

## Webcast and teleconference

### Q3 2010 results – 15 November 2010

#### Ole Soeberg – Tryg, Head of IR

Good morning and welcome to Tryg conference call and webcast for the third quarter 2010. There will be a short formal presentation followed by Q&A from analysts and investors. In the studio today, it is CEO Stine Bosse, CFO Morten Hübbe and myself, Ole Sæberg, Head of IR. With this short introduction, I will hand over to Stine.

#### Stine Bosse – Tryg, CEO

Thank you very much Ole and also welcome from me.

#### Slide 2

First of all, let us just start with slide 2. Now the first nine months of 2010 have definitely been hammered on the claims side with claims of DKK 1 billion above what we would call a normal year. Of course it has a huge influence on the total results. If we look at the third quarter even this third quarter has been impacted on the claims side by severe situations. One of course is due to the court case in workers' comp. That situation alone cost us around DKK 200 million and then also higher frequency in the same product, and Morten will return to that in detail, but two incidents and also other areas in the claims area that have definitely been a severe and not at all in line with what we had expected for the third quarter.

We gave you a market update when we realised this, and of course that is what you see now in the full third quarter report. Now the expense ratio we have worked on hard throughout the year. We have not only been sort of cost controlling but also a lot of the initiatives that we have had in place in former years have now paid off so that we have been able to reduce the number of employees, especially in Denmark and Norway and thereby been able to actually cater for the investment still going on in Sweden and Finland and also of course cater for the investment that we have made in our rebranding of the whole group. So on the cost side we are definitely hands on, full control, but we will have to admit that the claims situation has definitely been different from what we have expected.

#### Slide 3-4

Now the figures on the next slide – the third slide – I think speak for themselves and I would like to turn on to page 4 just to bring to your attention the incidents that have actually hit us during this year. Not saying that some of them are not situations that we should be able to cater for, but the number of situations in one year is just of a size that makes it very difficult to deliver the results that we had

expected last year this time with the number of incidents. Especially, I would like to draw your attention to the supreme court case which is not the only thing that is affecting the situation in workers comp. Morten will take you through that in detail, but the situation - and it is a Danish situation - within workers comp. and with the increasing unemployment that we see, we have seen definitely that we need to take this into consideration and to put it into our figures. And we will show that to you later on.

**Morten Hübbe, Tryg, CFO**

And I guess it is a long-tailed product where if you make two optimistic assumptions to begin with you end up regretting it. That is our experience.

**Stine Bosse – Tryg, CEO**

So, yes we know it is a tough situation, but we have actually now shown you where we are exactly on those things.

**Slide 5**

Now if we look at slide 5 and look at the premium increases you will notice that DKK 250 million out of these premium increases just in the third quarter actually come from premium increases to the existing customer base so that is not growth like classical growth where you actually get new customers on board. This growth profile is actually lifted by premium increases of a significant size and mind you DKK 250 million only in the third quarter adds up to close to a billion for the full year, viz. about DKK 900 million, which of course, yes admitted, is very needed and we have been increasing premiums for some time. Volume growth in Finland and Sweden still coming through and also here we see improvements, especially in Finland, on the combined ratio, which of course also has been an issue for us during the last couple of years. On the claims side just pay attention to the fact that if in the third quarter you carve out the supreme court case and also the heavy cloudburst, we are actually at a claims ratio which is more sort of in line with what we had expected by this time - 73.9 - but then I will have to admit that the cloudburst situation, we will have to cater for that going on with the premiums that we actually charge our customers. Because that is not a one-off situation that is something that we expect coming...

**Morten Hübbe, Tryg, CFO**

It seems to be recurring more and more

**Stine Bosse – Tryg, CEO**

more and more frequently and Morten will show you how we see the claims situation in exact combination with the premium increases that we have put through already. The cost side – the same picture. You can see the investment that we have made in our branding at 0.7 percentage points and underneath that you can actually see a decrease of our cost ratio and that is still catering for the Finnish and Swedish growth so if you look at the sort of total profile of Tryg today we are actually heavily making efficiency achievements within a large part of the portfolios in Denmark and Norway and we are using that to invest in building up the portfolios in Finland and Sweden. Now finally on the investment side we want you to pay attention to the way in which we have tried to express ourselves this time round,

hopefully a lot clearer than earlier this year and especially notice that the matching now is very close where we want it to be. It is slightly positive. It will swing and we have actually disclosed that also in the third quarter sort of how much do you expect that to swing over time to one side or another, but this time it is actually very perfectly matched and then of course also notice the good result in what we call the more active investment portfolio.

