

Teleconference

Annual results 2011 – 8 February 2012

Morten Hübbe - Tryg, CEO

Good evening and welcome to the conference of Tryg's 2011 annual results. Here are Tor Lønnum and Morten Hübbe speaking. We have pre-recorded a webcast which you will find on our webpage and therefore I will just very briefly summarise the full year 2011 and then we can go directly to your questions after that. I think if we look at 2011 as a full year, we are very pleased to see a solid improvement in our financial performance despite a year where particularly the cloudburst in July but also storms in November and December have made claims difficult and then also investments have been difficult in 2011 but I guess the improvement is mainly carried by an improvement of DKK 1.2bn in the insurance technical result, which means that despite DKK 0.5bn lower investment result, we still end up doubling our bottom line after tax. As a result our return on equity increases from 6.6% after the tax in 2010 to 13% in 2011 and we also see a year where our top line growth at roughly 3.7% and our customer satisfaction growth as well. So all in all we see 2011 as a good step in the right direction but clearly if we look at the fourth quarter alone, we get a more mixed picture. In the fourth quarter the pre-tax result is roughly DKK 450m, which makes it the second best quarter in the year but it is a rather mixed picture in the sense that the investment result is high and carries some weight and on the insurance technical side, we see a positive development in Commercial to a combined ratio of 94. We see a strong improvement in private lines, particularly the biggest segment Private lines Denmark which gets close to a combined ratio of 80% in the quarter but then we see that our Corporate business has a large amount of large claims in Q4 and also that storms Dagmar and Berit comprise more than DKK 200m in the quarter. All in all, large claims and the storms after reinsurance are roughly DKK 500m in the fourth quarter or roughly 10 percentage points and it means that if we look at Corporate alone, the combined ratio including run-offs in Q4 is 99% even including a run-off gain of DKK 190m and that clearly shows the need to further increase the large claim contribution to premiums in the high end of the Corporate segment so all in all a very strong and solid improvement in the full year of 2011 but a fourth quarter where Private and Commercial have strong improvements, but where Corporate is clearly not satisfactory and also the storms have taken their toll. I will also mention that we would have expected a higher dividend payout given the total annual result but the lower interest rates have reduced the discounting of premium reserves and also meant that we have had to strengthen our pension obligation in Norway significantly and that has taken a lot of weight out of the dividend potential. I think I will leave it at that. And then we are open to take your questions.

Håkon Fure – DnBNOR

Hi, good afternoon guys, two questions if I may. Firstly, seeing that the retention levels in Commercial are dropping, is this due to the fact of aggressive competitors? And if so which player is sort of most aggressive?

The second question is regarding the renewal season in the Corporate market – have you been able to increase prices to a satisfactory level or have you seen push back from clients? Thanks.

Morten Hübbe - Tryg, CEO

Good evening to you Håkon. If we look at the retention rate in Commercial, you are completely correct that they have been reduced somewhat in the fourth quarter. I would not say that we are seeing aggressive competition at all in Commercial. I would rather say that in the process of improving our combined ratio in Commercial from 110 down towards a long-term target of 90 there are customers that have such a high combined ratio that the pricing initiative we have taken towards them is very, very significant. And therefore it is natural to expect some churn as a result from that and while I would argue that we need to keep the churn in private Lines as low as possible because already now ROE is attractive and I think also for the coming years we do need to be able to accept some higher churn in Commercial. In Corporate, on the other hand, clearly we have seen in the last 3-4 years a drop in pricing every 1 January renewal. As you may recall, we decided that we would not accept price reductions in Corporate in this 1 January renewal so there has been only two people in Tryg that have been allowed to accept price reductions and those have to be reported one by one to the Group Executive Management and as a result what we see 1 January is that we have had no price reductions and in several areas we also see a price increase but it is my assessment and why I am positive that the price reductions have stopped and we see price increases in several areas. It is still our assessment that particularly the large claim contribution on property needs to be increased further during the coming years.

Tor Magne Lønnum - Tryg, CFO

I think, Håkon, just as a supplement to what Morten is saying it is also important that in particular if you look at Commercial local business here in Denmark you will also see that foreclosures although they have been dropping are still an element in terms of the churn related to the corporate local business. I think that it is important to note also that here are corrective measures in the portfolio related to the particular customer segment so there are elements of other measures as well. Not only sort of the price and rate level which was mentioned by Morten.

