



Tryg – annual results 2013
Audiocast and Q&A 30 January 2014
Transcript

Presentation

Lars Møller, Head of IR

Good morning everyone. Here's Lars Møller from Tryg. I am the Head of Investor Relations. We are here to present our 2013 results. And with me this morning I have Morten Hübbe, our CEO, and Tor Lønnum, our CFO. We have changed our concept slightly so we will do it as an audiocast, so no pictures, there is only a picture of Tor and Morten here today. And after the presentation from Morten and Tor, we will of course have our Q&A session as usual. So with these words, over to you, Morten.

Morten Hübbe, CEO

Thank you Lars and if we turn directly to slide 3 we show the fourth quarter highlights, of course impacted significantly by 45,000 storm claims in Denmark where we expect to pay out DKK 650 million prior to reinsurance and despite that we deliver a strong result in the fourth quarter. The pre-tax result is unchanged roughly at DKK 640 million while the technical result is at DKK 550 million is somewhat below the previous year but clearly above consensus in the market. If we look at what are the positive result drivers in the fourth quarter, clearly we are helped by an investment income which is DKK 150 million higher year-on-year but also the efficiency measurement programme has an impact positively of DKK 112 million in the fourth quarter and as you see there is a significant drop in the cost ratio for the quarter but also bear in mind that ordinary winter claims and large claims are lower in the fourth quarter than usual.

And if we turn to slide 4, we show the full year with a stable pre-tax result of DKK 3 billion while the post-tax result is up 7 % year-on-year; technical result stable at DKK 2.5 billion. Reported earnings up 8 % in Private lines and some 46 % in our Swedish business but clearly across the board the core driver is our efficiency measurement programme with a total impact of DKK 380 million for the full year or roughly 2 percentage points to the combined ratio and as a result you see that the cost ratio is



down 0.8 % while the underlying claims is down a bit more than 1 percentage point for the full year. I guess that is the main reason why we are able to absorb the storm which costs 400 million after reinsurance, but also that year-on-year weather comparison is helped by the fewer winter claims so all in all weather cost DKK 260 million more in 2013 than in 2012. And all in all that results in even a slightly improved combined ratio for the full year.

If we turn to slide 5, clearly the more important news is our continued work on new products and price differentiation. In 2013 we have come to the market with as many new products as the previous seven years put together and with all of our new products we see that our hit ratio on sales is higher and we see that our improved price differentiation improves selection and reduces our expected claims from new customers significantly and that is why it is extremely important to continue that trend in 2014 and 2015. We also announced today two new IT agreements. Our IT infrastructure sourcing is moved from CSC to Tata in India and our application development, which has been in-house so far, is now being outsourced to Excentia both of which will be important to support that we reach our cost targets.

On slide 6, we show how the businesses contribute to the combined ratio, clearly with the main improvements in Private lines where combined ratio is down 1.7 percentage points and Sweden where combined ratio is down 4.1 percentage points. Commercial and Corporate are slightly higher than the year before but still report a combined ratio of 88 and 89 %, respectively, including the significantly higher weather claims.

On slide 7, we show the key initiatives strategically both for 2013 and 2014 and as you see from the top, clearly we continue with increased price differentiation being the number one key strategic driver for the longer term and clearly that is extremely important. We continue with our DKK 1 billion savings programme for the short and medium term until 2015 as a key driver of earnings and then we add Customer journey and what we call success culture because we believe that we will be able to improve our customer experience, our customer loyalty by making our customer contact points much more simple, much more effective and through that create more value with our customers than today and that will also include raising the performance culture in the organisation both to the benefit of our customers and our bottom line.

If we turn to slide 8, clearly the efficiency programme is the main driver of earnings improvement in 2013 and that will be the case in 2014 and 2015 as well. DKK 380 million impact in 2013, DKK 1 billion total programme by 2015 and it basically means that we still have some DKK 460 million to deliver for 2014 and 2015, which will positively impact earnings.

And on slide 9 we show the cost part of the impact where clearly the reduction in cost ratio is very significant at 0.8 percentage points, now 15.6 %, and we remain with our target to reduce the cost ratio to below 15 in 2015. Bear in mind that you also see that the nominal costs are actually down almost DKK 300 million also to manage the lower top line and that we are 200 heads fewer than the year before; and over to you, Tor.

