



## Tryg – Q3 2016 results

Audio cast and Q&A 11 October 2016

### Transcript

## Presentation

**Gianandrea Roberti**, IR Officer

Good morning everybody. This Gianandrea Roberti, head of Investor Relations of Tryg. We published our Q3 results earlier on this morning and I have here with me Group CEO Morten Hübbe and Group CFO Christian Baltzer to discuss the numbers. So after a few words over to you Morten.

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**Morten Hübbe**, CEO

Thanks, Gian. We start out on slide 3 showing significantly higher results both from insurance and particularly investments and bear in mind the very high swing factor from global equities from Q3 last year to Q3 this year. On the technical result, we report an increase of 100 million, but bear in mind we had the negative impact of 120 million last year so roughly in line year on year. Premium development is as expected. We see positive growth in the largest business segment, Private Nordic, now for the fifth quarter in a row. But now also new in this quarter we see positive growth in Sweden even before the Skandia transaction. We report, we believe, a healthy solvency ratio of 217 including the Skandia transaction.

If we jump to slide 4, we show an all-time high NPS of 24. Clearly this is a KPI that will be more volatile over time, but we do see a positive development. When we look at customers with 3 or more products we see a good improvement in Private Denmark with an increase of 1.6 percentage points, but on the other hand we see a reduction in Norway which we need to improve with our work on Enter and on our new customer programmes. The retention rate at 88 is a slightly lower level than last year, mainly due to a drop in Commercial.

If we turn to slide no. 7, premiums are broadly flat but they are positively impacted by 2 months of impact from Skandia - sorry, that is one month's impact from Skandia, and



also somewhat negatively impacted by one-off positive top line in Commercial in Q3 last year. Private lines Denmark continue to be the most positive this quarter with top line growth of 2.2 %, where clearly, Commercial is more challenged in both Denmark and Norway. Corporate is quite flat, but we believe that growth is not the main focus area in a Corporate segment.

On slide 8, we show the technical result of 744 million and as we said roughly in line with Q3 last year adjusted for the negative one-off charge last year of 120 million. If we adjust for run-off, weather and large claims the results of Private and Commercial are roughly in line with Q3 last year and Christian will get back to the underlying, but clearly we see that mid-sized claims in Corporate have a big impact this quarter. Mid-sized claims in Corporate are roughly 70 million higher Y/Y, which has some impact on the group numbers, both reported and underlying.

If we look at slide 9, the most important story is that we continue to see an improved trend in Denmark where the fact that we are gradually adjusting prices and converting into new products means that the negative trend on price is improving and that is both due to the conversions and the price changes and we are seeing the conversions that customers are increasing their coverage. Norwegian prices continue to move slightly up reflecting price adjustments.

If we look at slide 10, I guess the general story on customer retention is quite stable. For Private lines, it is stable. We see perhaps the most positive that Commercial Norway has had a positive development in Q3. Commercial Norway is the area where our customer satisfaction has been the lowest and we have worked a lot on improving customer focus, customer servicing and customer NPS and that is now starting to improve and that also has a positive impact on the retention of Commercial Norway while on the other hand Commercial Denmark still has some negative impact by price increases. And over to you, Christian.

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**Christian Baltzer**, CFO

Thank you, Morten. And turning to slide 12 we try here to display the underlying claims ratio for the different segments. For group level, you see an up-drift of 2.2 percentage

points. As Morten mentioned, most of it is driven by the mid-sized claims - around 70 million in our Corporate segment. If you look at Commercial and Sweden they are more or less on par compared to last year. Private is up 0.1 percentage point and we still reiterate our expectation of seeing at the beginning of 2017 the underlying improvement on the Private side.

Turning your heads to slide 13, this is a topic that we started discussing last quarter which was these increased tech developments in cars are how the claims are increasing in size given the more tech that you put into these cars and we are happy to see that other companies are also reporting some of the same trends. Now one of the new things we are bringing into this topic is that we do see a trend increase in accidents, I think it is about 5 % increase in 2016 if you look year-to-date. This is on a national basis in Denmark. Now, we have speculations what the reasons are in this and I also believe that the Council for Safe Traffic in Denmark actually is expecting this to be a lot about unaware drivers - people driving with not that much attention on the road and more on their phones or other things in their cars. Studies have actually shown that almost 69 % of the claims that we have comes from unaware drivers. And there has also been studies showing that there is six time higher risk if you are texting while driving to get into an accident. Whether this is the reason for the increasing accidents I think that we can speculate, but we are keeping our focus on this development and making sure we have initiatives to offset this. One last indicator that we have been looking at that might speculate that some of this data usage in cars is the increased amount of just data used overall in Denmark. I think we are going to keep talking about this topic the coming quarters and hopefully we will see a flattening out of some of these trends at some point.

