



Conference call transcript

First quarter 2009 results

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Presentation – Q1 2009 highlights

Ole Sæberg – TrygVesta, Head of IR

Good morning and welcome to TrygVesta's first quarter 2009 Conference Call. We'll do a fairly short presentation today, which leaves you good time for Q&A session. With my short introduction, I'll hand over to CEO Stine Bosse and CFO Morten Hübbe.

Stine Bosse – TrygVesta, CEO

Thank you very much, Ole, and a warm welcome this morning. The first quarter results of 2009, first of all, an increase of 76% since last year, and that is mainly driven by a better result from the investment side. What has exceeded our own expectations is the growth in local currency with 5.6%. In times with the recessions and the societies that are surrounding us, that has actually exceeded our expectations. Of course when we measure in Danish krone affected by the Norwegian currency, which has decreased with 13%, but nevertheless in local currency a very good and strong growth. I will return to show you that is actually the growth in all the main business areas. The gross claims ratio of 70.4 versus 67.5; I'll show you a bit later that especially last year was a very strong year looking into the first quarter, but still there are also for us some worry points in the claims ratio, and we will address them later. Combined ratio of 91.4, again with a comparison to last year, which was a very strong year, of course an increase but still let's all remind ourselves that the first quarter in general insurance in the Nordic countries is always affected somewhat by weather. Now the gross investment result of 1.4 is of course a lot better than last year, and Morten will return to that later and give you some details, but still again of course we have seen the impact of having a low exposure to equity, and that has affected us positively in the first quarter. Now we upgrade our outlook on the growth side from 4%-to-8%, of course now including Moderna; and the 5.6 for first quarter is excluding Moderna, but 4% is in line what we've said earlier; and that is of course still being very conservative and still worried about the effects of recession around us, even though we've seen a strong first quarter. The technical result, we increased in our outlook

with 20% to now DKK 1.8bn, and a pre-tax expectation is increased to 17% to DKK 2.1 bn. The combined ratio we now expect will be in the area of 91. The acquisition of Moderna, I will return to, but I would like to draw your attention to the fact that we still grow with a high speed in Finland and Sweden and we've grown with 69,000 insurances and policies in the first quarter. Also, I'd like to draw your attention to the fact that we in Denmark already now and increasing during this first half-year of 2009 will introduce self-service for purchasing insurances and it is the purchasing of insurances that is untouched by any employee. So if you go on the Internet and buy a Tryg insurance in Denmark, it is yourself that is actually doing the whole and we have of course as we have told you before expect a lot from this self-service in the years to come. For this first year, we expect to sell 10,000 policies over the Internet for Denmark alone. An ambitious target, but still something that we are working hard to get at.

Now if we turn to page 5, you will see that the combined ratio, and this was my point earlier on, that if you measure the combined ratio against the last three years, you will see that if we go back to 2006, the first quarter had a combined ratio of 92, which of course is comparable to the 91.4 that we see this first quarter. Then we also had a strong first quarter in 2007 and then we had an extremely strong first quarter in 2008. So bear that in mind when you judge the combined ratio. Now the expense ratio is in line with our own expectations and is just slightly above the same time last year, but still in the area that we have expected from our planning.

Now the gross premium development, as you see on slide 6, to just decompose and show you where the growth comes from, you can see that the light green is actually when we take out the currency effect from the Norwegian market. So if we do that and look at the growth in local currency, you can see that all business areas are actually participating to the growth story of TrygVesta, which of course, as mentioned, in times of recession is pretty powerful. So not just have we got the motor in place in Finland and increasingly of course in Sweden, but also in the large market places or where we are more established for Denmark and for Norway, and

later on I will show you this in comparison with competitors also a pretty good result.

Now on the technical results, just to decompose the difference from last year, if we look at large claims, yes, we have not have seen a lot of large claims, which of course gives us a fantastic technical result in our corporate business. If we look at the storm related claims, you can also see that that has been a lot less than last year and also a lot less than an average year. But when it comes to Norwegian winter times, and especially affecting the cars and the development of car insurance in Norway, yes, it has cost us 51m more than the same time last year. Then we have what we call a period adjustment where we did communicate that last year, we had a very strong first quarter because some of the claims related to first quarter were first reported in the second quarter so where we compare of course that gives quite a different - - that caters to 37m and then of course the discounting effected lower interest rates and the technical interest rate also lowered has also a huge impact when you compare to the same time last year. So all-in-all if we look at the comparison from last year, you can say the heavy winter in Norway and then of course the lower interest rate is the explanation for a lower technical result.