Tor Magne Lønnum, CFO

Thank you Morten. If we move to slide no. 11, first and foremost we see that there is still some decline on the top line, both in nominal and in fixed currency, or that relatively high decline due to the fall or the drop of the price of the Norwegian krone. If we look at the underlying related to the Private lines, you can see that if you adjust full premium and profit sharing agreements there is actually a more or less flattish development in Q4 which we think is a positive development. If we look at the technical result it has improved in Corporate. There is a decline in the other areas due to the weather-related events as Morten commented.

If we move to slide no. 12, you can see that in terms of customer retention there is a continued positive development in terms of Private lines in Norway. We see that there is a decline this quarter as well in Denmark, primarily due to the competition level. If we look at the Commercial side, there is a positive development in Denmark. I think we have mentioned before that we have seen a high number of foreclosures and bankruptcies in Denmark. We see that there is a small positive trend in that area now. In terms of the Norwegian portfolio there is a small decline in the retention level, but we think that it is more or less temporarily.

If we move on to slide no. 13, the house prices reflect the indexation in Denmark if you look at the increase in average premium. We see that it is a somewhat smaller increase in Norway but more or less in line with inflation. If you look at the motor portfolio in Denmark, there is a small decline in the average premium. It reflects two things. I think we have mentioned before the size of the new cars being sold is relatively speaking smaller but we also see a small shift in terms of coverage so that people do not select kasko as frequently as we have seen before.

If we move to slide no. 14, looking at the Swedish portfolio you can see that in terms of the retention levels there is still a continued impact of the Nordea portfolio and I guess that is a development that we will continue to see throughout 2014. In terms of the profitability level it is a relatively strong profitability as Morten mentioned. I guess it is worth mentioning that if you compare to Q4 2012 you see that there was some accrual issues in last year's numbers so I guess more or less if you look at the year overall it is a positive development.

If we move to slide no. 16, as Morten mentioned and actually you can see that there is an improvement in underlying for the quarter of about 0.2 percentage points, so marginally better than last year. We see that Private continues to improve. We see that there is a small negative in Commercial and Sweden. I mentioned Sweden before but it is important to note that Commercial is coming from a very strong level in last year's numbers. And we do see an improvement in the Corporate segment in Q4. I guess it is worth mentioning as well that if you compare to the next level sourcing, the procurement initiatives that I mentioned before we see that there is smaller impact than the reported numbers and I think it is important to say that some of that will be reflected in the weather numbers, but some of it will also be due to price level changes in the market.

If we move on to slide no. 17, we can see that one of the key reasons why, as Morten mentioned, initially there is not such a huge impact from weather-related claims in Q4 is due to the fact that large claims is significantly lower than last year, it is actually as much as 3.2 percentage points. Run-off is slightly better than last year but more or less flattish.

If we move to slide no. 19, as Morten mentioned there is a strong performance in terms of investment returns in Q4, DKK 150 million more than last year primarily driven by equities but also some returns on high-yield. There has been both some upward and some downward movements in terms of interest rates in Q4 and that has also given some yield. There are a number of one-offs in Q4 related to the adjustment of the value of the HQ but also some minor value adjustments in the real estate and the equity portfolio.

If we move to slide no. 20, you can see that the buffer capital in terms of the Individual Solvency is 50 % after dividend; a strong and favourable position. As we have mentioned before there will be new regulation in Denmark in Q1. We do think that that will give a small shift upwards in terms of capital requirements but it should not be a significant impact. We are talking in the area of some hundred million Danish kroner. If we look at the development in pure equity it is more or less flattish and I guess that leaves it back to you, Morten.

Morten Hübbe, CEO

And I guess we can summarise that we are quite pleased that we are able to handle the two significant storms while still delivering a strong development in our bottom line result and clearly satisfied that the main driver is our efficiency measurement programme which will also be the main driver of earnings improvements in 2014 and 2015 and on slide 21 we just summarise our financial targets. The combined ratio we target at or below 90 %. The expense ratio we target below 15 % in 2015 and the ROE we target at 20 % post-tax also in years where the investment income might be more normal or lower than we saw in 2013. And with that I think we have concluded our presentation.