Turning to slide 14, as Morten mentioned large claims and weather claims have been somewhat fortunate this quarter with not that much of it and we have also seen a run-off level less than we did in the same quarter last year. However, the run-off level is more or less in line with our expectation. If you do total these three different components it is about 100 million in difference compared to last quarter that we have negative and most of that is explained by the 70 million in mid-sized claims.

Turning to slide 15, we have a status on our efficiency programme and in the third quarter we report a 55 million saving. I think it is important now that we are a little over

midway through our efficiency programme to kind of sum up and see how is it going, how are we doing and currently for these 7 quarters we have had an achievement of about 316 million versus a total target for 2016 and 2015 of 375 million. So that means that the 59 million for the fourth quarter 2016 will make sure that we are on target with our programme, which we believe definitely that we will make. 2017 is also in line and has an initiative to support the total of 750 million in savings programmes. Zooming a little bit in on our savings programme and the 250 million in cost reduction, we continue to have structural initiatives within the organisation to support this 250 million in savings and especially in the second quarter and the third quarter Norway has achieved significant improvement on this side. Overall, the organisation is very focused and dedicated and finding a lot of good initiatives to reach our target of 14 or below in 2017.

Turning to the investment side, which Morten already mentioned was very positive compared to the same quarter last year, mainly because the same quarter last year was extremely negative. We have the investment return of 191 million versus 441 million last year. It is especially due to the equity side giving us the good performance but also on the match performance we are seeing some improvement. That has been driven by the fact that the Nordic covered bond spread has narrowed towards the swap curve. But in general, if you look at our asset classes they have had positive results which we are really happy about. That is giving that tail wind for this quarter.

Turning to slide 19, we report our solvency position and based on our Partial Internal Model we have a solvency ratio of 217. This is the quarter where Skandia is flowing into our numbers and as you might know this is a little less than we actually anticipated up front. But due to having looked more into the actual book and assessing it we are finding that our estimate up front was a little bit conservative and now we have flown them into the numbers which we think is much more correct. There has also been an improvement on our non-life, which is an improvement on a Partial Internal Model that has given us about 38 million improvement on the SCR. Overall the SCR is more or less in line with what it was in Q2 2016 and on our own funds it is mainly driven by a quarter where we are not paying out dividend and having any share buybacks so it is a quarter where you see a significant increase in own funds. The only negative part of the own funds is the Skandia portfolio flowing in.

Turning to slide 20, our capital and solvency position. We have - I think it is important

for us to say that right now there is about 211 million of Tier 2 that is not included in our own funds since our own funds is capped by 50 % of the SCR. We still have ATier 1 capacity of about 1.3 billion that we have not any assumption of using right now but it is important for you guys to know that we have more ways of raising capital if needed.

My last slide would be 21 - it is our solvency ratio sensitivity, which is broadly an unchanged picture; It remains low. So back to you, Morten.

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### **Morten Hübbe, CEO**

Thank you, Christian, and just a final few comments on slide 22 where we reiterate our financial targets for 2017 with an ROE  $\geq$  21 % post tax, combined ratio  $\leq$  87 % and an expense ratio  $\leq$  14 %. As you know, we have initiated price adjustments to mitigate the claims inflation we have seen in the recent 1½ years, particularly in property and travel. Also doing smaller price adjustments in a number of other products. We know that it will take some time before we see the full impact of that. But we do expect to see a full impact during 2017 where we expect to see underlying claims reduced. Also we work very hard on our savings programme where particularly Norway has done a number of the larger initiatives these last few months. It does not impact the 2016 numbers yet, but it does impact the 2017 numbers and the pipeline of securing our 14 % target. As far as top line is concerned, we reiterate our previous quarter statement that we expect the top line to be at the very low end of the interval 0-2 %, the main driver being the smaller price adjustments, but also the gradual inclusion of Skandia child insurance, which will go somewhat into Q4 and mainly into 2017. And then, I guess on slide 23, we continue to focus on dividends being a very, very important corner stone of our business model and with that I think we will turn to your questions.