Morten Hübbe - Tryg, CEO

I guess one of the most extreme areas in Norway we have actually increased prices close to 50%, which is pretty close to deliberately saying goodbye to that specific segment

Hans Pluijgers, Cheuvreux

Yes good evening gentlemen. Four questions if I may, first of all on your large claims again in Q4 quite a high level – you take additional measures. Could you elaborate on what kind measures are you taking. Are you really getting rid of some clients? Could you be more specific on that one and especially also what you see because you are arguing that still a high level of large claims also going forward, yeah, what kind of levels are you looking at and why do you still remain in that part of business or why are you not more aggressive to get rid of those kind of risks? Secondly with respect to the expense ratio in Q4 some one-off costs could you give some feeling on what the impacts of more one-off costs were in Q4 so

if you are looking at the proposal workers' compensation in Denmark, could you give me maybe some detail on that – what you see as a time frame maybe for let us say approval or it is only a proposal but how long will it take, have you got more clearance, do you want, will it also be implemented and could you get already some feeling on what the potential impact for you could be and how you are going to counter these developments and fourthly you are guiding for a 90% or approximately 90% combined ratio for 2013. How is the statistical review of Finland fitting into that forecast? Is that including or excluding Finland? Could you give some feeling on that? How you look at that?

Tor Magne Lønnum - Tryg, CFO

Yeah, well I guess we can just start off with the question regarding large claims. You are quite right there is a significant level of large claims in Q4. I guess in terms of what level we are expecting forward we have said that it is approximately DKK 560m, which is the estimated level and of course there is some volatility around that figure, just sort of between 500 and 600.

Hans Pluijgers, Cheuvreux

Is that the net impact or the gross impact?

Tor Magne Lønnum - Tryg, CFO

I guess in principle the way that we have approached that gross business in terms of other measures, I think we talked about that in the answer to Håkon as well, it is important to say that it means that we have had, for instance, certain segments in Norway that have had a very high impact of large claims and as Morten mentioned that means of course that they have looked at significant price increases which in turn means that that particular segment is leaving us.

Morten Hübbe - Tryg, CEO

I guess we should add there Tor that we have also seen that some of the larger claims in Q4 are related to the Danish Corporate group's production facility in for instance Thailand and the flooding there and there we are in a project where we are assessing if there are areas where we need to improve our risk assessment on facilities that are geographically further away from our traditional core market because clearly it is a core – it is a number of core Danish customers that have these production capacities in Thailand but I think we can possibly improve our risk assessment measures in those countries.

Tor Magne Lønnum - Tryg, CFO

The second question was in terms of expense ratio and one-off costs in Q4 and you are right that there is a certain element of one-off costs which will have a slight impact on the expense ratio – it is less – it is some DKK 30-40m or so less than 1 percentage point of the quarter, actually. In terms of the third question, it was related to, well I guess it is fair also to comment on this ratio for Q4 that is of course you will see that the nominal cost is almost, is flattish whereas of course the ratio is slightly up and that is due to the sort of the low premium growth in the quarter.

In terms of the workers' comp. question I think it is fairly – it is a bit soon to tell that sort of the way that the proposal has been put forward is that there will be a tax on any claim granted in 2012 and onwards and so as such it will have a retroactive effect on the portfolio and I think that has been in the area of DKK 1.50m on the workers' comp business. Clearly it is too soon to really take that effect into account because at least in our mind we would like to work with the ministry the Tax Ministry to look at other solutions related to the proposal.

Morten Hübbe - Tryg, CEO

And I guess there is no doubt that the Danish Government like other governments throughout Europe is searching for new areas where they can increase their tax income and this is one of them and clearly we are searching for a solution where what they try to tax in terms of workers' comp. would be from now on and into the future rather than being a retroactive approach. I think it is likely that we achieve that. It is fairly good but if it is not achievable then it is our expectation that we will be able to manage that retroactive impact through our margins on workers' comp. claims reserves but no doubt if it is put forward as a future tax of these 13.5% then we will have to add that to workers' comp. pricing and also I guess we should mention that in the same area as workers' comp. we are seeing now a more positive trend in the more intermediate claims settlement that worried us last year – all in all meaning that even though we have let out one-off gains in workers' comp. in 2011 we have very sizeable margins in workers' comp. altogether.