Questions and answers

Per Grønberg – Danske Markets

Hello it is Per Grønberg from Danske. One question related to the storm impact. You had two big storms in Denmark and a number of medium-sized events in Norway. You state



in your report that you have 150 million for own account on each event. How have you been able to limit the total impact to 255 million, which is pretty impressive.

Morten Hübbe, CEO

Well, I guess we can say, Per, that we have the 150 million kroner count per event and then we pay the reinstatement premium for each and the total of that in effect is 400 million for the two events and then I guess limiting that further on the total weather impact is mainly that weather in general in winter, etc. has been lower so if you look at the two storm net net bottom line they are actually 400 million.

Tor Magne Lønnum, CFO

And I guess, just to supplement Morten in terms of the weather events you talk about in Norway, Per, they are so limited in their effect that it does not really have a large influence in the numbers and bear in mind that the winter has been extremely favourable both in Norway and in Denmark in Q4. And so I guess if you look at the overall impact, yes there were some significant weather events but there were also some positive events that took the total effect down.

Per Grønborg – *Danske Markets*

What has the cost been for the two medium-sized storms in Norway and the two smaller storms we had in Norway in the fourth quarter?

Tor Magne Lønnum, CFO

They are of limited effect, I mean, it is not very visible. We are talking sort of in the area of low or I would say somewhere below 20 million so it does not really have a large impact.



Håkon Fure – DnBNOR

Yeah, hi, good morning. It's Håkon from DNB. A few questions. Firstly on the sideways reinsurance. Could you remind us how much of the 500 million in weather-related claims you're expecting for this year that you expect in the first half? And am I right in assuming that given that you are now in the money on the Sirius Reinsurance we should expect effectively no weather-related claims in the first half? And secondly, on run-offs I was wondering, am I right if inflation remains close to zero in Denmark should we expect the current run-off gains level to remain going forward?

Morten Hübbe, CEO

Well, I guess if I comment on the run-off and you can comment on the reinsurance. I think, Håkon, on the run-off we will remain with our previous communication that long-term we are in sort of the region of 2.5 % roughly of run-off gains whereas the roughly 5 % we add currently is also something we would expect for the shorter-term future and I guess all in all our assessment is that our reserving margin at the end of 2013, if anything, is slightly higher than at the beginning of 2013. And reinsurance

Tor Magne Lønnum, CFO

Yes. Hi Håkon, I guess it is important to say that in terms of the sideways cover you are right that we are more or less covered in terms of larger weather-related events but bear in mind that it is always a threshold on the bottom of 20 million. Did you understand that?

Håkon Fure – DnBNOR

Yeah, yeah that is perfect. And finally given the profitability that we are seeing in some products, especially motor comprehensive, how do you see prices trending in 2014 compared to 2013.

Tor Magne Lønnum, CFO

We are talking – if we should split the question between Norway and Denmark I guess I think I have mentioned already that in terms of the Danish market we have seen competitive pressure – I guess our take is that we should be able to push the annual indexation but there is no doubt that the competitive pressure in the Danish market is noticeable and that is really why we need to continue to focus on our internal improvement programme which is going to be the main driver for profitability. In terms of the Norwegian market, I think I would argue that it is slightly more benign in terms of competitive level but the large uncertainty is really related to the macro development in 2014.

Jakob Brink – ABG

Yeah, hi, it is Jacob from ABG, just three questions. The first one is relating to the combined ratio in Norway. It is extremely low at 78 % in the fourth quarter but also it is a very big movement compared to last year in the fourth quarter. Could you maybe give a bit more detail on that one? And then secondly, Tor, you mentioned that premiums had actually been roughly stable in the fourth quarter if you adjusted for currency and bonus – eh sorry, profit sharing, but still you do write that it is down 1.5 % year-on-year and 2,4 % in local currency. Isn't that a worrying development still that premiums keep declining quarter after quarter and what exactly are you going to do about it? You said that you are expecting to push through the indexation. Is there any risk that you might not do that? And then, thirdly, did you mention anything about the Solvency II capital requirement, that you expected that to go up in 2014 and if so, how much? Thank you.