On slide 8, just to remind us how significant the development has been, especially in the eastern parts of Norway on the frequency, and it is smaller claims. It's not large personal injury claims; it's a lot of small claims with an average claim I think if I can remember correctly, NOK 18,000.

Just to put the results in some kind of perspective just to show you on slide 9 and 10 that still if we look on a Nordic level and we look at the premium growth, you can see that TrygVesta with the dotted line is in local currency and we have in Danish currency and If that reported in I guess Finnish currency, we have showed you just a comparison here and still a strong result compared to If on the growth side. Also on the combined ratio side, even though we have seen an increase of combined ratio, you can still see significantly below the level of If.

If we go to Denmark, you can see that we show a significant stronger growth than TopDanmark who have come out with a profit warning just last week, so we know their results in this area; and of course if you look to the Norwegian area on the premium growth, we and If have seen a good strong growth whereas Sparebank 1 has seen less growth.

On the combined ratio side for Denmark, you can see this quarter, also here we know that because of the profit warning from Topdanmark, that we have a very much stronger first quarter result on the combined ratio; and if we go to Norway, somewhat similar to what we see in the Norwegian market. But it is a worry point for us that we seem to have lost a bit of the competitive advantage in Norway, which of course leads us to do a lot with the premiums, and Morten will come back to that in detail.

On slide 12, just to remind you that we are in the process now of integrating Moderna to TrygVesta and now we already see the benefits of the much stronger distribution platform, which is shown on Slide 12; and we can now with the work that we are now doing with the management team, we can now really see that not just only this but also in many other areas, we will have the benefit of a stronger platform in the Swedish market.

Finally just a few comments from me before I turn over to you, Morten, on the macroeconomic trends and the impact in general insurance. Overall, I would say that - which is very, very positive but also a bit sort of exceeding our own expectations the top line impact, as just mentioned, whereas you can see our competitors have obviously suffered significantly more on the top line, we have not seen that in TrygVesta, but we do not sort of overplay this why we still remain with a forecast for the full year of 4% growth before Moderna even though we've seen stronger growth in the first quarter. Now on the frequency side, of course what we see surrounding us has had an impact already on lower infrequency; and on the average claim side, we do see lower material prices and the possibility of actually doing better purchases for us when we look at the repair side, which all leads into lower repair costs. But on the workers' comp, of course, still a worry point of

longer recovery times even though we haven't seen that influencing our figures yet, we still remain with a conservative view precisely on this point.

Hereby over to you, Morten.

Morten Hübbe – TrygVesta, CFO

Thank you. If we turn to slide 14, we have illustrated the significant price increases we're carrying out currently and which will improve our insurance margins towards the end of this year and the full year of 2010. In Denmark, particularly house with a price increase of 11% but also health care with a price increase of 1st of January and 1 July in a total of 25% and 1 April we've just increased prices in accident and travel by 15 to 20%. In Norway, we've shown the past 18 months of price changes here, but specifically 1 January we've increased prices in house by 7.5% and motor by 5% and we are also now carrying a quite sizeable price increases 1 July of this year. And as you can see, Sweden and Finland are included in the price increases for the first time, totalling a full TrygVesta quite significant package of price increases, which of course will help our margin and insurance results for the coming periods.