### **Slide 6**

Now on slide 6 we want you to notice that we have been talking a lot about premium increases. The reason for this is that with our premium increases, with the level of risk coming up that we have seen we would not be anywhere close to getting our results back on track so premium increases are still the first and main driver for delivering better results in the years to come but of course there is also a claims handling side. And here just pay attention to the fact that we have worked intensively with our organisation. Now this is very operational stuff, mind you, it is a question of for example when you have large claims that you have a number of offers in that you chose the offer that is not only the cheapest but also the best because if you choose the cheapest offer for the customer, it often becomes more expensive because then you have hustle afterwards so you have to balance these things but we have worked with this intensively during this year, this running year, and also of course mitigating claims much more intensively together with our customers for example, and we were joking about this because I don't know the word but I will try to explain to you – now when you have a situation where the sewage system actually is overflowed by for example cloudburst then the sewage comes back into the house and this is of course not at all a nice situation so you can actually have a lock on these systems and it is not extremely expensive but you have a lock and then you actually prevent the sewage from running back into your home. This is of course pieces of good advice that we are giving to our customers nowadays and some customers, we will even say to them: You have to put this lock back in, or we will not cover your basement. So these things are also initiatives that we are dealing with. Of course, the cost reductions that I mentioned – a lot of initiatives – and also holding back on different classical cost lines is of course always possible in a large organisation. The items on the right side are sort of classical stuff that you need to do in an insurance company, but I would like to point out to you two areas that we have been - or perhaps even just some of them - but just to point out to you that pruning the portfolio, making sure that we always work with not only how we actually accept customers but also are there customers that have come into the portfolio that should never have been there. And a customer is always a good customer – it is only a question of price and terms so working with that we have put more resources into that area in all four countries. Now criteria we will find and Morten will probably talk about that - the reinsurance coverage Morten will also definitely talk you through, but here is also areas and I think some of you mentioned it at the second quarter and we had started the work by then, actually already last year so we have worked further on that and then finally on the Geo data into the tariff. Here we have come a lot further this year and next year we will take some of these criteria right into the tariff and make sure that we actually are much more specific on choosing the customers. We will still need more data on the sewage systems. It is a very dull issue to talk about all this sewage, but we have to deal with it. It is part of repairing the business that we are running.

### Slide 7

Now finally, from my side, before I hand over to you, Morten, just a quick glance at the three business areas because there are actually very different developments within Private, Commercial and Corporate. Now if you look at Private and you look at the weather impact specifically in the third quarter, which we shall cater for because it is going to return, not necessarily every year but with a very high frequency, but still when you look at that it is a very OK combined ratio and the underlying combined ratio is actually up and running at an OK level. Still more to do in Denmark. We are just coming through in all areas, but definitely specifically in Norway the private portfolio is performing very well. Now if you look at commercial at the Nordic level, still of course here there is the weather impact but also here look at the impact from workers comp. specifically in the third quarter and of course that does hit a business area which is actually - underlying - not where it should be so here we have premium increases coming through. Actually they have just started to come through from this October and you will see that comes through throughout this year and running into next year also. Finally, on the corporate, if you disregard the workers comp. which of course you should not and Morten will talk us through that in a moment but anyway if you just look at the underlying level it is actually still a very, very strong corporate book. Now going forward, what we should really be worried about and what we are worrying about and actually dealing with is of course the pricing of workers comp. and also of course here there is a claims handling side where we are putting more effort into the area of getting people back into work which is of course the feature that keeps down the average claim in this area so here there is also a combination of the premium side of things and also of course the claims handling side. I think that was a quick overview and not taking all the time and leaving space for questions I will hand over to you Morten.

### Morten Hübbe, Tryg, CFO

And thank you for that, Stine.

### Slide 8

And on slide 8 we elaborate on the discussion of what drives the top line at the moment and I guess you already mentioned Stine top line growth at 3.6 % but in reality the price change drives 5 % alone which effectively means that volume is dropping during the period, largely in corporate but I guess you can say also for the coming years the focus will be: Yes, we would like to have some volume growth in Finland and Sweden, but in Denmark and Norway priority number one will be to improve the combined ratio and that will result in some loss of volume. It will then be helped by the price increases in terms of top line but that will clearly be the priority and I guess that is the focus also on slide no. 9.

### Slide 9

We are going through the largest programme of price increases we have ever done – DKK 2.5 billion during the period from 2010 to 2012 and I am sure that while we get closer to 2012 that figure will grow as well. Showing here a combined ratio close to 100 of course is completely unacceptable and we see the single events driving almost 10 %, which is of course high, but as you said, Stine, some of those will actually be recurring so we cannot just lean back and say the 10 % will probably go away. Some of it is something we have to solve. And that is also why in our description of 2011 and the coming years'

earnings we are very confident that the combined ratio will improve but we have chosen not to be very explicit on the timing and the size because we are very firmly in control of the price changes that we carry out but we see currently that the claims inflation trends are very volatile and actually predicting that with a lot of precision also for the coming year will not be possible.

#### **Slide 11**

Moving on to claims development if we look at slide no. 11 we see of course that the overall group claims as we said were influenced some 10 % by these single events in workers comp., in cloudburst and in change of ownership. If we look at the private business area we see, as you said Stine, that the development there is more positive, but we see a huge difference between the countries. A combined ratio in private lines in Norway in Q3 of 88 % I think is a very strong development and as we said that is the development we would have seen the earliest, but also if you look at Finland private year-to-date the combined ratio of 98 and still growth close to 20 % that is becoming interesting. While in commercial of course we can see some single event impact but as you said, Stine, in reality it is the underlying level of claims and cost that is the problem. A cost ratio of close to 24 % and this underlying claims ratio simply means that it will take another couple of years before commercial becomes acceptable and that is why in addition to increasing prices by 10-15 % in October we are doing a lot of pruning in that portfolio as well. Corporate as you said a 20 % increase in the combined ratio. A lot of that driven by workers comp., which I will elaborate on in a second, but also we see, of course, that lower interest rates and higher large claims have an impact on this business area.