## Questions and answers

### **Asbjørn Mørk – Danske Markets**

Yes, good morning. Asbjørn from Danske here. Three questions from my side. First on the retention on Danish Corporate business. Morten, you said that the decline was due to price hikes but I was just wondering is TryghedsGruppen's bonus payment that you

have paid in June, why haven't we seen any impact from this in the numbers or maybe we have and your underlying would have been worse than that, so maybe you can elaborate a little bit on that. Then on your claims side, if I look at your underlying claims as you also touched on in the presentation there seems to be continued inflation. I was just wondering if this recent trend is in line your price hike that you have done during 2016 or whether they are above and that you actually need to do a little bit more on pricing to reach your longer-term target? And then on your cost side, you are guiding 14 % for next year. Then, if I look at the inflation that you will be facing the next couple of years and I look at the potential that you have from the digitalization that you mention on the analyst day in June I was just wondering in June how we should see the cost ratio looking beyond 2017 and if you still think that 14 is a sustainable level also in 2018 and onwards? Thank you.

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**Morten Hübbe, CEO**

Good morning to you, Asbjørn. If I take the first and third question - as far as retention Commercial Denmark is concerned you know we have been working very hard to secure that the price changes we do particularly in Private are more and more intelligent, more and more gradual to the right customers at the right level to secure that they are successful and customers stay with us. To be honest the price changes we have done in Commercial Denmark have been more primitive as far as distribution with new customers, old customers and lines of business differentiation and therefore the impact has been slightly higher than it ought to have been. And I think in future price changes in Commercial Denmark we will use more of the intelligence from Private lines and also the data that we have gathered from customer reactions to the price changes this time around. I think as far as the bonus is concerned we are seeing that particularly the high-end Corporate customers are starting to understand whereas the majority of Commercial, SME and Private lines customers still are very new to this customer bonus programme, so I do not think we see at all that impact that you are searching for yet. And I also think that in Norway, Gjensidige showed that it takes a couple of years to get the full impact of that. So on the positive side that is more ahead of us than something that we have seen so far. As far as your cost 14 % is concerned, I think we need to work very hard to secure that we deliver the 14 % during 2017, so I don't think we want to speculate what happens after that. But, of course, it does not make sense for us

to deliver 14 % and then let the cost ratio increase afterwards, so that is clearly not the plan, but what happens after 2017 is something I think we should debate later in 2017.

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**Christian Baltzer, CFO**

Good morning, Asbjørn. I will talk a little bit to your underlying question - not underlying question, but underlying claims ratio question. I think that the Private that we are seeing in Q1 we had a 0.9 deterioration, Q2 was a 0.7 and now a 0.6 deterioration. It is an improvement in the underlying deterioration of the portfolio and it is very much in line with our expectation, which is also why we reiterate our expectation of the beginning of 2017 seeing that change. So it does not change our view on pricing. It does not change our view on the initiatives. Those are going as planned. I think when we pick up this auto discussion, I think that is one of our early warnings that there might be something going on in the portfolio that we need to keep a very close eye on. And also make sure that our colleagues in the insurance industry have a discussion about what are we doing with this auto inflation that we actually see? So, hopefully that answers your question, Asbjørn.

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**Asbjørn Mørk – Danske Markets**

Yes, thank you very much. If I can just get back to the first question, Morten, then on the retention, if you try to adjust for you can say unprofitable workers' compensation business and other areas where you basically don't want to be in, would the retention rate then look substantially different from what we see right now?

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**Morten Hübbe, CEO**

No, I think to be honest that the retention, the slight - and bear in mind it is a slight reduction - it is nothing dramatic, but the slight reduction also covers other products like property for instance, also Commercial Motor, so it is really more that if we are too primitive in the way we carry out price adjustment then the reaction is higher than it need to be. And I think we have improved that process significantly in Private lines, whereas Commercial lines are not at the same level of sophistication, so it is not just a workers' comp. issue - it is more a matter of sophistication in the price change

modelling where we need to be more at the level of Private lines in Commercial and that will be what we will do in future price changes, but the impact has been slightly higher than it really needed to be, so I think we can thank ourselves for that, but also say put into perspective it is a relatively small downward change.