Tor Magne Lønnum, CFO

Yes, I guess thank you Jacob, the first question in terms of what is going on in terms of movements in Norway I think first and foremost and I guess Morten mentioned that as well if you look at Norway in Q4 I think it is almost unprecedented with a combined ratio below 80 so that is a really strong result and it goes back to Per's question as well about the impact of weather-related claims. I think first and foremost it is important to understand that when you do the comparison to the same quarter last year there was a



significant impact of large claims in the numbers last year which – it moves around about 10 percentage points in terms of combined ratio and then if you add weather-related events on top of that that explains the significant change in terms of combined ratio.

Morten Hübbe, CEO

And I guess, on your second question, Jacob, on premiums, you are absolutely right that there is still a negative top line development in 2013 which we are perfectly willing to accept but what we do see is that there is less of a negative trend in Q4 than in the full year. We also see several business segments where there is a slight positive net number of customers development during the autumn and if we look at the coming years what is positive is that our Commercial customer loyalty and retention is increasing, our Private lines retention in Norway is increasing but we still need to improve our retention rate in Private lines in Denmark where we have been a bit surprised at how much sales Top is able to carry out with Danske Bank and that is the main driver of retention being slightly lower than planned but what we actually do about it is not by hesitating carrying out the market indexation on price but what we rather do is we work on the new products and the price differentiation where as I said clearly the new products we have already done – the hit ratio on sales is higher and the quality of the risk is also higher so the expected claims ratio of these new customers is actually lower than just a year ago and two years ago so that is a strong also longer-term valuable way of moving it, but also more short-term we have increased slightly our sales effort for 2014. We will do more outbound cross sales, we will do a bit more franchising business in Norway to increase our sales there a little bit and then we expect to do more bank assurance, which is one of the strongest quality customer bases we have and I guess we have seen with Top and Danske that it can be moved further upwards and we plan to do that with Nordea in both Denmark and Norway and then we start up our new cooperation with Danske Bank in Sweden but I think, as Tor said, that the lapse or the loss of Nordea customers in Sweden, that will continue because effectively that is a small run-off portfolio with an agreement that we no longer have.



Tor Magne Lønnum, CFO

And then on the final question about the Solvency II as you mentioned Jacob there will be a change in Danish regulation and we do expect that that will adjust the Individual Solvency requirement somewhat upwards. We are still in the midst of calculations but I would say that we are talking in the area of DKK 2 to 400 million so that is why I said it would not be significant but we would see an upwards shift.

Daniel Do-Thoi – *JP Morgan*

Hi, good morning, just a question from my side, the first one I just wanted to follow up on all the comments on Danish Private, my question is whether you felt any impact coming from aggregators during the last quarter of the year and secondly, you continue to deliver ahead of the schedule on the cost programme. I was just wondering about due to the bringing forward of the programme whether you have been able to identify additional opportunities as you've gone along. Thank you.

Morten Hübbe, CEO

I think on your first question the answer, if you look at the actual numbers, is no. There is no real impact. The only area where we have seen aggregators being slightly successful in the Nordic scenery has been in Sweden with insplanet and now we see that insplanet is losing business to the next new aggregator so they are cannibalising each other a bit. What has happened though is that there is more attempt to put lights on the pricing on motor, which has led us to a discussion on our bundling discount between motor and other products in the sense that more than 90 % of our customers buy motor and one more product at least, but every time a price is displayed on the Internet it is displayed prior to that discount so it leaves us to not want to reduce prices in any way but want to show the bundling discount in a way that does not take us off the screening process of the customers so really Internet still plays a very, very low role but we see that customers more frequently use the Internet for screening and then they call us and clearly those are the best leads we have so still very, very slow movement in that area.