#### **Slide 12**

On slide 12 we show a bridge between the DKK 400 million technical result in Q3 last year and the DKK 74 million technical result in Q3 this year and if you look at the middle of this page we show a price increase of DKK 250 million and ordinary claims inflation of 120 million. The net of that, of course, would have been DKK 130 million and a potential positive sort of combined ratio of almost 3 percentage points if that had been the whole story, which would have been a lot nicer of course. But as we show here, it drowns when we see the DKK 200 million event on the supreme court case in workers comp., which is largely a one-off event, then we see the frequency in workers comp., which is not a one-off event, and I will get back to how we try to manage that.

And then of course the cloudburst which is to a large extent one-off but we have to get used to higher ongoing claims for cloudbursts, which means that we will be going through both, as you said, security for the customers, reducing the risk of claims, which regions have higher risks although they have not had large claims yet. Going through this, we need to restructure our reinsurance programme because it is a very well-structured to handle single day events but if we have large number of single day events you need a different reinsurance cover. And then of course adding to our ongoing expectations about weather claims.

**Stine Bosse – Tryg, CEO**

Perhaps here, Morten, we should just clarify – I mean it is very visible on the slide that if everything just had been our expected claims inflation, we would have been on a different planet. But we also have to take into consideration and we are taking that very carefully into our figures and into our consideration the fact that cloudbursts will come with a higher frequency and apart from that a lot of this is more of a one-off situation. Now the workers comp. frequency also coming up is another area that has to have our attention and where premium increases cannot be ruled out. I think, on the contrary, we are looking into actually quite heavy premium increases here, as well.

### **Morten Hübbe, Tryg, CFO**

#### **Slide 13**

I think, if we elaborate on that on slide 13, we see of course the two steps in workers comp. One has been the court ruling and I guess it is a supreme court ruling that says that dating back 30 years people working less than 100 % can potentially get their claim increased and there is an enormous uncertainty as to how this will play out in the coming years. Our figures suggest that it could be somewhere between DKK 0 and 300 million for us. But of course it is hard to predict how people with a 20 or 25-year old claim react and how many of them will ask for a higher claim, etc. But we have said that we assume 200 million in claims for this. It is beyond discussion that if you have workers comp. business in Denmark, this will cause you a claim and higher claims and it will cause your total expenses for workers comp. to increase. Now whether you choose to communicate that now as a one-off or you choose to weaken your ongoing reserves, that is a different matter, but it is beyond discussion that this is an increase in claims. But more importantly the increase in ongoing frequency of workers comp. we have said for the last year and a half that with the increasing unemployment in Denmark workers comp. frequency would increase. We have now started to see the early days of that and that is why we have said that we have an impact of 70 million in Q3. We expect an ongoing impact of that of roughly 200 million per year. Now does that mean that we accept a worsening of 200 million into perpetuity? Of course not, but it is also an area where you cannot just quickly fix it by increasing prices by 200 million and you are home free because at the moment workers comp. prices in particular Corporate, Denmark are dropping, so what we have been going through now is all the customers with an overweight of workers comp. business with us going through and being very firm and tough on the pricing of that and losing a lot of business in the process – that is a large driver of the drop of volume in Corporate. We will go through significant further price increases but it will be a combination of price increases and letting business go, which will improve our development in workers comp. Now change of ownership is a business...

### **Stine Bosse – Tryg, CEO**

There is just one thing, Morten, to add to your comment here and that is now how should we predict how many claims we get from this court case. And just to let you know that for example there will be people active in this area – it could be lawyers, it could be unions who would actually go out and find the claims and even the authorities who are actually regulators in this area will – which is fair enough because some people are out there – so they will actually be also pushing for claims to come through. That makes us very cautious because we think also living in an environment where money is not sort of a an excess

resource, a lot of people are looking deep into their pockets, which I think is going to have an impact also in the magnitude of what we are going to see out of this case.

**Morten Hübbe, Tryg, CFO**

And that is, I guess some of the reasons why we choose both in the court case and in the ongoing development on frequency in workers comp. to be very cautious in our predictions here. Change of ownership is normally not a product we talk about. I guess we would have preferred to keep it that way, but if you look at the development currently in change of ownership, we mentioned already in the winter that we were worried about the claims inflation. We increased prices by roughly 40 % expecting that that would have a significant impact, but we see now with the further development in Q3 that that is not enough. The total claims ratio is so high that we now have to set aside extra premium reserves for the future claims. What is called an unexpired risk reserve and that is why we get the double impact of some 20 million of additional claims reserves, but actually 105 million of additional premium reserves. This will result in a further price increase of roughly 50 % in January in Denmark and secondly we will be going through the claims events to reduce our volume significantly in the change of ownership segment and being sure that our claims handling is the best possible procedure.

**Slide 14**

Now, slide 14, I guess just elaborates further on the claims development. You can see that the Q3 underlying claims figure has increased even if we take out some of the one-off events and of course the focus will be in the coming year on showing that we reduce the claims ratio in Denmark as we have now seen in Norway.