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**Asbjørn Mørk** – Danske Markets

Sure and thank you very much. Very clear.

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**Jakob Brink** – ABG Sundal Collier

Thank you very much and good morning. I have two questions, please. The first one is actually getting back to Asbjørn's on the underlying claims ratio. I do see what you are saying that 90 basis points, then 70, now 60, so you are saying that in early 2017 we should start to see improvements, so would that be in Q1 or Q2 or could you get a little closer? And also maybe give us a bit more insight into why would it significantly drop in the sort of end of this year and the beginning of next year. I know that there will be more price increases coming through, but I guess only one more quarter and also now you talk a lot about the Private underlying claims ratio and I do acknowledge of course that Commercial is much more volatile, but could you give some insights into that one and the Corporate as well or basically the Group underlying claims ratio? My other question is about the solvency. As you pointed out it is very strong this quarter. I know you haven't given a specific target, but given what you wrote in connection with the transit to Solvency II I guess it seems like you are significantly above what could have been your target even though you did not say one. So should we basically expect you to make the increase, the share buybacks for 2017 or how do you look at these facts?

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**Christian Baltzer**, CFO

Good morning Jakob. I think I will try to answer both your questions. Firstly on the underlying claims ratio I think if you back on our - if you take a couple of steps back - in Q4 2015 we actually started reporting the first type of negative trend in the underlying claims ratio and also when we started to plan for initiatives into the portfolio that we started out in Q1. It takes 24 months for these price initiatives to actually flow through



the numbers whereas the mass of the initiatives actually comes in Q4. I mean it takes about four, five, six quarters to get more or less the most impact and you get the full impact after the eight quarters. Now, bear in mind that there is still volatility in the underlying claims ratio for Private. It is not a specific kind of number that is not volatile at all, but I think you could expect that when we say the beginning of 2017 it would be perhaps the first couple of quarters we should start seeing that type of claims.

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**Morten Hübbe, CEO**

And I guess, Jakob, for us it is really - the full year 2017 will have a drop in the underlying claims ratio. I don't think - we cannot manage the portfolio to a degree of precision where we know that, in Q1, it is the first time that it drops. But we will start seeing in the early parts of 2017 indications that it drops and for the full year 2017 it will drop.

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**Christian Baltzer, CFO**

I think, Jakob, just remember that in Q1 2015 we actually had a lot of mid-sized claims of fires in Norway that actually inflated the underlying, so you do have that kind of volatility also in the underlying claims ratio. On the Commercial/Corporate side, when we monitor our underlying claims ratio and try to navigate our business it is much more in the Private that we use this KPI. On the Commercial and Corporate side, we look more on the kind of - some other KPIs that we are not disclosing here because there is a good amount of volatility and the 70 million in mid-sized claims just totally speaks to that kind of volatility that we see in the portfolio. We also can see that in the Commercial portfolio sometimes. This quarter, Commercial is more or less on par with what it was last year so that is what is driving a good amount of volatility in the underlying and those segments.

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**Morten Hübbe, CEO**

I guess, Christian, we can add, Jakob, that we are discussing internally should we even consider leave out an underlying calculation of Corporate entirely because the level of mid-sized claims and the volatility of that makes underlying a less meaningful exercise

in Corporate. On the other hand, it makes sense to try to understand the group underlying. So how do we manage that and we haven't come to a full conclusion. I guess what we are saying as of now is that in Private lines it makes perfect sense. In Corporate lines it makes very little sense, but we would like to find a methodology to talk about the group underlying regardless, so we are working on trying to figure out what are the adjustments we want to make there reporting-wise in a longer-term sustainable model so we don't change reporting model too often.

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**Christian Baltzer, CFO**

And your second question on the solvency ratio and us not guiding and whether you can expect - what to expect in the future. I will more or less plead the fifth and not comment on that, but I mean it is a very positive position that we are in. We are very happy with that and comfortable with that and I guess we will talk more about this next quarter.

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**Jakob Brink** – ABG Sundal Collier

Okay, fair enough. Thanks a lot for the help.