Hans Pluijgers, Cheuvreux

Is there just maybe any chance that you will actually going forward also compensate additional cost through slightly some of the rejection in your run-off profits so that you are left with not only supervision but also that your earnings profits going forward on workers' comp. could be sort of lower because it is pushing the result quite significantly in Q4?

Tor Magne Lønnum - Tryg, CFO

I think in principle what Morten is saying is really that of course if this proposal is settled in the way that we now see that means that it will have an effect on the reserves and as such of course it will have an impact on Q2 run-off gains but it is too soon to tell...

Morten Hübbe - Tryg, CEO

And then I guess on the Finland question there is no doubt that we set out our 90% target without an assumption that we would have a different strategic conclusion to Finland. And I guess as we have said that we will come to a new strategic direction for Finland during the next coming years it would be too early to make any financial assumption on what that is but clearly the message is both important and hopefully clear. We have been in Finland for more than 10 years, we have a market share of 2.4% and we do not have a positive bottom line and clearly that is not satisfactory and that is why we have said that within the next 12 months we need a new strategic decision for Finland – it could be a sale of our Finnish portfolio. It could mean cooperating with other partners. It could mean restructuring the portfolio but clearly we need to find the strategic direction that enables us to create value in Finland.

Peter Eliot, Berenberg Bank

Thanks very much, three questions please. The first one was just a little more colour on the pay-out. You said you have opted for sort of a DKK 500m buffer above the S&P's 'A-' requirement and I just wanted to check whether we should sort of expect that to be a sort of benchmark that you might use going forward and secondly when you took the option or made the decision not to leave an option on the buy back I just want to check that you were not taking into account the experience to date in 2012 or the sort of ongoing earnings power of the group over the course of the year. Secondly I was after a little bit more colour just on the top line development from here and obviously Q4 in isolation, if you look at it in isolation on the negative side you mentioned bankruptcies, competition in the Corporate segment and the impact of profit sharing. Your outlook seems to imply that both the bankruptcies and competition is probably going to continue and would hope that you will become more profitable, that profit sharing will also be an issue but I just want to transmit a bit more colour on how you see the outlook I mean, I am assuming that we should not just be exaggerating Q4 but as I say give it perhaps a little bit more colour. That would be great. And then just finally I want to touch on the reinsurance because you mention that the cost might increase going forward – I don't know if you are able to quantify that at all but also are we just talking costs or might you – I mean it is difficult on account of circumstances but might there be changes to retention limits and that sort of thing? Thank you very much.

Tor Magne Lønnum - Tryg, CFO

Yes, hi, I guess I will start with sort of the payout question. I think you are quite right in your assumption that you are at about DKK 500m which is about 5% of the 5% I think that is in line with what I have stated previously as well. You also made an assumption in terms of buy back clearly has been the payout ratio is less than the 50% for the year of the result it was not an issue buy backs isolated that 50% of the result will be paid out in cash and we will use buy back to bring the buffer level down to 5% but clearly you are right in your question. We do not sort of make any forward calculation or forward assumption about earnings power when we do the calculation i.e. that the buffer is calculated on the basis of a different payout on the 2011 equity.

Morten Hübbe - Tryg, CEO

And clearly you should not read any 2012 data into that decision because in the years where we have made buy backs we have always used we have always used the previous year's earnings to buy back, we have never used the current year's to buy back even though of course we are aware that some companies use that methodology. So don't read any 2012 messages into that.

Tor Magne Lønnum - Tryg, CFO

Then I think in relation to the question about top line, yes it is fair to say that there was a drop off in top line in Q4 some, as Morten mentioned, it was first and foremost related to the Industrial book of business and to the Commercial book of business and then of course it is also an element about profit sharing that you mentioned so I don't think you should read any more into it than the fact that we are working very hard on sort of putting the price increases into the market, as I said, in order to meet the profitability target set and that is sort of the key target.

Morten Hübbe - Tryg, CEO

And then I guess you should just add to what you said Tor that without Swedish business particularly there is a seasonality impact that we need to take into account which is that in Sweden we have a rather large portfolio of leisure boats and motor cycles and the like where we clearly take the main chunk of the premium income and book that in Q2 and Q3 where the exposure and the utilisation of these activities are and then that premium drops down again in Q4 and Q1 but that is a recurring seasonality question.