**Slide 15**

On slide 15 we elaborate on large claims and the weather claims again and the cloudburst, I should mention, seen at 266 million before reinsurance, 135 million after reinsurance. Of course we are going through- as we said – the restructuring of our reinsurance programme, the clear analysis of going through all of the repeated claims events with our customers and the increased risk areas to increase the security and then of course going through, making sure that the price also caters for that, but it is recurring and we have to get used to that.

**Stine Bosse – Tryg, CEO**

I think one piece of good news was actually in the news yesterday and that was that Copenhagen as a city now really is going to do something about the whole sewage system situation and hopefully that gets around also to other areas, especially north of Copenhagen where we have a lot of market share and where, of course, the situation often is that people with some wealth live there and of course what is in the basements is obviously also different from perhaps other areas of Denmark so a lot of things are going on here also to prevent these weather-related claims to go further because of course it is large and also a costly situation, also for the authorities in these events.

**Morten Hübbe, Tryg, CFO**

I guess this is a region where we are overweight in terms of market share, which has served us well in the whole of our history but at the moment it is causing some problems on the weather side. The large claims are higher than last year. They have now exceeded 500 million in the first nine months of this year compared to some 150-160 million lower last year.

#### **Slide 17**

Moving on to slide 17 you have already touched upon the cost development, Stine. If we had not invested in further Nordic common branding in this quarter, which we believe is wise to do, then we have seen a reduction in the cost ratio from 15.8 % in Q3 last year 15.6 % this year and largely driven of course by the reductions in the Private business areas. We have more direct distribution, we have fewer offices, we have a development where the paperless handling is also driving cost reductions and we will continue in 2011 to see that improve our cost ratio, but it is of course important how Sweden and Finland develop as well. We have seen now in Q3 a cost ratio of 21 % in that area but it is important that we are focusing even more on improving our processes in Finland during the years to come.

#### **Slide 18**

And I guess on slide 18, you have already touched upon it, Stine, the number of employees coming down, but I guess 200 full-time employees less in Denmark and Norway in two years corresponding to 5 % that is a huge driver of controlling costs.

#### **Slide 19**

And then hopefully an improvement on slide 19 on communication on investment income. We show here very clearly that matching the gross return from the bonds then it has to finance two things, and that is to finance the interest going into technical interest and then it has to finance the changes in discounting and the net amount of that should be as close to zero as possible and it is actually 22 million positive in this quarter, which is within we believe very good boundaries and then of course in the free portfolio you get the explanation as to what comes from equities, real estate and bonds. The total return in the free portfolio is 2.6 % in this quarter, some 200 million higher than expected, largely driven by roughly 10 % return on equities.

#### **Slide 20**

And on slide 20 just a brief illustration of what matching actually means. Most non-life insurance companies are in the upper left-hand corner with unmatched investment portfolios, which means that the full volatility from interest rates flows through to the bottom line. Now in a couple of years' time everyone will be forced to discount their claims reserves. Danish companies are already in that position from the FSA, which means that you get also interest rate volatility from the discounting. That is why until the spring of this year we have been at the upper right-hand side with the rather crude matching methodology. And what we have done during the spring of this year and now fully operational for Q3 is to move to the lower left-hand corner where in all currencies throughout all points in the yield curve we are trying to get as close to full matching as possible. Now, the FSA yield curves are not fully investable so don't expect the theoretical Nirvana on the lower right-hand side. We will never get there, but being at

the lower left-hand side has cut out an enormous amount of volatility and we see now also in the KISS 5 calculations that we get rewarded from that because it means that we have to spend less capital for investments.

**Stine Bosse – Tryg, CEO**

So I think it is extremely – especially the last point here that Morten is pointing out to us – when you view this, view it in a capital acquirement perspective, and not in a classical investment perspective because that is really where this is going to make a difference and not sort of on a revenue stream thinking, but honestly more on an ROE kind of thinking for this company

**Morten Hübbe, Tryg, CFO**

I guess it is fairly advanced matching methodology and we are still improving it so we are not in Nirvana yet but we have come far.

**Slide 21**

On slide 21 we show the outlook I guess our announcement yesterday was not a big surprise due to the market update a month ago and we see, of course, that the worsening of the technical result is driven by the three large areas adding up to close to DKK 500 million and then improved again by the one-off gains of some DKK 217 million in Q3 and then as we announced we expect a roughly DKK 200 million higher investment income. I guess it was hard to predict that the marine business we sold a year ago almost would have claims of DKK 66 million in this quarter and I guess we will see very little from that next year as our total exposure runs out.

**Slide 22**

And finally from my side on slide 22 capital – we have stated that we now have a capital buffer in SMP of 5.5 %. We have also stated that including the buyback programmes not carried out yet we have roughly 9 % and then we have made now the first calculations in QIS 5. I guess QIS 5 could become a QIS 6 and things could still change but if we look at the figures as they are now we are roughly at some 20 % in positive buffer in that calculation and of course, as I said, the very small capital consumption for investments helps that equation.

