the geographic display of the results. If you look into the three main business areas of our business you can see that all three business areas participate nicely in the results although the private and commercial in Norway have gone a bit down since last year, which was an extremely good second quarter, sorry half-year; it is half-year numbers that you see on this slide.

Performance of claims

Performance of claims; you can see these are half-year numbers top left of the slide. You can see also if we look at half-year numbers a decrease in the claims ratio. If we look across to the claims ratio where you can see the quarters opened up you can see that normally second quarter is a very good quarter, no big news for the insurance business but as you can see as shown also earlier on still the second quarter was very good also compared to earlier second quarter. The runoff situation gross; you can see that on the bottom of Slide ten and there you can see runoff gross similar to the second quarter 2005.

Now if we look into specifically the performance on claims you can see that the frequency in Denmark and this is Slide 11; you can see that the frequency in Denmark the auto or car business. This shows you actually a slight increase in the frequency, that is the red line but you should pay attention to the fact that the winter in Denmark was very different 2005 and 2006 and we see this as an actual underlying decrease in frequency of motor in Denmark. If you look at buildings you can see still a decrease in frequency even though it is flattening and that is still due to the same explanations that we have had earlier on; lower theft rate and also different building materials and higher levels of safety in the homes in Denmark.

If we look at still paying attention to the Danish business left bottom you can see that the average claim of the car business is decreasing still significantly and you can see an increase of the average claim on the building. That is mainly due to lack of repairmen, carpenters and what have you. That is the situation that we have to watch out for in the Danish market. The frequency in Norway you can still see coming down on both motor and building even though in building it is flattening a bit and the frequency for the motor situation in Norway coming down is the same explanation as given earlier; it is a higher standard of cars, more modern portfolio of cars in Norway and on the building side it is due to the fact that we see less frequency of theft and also fire.

If we go and still staying in Norway and we look at the average claim you can see an increase on the car side and you can see a decrease on the building side. The decrease on the building side is translating into what we have said earlier on; it is a higher level of safety, more fire alarms and less sort of full fire situations than seen earlier on. The increase in Norway is mainly explained by the demand situation and also the expense of more modern car repairs.

The storm on Slide 12, the storm and large claim situation; you can see that the second quarter in 2006 versus 2005 has shown less large claims but please bear in mind that the first quarter was from a large claims point of view actually a quite heavy impacted quarter and then of course on the storm and weather related claims you can see that the second quarter was a very good quarter with very low costs on storm and weather related claims.

Key focus areas

Turning to Slide 13, key focus areas for us for the remaining part of 2006 will be further leveraging the good momentum in the private and commercial in Denmark, corporate and Finland. We will successfully implement the initiatives further that we have started in Norway and we have seen the results coming in nicely on those increased sales initiatives. We will introduce further customer benefits in the Danish business. They will be on a larger scale that we have seen earlier and we have also room for some price adjustment in chosen segments of the Danish private lines specifically the car line. Having a decrease in the underlying frequency and the average claims we can do this without looking into damaging our bottom line results. We will also further strengthen TrygVesta brands and accentuate the TrygVesta as the leading Nordic supplier of peace of mind.

Outlook 2006

Now the outlook we have reaffirmed for 2006. We have adjusted the expectations for growth from 4% to 3% mainly due to the fact that the growth in Norway is picking up. We can see that definitely but not a lot of that will reach the books this year so we have adjusted our expectations for growth. You can see that the technical results, our expectations there are higher for the full-year now whereas the investment income has been taken down from earlier on 730 to now 350 taking into account what we have seen in the second quarter. The pretax result is slightly less than earlier expected but the after tax results mainly due to the lower tax now from 28% to 19% for the year and of course also the affects of the selling of Chevanstell with the 80 million brings the after tax results slightly up from two billion one hundred fifty to now two billion two hundred.

Combined ratio; we expect to remain in the area that we have said earlier on. We still wait to see the first fourth quarter, which can be one of the more tricky ones in insurance so we maintain at a level of 89 but you can see that we can also see that there is a favorable going forward and there is a more negative outlook and that is also shown here on Slide 14. Our medium term targets are the same as you have seen earlier on, a combined ratio of 91 to 93 and the return on equity we expect on mid term to be 18 to 20 versus today in the late end of the 20's. Now I want to hand it over to my colleague Morten Hubbe.