Tor Magne Lønnum, CFO

Yes, hi Daniel, in terms of the cost programme I guess it is that you say, I mean it is a valid comment you make and I think Morten mentioned the drop in nominal expenses we see actually for the fourth quarter alone that it is a drop of 100 million in nominal expenses so yes we are quite pleased with the development in terms of the efficiency programmes and as Morten mentioned we also have the new agreement with Tata and Accentia which we think will support the cost programme that we have initiated. However, I think it is fair to say that we have realised slightly more than 45 % of the total target and thus I think it is too soon to say that we are going to take any steps in terms of the target for the cost programme. I think at the moment at least we are more or less focused on making sure that we will be able to realise the targets that have been set.

Morten Hübbe, CEO

We are happy with the results in the pipeline for the next couple of years. That would keep us working.

Gianandrea Roberti – Carnegie

Yes, good morning from me as well. A couple of questions on aspects that you have already touched upon; I think in the last six months in the Danish market if I leave aside what is probably Denmark's first real aggregator I can count at least 6-7 new ventures. Some of them are brand new but some of them are actually companies that were looking at a niche market, a niche segment actually and then they are now designing to make a full blow in the Private market. It is probably the first time in 10 years that I have seen something like that and I would like to hear a bit your view. You are obviously stating that movements, particularly aggregator, are very, very slow, I would say actually you cannot really see them but then again they just started so is this attractive in the mid-term or how do you see this? Apart from that, DKK 350 million to DKK 370 million is the net savings from the savings programme in 2014, right? I guess that should be netted off by some sort of inflation, I just want to double check the assumption there. And the final question I thought it was an interesting statement in



your annual report where you talk about that in conjunction with the capital plan you have a contingency plan should the company decide the capital position be threatened and I would like to know if there is a plan also if the company's capital position is deemed well above the necessary level. Thanks.

Morten Hübbe, CEO

Good morning to you as well, Gian, I think on your first question you are absolutely right that it is a paradox that on one hand the aggregators in Denmark are not visible at all in the numbers, on the other hand you are completely right that there are many new attempts currently and more new attempts than we have historically seen. I guess the way we view it you know one of these new players has even argued that they are targeting 40 % market share in two years. I don't know whether to laugh or cry about that but I guess it does not sound very likely. The way we try to approach it more seriously is that when we target a cross ratio below 15 % I have yet to see a player on the Internet with a cross ratio significantly below that and the players that are new to this market don't start with a portfolio. They start from scratch. So they will start with a cost ratio which is significantly higher than that level. With the current efficiency measures we are doing on claims procurement our efficiency of paying claims will be dramatically stronger than a newcomer to the market and what we are doing currently on selection and price differentiation means that we are continuously improving our risk selection and our claims ratio for new players. I have seen that some of the questions that these newcomers to the Internet will try to post and which they will base their pricing upon, it is so simple that I don't find it likely at all that they can actually create profit from that, so actually that is the way we approach it. The only real issue we see is the transparency issue on bundling and pricing where we are trying to work on methodology where it is clearer what is our pricing; with or without bundling discount, so that we don't get scored too negatively in a before bundling discount pricing measurement. That is really the issue we take the most seriously.

Tor Magne Lønnum, CFO

Yes, hi Gianandrea, I guess you are right in terms of the savings effect full year 2013 is somewhat above 380 million and you are right that was really what I was trying to

indicate earlier in terms of the presentation that we will see some competitive pressure. That means that you won't see the full effect of the savings flowing into the numbers and I guess that is an effect that you see in Q4. In terms of contingency plans, yes there is definitely a contingency plan for the downside in terms of the upside as you mention, I guess that is... I think Morten was very clear in his statement. We are aiming for the 20 % return on equity target also in 2014.

Daniel Do-Thoi – *JP Morgan*

That's all right. I am just following up on Tor's comment earlier on the sales trend in comprehensive motor insurance. I was wondering if you could just talk a little bit more about that. What is driving that? And particularly in the context of an unbundling debate in Danish motor. Thank you.

Tor Magne Lønnum, CFO

Yes, I guess the comment that I made on it was really related to when you look at the development in terms of the average premium for the portfolio, there has been a trend of – and I think we have mentioned that for the last few quarters that you do see a shift in terms of people switching from larger cars to smaller cars which gives an impact on the average price per car but in addition of course you see that there is a – somewhat – shift where people are not selecting kasko and of course that is related to the fact that if the value of the car is significantly lower people don't select kasko as a part of the insurance and that is just one of the explaining factors for why the average insurance premium is slightly down.