**Stine Bosse – Tryg, CEO**

And I guess also here just to mention now to you, this is the first time at all we have dared to say anything about where we are on all these QIS calculations and that is of course because we believe KISS 5 is close to the final. Not ruling out that there will still be adjustments but from what we pick up they will be minor so take it for what it is, so to speak, but now we have disclosed where we are on this issue. Finally, just to wrap up before we get on to your questions. Hopefully you can see that we are not necessarily proud of what has happened this year. We remain very firm on the things that we have done. The things that we still need to do and that are sort of being implemented throughout the organisation. We believe it is going to take us back into a much better situation, but we have also decided - and this is actually work that has been going on during the past year - that sort of the figures and the specification

of our outlook were becoming increasingly problematic and very, very, obviously, hard to work with and the trust that you need to have in us we also can see has been suffering because of many things but also because of the fact that we have sort of come to explain ourselves with our outlook to a very specific level. Now we are leaving that. One thing that we will promise you is that next year is going to be significantly better than this year on the technical side and with all the work and effort that we have put into this and also still are putting into this, not only Morten and I, but a lot of people in the Tryg organisation - we believe that we are going to deliver improved results.

**Morten Hübbe, Tryg, CFO**

And I guess that that is curious to deliver that and just not talk about it so ... exactly.

**Claus Højmark, ABG**

Yes, good morning just three quick questions.

The first question is on costs. You show pretty strong cost development in, I guess, all markets this quarter, but it looks in particular strong in Norway and it also looked very strong in Q3 last year so I was just wondering, could you elaborate a bit on the cost development. Is there anything special in the third quarter we should be aware of in Norway or is this just a very strong underlying improvement?

Secondly, when you sent out your market update on 15 October you guided that both this high court ruling on workers compensation as well as the change of ownership insurance and also the increased frequency of workers compensation that would have an ongoing effect of approximately DKK 200 million. Now, I realise that is before you increase premiums but here in your report you say that the effect of the high court ruling is only 20 million which must imply that the cost of the other two parts is fairly big so I was wondering if you could give us a split on the other two – i.e. the remaining DKK 180 million.

And finally a bit more detailed question which relates to your slide 19. On slide 19, you write that - or you show that you have in other financial income and expenses, the non-investment part, you have a positive income of DKK 43 million.–Normally, historically, at least this has been a loss because you both put your interest cost, as far as I understand, but also your cost of asset management. Is there any special one-off in this third quarter we should be aware of or is this something that has changed due to your new way of performing this match and the free portfolio?

**Stine Bosse, Tryg, CEO**

Let me take the first one, Morten, and you can take the next two. Now on the cost side you should always be aware that there can be differences within the quarters but on an overall level we have worked very intensively with the cost ratio in Norway, we have invested in a completely new distribution system, I think we talked quite a lot about it a couple of years ago and that if of course now what actually has a positive impact on the whole cost profile of Norway. So it is positive for the development in the cost and there can be some slight also movements within the different quarters.

**Morten Hübbe, Tryg, CFO**

I guess you can say that that is the general story and then just keep in mind that having franchising means that we have more Q1 commissions in Norway than in Denmark and more differences between for instance Q3 and Q1 but I guess that is unchanged. The DKK 200 million, as you said, we have mentioned ongoing, that is correct. We have mentioned that DKK 20 million of that roughly is for the coming years due to the court ruling. I don't think we will give a split on workers comp. frequency and change of ownership but I guess we can say that the vast majority of the rest is frequency in workers comp. In reality, if you look at change of ownership, if we reduce our portfolio in that during the coming year, then we will be able to slightly reduce also this unexpired risk reserve and that will help total earnings next year potentially. But the total ongoing increase of frequency in workers comp. drives the bulk of the 200. It is very early days of this impact, we could have chosen to wait a couple of years and see how it materialise, but there is a clear link between the increase in the unemployment rate and the higher frequency in workers comp. and we have chosen to worsen our assumptions on that during Q3 and that is exactly why it is extremely important to go through both price increases and the customers with too much weight of workers comp. that might not stay with us in the longer term.

Your third question. It would be nice if we were on a new planet where other investments were also always an income but I guess that is not the case, we have seen that in some quarters this year we have had negative results from our inflation hedging, we have had positive results from our inflation hedging in the third quarter, that is the biggest real difference in that area but I guess if you go through what we describe and you still have questions on that, please feel free to call our investor relations guys.

**Claus Højmark, ABG**

Okay, thanks.

**Ole Sæberg, Tryg, IR Director**

Due to time limits, if we could just take two questions from each participant, please

**Per Grønberg, Danske Equities**

Yes, good morning.

Two questions, the first on workers compensation. Can you please clear a little bit up what you are saying? When I read the report, you are talking about price initiatives, you start by talking about prices have to come up and then later on in your presentation, Morten starts to admit that prices are actually going in exactly the opposite direction. What are you seeing, what are you expecting to happen in 2011 to workers compensation and are there any reasons why we should expect workers compensation to be better in 2011 than in 2010 if we exclude for the high court ruling?

My second question is related to the 2011 top line guidance. You are guiding for the same growth as in 2010, 3-4 % in local currency, your price hike of one billion should give you 5 %, so you are guiding 1-2 percentage points loss of business. That indicates to me that you will not be willing to give up a lot of the

industrial business where the competition seems to be pretty tough, can you elaborate a bit on that difference between the 5 % impact from price hikes and the guided 3-4 % premium volume growth that you are guiding for 2011. Thank you.