Tor Magne Lønnum - Tryg, CFO

Then the final question was about reinsurance and yes I think you are right in both senses. There is, as you mentioned, an increased cost and clearly that will also mean that they will need to look at retention levels going forward although I would add and I think that we said this also in Q3 that we expected an increase in terms of reinsurance expenses. It is important to note that after all the level of reinsurance procurement is relatively low and that means that even though you see a pick-up in terms of reinsurance pricing it does not have a very significant effect on the profit.

Morten Hübbe - Tryg, CEO

And then maybe we should add, Tor, that as you may recall we mentioned in the summer of 2011 that we have purchased additional sideways reinsurance for recurring more extreme weather events and that more sideways reinsurance which is covering a 12-month period has more or less been triggered in the autumn of 2011 meaning that our coverage for that part of exposure in 2012 is higher than usual.

Gianandrea Roberti, Carnegie

Yes good afternoon from me as well. Actually I have a few questions. I will try to keep it brief. As a starting point a very general question I mean you are reporting a combined of 95.4 in the quarter. There is one slide in your presentation where you sort of show the adjusted loss ratio. I guess if one looks at the underlying trend, it seems like a pretty decent quarter but clearly the headline number is quite disappointing and I am just trying to figure out in your view of the world if you normalise weather claims and large claims where would you put this quarter compared to let us say the last 12 quarters you have. Is the underlying business really progressing or how do you see it? That is the first question. The second question relates to the dividend which obviously is quite disappointing and I am just trying to understand it is pretty clear that your capital management is driven from this assembly modelling but I am just trying to understand if there is a way to get out, I am just kind of thinking would it not have been a better option to lower your buffer in this case and avoiding such a dramatic miss to most people's expectation in terms of the dividend as opposed to just paying out this relatively meagre payout. The last two questions one is on the cost. I guess at the lunch that you hosted before Christmas it was sort of said that probably during 2012 at some point you would have come back to the market with either an expense ratio target for the shorter term or a cross capital programme, let us call it whatever it is called, but if we can just have the flavour to what is your thinking in there and apologies the last question is on the outlook because I have noticed there that you are saying a 90% target in 2013 still assuming that weather and large claims assumptions are in line with your assumption and I am just slightly worried by

that wording because it kind of makes me think that if for a reason large claims or weather are higher than expected that you are missing that target as well. Thanks. Sorry if I was long.

Morten Hübbe - Tryg, CEO

No problem Gian, I think that you are completely right the 95.5 in the quarter is a bit higher than we expected. If we look at the underlying numbers, there is no doubt that there is a tremendously strong improvement in the private line area which is clearly the area that shows a very strong improvement during the year and also in the fourth quarter and we are getting into an area particularly in Denmark where ROE is already now extremely high in that segment. If you look at the Commercial area there is also a good development underlying in Q4 so really the challenge in Q4 is that Corporate has too high a claims ratio both in terms of large claims and as I said in terms of not having enough large claim contribution in the premiums so clearly for us Q4 of course there is a strong debate but that is - you know - an external factor but the challenge is really how do we get around to getting high enough large claim contributions on the Corporate pricing. A good start is to have stopped price reductions on 1 January to get price increases on 1 January but they clearly need to increase further for the larger corporate events. I don't know if you want to comment on the dividend, Tor?

Tor Magne Lønnum - Tryg, CFO

Yeah, I think you are right in terms of the dividend. We do appreciate that it is a disappointment – I think it is fair to say that the fact is that sort of the interest rate movements must and will have an impact on the equity and of course as such we would have liked to have seen sort of another movement for a different as well but that is the way it is I think at least sort of from our perspective we have communicated very clearly that there is the level of 5% buffer and it is a single 'A-' from S&P and at least up until now it has not been a discussion about those targets or thresholds.

Morten Hübbe - Tryg, CEO

And I think on the cost side it is fair to say that we had a focus in the first half of 2012 to make sure that we don't just talk about a very long-term cost ratio target which is so long-term that half of the employees might have stopped working here until we get that and making sure that the entire organisation has clear short to mid-term cost targets, quite ambitious targets that they have to work on – that is a process that we have started already now and there is progress that we expect to communicate more to you about during the year 2012 and I guess it makes a lot of sense because we are probably looking at a period where the economy around us will be slower in terms of growth and also a period where we will lose some customers in Commercial and Corporate while improving earnings and as such we will need to make completely sure that we have an attractive development in our nominal cost to both be competitive and have high earnings in the same process. And I guess your question on the forward-looking statement on 90% - you should not see the wording on large claims and weather claims as some sort of escape clause that now we have found a way to dig our way out of the 90% target, I guess if you look at 2012 we are clearly stating that we have higher expectations on both large claims and weather claims than before but still we have not changed our 90% target and I guess you should see that as a picture that it will take a lot for us to leave our 90% target but of course you can

never know in one given year or one given quarter how extreme are the numbers on those two specific factors but it would take a lot for us to deviate from the 90% target and that is clearly not the signal.