Morten Hubbe – TrygVesta, CFO

P&C Denmark

Thank you Stine. If we turn to our main business segments starting from Page 15 you can see that our private and commercial business in Denmark has delivered a top line growth in the second quarter of 1.3% and adjusted for premium discounts 2.2%. If we look at the half-year top line growth adjusted for premium discounts that are 3.4%. The top line growth is composed of a good increase in new sales but also a slight reduction in our retention rates. If we look at our claims development it has been positive and positively influenced by the 5% reduction in the average claim of motor, a 2% reduction in the frequency of claims in private houses but also positively influenced by runoff gains in the motor lines. If we see the cost ratio it is reduced by almost one percentage point and in total the combined ratio reduction of two percentage points half of that is delivered by improved claims and the other half by improved costs. Stine mentioned that we will initiate a number of initiatives that will strengthen retention rates for the coming period and also it is clear that the development we have seen in motor has been more favorable than expected and not only this year but also in the previous years and specifically certain segments are in a situation where we should look at the prices.

If we turn to Slide 16 it is clear that private and commercial Denmark is one of our main business segments with the most stable development both in claims ratio and in combined ratio and also a good continued reduction in the expense ratio.

Turning to Page 17 Stine mentioned that the ceeded business and the ceeded [inaudible] is unusually high compared to normal and the reasoning behind that is that in the second quarter we have been able to reduce our claims reserve for the storm in January 2005 and as that part of the storm was paid for by the re-insurers then the reduction of claims reserves flow onto the re-insurers thereby affecting a higher than normal seeded ratio. In addition, we see that the total technical results have improved by 75 million in the second quarter this year and if we look at the year to date at private and commercial technical result has actually improved by 249 million.

P&C Norway

Turning to private and commercial Norway on Page 18 we have had a growth in group currency of minus one zero point four percent but if we look at local currency we have actually had a growth of minus 3.1%, which is of course not satisfactory. But if we look at what has changed over the past year our objective of significantly changing our pricing model in Norway in the spring of 2005 was to improve the retention rate of our customers and that objective has been achieved with an improving retention rate in 2006. During the spring our sales have been lower in Norway than expected but over the past two months we have seen that we have been consistently above our sales targets also in the Norwegian portfolio. Now of course that takes a while to transfer into earned premium but it is a significant improvement.

If we look at our claims ratio with a claims ratio of 65.8% that is satisfactory but of course higher than last year, which was unusually low. Last year private house alone had a claims ratio of 46 and also we had larger runoff gains in the private and commercial business last year than we have had this year. The increased expense ratio is a consequence of the development in the top line. If we look at the half-year the nominal costs are flat. They are slightly down in the first quarter and slightly up in the second quarter. The initiatives that we have taken in this marketplace include improving very much our offer to smaller commercial businesses but also improvements in the customer concept for private customers. Also, that process including sales has been improved by the new IT systems for quotations in general but also specifically for selling commercial business through franchising.

If we turn to page 19 we see a normalization in the ratios of claims and combined ratio of private and commercial Norway and also we see that of course the cost ratio as mentioned is influenced by the top line but also by the fact that we have chosen to invest in more employees to improve customer service and also sales.

If we turn to Page 20 we see a technical result for the second quarter of 197 million and year to date you will see that we have a technical result of 296 million.

Corporate

If we turn to our corporate business segment on page 21 we see a good top line growth of 4.1% helped somewhat by currency in Norway but the composition of the growth is such that we have more than a 5% growth in our Danish corporate business starting with a good 1st of January renewal and a good process during also the first half-year of 2006.

If we look at the claims ratio we see that after a first quarter of more than 400 million in large claims we have had less than normal large claims in the second quarter and in general a good development in claims also including runoff gains particularly in property. Expense ratio is at still a low level. It is in the second quarter improved slightly by 0.1% compared to the same period last year and if we look at the half-year numbers the cost ratio is down by 0.3%.

If we look at our operational initiative we have come quite far in our initiative to improve our risk advisory service to our large corporate customers and also improving our concept of using broad customer teams for the individual and corporate customer.

If we turn to page 22 it is clear that the corporate business by nature has more volatile claims than our mass market business but it is also clear that now this takes place from a very attractive level.

Turning to page 23; the combined ratio of 79.1 for the second quarter is of course low and the half-year number is 90.3. Technical result has been improved by 144 million.