**Stine Bosse, Tryg, CEO**

Yeah. Well, Per, we will share this, Morten and me. Now on workers comp., there are two things. One is that Morten is completely right by saying that the prices in workers comp. have been very, very sort of sliding down and there has been a lot of competition and people have viewed this product very differently, very obviously, that has been the situation. Now what we have done since early summer is that we have changed our view, we have debated heavily with our underwriters, which of course is necessary when you want this to happen and what we have said to them is that what we see, and we is Morten and I, of course supported by actuaries and others, is that this product needs to come up price wise, so this is what we are going to push for and we will accept and we will stand back and we have already done so, not to write business where we can see that it is going to be loss making for Tryg. So that will have an impact on volume, and just to... and then Morten can take the detail, there will be a significant volume impact in the corporate lines but you have to look at, when you combine price increases, what happens in corporate lines and what is happening in Finland and Sweden, it actually adds up together pretty nicely.

**Morten Hübbe, Tryg, CFO**

And I guess we can already see now that the number of workers comp. heavy customers we have said goodbye to during the last 6-9 months clearly have a higher claims ratio than the ones we have kept and that process will continue also in the coming 6-12 months and that will improve our total development in workers comp., but I think you should not by any means expect workers comp. to be a positive story for the next 12 months or so because we clearly do not expect that. Back to the 2011 top line guidance, you are right that the price hikes alone will result in higher growth than our expectations, you could add to your math that we expect to continue seeing positive growth in volumes in Sweden and Finland, so in reality the decline we are expecting in corporate is higher than what you calculated, but I think we can also say that if market terms prove even more difficult in workers comp. or corporate in general, we will be willing to let go of more business. So if we come back to you during 2011 and say the price hikes were exactly as planned or higher but actually the total top line was lower and we let go of more corporate business, we would be happy to do that because we need to improve the combined ratio.

**Stine Bosse, Tryg, CEO**

And then one very important thing, talking about workers comp., please remember that our workers comp. portfolio is actually twofold, one is in Denmark and one is in Norway. Norway is a completely different situation, so do not take all that we are saying and deploy that into the total workers comp. book of Tryg because that is wrong. Denmark is the issue, so it is round about half the portfolio, I guess something like that, if you take the total workers comp., and then you are on the right track. Norway is a completely different economy and it is the state of the economy in Denmark that is flowing into what is happening in workers comp.

**Per Grønberg, Danske Equities**

Okay thank you.

**Stine Bosse, Tryg, CEO**

You are welcome.

**Giulia Raffo, Autonomous**

Hi, good morning. First question is just for clarification if possible. You seem to hint to more a pricing action being needed, especially in workers compensation, but when I look at your outlook statement, you stick to your DKK 1 billion pricing for 2011 and DKK 600 million for 2012. Do I interpret correctly that you are not in a position yet to update us on how much more you are going to do, but that you are going to do some more pricing on top of those two numbers? And with regard to that, I assume that 200 million ongoing impact is an impact assuming that you only do the DKK 1 billion and the DKK 600 million you are talking about in your outlook but it does not take into account the top up pricing that you might be able to do to compensate for that and then my second question is basically.. it is more of a philosophical question, I was wondering if you could share with us what you have learned from recent pressure and possibly some of the mistakes in the change of ownership area and what are you doing now differently and what does the rest of the portfolio look like?

**Morten Hübbe, Tryg, CFO**

Good morning to you Julia, if I take the first two questions, you are completely right, we have kept our assumptions on price increases for 2011 and 2011. As you know, it takes some time to carry out price increases but we are quite sure that if we look at 2011 and 2011 in totality, then the recent development will further increase the price increases we have communicated so far, but as we have said in workers comp., it could be a combination of price increases but also customers with a too high weight of workers comp. perhaps choosing another supplier in the Danish market after a good dialogue with us. If we take the 200 million, of course that is assuming that we do nothing else on price or pruning and of course we will be doing exactly that to make sure that the 200 million ongoing worsening stays there for as short as humanly possible.

**Stine Bosse, Tryg, CEO**

I think on the learning points, Julia, you are spot on, I mean there would be people within the organisation that would say let us just forget about 2010 and get on with it and that is not where I come from, I come from where I say, let us learn from what happened in 2010, let us look into where did our knowledge sharing work, where did our knowledge sharing not work, obviously change of ownership is one of the areas where our knowledge sharing was not completely working, so there is a lot of areas where we are saying okay, let's find out, what can we learn from the experience here and actually make sure that things do not happen again, and that is an obvious thing for me. That is also what I have mentioned already on how specific we are on our outlook, I think if we had already last year, perhaps end, mid-last year, said to each other, now, let's learn from what the environment has told us in 2008

and 2009, are things becoming more predictable or less predictable? I think we would have said to ourselves, things are becoming less predictable, let's be less specific and not let you down, and of course there are key learning points and I have just mentioned a couple of them and there are also others, definitely yes.