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**Paul De'Ath** - RBC Capital Markets

Yeah, hi guys, a couple of questions from me, please. Firstly, just the brief reference on slide 4 to your - to the new cyber products that you have developed for the Corporate/Commercial lines and any more colour you can give us on that in terms of where you think that can go. There are lots of people getting quite excited about cyber and of course the global at the moment so just some insight into that would be good. And then the second point which is just going back the customers with more than three products. Obviously the percentage there hasn't really moved very much in the last few quarters and how confident are you that you can turn things around there and get up to the target by 2017? And can you give a bit of detail in terms of what you are doing in order to do that? Thanks.

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**Morten Hübbe, CEO**

Well, good morning to you as well. As far as cyber is concerned, I think clearly we have seen that a lot of our Commercial and Corporate customers are really worried about this area and we have seen Swedish analyses suggesting that roughly a fifth of the Commercial SMEs have been hit by cybercrime as of today, so it is a real issue. The product we have done can help analyse and investigate and solve - it can also help restore the data and we can also help, of course, settle and pay for the period where they have not been able to run their business. And we are thinking of the longer-term potential in this is high. We choose a rather large degree of reinsurance not to be overwhelmed by the risks and the claims and I think it will take some time to massage this into the market. I think that in sort of a 2-3-year time horizon, it will be a meaningful driver of top line and bottom line, but I think it is really only during 2017 we will start to see the first numbers, and I think we will report on that gradually, but in the longer term, I think it will be a fairly large market. As far as the three or more products is concerned, you are right, the group number is not really moving, but I think for us it is very important to distinguish between two underlying trends. Because in Private lines Denmark we can now see an increase of 1.6 percentage points on three or more products and we are putting a number of resources and initiatives into increasing new products to existing customers, understanding why customers would leave with one product, working more with customer advice and servicing etc. to make sure we enhance the number of products. Also in the conversion processes adding new coverage to existing customers. Those have been some of the important drivers in Denmark and I think we will continue to see a positive trend in Denmark towards our target. Clearly it was not part of our plan that this number should drop in Norway and clearly that challenge is the whole target for the group. What we are doing in Norway at the moment is that we are taking our car dealer channel business, where 80 % of the customers only have car insurance. We have now this quarter integrated that into our core Norwegian Private line business to make sure we start systematically cross selling to these customers. That will be one important driver. Another important driver is that our new customer programme add more value if you gather more insurance policies in Norway, so I think the bottom line is a positive trend in Denmark. We think that will continue. We did definitely not plan for a negative trend in Norway and we need to turn that around. And whether we reach that in 2017 or not in Norway, I don't know, but



making sure that we turn it around and start to make it positive will give a lot of value regardless of the timing.

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**Paul De'Ath** - RBC Capital Markets

Thanks. Very clear.

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**In-Yong Hwang** – Goldman Sachs

Good morning. Thank you for taking my questions. I have got two. The first one is on the mid-sized corporate claims that you talked about earlier. Can I just, is it possible to get a little bit more colour on where you are coming from and just clarify the 70 million number that you talked about. Is that just all one-offs or is there some that is I guess underlying in there as well? My second question is on the capital structure. You mention that you are not really actively thinking about using the 1.3 billion additional Tier 1 capacity, at the moment. But what would be a catalyst for you to consider using that? M&A, or could you think about a more active optimization of your capital structure? Thank you.

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**Christian Baltzer**, CFO

Thank you, I will try to comment on your question. Morten, please tie in if you have something.

On the mid-sized claims in Corporate, I think that most of this is coming from the property side where we get claims that are between 1 and 10 million, which is what we characterise as mid-sized, so we are talking about maybe roughly 8-9-10 claims in this segment that we have more than we had in the same quarter last year. It is not really uncommon to have that kind of fluctuation within that portfolio of that size, so I don't want to put too much emphasis on these mid-sized claims. It is just when we try to explain the result generation from last quarter to this quarter this is just a larger component this quarter than we have seen the other quarters. On the ATier 1, I think for us to kind of mention this is just to let you know that we have more kind of stuff in the drawer so to speak if we were to need it. We don't have any plans but you are right



and some sort of initiative where we need to raise more capital, it would be natural element to bring up, but there is no kind of earmark to this exercise so far.

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**Morten Hübbe, CEO**

And I guess whether we are talking about solvency ratio or new Tier 1 capacity, I think what it means is that we have more flexibility to continue to work with our capital position, but we have no short-term plans of making any changes in that area.