If we turn to slide 15, we've shown a positive development in the frequencies in Denmark. When it comes to motor, frequencies, as you mentioned, Stine, is down. We see that people drive less miles, it means that traditional small damages/small crashes are down 7%; but on the other hand, we see a pickup in theft of cars of roughly 5% and actually fire in cars a pickup of 20% in this first quarter. If we look at house in Denmark, as I said, frequencies are down, particularly change of ownership is down 20%; whereas the trends we saw in the autumn of plumbing and pipes increasing, that is continuing this first quarter. Also, we've seen roughly 30m more expense to fires in house in Denmark. In Norway, we see positive frequency development in house; but, as you mention, Stine, in cars, we see quite the opposite and a very significant winter impact. As you mentioned, roughly 1,800 more private car claims than in a normal first quarter, a roughly DKK 50m impact from that. You can see from the average claim slide here that in

both countries, we see the level flattening out. Of course that is positive, but bear in mind that this levelling out compared to the autumn of last year but still significantly higher than the first quarter to last year. That is of course why some of the price increases have been carried out and why this is still a focus area for TrygVesta.

If we turn to slide 16 and we show that Q1, as you mentioned, Stine, has very little impact from large claims and storm related claims, much like first quarter last year. Large claims are 28m below last year if you look before reinsurance; but actually after reinsurance, the level is more or less exactly the same as last year. Storms are some 33m less than last year, but bear in mind that we have just passed the first three months of this year and there's another nine months to go.

If we turn to slide 17, we show a stable run-off development in TrygVesta in Q1. We see a positive impact to the combined ratio of 4.2%, much like last year. We see a positive development in motor and in personal lines, whereas private houses and also liability claims have shown negative development. Now those of you who have looked into the balance sheet might have noticed that the total stock of claims reserves have dropped 262m compared to first quarter last year. Bear in mind, the currency effect on that, the currency effect is roughly 800m downwards, which in other words means that the total claims reserve stock has increased roughly DKK 500m in the same currency.

Turning to slide 19, we show an investment result of 1.4% or roughly 5.9% annualised. Of course, we've seen a further pickup in equity returns in April and May so far. But as Stine mentioned, we have kept our equity exposure unchanged. In bonds of course we've seen the positive effect of declining interest rates, but also that spread have narrowed somewhat on Danish mortgage bonds. As a total, the interest rate drop and spreads narrowing have given a positive of 300m, whereas of course the offsetting effect of discounting has been roughly 220m, so net positive of roughly 80m compared to expected. When it comes to exposure, we have shifted roughly 10% of our total invested assets from Danish mortgage

bonds to Danish government secured bank loans.

Turning to our outlook on slide 21, we have now, as you mentioned, Stine, included Moderna for the first time and of course only for the remaining nine months of the year. We have therefore increased our growth to 8% top line. As Stine mentioned, we've increased our technical result by 300m. Of course partly due to the positive run-off development in the first quarter, partly due to the technical result of Moderna but also a slight decrease in the net interest rate after unwinding. If you look at the pre-tax results, the same 300m travelled through; and if you look at the combined ratio of course these impacts have been positive and that's why we improve the combined ratio by 1 percentage point. You might ask why or what is the link to the development in large claims and storm related claims, and of course they have developed better than planned; but on the other hand, as we've mentioned, Norway has been more negative than planned both in terms of winter but also the underlying claims trend is somewhat worrying on motor. Now of course bear in mind on this slide, we've not included the equity performance of April and the start of May. Had we done that, we would've increased the number of pre-tax result by 180m; and also had that been included, we would have lowered the expected tax rate from 30 to 28%. But I guess we all know that that can change a lot times from now until the year-end.

Finally on the slide 22 on capital, we show that we have now a surplus to our A range capital requirement of 17%. That will drop to 14% a few days into April as Moderna transaction will be included. We are very comfortable that the buffer here is still slightly higher than normal as the sort of financial markets are still more volatile than normal and also due to the fact that we still have quite a low equity exposure and therefore also a low capital requirement relative to that.

Over to you, Stine.

Stine Bosse – TrygVesta, CEO

Thank you, Morten. Just to wrap-up, I think that we can say that in our opinion, the first

quarter result is not outstanding, perhaps slightly a bit too relatively but it's a solid result; and if you look at the overall including all the activities that we have in place where price increases are needed and that we were actually early to get started, that was actually already in the middle of 2008 that we were on that track. I think that is comforting for the outlook for the full year.