Gianandrea Roberti, Carnegie

Sorry, Morten, if I can just have one quick question. I know you mentioned it before but just to repeat, is your feeling on your reserve position, I mean after Q3 you stated publicly that actually compared to the previously mentioned 7% target you felt that the position was even better. Is it still that the case your assessment after Q4, you had a very large run-off gains in this quarter which was also somewhat unexpected, let us put it like this.

Morten Hübbe - Tryg, CEO

Our assessment is that our total reserving margin at the end of 2011 is higher than our reserving margin at the beginning of 2011 and yes that we are in a very comfortable position, Q4 has not changed that.

Giulia Raffo, Autonomous

Hi, good afternoon, most of my questions have actually been asked by Gianandrea but I guess if I go back to the outlook point, I think in the past when you launched your 90% combined ratio target interest rates were higher than they are currently and in the past you clearly said that you were still confident in getting to 90% in spite of the low interest rates. Now when I read the outlook on page 27 it sounds like you caveat the 90% saying assuming the same interest rate as in 2010. I just wanted to crosscheck with you whether something has changed there. And then a more general observation, maybe it is just me but if I go back to the Q3 conference call note and I compare to what I get as a feeling today, I have to say you sound a bit less confident on the speed at which improvements are coming through. Is there anything changed over the last three-four months, is the macro developing in more difficult ways or do you see the risk of frauds coming back or high workers' compensation claims coming back or maybe it is just me having the wrong impression?

Tor Magne Lønnum - Tryg, CFO

Yeah, I guess I think it is fair to underline what Morten just said about the target and I think with that said about the Q3 as well, I would really just like to strengthen the message that is saying that we are working with 90% of the target is what it is communicated through the organisation, it would take sort of substantial changes in the interest rate level if we were to change that target simply because it is important that if the mutual target that we are working against so yes, the 90% target will stand, but clearly as, I mean it was mentioned by Morten previously and which is in the outlook chapter as well, you cannot sort of take any eventuality into consideration when you set such a target so that is the target that we are working against.

Morten Hübbe - Tryg, CEO

And I guess on your second question, Giulia, I guess the psychologist probably always said that you look at our numbers in a quarter, then you look at what we say in our tone of voices and then you add a total picture or add a result of that which makes perfect sense. If I think about what has changed since Q3, I

guess on the positive side what has changed is that we have become even more confident that our improvements in private lines are developing very nicely and particularly our biggest segment Private Lines Denmark has been great during the autumn. If you look at Commercial Lines, we are almost exactly where we were a quarter ago we know that Commercial Lines is the area where the improvement will take the longest, combined ratios have been improved almost 14 percentage points in Commercial this year but it still has to go another 8-9 percentage points to reach our target. I guess the only area where we might see slightly more negative development compared to the third quarter is that the large claims in Q4, which was almost DKK 400m before reinsurance, calls for yet another year of high large claims which probably means that our work to make sure that we get higher Corporate property premium rates to cater for these larger claims is even more evident after yet another quarter of two high large claims. So as we were a quarter ago on Commercial, very positive development in Private, particularly Denmark, and then clearly a need to work on the high claims contribution in Corporate, I would say those are the only changes since last quarter.

Tor Magne Lønnum - Tryg, CFO

And I think, just to supplement Morten, I think we have also sort of tried to be precise in Q3 that clearly Q4 is a weaker quarter than Q3 and Q2 and despite the fact that they have had lower impact of winter related claims than this quarter, we have sort of other weather related claims impacting the business instead and clearly that on Morten's message that the Danish book of business has progressed very nicely whereas the Norwegian book of business has been slightly weaker so I think all in all it kind of fits the picture that because Morten said that there is a challenge, no doubt, in terms of the Corporate book.

Giulia Raffo, Autonomous

So just a quick follow-up, if you take the sum of the debt in Private Lines and Corporate do you still feel as confident as at the end of Q3? Or more or less?