Finland

If we turn to our Finnish business segment on page 24 we have seen a continuation of a strong growth close to 50%, continued good development in claims and also a reduction in cost ratio improving the overall combined ratio. In addition to the Nordea sales we now see that sales through car channels are also improving the total top line growth.

Investment income

Turning to page 25, investment income for the second quarter of 2006 has been 130 million before transfer to technical interest and for the full-year to date 670 million. Of course it has been heavily influenced by the negative development in stock market since the 11th of May but also of course the increase in interest rate. Our investment exposure has been virtually unchanged and we have had an investment income on bonds of half a percent, in shares of 4.6% and 3.2% in real estate totaling an investment income of 1.3% for the half-year.

If we turn to page 26 it is obvious that in times of increasing interest that the matching between assets and liabilities as far as interest rate exposure is concerned is very important. You see here that the capital loss on bonds of a bit more than 300 million for the half-year has been offset by increases in the discounting of 270 million leaving a very little net affect for the bottom line. Also that is the case as you see for the second quarter.

If we turn to page 27 you see that the total capital relative to premium is now close to 60% compared to the 53%, which is our rough rule of thumb for capital. This is of course naturally in line with the fact that this number will increase during the year and then reduce again as we pay dividends annually.

On page 28 you can see that the total equity has increased by almost 1.2 billion, which is of course now close to the total equity at the end of 2005 before paying dividends.

Page 29 shows the development in the S&P car model. You may recall that we have a car ratio target of 130%. This number was 128.5% by the end of last year and by the end of the first half of 2006 the car ratio is 142.9%. You can follow that in more detail in what is published on our home page; back to you, Stine, for the summary.

Stine Bosse – TrygVesta, CEO

Thank you very much Morten. Now just summing up; solid performance in the second quarter 2006 driven by very good cost control and risk assessment. We have reaffirmed our outlook for 2006 despite the lower investment income. Several sales and retention initiatives have been introduced and the Swedish operation is fully up to speed. Finally also the branding campaign has proven its strength and will be also intensified over this autumn. Thank you very much for participating in this part and now of course we are pleased to answer your questions.

Q&A transcript

Operator

Thank you. We will now begin the question and answer session.

[Operator instructions]

Jesper Brydensholt from SEB Enskilda is now online with a question.

Jesper Brydensholt – SEB Enskilda

Hello. My question is regarding TrygVesta partly related to the runoffs that you mentioned that the re-insurers share, which is at least 131 million in first half. Is there anything that we should expect for the full-year for the coming quarters in that respect that are announced once in a while that talk about that underlying that should be gross runoff gains. Should we also expect that the re-insurer's losses in total reduce this runoff gain level that we saw here in the second quarter?

Also, is there any change in the expense ratio forecast for the full-year where you earlier guided over two percentage points decline I think?

Then if you could add a little bit on part of the new customer retention initiatives that you were talking about it does seem a little bit that you will find [inaudible] research factors so you can in various segments lower the prices and we should see low premium growth and perhaps also increasing claims ratios going forward and also what the risk advisory business that you are looking at how that would contribute to earnings in years to come? Thank you.

Stine Bosse – TrygVesta, CEO

I think if you take the first question, Morten, then I will try and answer the others.

Morten Hübbe – TrygVesta, CFO

Good morning to you Jesper. You are correct that the runoff development is of course both a before re-insurance and after re-insurance matter and we have had a higher runoff gain before re-insurance than after re-insurance. There are two factors affecting this mainly. We see that in the first quarter we have a large corporate adjustment of an old corporate claim that affected the re-insurance in the second quarter more specifically than the fact that we have been able to reduce our claims reserve for the storm in 2005 flows onto the re-insurance. That is the main reasoning for the development in the re-insurance of the one-off. But apart from that our general guideline, Jesper, is that it is easier to follow the development in the runoff before re-insurance as the re-insurance of runoff is composed of a number of older years with various re-insurance contracts. The runoff for the second quarter as we mentioned was 122 million and for the half-year it is close to 200 million, which is satisfactory and in line with our general expectations as we have had no other new court awards than the adjustment for workers comp we did in the first quarter of 50 million.