Jakob Brink – Handelsbanken

Hi, it's Jacob from Handelsbanken. I have a question, three questions actually. The first one is regarding your upgrade on the combined ratios to 91%. It seems like most of it is led by run-off gains and weather and large claims in Q1 being lower than expected or better than expected, but you also write that the expectations for a claims cost in the remaining of 2009 is lower. Can you give me some kind of indication of how much we're talking about and if we should expect more on that account? Secondly, I'm a bit puzzled about your Norwegian business. You're right that there's been a heavy snowfall in Q1, but still you put 107% combined versus Sampo of around 100% and you have basically quite a low exposure in the Oslo region where I understand the snow has been the worst. So can you give us some kind of indication if there's been other factors impacting your Norwegian business; and then finally on your equity portfolio, should we expect you to increase your level of equities in the portfolio anytime soon? Thank you.

Morten Hübbe – TrygVesta, CFO

Good morning to you, Jacob. You mention that the improvement of the combined ratio to 91 is largely due to the run-off and the positive development in weather and large claims, and that is completely correct. Then you say, "What do we expect in terms of weather and large claims for the remainder of the year?"

And we remain with the same methodology as always. When it comes to large claims, we expect 375m for the remaining nine months and that is three-quarters of a normal expectation for a full year. When it comes to storms and weather related claims, we expect 150m of claims for the remaining of the year, following the pattern of previous years where if

we have huge impacts on storms, for instance, it usually either Q4 or Q1, so that is where the impact of these claim types are and most often the largest.

Stine Bosse – TrygVesta, CEO

If I remember correctly, Morten, the combined ratio of Norway total is just below 100; and when you compare us to If use that number, but I will not go away from the fact that we are not impressed with what we see from our Norwegian business just these days. Even looking away from the snow, we admit there are areas where we need to do a lot more in pricing, even though we think when we compare it that we are comparatively to If and others still showing a strong Norwegian book. We still think that the Norwegian book should participate more to the total earnings of TrygVesta, so yes a full recognition of that.

Morten Hübbe – TrygVesta, CFO

It is comforting that that is an issue we see with all of the larger players in Norway, and I guess we see that that means that all of the large players needs to look more significantly into the price increases.

Stine Bosse – TrygVesta, CEO

Definitely. On the equity and how we think about equity these days, if you remember 2007, we were spending a lot of time and we were also addressing it to you looking at taking out equity exposure down. We took it down from 14 to 12% during the year and then 8 January we took it down in 2008 to 4%. I think if you compare 2009 to 2007, we will spend time this year thinking more about sort of focused on going back into equity, might do some slight movements second half of this year, but be very certain about what is actually going on, and I still think that we haven't seen the last of volatility in this running year. As we said, reporting the full year of '08, we will wait until we see more stable markets before we go back in. But having said that, we will not go back to the area of 12 or 14%, so you should expect us to go somewhat up but not back to that area. Somewhere around probably next year slightly up would be this year.

Jakob Brink – Handelsbanken

Sorry, but I think my first question maybe I was not clear, but actually I meant that you write in your report that your expectations for claims cost in the remainder of 2009 is also a reason for lowering the combined ratio. I'm just thinking: What is that you mean here? Meaning that you now expect lower average claims inflation on house or what exactly is it here?

Morten Hübbe – TrygVesta, CFO

Now I understand that question. What we are alluding to, Jacob, is of course that when we're carrying out these quite significant price increases, which started in the second half of 2008 and now carried out also in 1 January and Spring of '09, of course that means that the further we get into the later quarter, particularly Q3 and Q4 of '09, the more we will have higher average prices to pay for the claims in those quarters, meaning that not the underlying claims will be lower but rather the relative price to pay for those claims will be better and therefore the claims ratio will start to improve. The full impact of that we will not see until 2010 and actually the later part of 2010 where we'll start to see the positive impact of that towards the end of 2009.

Per Grønberg – Danske Markets

Good morning. Per Grønberg from Danske. A couple of questions, the first one related to the Moderna that is now included in your guidance. Can you give us some indication on your technical profit guidance, how much Moderna has impacted that one? Can you give us some figures on where Moderna's technical profit was in the first quarter? I know you were not the owner of the first quarter, but I assume that you know those figures. That was my first question. My second question is related to a lot of the issues that Jakob also talked about. Norway and you are addressing the snow in the Oslo area, can you give some indications of what your market share is in the Oslo area compared to what is on the West Coast? I'm a bit surprised that you are that you are addressing the issues in the Oslo to that extent. I thought that you should be

significantly less exposed than what we saw in Oslo region figure.