Morten Hübbe - Tryg, CEO

We are very confident that we will reach our 90% target. There is no doubt that for instance when we were in the spring of 2011, interest rates started to increase and we started to think we are getting help from interest rates, might we try to target 89% for a combined ratio? And now we are seeing interest rates falling even further which of course means that we have to work harder to get to the 90%. But there is no doubt that a year ago we wanted to reach 90% and the organisation was not perhaps fully into that target whereas today, 12 months later, we see an entire organisation very focused on reaching our 90% target and I think if we look at the progress we have made in 2011 we are very confident that we will reach our 90% target but clearly we are 93.5% at the moment for the full year which I guess, as expected, shows that we need to work hard in 2012 and 2013 as well to reach our 90% target, but we are confident that we are going to reach it.

Giulia Raffo, Autonomous

Okay, now that is clear. And do you feel it makes sense to expect 1 percentage expense ratio improvement more or less in 2012 considering that there were a few run-off expenses in 2011?

Morten Hübbe - Tryg, CEO

I think that was a very precise question which probably requires that we would have to be public about the target, so I don't think I would be allowed to answer that precisely. What I would say is that during the first six months of 2012 we will work on our short to medium term expense ratio targets for every business area, every staff area and thereby of course also for the Group and we will expect to communicate that to you at some point during 2012.

Jakob Brink, Handelsbanken

I have just two questions. The first one is regarding the Finnish operation and the Swedish actually. I think you mentioned earlier that you could either look into maybe selling it or finding other corporation partners if I understood you correctly. Just to understand, how is the agreement with Nordea, can you just exit in Finland and then keep working in Sweden or what did you actually mean with what you said if I understood you correctly? And then the second question is regarding large corporate premiums. I think you said that you had actually had an increase of premiums here at the renewals in the beginning of the year. I was just looking at one of the brokers had some price changes for all the Nordic countries and actually prices were down in all segments throughout the Nordics so I guess you must have had quite a significant number of customers actually leaving you, is that correct? That is my questions, thank you.

Morten Hübbe - Tryg, CEO

On your first question, Jakob, clearly one of the options in Finland is to sell and you are right that other options could be to find new niches or new corporation partners or restructuring at least parts of the business. If we look at the agreement that we have with our distribution partners, of course Nordea being the biggest one, then when we come up with conclusions for Finland, clearly we will have coordinated that with Nordea and if we sell the portfolio we will have debated with them how they perceive that process. It is clearly within our right to make any such decision, it doesn't violate the agreement we have in any other countries but it is like a good marriage, you have to speak to your partner about significant changes and therefore of course we would also speak to Nordea about the outcome of our Finnish debate. But as I said it doesn't violate our agreement regarding the other countries. When it comes to large Corporate, I guess that what we see is that clearly in the last three years in a row we have seen pricing drops at 1 January renewal. We were able to increase pricing somewhat a year ago in Corporate Norway, then we saw some price reduction again during 2011 and then on 1 January 2012 we have said that there is a zero acceptance of price reductions and on a Group Executive Management level we have seen the very, very short list of examples of very few areas where that actually was the case and of course you are right that that has meant some loss of business, particularly in the broker segment but I guess if we look at the total renewal January 2012 there is no unusual total turn rate in Corporate, but clearly we see that our renewal rate is higher in Direct Lines Corporate than in Broker Lines Corporate. We see that it has been more difficult in Norway than in Denmark but if we look at the total Nordic Corporate renewal in our book we do not see a bigger cancellation than expected.

Vinit Malhotra, Goldman Sachs

Hello, thank you. Most of my questions have been answered and I do not want to go on about the target but I just wanted clarification as you promised me, please. In Q3 it was a mid-term target and I remember there was a big debate on related 2013 or later and now you have committed to a 2013 this despite roughly 1% higher large loss and weather related expectation. So is that confidence coming from the better trends in personal lines? That is my main question, thank you.

Tor Magne Lønnum - Tryg, CFO

I think I said that the 90% target is during 2013 so that is in terms of sort of the optics that you mentioned related to large claims and weather related claims, clearly part of that has been known for a while so I think we have communicated over some time now that in particular related to the weather related claims that it is an area where we need to increase risk prices and clearly that has been a part of the ongoing process and I guess the uncertainty that we have communicated related to impacts now is more or less what is going to happen to the level going forward and clearly we do not have a crystal ball so it is difficult for us to say but I think in terms of the weather related claims we feel that it is actually part of that has been taken into consideration. Now if we move on to the discussion about large claims, I think that was covered by Morten's answer and there we see an uptake in large claims and clearly we need to work on risk prices in combination with our other measures and I think we covered that in one of the initial...