Stine Bosse – TrygVesta, CEO

I think, Jesper, and hello to you; I think that on the full-year I mentioned that you should expect also still to see our cost ratio decline slightly as earlier guided. On your last question I think that you should view that when we can see still decreases in frequency, underlying frequency and we can see also still decreased in the average claim we need of course to be very focused also to actually what can we do with that versus price adjustments still retaining and remaining the very good and stable earnings that we see today. But some of the advantages in these areas we do see the need for sharing with our customers.

Back to the retention issues that you pointed out yes we do see that we will have customer advantages coming this autumn that are more significant than the ones that we have shown before also of course due to the fact that we see a very high performance for the Danish private and commercial lines on the earnings side and we want to maintain and develop our portfolio.

Operator

Anders Hornbak from Carnegie is now online with a question.

Anders Hornbak – Carnegie

Good morning. It is Anders Hornbak from Carnegie in Copenhagen, two questions. The first is could you supply how much you expect to lower average prices for car insurance?

Secondly, you say that the runoffs are in line with what you guided previously. Are you suggesting that it would be reasonable to look for more than 150 million in runoffs for the second half if we have no more Supreme Court cases?

Stine Bosse – TrygVesta, CEO

Let me answer your first question, Anders. What we see is that already with what we have done introducing our new motor tariff this year is that we have actually and these things are in our figures; that we have actually shown lower prices to 50,000 existing customers. We will see that happening also ongoing and apart from that we can see that in very special segments it is actually car make specifically that there is room for I would call it adjusting our prices. I cannot give you a closer figure because that is not possible but you should not see any kind of general price decreases. It is more a question of adjusting to a different claims pattern and I think on to you from there Morten.

Morten Hübbe – TrygVesta, CEO

Reverting to your second question, Anders, the positive runoff development of almost 200 million in the first half is not what was in our guidance originally for the first half. As you know, we always use a guidance of zero runoff as we cannot predict when we will have significant court awards but we also know that in the years where we don't have any new significant court awards the likelihood for runoff gains is higher than for runoff losses. That is why we are pleased to see the runoff gain also in the first half. For the second half and onwards we see that it is part of our business philosophy to be on the right size on our reserves, which means that we are prepared if any larger new court awards arise and if they don't we will have runoff gains and that is the overall guidance also for the second half.

Operator

Matti Ahokas from Handelsbanken is now online with a question.

Matti Ahokas – Handelsbanken

Good morning, Matti Ahokas Handelsbanken Capital Markets. I have a couple questions if I may. First of all on the combined ratio guidance you are maintaining the 89% but still you have had lower than normal large claims and positive discounting effects. What is the rationale behind this; are you becoming more bearish in terms of do you expect more large losses in the coming quarters?

The next question would be regarding Finnish operations I see you have quite nice growth there. What are the sales prospects you are giving customers; is it lower prices? What kind of products are you winning? What do you hear in the marketplace, thanks?

Stine Bosse – TrygVesta, CEO

If you look on the year to date claims ratio it is 88.8. That is why we carefully guide still on full-year at 89 and as I mentioned we still need to see one of the normally bad insurance quarters, namely the fourth quarter so it is a question of being careful but it is also a realistic area. Of course as Morten Hübbe mentioned we don't predict any runoff going forward but we share with you our views on reservation.

On your second question on the Finnish sales yes they are performing very well still and as you might see it is a high growth coming from now not any more a very tiny portfolio. So what we see here is that is actually a very broad perspective of private products but we see that the sales channel Nordea and Finland is a very significant and powerful sales channel and it is a very good cooperation between our people in Finland and the Nordea people there that actually show these results. Adding on to that we are building up now as we have also said we would second channels namely in the first time on the first round a car channel and that has also shown very good results in the second quarter.

Matti Ahokas – Handelsbanken

If I may continue on that would you say that your skill in leverage when you are winning customers from a competitor is it with clearly lower prices or what is the kind of unique sales proposition that you are giving?

Stine Bosse – TrygVesta, CEO

Well you can see from our claims ratio and you will be able to see in the future also from the cost ratio that it is not by no way a question of down pricing and that is our philosophy all over four countries that we never down price. We have a very sort of firm commitment to price and risk that have to work together but it is actually the way that we sell in the banks. I guess it is sensitive competitive information to give you more here but it is the setup. It is the way that we work together with Nordea Bank in Finland and of course also some of the features in our products. We don't sell anything but quality so no down pricing, high quality in the products, a lot of trust given to us by Nordea customers and of course we have to live up to that.