Morten Hübbe, CEO

And I go to the bundling question Daniel; I guess there are two different debates in the Danish market as we see it. One is that if you look at our Norwegian Private bundling there is a clear incentive for the customer if you even pick up products 4, 5 or 6 the incentive gets bigger the more products you pick up. Our current bundling programme in Denmark gives you the full bundling impact already at product no. 2 so I think longer term we will need to work with bundling in Denmark that creates more incentive also

with further products than just two while at the same time at the other end of the scale being able to create transparency on what is the motor price after bundling discounts because more than 90 % of the customers actually get that discount. So those are the two different trends.

Gianandrea Roberti – Carnegie

Yes, so sorry, just a couple of quick follow-up. In Norway in the Private lines I think in December DNB non-life was telling me that they were rising prices 2-3 % in 2014 in the Private lines motor and house to counter... to offset the capital claims inflation. Is that something that would – I mean, is that assumption in line with how you see it? That is the first question. The second question, back on your point on the expense ratio, Morten, of the 15 versus the new entrants – it is my understanding that actually the acquisition cost part of the expense ratio for an Internet player is around 5 % because of the really very, very small set-up and all contacts by Internet while if I understand correctly in Denmark you have an average acquisition cost around 15 % when clients come in from the telephone. It seems a big difference and I am just wondering if that together with a different customer approach to all these can take away more customers from you?

Morten Hübbe, CEO

I think it is like the last question, you can take the first one, Tor. Well, I guess if the acquisition cost on the Internet was only 5 % then I guess a company like Admiral should have a much lower cost ratio than we should. And I guess in a sense they don't. So I guess you are right that as a starting point the structure of the Internet of course creates lower cost ratios than the traditional distribution levels but I don't see a level as low as what you are pointing to and I guess we have yet to see an Internet player proving a sustainably below 15 % cost ratio and those are Internet players or direct players that have been in the market for a long period and have a portfolio to distribute their costs on whereas these players are completely new, they have traditionally or most of them have no experience with insurance so they have no experience of setting up an efficient process and they have no experience on risk selection and pricing and I seriously doubt that they would come to a cost ratio that is below our cost ratio and I am completely sure that they would not come to a claims procurement efficiency level



that we are able to deliver and will further strengthen in our programme and I am completely confident that the risk selection that we are improving further and further as we speak with the price differentiation as being the number one strategic initiative that with the questions they are asking they would come nowhere close to that risk selection and ultimately that will adversely affect their results.

Tor Magne Lønnum, CFO

And I think Gianandrea, just to supplement Morten a bit, we do have some experience in Tryg from using aggregators in Sweden and I haven't seen a number – an acquisition cost in the area of 5 % to be frank so it might be that that is kind of a new trend in Denmark that at least will be what... the experience we have from other markets is not in line with that kind of number. I guess to your first question in terms of the price increases in Private lines that it is in line with our own expectations.

Gianandrea Roberti – *Carnegie*

Okay, thanks and just to clarify, to make my point clearer it was that the 5 % acquisition cost is not from the aggregator but it is from some of these Internet players, but thanks a lot for your answer. I appreciate that.

Andy Hughes – *Exane BNP*

Hi hello guys, I have a very quick question if I could. Obviously you highlighted that top line is quite difficult in terms of the top line growth. One of your competitors may be about to sell some assets very close to you in the Baltic region. Would you have any interest at all in acquiring those? And thank you very much.

Morten Hübbe, CEO

Well, I guess – good morning to you as well, we have clearly defined the Nordics as being our geographical footprints and we have no plans of acquiring Baltic assets. And I guess our view is that we are focused primarily on continuously improving our earnings. We accept that the top line is slightly low for a period. We see an improved trend



towards the end of 2013. Realistically, we will see negative growth in 2014 as well but an improvement towards the end of 2014 and then we expect to see a slight positive top line in 2015 and while we do that and continuously improve our earning as we move along we are perfectly happy with that route.