Morten Hübbe - Tryg, CEO

I think I will just add to the question from before from Jakob on large Corporate and 1 January renewal because while we see that 1 January renewals followed much the path that we had expected, it is clear that we see that sales in corporate lines are more difficult at the moment and as we see that we clearly want to improve our earnings before run-offs in Corporate, that is clearly a scenario that we are willing to accept, that we will have lower sales but we will have higher prices and build higher earnings before run-offs. And then of course there are specific segments on the 1 January renewal where we have very specifically made the churn risk high. As I mentioned, there are a couple of segments in Norway where our price increases have been as high as 50% which is pretty much the same as asking the customer to leave and of course in those segments the churn rate has been high but those are also segments that have been overrepresented in our large claims in the last two to three years.

Tor Magne Lønnum - Tryg, CFO

And just to supplement Morten, it is some particular segments in Norway and also certain elements in the Danish market, we have been very selective and...

Gianandrea Roberti, Carnegie

Sorry, I just want to come back to something that was said before regarding the large claims, Morten. You mentioned that some of these 398 are referred to Danish corporations, business abroad, you mentioned particularly in Thailand. Is it possible at all to put a number in there, is it a small number, is it

half of the 398 and how does this work anyway because I was told previously that you had some sort of fronting agreements in your business abroad but are you basically taking the entire risk on this situation or how does that work? Thanks.

Morten Hübbe - Tryg, CEO

The typical structure is that you made what you would call a master policy which is the policy you issue for a group in the home country of that group. And then we would typically use the Axon network to manage that particular part of the risk which is in, for instance, Thailand and then we have risk measures that dictate in which cases we send our own risk engineers to that specific factory in that specific region already at the risk assessment and risk acceptance phase. Typically, the local policy in that specific country would pay an overrider to the partner to manage the process, but usually the majority of the risk is moved back to the master policy owner or issuer which would be us. So that is the standard process in such a setup and that is why we are currently assessing, do we need to change measures to make sure that our risk assessment of a building in a different geography is as high quality as our risk assessment of a similar property or factory if it was placed in Denmark or Norway? And of course what we see is that the natural catastrophe risk in some of those regions is a lot higher than the national catastrophe risk in our own home countries, so particularly assessing that our risk calculations in that respect, whether they can become more qualified than they are now. In terms of size, I don't think we have made public any numbers on the Thailand claims but they are sizeable enough to cater for a substantial part of the DKK 400m but clearly they are not the only claims, so they are a sizeable proportion of the DKK 400m.

Hans Pluijgers, Cheuvreux

Yes, a follow-up or coming back on the target, the approximately 90% for combined ratio for 2013 and I am still a little bit puzzled because you are saying in principle we are still going forward and the interest rates also based on the current interest rates but at the same time in your outlook statement you say assuming the same interest rate levels as 2010 and at the same time say well, we saw an increase in interest rates in Q4 and that we even were thinking about maybe we can reach 89%, so how I have to read that statement, why have you included it? Because in principle you are also saying in the conference call now that even with the 2011 level of interest rates you can reach that 90% combined ratio.

Morten Hübbe - Tryg, CEO

Well, I guess we are just stating what was said all along. When we made the 90% target which we don't just target in principle, we target that completely, period. We based that on the interest rates that we saw in the autumn of 2010. Then in the spring of 2011 interest rates were higher and we could celebrate for a short while, now interest rates are lower which of course makes our work harder to deliver the 90%. At the same time, we haven't changed the 90%, we have also seen now that our expectations for large claims and weather claims in 2012 are higher than our expectations a year ago, which also means higher than when we set the 90% target. Then of course we just see that we have to work harder to reach the 90%. So I guess we are sending the basic signal that it will take quite a lot for us to leave the 90% target but we know that we are in a world where assumptions on interest rates and large claims and weather claims will change every quarter but we have to remain or stick with our fixed point which is the target of

90% combined ratio. So it is just to state what assumptions were used when we made the targets and then we have to adjust our initiatives to make sure that we reach the target even with changed conditions.