Morten Hübbe – TrygVesta, CFO

And good morning to you too, Per. If we take your first question, I guess it's fair to say that 2009 will be a little bit unusual in terms of Moderna, both because it's only nine months and then also because it's the first period where we actually do include this business. What we have assumed for the remaining nine months of 2009 from Moderna is a technical result of 50 to 60m. What we saw in the period before our ownership, that is a rather odd period but sort of from the middle of November 2008 towards 1 April 2009, we saw a technical result of around 44/45m kroner in that business, so good, stable, and positive development, but of course we tried to be slightly conservative when we include it in our numbers for the first time.

If we take the market share, you can say that the market share in the Oslo region and particularly sort of the eastern part of Norway depends a lot on which lines of business you look at. If you look at your overall market share, it is climbing up towards 13/14% of the market. But if you take our market share of motor in the Oslo region, we're closer to 20% and actually have been that historically and that has to do with a stronger weight or a larger weight on car dealer distribution in that region. So you can argue that when we voiced a large focus on increasing market share in Oslo, it has been focused on sort of the broader insurance needs of customers living in houses, apartments, et cetera.

Rodney Alfven – Cheuvreux

Thank you. I have two questions. First one accounts to your guidance. You increased the technical result guidance by 300m and of that you have 175 from roughly 225 from lower weather and large claims, so that's 400m. Then did I understand you correctly that Moderna will add circa 50m to the technical result in '09? So then if you look at the difference of this 440 or 450 from the 300 increase, is the main difference there coming from Norway that you expect lower technical results in Norway? Then second, these premium hikes that you're performing now in

2009, can you give us an indication of how big will the impact be in 2009 and then also 2010? Thank you.

Morten Hübbe – TrygVesta, CFO

Good morning to you as well, Rodney. You're completely right in your sort of math when it comes to the guidance. The 150m that you are sort of alluding to, it's fair to say that the 50m winter effect in Norway of course is part of that reasoning and finances of course a third of what you're asking and of course, as Stine mentioned throughout the presentation, the fact that the underlying combined ratio in Norway, even disregarding winter is too high. As we explained, most of the difference we saw 107% combined ratio compared to last year and of course winter explains roughly 5 percentage points of that, but still the underlying development in motor is not strong enough and of course we do expect that that will cause us some problems also in the coming quarters and that's of course why we're quite pleased that the rest of our business can carry out strong technical results to support even upgrading our total technical result for the full year.

When it comes to price increases, we have explained what the price increases are per line of business and per country. We've also explained that the majority of that impact will have a positive impact on 2010. If we look at sort of what does that amount to in premium numbers, you have to of course bear in mind that not all price increases are just margin improvement. Some of it will also pay of course for the indexation and increases of the underlying claims, but the total impact of the price increases planned and carried out are roughly around 250m for 2009 and around 360m for 2010 and of course when you then take into account the increases of the underlying claims, which will eat some of that, then a substantial part of it will of course improve combined ratio towards the end of this year and the full year of 2010, which is really the same explanation as we gave for the full year of 2008, so really nothing much changed there.

Stine Bosse – TrygVesta, CEO

I think it is important to say that again if you compare us to others, bear in mind that we were early in starting this process. We came out in the middle of 2008 and said that we could see the price increases were needed, not a lot did that, so we have had the benefit of getting started earlier and that of course will make us get the benefit of this hitting the bottom line probably slightly earlier than competitors.

Morten Hübbe – TrygVesta, CFO

The only real news there is that the 1 July price increases in Norway will be more sizeable now than we might have thought six months ago.

Rodney Alfven – Cheuvreux

Thank you. Just a short question on the currency impact on the combined ratio. I mean you are reporting the effect on the top line, but did it have any effect on the combined ratio the currencies or is that neutral?