Operator

Giandrea Roberti from Danske Equities is now online with a question.

Giandrea Roberti – Danske Equities

Good morning. This is Giandrea Roberti from Danske. I actually have a couple of questions. One is related to Norway regarding the competitive situation there and also the top line growth; it's a little bit sluggish. You mentioned the reason but on the mid-term if you can give us some comment there?

Also perhaps it's too early but can you give us some hint on the very bad weather that has hit Denmark in the last week or so how you see that if there is any impact heavily on your numbers in Q3, thanks a lot?

Stine Bosse – TrygVesta, CEO

In Norway yes it is not the growth that we wanted to see. There is a competitive situation in Norway that we have to watch carefully and we have mentioned that earlier. Morten has told you what we have done and the impact of what we have done. It was very necessary for us to come away from the two-price system and I know that you will understand that very well. In Norway going forward I would see that we will stabilize the situation this year and that we will see slight growth coming through next year and even with that slight growth we will see also gaining market share again.

The weather situation in Denmark has been a lot of heavy rain especially in Northern Jutland but as we monitor it right now nothing that actually in any way inferences our figures or outlook.

Morten Hübbe – TrygVesta, CFO

I might add, Giandrea, that when we give out general guidance for expectations to larger weather-related claims they always include expectations for a storm but also expectations for some days of the kind we have had for the past week so there is no large surprise in that.

Operator

Maths Liljedahl from Nordea is now online with a question.

Maths Liljedahl – Nordea

Hello, Maths Liljedahl from Nordea Equity Research. I just have one question regarding your capital structure and what was in the news in June when there was a discussion that you were talking with your large clients if you could target lower ratings. I wonder how that process is proceeding and if still are committed to the A minus rating?

Stine Bosse – TrygVesta, CEO

Yes. We have communicated earlier that we of course watch out for the reasons for our rating and we have discussions ongoing with our larger customers on this issue. There is no news here. We do see some of the larger customers being worried on the ratings side and of course we will pay attention to that. We have just had our A minus rating reaffirmed by Standard & Poor's and are very pleased with that.

Operator

Duncan Russell from FPK is now online with a question.

Duncan Russell – Fox Pitt Kelton

Good morning, Duncan Russell from FPK. I have a quick question on the Chevanstell sale and the impact that will have on your capital adequacy ratio. Could you just comment on that?

The second question was relating to the motor insurance price cuts. Basically what you are saying is that you are adjusting prices for the lower frequency. Could you just give a bit more detail on that frequency; is it adjusting prices for frequency you have seen so far or frequency changes you expect to see over the next two years for example and then what is the risk that other players in the market adjust much more than you because of these trends?

Morten Hübbe – TrygVesta, CFO

If I take the first question Duncan; the sale of Chevanstell is of course something we are quite pleased with because we have [inaudible] that for a long time and as you may know Stine mentioned we haven't written any new business for the past three years but we still have a gross claims reserve of 1.2 billion. Now that we have signed the sale of the company and expect the approval by say within the next three months we can see that the expected P&L affect as Stine mentioned is 80 million. That of course flows directly into improving our capital adequacy ratio in the S&P model and then of course secondly the claims reserves from the business and the capital covering that is being released. But the claims reserves being 1.2 billion before re-insurance is only a bit more than 300 million after re-insurance and as the charge in the capital model is based on specifically the net claims reserve then it is not as large as otherwise. But it should move the capital adequacy ratio by approximately two to three percentage points but finalising the sale, approving from FSA and including it in the third quarter numbers and not only outlook we should also see it included by then in our car models.

Stine Bosse – TrygVesta, CEO

Then trying to answer your second question; as I mentioned, we have seen that already and this is in the figures that you can see that we have lowered prices towards 50,000 customers in Denmark. That is of course due to frequency development that we have seen as the history but that of course also flows into partly some of the future.

Second to your question about what if competitors do different things; that is competition and that is out there. But what we do is we use the ALM model and we are very careful with the targets that we have in there to make sure that we would always maintain good earnings on the separate lines of business and of course that includes motor.

Duncan Russell – Fox Pitt Kelton

Do you expect frequency to continue to fall in Denmark on the motor book and how much of that is in your pricing already?