**Morten Hübbe, Tryg, CFO**

Should we ask, Stine, just one that when we have seen that the macro development in Denmark has been so much worse than in the other Nordic countries, then being as offensive as possible on figuring out which products could be affected by that differently in Denmark to the other Nordic countries. The magnitude of that has taken us by surprise and we are making quite sure that we have enough focus on that and we would have liked to see it more. We are glad that we stopped writing unemployment insurance more than a year ago and glad that we did price hikes quite early on, but we were surprised by the magnitude.

**Stine Bosse, Tryg, CEO**

Yes. Morten, what is the name of the FOF product, the English name?

**Morten Hübbe, Tryg, CFO**

It is extended warranty.

**Stine Bosse, Tryg, CEO**

Extended warranty we have in different versions throughout Tryg, and actually out of Sweden, Moderna, we actually have extended warranty in all four countries, sold via a local retailer, and this product actually really captures what is going on. In all four countries the frequency and average claim has been sort of OK, except in Denmark. A completely different pattern of the way that people get into the claims area, customers' behaviour, I guess you could say, in Denmark, and that has taken us somewhat by surprise, but that is exactly where our view is that we can learn something from that. And being in all four countries gives us a very good possibility to learn more.

**Giulia Raffo, Autonomous**

Yeah, thank you very much, just one quick follow-up on that. Are you changing terms and conditions in some of the products? Because pricing is one thing but sometimes you get more by changing terms than by actually changing the price.

**Stine Bosse, Tryg, CEO**

Definitely it is part of what we are doing, changing terms and conditions and also changing the barriers of entry also, yeah.

**Gianandrea Roberti, Carnegie**

Yes, good morning from me as well, I have a couple of questions. One is on workers comp. again. I really don't know how to square some of your statements with some of your other Nordic peers and I highlight

your Nordic peers in workers comp. because I guess it is a broader issue of economic theory opposite to what you have described and say then that workers comp. claims in other sections should actually go down because corporations run at lower steam, the employees that get fired first are the unskilled ones who typically are the more costly, and some of the statements from your Nordic peers they are actually saying that the situation, if it is a deterioration, that it is minor or it is probably stable in terms of combined ratio in workers comp. Also when you talk about the specific situation of the Danish economy, Finland also last year had a massive slump in GDP, and it is up again this year but they really don't see it this way so I am really struggling understanding what is so specific on workers comp. in Denmark, and it would be great if you can help me out a bit with that.

And secondly on change of ownership, I think you had loss ratio of already 260 % or something like that last year versus the market of 140-150, was it mainly that the product price was lower than the others, what was it that you ended up so badly in that line? Thanks.

**Morten Hübbe, Tryg, CFO**

If I take the first question and then we can work on the second. The first question, if you look at what happens in a recession period, you are right that in some industries you have people running less fast than before, we have less new employees, so some of the simpler claims you would tend to avoid. But if we look at what really drives cost in workers comp., it is not the many reported claims. What really drives the claims in workers comp. is that when you get the tougher cases where you end up saying this individual has lost a significant proportion of their ability to work in the future, that is the big driver of costs, and what we see is, if you look throughout the Nordics, of course we have seen low GDP and negative GDP for a period in all four countries but the worsening of the unemployment rate, not the level of the unemployment rate but the worsening of the unemployment rate has clearly been the highest in Denmark and what we see is now a tendency that when you test, can this individual get back to work full-time or not, there is a tendency that they get rewarded in more cases where you end up concluding that they cannot get back to work full-time, and those are not large numbers of cases but that is what really drives the numbers. Now of course we could end up a year or two from now, saying we were too pessimistic in our assumptions about that, but I guess having been in this industry for many years, being optimistic or waiting for negative signals in workers comp. to turn is a danger zone to be in because that usually does not happen. So we have chosen to be conservative on that and we see a clear logic in what is going on. I guess change of ownership has been a problem for a long time, but last year we tried to distinguish between what were the negative impacts from previous periods and run-off losses from that and what was the nature of the quality of the portfolio today. And that was the period where we assumed that the 40 % price increase was high enough, and clearly we see now that it is not, because we see a tendency that the change of ownership claims are becoming more and more expensive, sort of roughly, the number of bigger, more expensive claims is increasing tremendously and that is why we see both a combination of less new volume of change in ownership, significantly higher prices, now both 40 and 50 % and then making sure that our claims handling is working as well as humanly possible.

**Stine Bosse, Tryg, CEO**

Just one comment from me also, Gian, on the workers comp. issue and especially the way you compare us to Finland. Now there you should really watch it, now working in all four countries has taught us one thing and that is there are many things that you can have common drivers for within an organisation with processes and stuff like that but human behaviour, now the attitude of the people, do not mix that up. And in Norway for example there are attitudes around when you become ill and sick and how you actually behave around that that are completely different from those of the four other countries and especially within workers comp. you really have to watch out here because I know that and we have studied it actually, carefully, in Finland the behaviour trend is completely different, when the going gets tough, the tough get going and go to Finland seeing that in Denmark behaviour is different. In Norway, it is a completely different story again, so do not think that you can translate Finnish behaviour into Denmark and having said that, yes, we, Morten and I, have been extremely careful this time around on workers comp., that is because we have tried where we came from in Norway four or five years ago, we did the whole turnaround of Tryg, at that time it was Vesta in Norway, that was all from being too positive in workers comp., just waiting and waiting for things to happen and not looking into and facing reality, and facing reality, yes, I am sorry, it is sometimes unpleasant but we are down the road where we have said let's look at it as it is and take it from there.