Morten Hübbe – TrygVesta, CFO

If you look at the combined ratios of each of the business areas, then it is completely neutral. Of course you can argue that as Norwegian combined ratio is higher than the Danish and you weigh that together in the total Group combined ratio, then of course that has helped slightly by the fact that the weight of the Norwegian business becomes a bit smaller. But again looking at the business areas, you will not get confused by that.

Gianandrea Roberti – Carnegie

Good morning. This is Gianandrea from Carnegie. I actually have five but very, very brief questions. The first one is on the combined ratio in Norway, I'm a bit puzzled because in your presentation you show 99%; but in the report, your graphical split shows 94.4. If you can just really clarify what's the right number that would be great. Then I heard you, Morten, talking a little bit about fire related claims and theft I guess mainly on

motor, should we read through something, consider that the Topdanmark mentioned this massive jump due to fire claims and, well, even a recession combined ratio they now talk about or what's your view on that? Turning to Finland, your combined ratio, am I still right in thinking that you have a target 100% for 2009; and if that's the case, well your Q1 number is pretty high as opposed to the target. Corporate business, you have a very high gross premium in Norway but very, very small in Denmark. Do I need to do some sort of currency margin there, or what's going on? Then sort of finally, the cash and deposits on the balance sheet are now 2bn. It's a jump, a big jump compared to what it was historically. I'm assuming it's all a hold position, but if you can just tell me something about it that would be great. Thanks, and sorry if I was too long.

Morten Hübbe – TrygVesta, CFO

Good morning to you, Gianandrea. You're right that our presentation shows a 99% combined ratio for Norway total, and the report shows a number that is 94. I think when we need to check that, but thank you for checking. If you need a job, maybe we've got an opening in the finance department.

Gianandrea Roberti – Carnegie

So 94.4 is the right number, right?

Morten Hübbe – TrygVesta, CFO

94 is the right number. We do need to check why we put 99.

Stine Bosse – TrygVesta, CEO

But that again brings it into perspective what we early on debated on relatively to If, the Norwegian business isn't doing all that bad compared to the sort of the status in the market. But having said that, don't take any away from Morten has said, we still want to do better in Norway.

Fire, an increase frequency, I would be more willing to say that on increased fires in the motor book and in the car insurance business might relate to an increase in theft and fraud. But having said that, I would be reluctant to think that the increases in house and home

fires connect to fraud. That I think is far too early. But I think in the car area that might be a tendency that we're seeing that is related to the recession. But in people's private houses, I would be more reluctant to think that. But nevertheless, we're investigating it and of course we will come back to you in Q2 and be more certain on these figures and on these underlying trends.

The combined ratio in Finland is not close to good enough; but if you isolate the combined ratio for the private line, it is in line with our plans for getting to 100 also this year. But we are increasing prices in Finland, as we have shown you, quite significantly and that is of course because we realise that Finland is now sizeable in the whole business and we need to have combined ratios that are attractive.

Gianandrea Roberti – Carnegie

Sorry. Can I ask you what the combined ratio for the private lines is? Maybe I haven't seen it?

Stine Bosse – TrygVesta, CEO

I don't think we disclosed it.

Morten Hübbe – TrygVesta, CFO

We haven't disclosed it, not this time around, but we can get back to you on that, Gianandrea.

On your two last questions, the one was on Norway.

You can argue that we've actually been slightly surprised that our top line growth was as strong in Norway corporate as it was. What we've seen is that a couple of the smaller competitors have been very little active. We've seen that both Nemi and Protector, who's otherwise been sort of quite tough competitors in the Norwegian corporate market have stopped their activities in many areas or scaled it down significantly, meaning that our ability to renew our business and to do that at good prices has been better than expected and that is why the growth rate has been higher than expected, and it's really not a currency issue.

Stine Bosse – TrygVesta, CEO

I think on the final question, was that the cash on the balance sheet question?

I think, Gian, that you should view it this way: We haven't left our sort of main statement here namely that we would not sit with excess cash. We will give that back and then we will return to the market, but we have seen that or, yeah, I guess we thought that in these days, these times, where it is difficult and an access to cash if needed is much more difficult, it is a good idea to be conservative and sit with just slightly more, and please bear in mind that we do have cash on the balance sheet related to an 8% exposure in equity, and that of course is part of the story so...