Stine Bosse – TrygVesta, CEO

There is in our pricing not necessarily all the decrease of frequency that we have seen. That is what I mentioned about history. We do expect some kind, not quite the same development, do still see some kind of improvement of frequency and perhaps even more so on the average claim, which is actually a very big trigger for the improvement on the motor side.

Operator

Rodney Alfven from Chevreux is now online with a question.

Rodney Alfven – Chevreux

Hello; this is Rodney from Stockholm here. The questions on Norway have been pretty much answered but when it comes to Sweden can you just elaborate about your expectations there when do you expect to see some numbers coming through in the P&L from this focus?

Stine Bosse – TrygVesta, CEO

Sweden is running now as a start-up and I can share with you that it is performing better than the Finnish business did from day one. You will see some significant campaigns running here in the autumn in Sweden and I expect that we will see figures going through concerning Sweden into next year beginning of 2008.

Rodney Alfven – Chevreax

When do you expect to see black numbers both in Sweden and Finland?

Stine Bosse – TrygVesta, CEO

We have said that end this year we will have a break even for the Finnish business and the same will happen in 2010 for the Swedish business.

Operator

Joakim Strom from S&P is now online with a question.

Joakim Strom – Standard & Poor's

Good morning to you all; Joakim Strom from Standard & Poor's Research. I just have a few additional follow-up questions here and that is firstly on Chevanstell. I think you mentioned you expected that to be in the next three months or can we then expect you to book the profit of 80 million in Q4?

The second question is regarding the start of the commercial insurance sales in Finland. Is it correctly interpreted that you postponed that somewhat into 2007 from previously 2006 or late 2006?

Thirdly, can you just give us a bit of an update on the workers compensation development for the first half-year and whether you see any court rulings on the horizon here, thank you very much?

Morten Hübbe – TrygVesta, CFO

I will take the first question and then perhaps you would have to repeat the second question afterwards because we had trouble hearing that. But the first question regarding Chevanstell the signing of the Chevanstell transaction was this morning, which means that is why the 80 million was not part of the half-year profit and loss. The accounting rules do not require FSA approval to be in place before it is booked in the profit and loss so the expectation is actually that the 80 million will be part of the third quarter profit and loss as the signing has taken place and hopefully there is no bad news from the FSA by that time. But then, Joakim, if you could repeat your second question.

Joakim Strom – Standard & Poor's

In terms of selling the commercial insurance project in Finland; I was just wondering if it is correctly interpreted that you have delayed that somewhat starting in year 2007 instead of late 2006?

Stine Bosse – TrygVesta, CEO

Got you there. Yes, we said earlier on that it would be year-end of 2006 and we now see that it will be the beginning of 2007. It is not going to be mid-2007 but it will be beginning of 2007 so that has been delayed slightly a month or two.

Morten Hübbe – TrygVesta, CFO

Reverting to your third question, Joakim, on worker's comp we still see an improvement where the 2006 underwriting year has developed in a good way on worker's comp both in Norway and in Denmark. We still see slight price increased in worker's comp in Norway and of course we have seen also price increases in worker's comp in Denmark. As far as the total claims ratio for worker's comp is concerned we have during this first half done some strengthening of older years claims reserves on worker's comp so we of course enjoy and appreciate the improvement in worker's comp but it is always as we see it a line of business that still has a longer tail and by a longer risk but definitely an improvement also this first half.

Operator

Jan Erik from ABG is now online with a question.

Jan Erik – ABG

Hello, it is Jan Erik from ABG in Oslo. I just wanted to get a feel of how much the sensitivity to interest rate rises are for your combined ratio; what was the level so far in first half and in Q2?

Morten Hübbe – TrygVesta, CFO

The total combined ratio is of course influenced by the discounting, which doesn't really influence the technical result much because you there have the opposite effect of increased unwinding. What we announced after our first quarter was that the expectations to interest rate development where we have seen close to a one percentage point parallel shift in Denmark and slightly less than that in Norway points to the fact that it lowers the claims ratio by roughly one percentage point. Then as I mentioned that is offset by a higher unwinding, which is also part of the technical result.

Operator

There are no further questions at this moment.

Stine Bosse – TrygVesta, CEO

Thank you very much. This concludes our webcast for now and it was a pleasure to meet you all again. Thank you very much for your questions and we will see you around the third quarter, thank you very much.