Jakob Brink, Handelsbanken

Sorry, I just have one more question: I don't know if you can say how much of your total premiums in the Group is actually related to some large Corporate which you are now maybe thinking of if that should actually be on your book or somebody else's book if I understood you correctly, I mean how much of your total premiums is related for example Thailand or something very far away from you?

Morten Hübbe - Tryg, CEO

I don't think we mentioned that for instance the Thailand risk should be on anyone else's book than ours. I think what we mentioned was two different things. One was that we have seen a couple of segments in Norway and as Tor mentioned also a couple of businesses in Denmark where we see that the large claim risks in the last two-three years have been too high and therefore we have on a very selected basis more or less chosen that those customers should leave the portfolio. That is not a significant proportion of the total top line but it has been a significant proportion of the reported large claims in the last two to three years. The Thailand debate was not a question of whether we should move it to someone else, it was a debate on whether we are certain that our risk assessment of that risk is as qualified as the one we would do locally in Denmark and Norway. But I guess if you look at the total size of our international outside Nordic exposure, it is not very large. I would say sort of don't read that as any sort of precise number but in the region of a couple of hundred million in premium per year.

Giulia Raffo, Autonomous

Sorry, just a quick question, I didn't think about that before. I was looking at your triangles and I noticed that this year to the prior year primarily comes from all the auctioning years like 2001-2003 and if I look at the most recent businesses like 2009-2010 and even 2008 you are not taking run-off gains from there. The delta versus last year is that you are no longer strengthening for example the 2009 but I was wondering if I link what you said before about the buffer being higher than what it was 12 months ago, should we take from that that going forward we might see some prior year positive coming also from the 2008, 2009 or 2010 businesses?

Tor Magne Lønnum - Tryg, CFO

First of all, clearly our statements are correctly read, you read the triangles correctly and I think that we have said that you should expect sort of a run-off gain level between 2.5 and 3% and I think for some time I guess it still counts and Morten will elaborate on the risk margin but I think it is fair to say that there is of course there has been a level of uncertainty there so it is important to say that yes, we are positive on the reserved and nothing ... change

Morten Hübbe - Tryg, CEO

I guess what we said a year ago was that if we look at accident years 2008 and 2009, particularly on workers' comp., we saw an increase in the intermediate claims rewards of around 30%, that has dropped a lot since then and that is one of the reasons why we have moved from being worried about 2008 and 2009 on those lines to not being worried about 2008 and 2009 on those lines. So clearly that is more positive than before. But you are right that we have primarily taken the run-off gains from older years than that. I would also argue that while house and contents and the private lines areas were a challenge in 2009 and 2010 and therefore the accident year margin on those lines was limited in those years. We are much more comfortable with the accident year margins of those in 2011 for instance. So all in all I think that moves us into a comfortable position and of course we will always, I think, stick to the procedure where we wait a fair bit until we release research from workers' comp. because you do need to see 6-7 years before you are fully confident what their ultimate will be.

Claus Grøn Therp, SEB Enskilda

Yes, good afternoon, I have a question regarding the Finnish activities, basically two questions. The first one: If you are successful selling the Finnish business, is there any likelihood that you may use this as an opportunity to initiate a buy back programme during 2012 now market is disappointed with the dividend and also no buy back for 2012? And the second question: In terms of how much we could expect that you would receive out of a sale of the Finnish business if that is the end conclusion of the Finnish business, is it right to assume that because of the high distribution cost you have in Finland, then it is not only the capital tied to the premiums you have up there but there may also be possibilities for more than just the release of the capital you have tied up for the premiums?

Morten Hübbe - Tryg, CEO

I think that we will probably have a chance to debate Finland more during 2012. I guess it is too early to jump to the conclusion that it will even be a sale but we are clearly saying that as one of the options. I think we yet have a feeling for what our pricing is but of course we are not selling the golden egg within our business so we haven't really debated whether if we come to a sale, the release of that could potentially finance a buy back and for me that sounds a bit like debating whether earnings in 2012 should finance the 2012 buy back. I think to be honest that we need to focus on making sure that we make the next strong improvement to core earnings in 2012 and then hopefully we can make a rich cash distribution in the spring of next year instead and hopefully we can then settle our Finnish debate in a positive way, but I think it is too soon to speculate along the lines that you are asking about.

Thank you a lot for participating in the conference and I look forward to meeting a lot of you on the road in the next couple of weeks. Have a good evening and of course our Investor Relations Team is standing by if you have any further questions during the next couple of days. Bye.