Gianandrea Roberti – Carnegie

Sorry. I think I was probably didn't explain myself correctly, but that's very helpful. But there's the item in cash and deposit - credit institution, you have 2bn now. It's I guess amongst the investment side right? This was normally very small amount. In the previous quarter, you're only 5/600m, and I'm just thinking, if you're changed towards investment policy, if there's something going on there or just...

Morten Hübbe – TrygVesta, CFO

The explanation, Gian, is that when we took over Moderna, we took it over 2 April this year. Part of taking that over, was an investment asset book, and what we agreed with previous owner was that instead of taking over invested assets that we really didn't like - then it was easier that we just took over an invested asset book which was consisting only of cash deposits (Correction: TrygVesta made government guarantee positions in Danish banks for more than DKK 3bn with a duration of around 12 months) and Swedish government bonds.

That's why it's unusually high.

Will Morgan – Goldman Sachs

Hi there. Three questions please. The first on is just relating to actually the previous

question on cash. I mean just looking at your other debt line in the balance sheet, that's gone up by around 2bn. I just wondered again what that exactly relates to. The second question is on your final... Well, yeah, on Slide 22, when you're looking at your surplus capital calculation. I know there's sometimes a difference between the asset charges in this chart versus the asset charge you use in the more detailed numbers you give in the separate disclosure. I was just wondering if you could tell me what asset charge you're using in this particular chart? Is it the asset charge for the lower level of equities that you current hold? Then the final question just relates to one of your earlier comments about the greater focus of Internet sales of things like travel contents and motor insurance. Could you just possibly give some details about the uptake of that and your kind of projection for growth because obviously I mean clearly if that becomes a more dominate part of the distribution channel, it does somewhat change the market dynamics? I just wondered if you can give us a sense of how the take up of that has been. Thank you.

Morten Hübbe – TrygVesta, CFO

Good morning to you, Will. The first two questions, one was regarding the other debt and with the new accounting rules of IFRS then if we do transactions on the invested asset side, which has a trading date before the quarter-end but a value date after the quarter-end, then the full value of that transaction has to be posed as other debt, and that is why you can have very significant movement over a specific quarter, but there's really nothing in there other than invested assets transaction; and if you look at it two days afterwards, it would be gone again, so don't pay too much attention to that. When it comes to the asset charge, what we have used in our total calculation of our capital position is the actual equity exposure we have currently of around 3% and then hopefully from the brief we have on our Web page describing the capital position, you can see how much would that change if our equity exposure changed. But roughly the loading is 32/33% if we increase the equity exposure.

Stine Bosse – TrygVesta, CEO

Yeah, and I guess, William, on your third question, the Internet sales, if anything, and this is some time from now, the impact will be on the cost side. I don't see the Internet channel as any kind of accelerating growth area. I see it as an area or we see it as an area where the possibilities for us lies in taking down the cost connected to sales and even the cost connected to the running administration of policies, and please bear in mind that when we say that we will sell 10,000 policies in Denmark this running year, it is very ambitious. If we look at what we're selling at the moment, I think if we are very positively calculating it, we get to about 40 or 50 policies, so it is not something that is just done. But we need to have an ambitious target in this area because we mean honestly that it is for the future the way that the customers would favour, or many customers, not all, but many customers would favour to purchase their insurances. I think that the way that we've done it, it's easy; it's accessible. There's not a huge questionnaire and there's a lot of information to guide you. That is the way that we think it needs to be done.

Will Morgan – Goldman Sachs

Just speaking on those numbers, you're saying targeting 10,000 policy sales over the Internet...

Stine Bosse – TrygVesta, CEO

In Denmark- This year.

Will Morgan – Goldman Sachs

This year. But you're saying so far sales are only - - you said it's at number of 40-to-50. Is that... I wasn't quite sure what that referred to.

Stine Bosse – TrygVesta, CEO

A week.