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**In-Yong Hwang – Goldman Sachs**

Okay. Thank you very much.

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**Jonny Urwin – UBS**

Good morning. Thanks for taking my questions. Just two from me. So firstly on the retention rates and net promoter score. We have seen another spike in the net promoter score, but the retention is not really moving just like the customers with more than three products I suppose, but I was just wondering, do you need to get that retention rate up to hit the expense ratio target through admin. cost and acquisition cost to the extent that you are not going direct or is it more of a nice to have, so perhaps that is the first question, firstly.

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**Christian Baltzer, CFO**

Thank you very much. I think you are absolutely right, for us the retention rate is a key component to keeping our customers for longer and lowering our expense ratio. I think if you go back to 2014 when we committed to the 14, we actually said one third of our expense improvement was going to come from people staying longer and using less than actually new customers. So having sort of a little bit of head winds on that definitely puts some more pressure on being more efficient to make our 14 %, so it is not just a nice to have, it would be very nice to have so to speak. That is why we keep focusing on that KPI. I think the correlation between the retention rate and the net

promoter score we still have to kind of understand the dynamics of that. Don't forget that the net promoter score is only a thousand people who are asked every month of the quarter, so you only get a subset of the people that might leave or not leave. But what we do see is that people who have had a claim with us, who have been in frequent contact with us, first of all stay longer with us, and also have a higher net promoter score, so I think we do see that there is a good correlation between the net promoter score and the retention, but the one-to-one relation I guess we have not really found yet so to speak.

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**Morten Hübbe, CEO**

And I guess it is fair to say, Jonny, that we are not gambling on an increase of retention rates to save the day on the cost ratio. We are planning to deliver the cost ratio regardless, but as Christian says it just means that we are working a lot harder than planned, but it does not change our commitment to reaching the 14 %.

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**Jonny Urwin – UBS**

Okay, thank you and the second question was just. I remember in the last couple of quarters you guys were speaking a little more about improving claims management processes and tightening up processes about home claims and burst pipes and how does it in particular. I just wondered if there is any more progress there and what update you can give us?

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**Morten Hübbe, CEO**

Well, actually, it is something that we are spending a lot of time on. I have actually personally been visiting a couple of the dedicated teams that work with for instance pipes. And clearly the evidence that they can lower the price of the claim without disturbing the customer is very evident, because we have increased their level of education. You know, they are becoming pipe experts, not insurance people, but actually that's what we need to do because otherwise the supplier of the repair will overcharge and he will do repairs that are not necessary. And we can see examples of reductions of 20-30 % of the repair costs when they actually get close enough to



understanding the details of that claim. And I think, to be honest, it has shown us that there is probably more areas where we will invest more in specialising on complicated claims, so I think we are seeing clearer and clearer that a big part of the claims will be more automatic and will have more online and more systematic survey of fraud risk, behavioural patterns, the plausibility of the claim etc. That will be one path and then we will have another path where we invest more in specialising on understanding the complicated claims and the pipes as an example is progressing really well and they are saving a lot of money in the process. We just need to make sure that the money we invest and the claims we reduce that there is always a good trade off and business case in that, but it is progressing really well.

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**Jonny Urwin** – UBS

Thank you so much.

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**Vinit Malhotra** – Mediobanca

Yes, good morning. Thank you very much. Just one thing, you mention now the Danish motor market where last quarter we were discussing how technology is increasing some severity in claims. And now you are highlighting also the frequency. Now do you, I mean, is it your hope that we can start seeing some price increases in this line and because so far this focus of price increases, as far as I understand it, mostly home owners and travel but not really motor. Also because motor is profitable already. So if you just comment on what you are really hoping to achieve in this balance of high-profit business but frequency picking up. Then on the - just two points of clarification please.. sorry you did say you don't want to focus on the mid-sized claims, but the reason I ask a little bit about that is because recently or the last two years you have mentioned that some bits of claims inflation sort of got ignored and... I am just wondering if in your mind there is any risk that some of the recent FT compressions or other initiatives might have led to this mid-sized claims being ignored; or maybe it is just not a trend and one-off, but that's also fine. I just want to know your view. And a very last quick one from me is just a clarification that the high run-off in corporate, rather in Norway mostly, is coming from workers' comp. If you could just remind us that... I just want to understand that. Thank you very much.