Vinit Malhotra – Goldman Sachs

Good morning everybody. Two questions please, one is on the retention in Denmark – on the Commercial side, I see the bar again, the line again coming back up in Danish Commercial, is it that new customers are coming in? Or is it that the people that you cleaned up once or the portfolio cleaning up once and they are just staying on? Could you just comment on that in relation to the growth comment because in 3Q the underlying was minus 2 and now you mentioned flat if I recollect so if you just comment on the Danish Commercial and the second question, please, on the underlying combined ratio trend. If I look at the last few years, fourth quarter, it was around 90 % in 4Q 2011 and then the 84 mark in 4Q 2012 and now it's again back. It remains at the 85 % mark line. 2012, one of the ideas was that frequency was abnormally low and again in 4Q 2013 we are sort of hearing that weather conditions have helped a lot. Would you say that 4Q 2013 was a 4Q 2011 5 points improvement? Would you say most of that was due to this good luck factor or some of it was some reselection features in your portfolio or some of those differentiation features if you just gave a two-year view, fourth quarter, it will be good. Thank you very much.

Morten Hübbe, CEO

If I take your first question on Commercial Denmark, I guess it is sad to say that if you go back four years our combined ratio in Commercial was more than 100 so the price increases we carried out with Danish Commercial customers were very steep in a period where the commercial companies in Denmark were really struggling and as a result we saw an impact on the retention rate dropping. What we have seen in 2013 and continue to see in 2014 is that we do not have the same need to carry out significant price increases. We also see that our Commercial, we have a new head of Commercial since the autumn who is working very hard to further improve efficiency by making sure that both our risk selection and product offerings in relation to our Commercial companies or



customers become stronger and stronger and as a result I think it is very natural to see an upward trend in the customer retention rate. We will have a number of customer experience enhancing initiatives in 2014 where we run a rather large programme on that and as a result we expect the customer retention in Commercial to continue further upwards and as a result we should see the negative trend on Commercial top line in total start to become smaller and gradually become positive but that is probably in 2015.

Tor Magne Lønnum, CFO

Yes, hi, and to the question about the underlying development I guess you are right, we did mention that 2012 was a very benign insurance year and I guess if you look at the developments in the Commercial segment for instance, you do see that there is a weakening of the underlying numbers but it comes in from a very, very low level so I think that – at least from my point of view and against the fact that we have sort of a very benign 2012 then I guess if we move on to 2013 and look at the overall development, clearly there is no doubt that there has been a number of weather-related events that we have talked about before and so you can always define what is – discuss what is a benign insurance year or not.

There is a level of small claims, there is a level of medium-sized claims and you do see some movements in those areas as well so I guess overall we would argue that 2013 has been as Morten said initially a good year and there has been significant weather-related events and I guess we stay committed to our profitability forecast for 2014.

Morten Hübbe, CEO

And I guess it is fair to say while your question is on Commercial that our price differentiation initiative started in Private lines first and now we are taking up more products over in Commercial lines so clearly we have a pipeline for the next couple of years to further improve our Commercial products, which will enhance our risk selection further in Commercial and also help our sales in Commercial. We have examples of key products in Commercial where the product is 10 years old and our future plan is that no product should ever be more than one year old so clearly a significant step up in the price differentiation and risk selection area as number one on the strategic agenda and that will help Commercial in the coming years.

Vinit Malhotra – Goldman Sachs

May I say because in 3Q I distinctly remember there was a comment and you were saying that medium-sized claims are going up. That clearly went back to normal in the fourth quarter? Just to follow up. And maybe that goes for the Commercial?

Tor Magne Lønnum, CFO

That was related to the Corporate segment so you are quite right we did make a comment about the Corporate segment in Q3 and as you can see from the underlying there is a slightly better development in Q4. However, I don't think we should underestimate the fact that when we look at our Swedish local 49.13.6 business, for instance, we definitely need to follow and monitor the situation closely going forward. And I guess if you look at the geographical information you can see that very clearly.

Lars Møller, Head of IR

Thank you very much. Yes, thank you very much for participating in this call this morning – it was appreciated. I just want to remind you that we will be around for the next couple of weeks, the next month actually with roadshows. You can see that on the last page of this presentation so with this closing remark thank you and have a nice day.