Simon Christensen – SEB Enskilda

Good morning. Actually most of my questions have been answered, but just to clarify a bit on

your guidance now I think someone also touched upon this. Underlying or adjusting for the run-offs that you had in the first quarter and these large claims and also lower weather related claims expected for the rest of the year and Moderna as well, then you should have a bettering of your technical result by 455m or roughly that. But do you think we should guide only by 300m. Just to clarify, is this all related to Norway or is there something else? Also on the question I think it was on the full effect of these quite high premium increases you now have carry through you said roughly 250m top line for '09 and 360 for 2010. But did I hear that you said that the combined ratio effect on the individual business lines would be roughly unchanged or will just be offset by the higher claims inflation that you have seen on some lines of business?

Stine Bosse – TrygVesta, CEO

No, if... Simon, if we start with the first one, I think you've got that right and what we say here is that there is a worry point for us that is now included in our guidance, but there has been a worry point about the development in Norway, which we are now taking a firmer grip upon. We are increasing the price increases planned for this year so that is catered for. What Morten was trying to say is that you can't just when you say that the full effect of the price increases is 360m fully implemented, you can't just take that and put into the top line and then not sort of cater for the fact that there will be areas where there will be slightly increases in the claims cost and there is cost issue as well. So don't just take it further and let it flow through completely unchanged, but it will have a very positive impact on our combined ratio and it will make sure that our mid-term targets for the combined ratio development will be in place.

Simon Christensen – SEB Enskilda

Yeah, that makes sense because I think maybe your - - I mean your premium increases - - well they are lacking the high claims inflation, so maybe I don't know, you could point towards what effect do you think it would have on the combined ratio maybe towards the level that it has today and not let's say what it was when all things were hunky-dory.

Stine Bosse – TrygVesta, CEO

I think it is being too specific if we say more than our mid-term target for the development in combined ratio, which we have said to be around 90 - 90 is the mid range and that is before run-offs. So to hit that target, we need the price increases that we have now in place. I think to be more specific than that is not correct.

Morten Hübbe – TrygVesta, CFO

I think, Simon, we said on the full year of '08 that the increase in combined ratio we saw from '07 to '08 that it would take roughly two years to get that increase handled and come down again. We would carry out the price increases needed quite immediately and then it will take roughly 24 months to earn the premium from that. Really apart from Norway needing more, there is no change in that.

Simon Christensen – SEB Enskilda

That's clear. A short question also on the outlook. Have you tried to calculate what the effect on the combined will be from the cut in the discount rate in Norway and Denmark after here in May? Also, what is your opinion on - - do you think that this temporarily change to the discounting yield in Denmark will persist?

Morten Hübbe – TrygVesta, CFO

The interest rate level, we're using now of course fortunately is not the national bank's official interest rate that we're using but rather the sort of mixture of the durations we have in our underlying liabilities, meaning that what we've used this time around is 3.5/3.6% interest rates, which is slightly lower than what we used from the mid of February, but tremendously lower than that, and of course I think we all know that there's a risk that that number can move further during this year, but we've assumed 3.5 to 3.6 and you can argue that this has a big impact. Of course, we saw that the impact on combined ratio has changed 1.5 percentage points during the past 12 months due to drops in the interest rate, so of course it's very important.

When it comes to the yield curve question and the discounting, what we do now for a fact is that the current yield curve, which includes mortgage bonds, runs until the end of 2009. In 2012, there will be new yield curves regardless because Solvency II will require that. So the question is: Will this current yield curve be extended until 2012 and then there's a more significant change then, or will it end towards the year-end 2009 and debate on that is it's going on at the moment but it's too early to stay what the conclusion will be.

Simon Christensen – SEB Enskilda

Have you tried to see what the combined ratio effect will if you move to the old Euro swap plus a spread on the Danish versus German common bond yields?

Morten Hübbe – TrygVesta, CFO

No.

Ole Sæberg – TrygVesta, Head of IR

We can say 1% move will impact the combined ratio with 1.2 percentage points.

Thank you for your questions. Before we close, let me just make sure that all of you pencil in that we'll have a Capital Markets Day 1 September in London, so put it into your calendars and we'll see you on the road in the next few weeks; and if not before then, I hope to see you all on 1 September in London. Thank you for today.