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**Christian Baltzer, CFO**

Okay, Vinit, good morning to you. On the motor side, I think we are actually in our conversion of the motor part, we are also increasing our prices here, so actually you know you can kind of hint a little bit of a price increase when you look at average prices in motor in Denmark, but also in Norway we are increasing the prices. So it is not true that we are not doing anything on the pricing side. We just, I think it is important that the market understands that there is a trend here and whereas for many years we have been talking about really, really profitable business. I think if we are not aware of the early signals of maybe some deterioration here, we are going to end up having an unprofitable business and nobody wants that. So we are doing price initiatives both in Denmark and in Norway and when we talk about the technology last quarter it was more of having a balanced talk about the M TPL versus the Casco claims, and I think actually it was Per Grønberg who last time commented on the frequency of increases from Forsikring & Pension, like this public information, so with that that would be great to also bring that forward a little bit more broadly and talking about the increase in claims. On the mid-sized claims, I do want to reiterate that a lot of this is more stochastic variance. I do not believe that any of these are due to reduction in FTs either on underwriting side or on the claims handling side. This is more or less stochastic variance, I would say. But you are definitely right that when you do compress the FT side it is very important to make sure that our claims handling and our underwriting is still intact and in line and I think we have seen especially with the sewer team where we might have .. I think we mentioned that we have some of the claims adjustment outsourced and that was clearly a bad choice because that increased our average claims and that is also what we have been taking back and in-sourced that loss adjustment. The Norwegian... yeah go ahead...

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**Morten Hübbe, CEO**

I guess we can add, Christian, that we have other paths similar to the pipes and sewerage path. I mean we have seen so we are doing lots of detailed studies of where is there an underlying claims trend that we can capture better and just to give you an example: we put out a specialised team to work with when jewellery is stolen, how is the value of that assessed and how is it replaced? It sounds like a small area, but



actually we have seen that the trend there has been negative. After we have now put in place a specialised team and new tools that the claims of that are being reduced and customer satisfaction is increasing while the claim is being reduced. So there are lots of small pockets where we can improve the specialisation but that is not, as Christian said, the stochastic of the property claims and the pipes. That is not the same issue.

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**Christian Baltzer**, CFO

On the Norwegian run-off I think that we have seen that workers' comp. in Norway has had a very underlying trend improvement in the risk, which is why we have seen that there is more room for taking run-offs in that part of the business. I think also our colleagues in the Norwegian market have mentioned that there has been a positive improvement on the reserving side from their point of view and also increased their run-offs, so it is very much in line with the rest of the market expectation on the Norwegian side.

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**Vinit Malhotra** – Mediobanca

Could this be linked to the oil price move, do you think, or not?

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**Christian Baltzer**, CFO

I actually think... This is four or five years ago when the Norwegian government actually put in place some regulatories on the working force and better rules on work safety and getting back to work, so it is much more what happened 4-5 years ago that we are seeing the improvement. And it is that part of the portfolio where we have seen run-off gains from it. Not the 2015 or 2016 portfolio, it is more the older years that we have seen the improvements on.

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**Vinit Malhotra** – Mediobanca

Thank you, Christian. Thank you, Morten.

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**Per Grønberg** - SEB

Hello, I assume it is me. It is Per Grønberg from SEB is that correct? I am through?

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**Morten Hübbe**, CEO

It sounds right

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**Per Grønberg** - SEB

That sounds right. Perfect. Thank you again, thank you guys. Just two questions from me, both related to the investment part. Your match portfolio has performed quite nicely. You have now reported that the performance based on the regulatory deviation and performance deviation for three quarters in a row. The performance has delivered more than 50 million per quarter on average. Are there any reasons why we should expect the match portfolio to be similar going forward. Or doesn't this just show that your PMs they are able to make a quite consistent outperformance? Is that a too optimistic view? The same question for the nitty gritty, the other items, minus 95 this quarter and especially saying that should we still look for a run-rate in the magnitude of 200 million going forward?

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**Christian Baltzer**, CFO

I did not catch your last question, Per. Can you repeat that? Sorry

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**Per Grønberg** - SEB

The other financial items - the hedging cost etc. is minus 95 this quarter. Clearly above the run-rate you have guided on previously. Any reason to see the run-rate being different from minus 200 going forward?