**Gianandrea Roberti, Carnegie**

Super, thanks.

**Stine Bosse, Tryg, CEO**

You are welcome.

**Peter Eliot, Berenberg**

It is Berenberg actually, but thank you very much. My question actually was also on the 200 million which has partly been answered but I just wanted to check one thing on that, you said that the bulk of the 200 million was basically from the frequency within workers compensation and that compares to a 17 million hit, it was a one off-hit that you took in Q3. I just wanted to understand a bit better how the much higher ongoing cost compared to one-off costs is consistent with your earlier statement that you should have taken the hedge on reserves up front. It seems either that you are expecting your assumptions to worsen or that you are expecting to write unprofitable, new business in that area. Can you just clarify my thoughts on that?

**Morten Hübbe, Tryg, CFO**

I guess, let me try to say it once again, if we take the court ruling there is a DKK 200 million one-off effect and then there is an ongoing impact of DKK 20 million, then the bulk of the remaining ongoing DKK 200 million is the frequency in workers comp. as you said. The number on that is roughly DKK 70 million in Q3, comprising what would be the ongoing quarterly impact for Q3 and a bit of impact that we have taken from Q2 as well. We do not expect to write new, unprofitable workers comp. business but we have the business in our books that we already have in place and you don't get to change the price of all that business today, you have the renewal dates that go on and then you have the next possible date to

change prices and that is why we are saying that there will be a period where the DKK 200 million per year will be ongoing and then through pruning the portfolio and increasing prices we will narrow the DKK 200 million down to zero as fast as possible and we would like to do that before the next quarter, but rest assured this will be a problem for most of the year in 2011 as well.

**Peter Eliot, Berenberg**

Okay, so we are talking very short term in terms of one or two years?

**Stine Bosse & Morten Hübbe, Tryg,**

Yes.

**Peter Eliot, Berenberg**

Okay, thank you.

**Morten Hübbe, Tryg, CFO**

Okay, operator, one last question.

**Jan Erik Gjerland, DnBNOR**

Good morning to you. I was just curious about the huge run-off gains you have in Denmark in the quarter, if you could highlight that, if you could split it into different segments.

And secondly, could you just elaborate on the price increases you now are putting forward and a kind of reflection on what kind of what competitors will do and how hard it will be to implement and how many customers you will lose because of the price increase. Thank you.

**Morten Hübbe, Tryg, CFO**

If I take the first question. The bulk of the positive run-off gains in Q3 is driven out of Denmark, it is driven out of the private accident portfolio and it is driven from motor. Then there are a number of variations around that and of course negative run-off in workers comp. due to the strengthening there but the bulk of the positive impact is from Denmark and from those two lines.

**Jan Erik Gjerland, DnBNOR**

So just to clarify that so the DKK 210m is actually a run-off loss. It is not a claim... so they actually have those DKK 200 million... losses from that into the reserves.

**Morten Hübbe, Tryg, CFO**

If you take the DKK 200 million that is of course both the current year but to a larger extent also a number of old years, so when you strengthen reserves through that, that is a run-off loss and then you have positive run-off gains on the lines I have just mentioned.

**Jan Erik Gjerland, DnBNOR**

Okay, so there you actually have the DKK 190m then in Denmark, positive and thus the gross line is then DKK 390m something.

**Morten Hübbe, Tryg, CFO**

I think you are trying to do the math but the gross number was higher because there are run-off losses as well.

**Stine Bosse, Tryg, CEO**

I think probably we should recommend you to call in to.

**Morten Hübbe, Tryg, CFO**

We will call you to make sure we clarify that.

**Stine Bosse, Tryg, CEO**

And just on the price increases, Jan. I think we have mentioned the bulk of the price increases we have talked about for at least the last year, it takes some time for it.. to run through it, it is DKK 900 million in this year and then it runs into also 2011 and 2012 and before we are finished we will be above DKK 2 billion of price increases, and yes, they are coming through, you can see we disclosed that, that the retention rates, yes, they will suffer slightly but then they pick up again and we also have communicated clearly also with the growth profile that we are guiding that we will lose some customers and we are ready to do so in the areas of course where profitability makes it necessary for us to think that way.

**Jan Erik Gjerland, DnBNOR**

You just mentioned some high price competition in certain products (inaudible).

**Stine Bosse, Tryg, CEO**

That you should see in corporate lines and it is Denmark, it is not in Norway so you can see that it should be all right and in Denmark it is a question of - which has been seen before - that some people that are not extremely close to the Danish market do get to pick up the stories so to speak and to find the ways of underwriting in a very different environment. They often see that a bit later and that is also happening just now and that is why for some accounts we just say we are not going to go into that and we step back.

**Jan Erik Gjerland, DnBNOR**

Okay, thank you a lot.

**Ole Sæberg, Tryg, Head of IR**

Okay, thank you everybody. If there are additional questions, Lars and I will be in the office for the rest of the day, so just feel free to give us a call. Thank you for now.

**Stine Bosse & Morten Hübbe, Tryg**



Thank you.