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**Christian Baltzer**, CFO

Well, let's start with your last question. I don't believe that there is any reason to see things differently going forward, so that will kind of clear up the last one. With respect to our PMs and whether they are better at outperforming than the zero that we are guiding. I think that if you take more quarters into consideration we have seen the performance also being negative, but we clearly have some really intelligent and good people there, but expecting them to also be able to outperform the next coming quarters would be a little on the optimistic side. But we are definitely happy that they are currently outperforming the market.

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**Morten Hübbe**, CEO

If you assume that, that would be your choice and not ours. We would not assume that.

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**Per Grønberg** – SEB

When I look at the guidance you gave at the beginning of the year when you turned to the Solvency II discounting curve, the general message was it would be harder to match it going forward. I am just looking at the numbers and looking at the performance components. It is quite consistently positive. Then you have the regulatory deviation which of course is swinging up and down with the spread. That is basically what I have been looking at, but it seems that your message is that you are happy with the performance you have seen, but you don't guarantee the same performance going forward. Is that correctly understood?

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**Morten Hübbe**, CEO

You concluded completely correct.

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**Per Grønberg** – SEB

Okay, thank you

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**Iain Pearce** – Berenberg

Good morning. Just a couple of questions from me. On the claims inflation side, I am just trying to understand the price moves that you did or are putting through at the moment - how much of that was in relation to claims inflation as you saw in 2015? And basically, in terms of going forward are you continuing to see claims inflation running as it is in 2016? Does that mean you have to move again on pricing either back into this year or into 2017 and then just on the expense ratio side of things. In the Corporate segment you mention that your expense ratio there is too high? I was just wondering if you have got a target for what you think you can get that down to and is there a ratio target in terms of the overall cost cutting plans for that segment? Thanks.

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**Christian Baltzer**, CFO

All right. Good questions. Lets start with the claims inflation. I think you are absolutely right that the price initiatives we did in the first quarter 2016 were definitely because we had not put enough price increases in the portfolio in 2015, so there was somewhat of a catch-up there and we put through about 3 % overall in the book of price increases. I think we also continue having price increases into 2017. I think inflation and price increases need to go hand in hand so we have also planned to have price increases in 2017. I think we will come back next quarter to detail more what we expect actually in 2017 on the price increases like we guided the 3 % in 2016.

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**Morten Hübbe**, CEO

I guess it is fair to say Christian on that, that we are trying to get closer and closer to a much more gradual process of price changes. What we realized in the autumn of 2015 was that claims inflation had been slightly higher than planned and also that our speed of gradual price change had perhaps not been strong enough. And then there were specific claim initiatives where we needed to improve, so we are trying to become cleverer and cleverer of a more gradual price change and not just a catch-up impact of once and then we fall asleep again, so this was really an attempt to get into new much more gradual methodology.

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**Christian Baltzer**, CFO

With respect to your last question, I don't believe that we have commented on the expense ratio in the corporate segment being too high.

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**Morten Hübbe**, CEO

I think the most structural comment that was made was that clearly Private lines Denmark has been moving along really well when it comes to cost and there has been a period where we felt the need to take more cost initiatives in Norway and that is why we are quite pleased this quarter to see that Commercial Norway, but also Private lines Norway are doing a large number of operational changes to reduce head count, which does not help their numbers currently, but you will see it in their numbers in 2017.

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**Christian Baltzer**, CFO

And I think you have to bear in mind that when we talk about an expense ratio here we have half of our business is non-brokered and I think if you were to look at only brokers' business and compare us to other companies that do broker-only business - yes, our cost ratio would be much less than that, but there you actually have an expense for the brokers that is not really shown as an expense ratio. I mean in our direct business you have also a higher amount of administration cost to service the customers and clients and make sure they get good treatment, so I think you need to make sure if you compare us to other colleagues in the market on the expense ratio side that you compare apples to apples.

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**Iain Pearce** – Berenberg

Okay, cool, that is great. Thanks.

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**Gianandrea Roberti**, IR Officer

Well, thank you very much for today's call. We will be around in a few destinations and in London tomorrow, so hopefully see you all there and just send us an e-mail if you need anything else. Thanks.