TrygVesta Q1 Presentation 2010

Good morning and welcome to Tryg's first quarter results 2010. In the webcast studio today, it is Stine Bosse, CEO, Morten Hübbe, CFO and myself Ole Søeberg, Head of Investor Relations. With my short introduction and before we start the presentation, please pay notice to the disclaimer slide which is number 2 in the presentation. And with this short introduction, I give the word to Stine.

Stine Bosse, CEO

Thank you very much Ole, and welcome to you all. First of all, let's start in the positive end. The premium growth in TrygVesta has been 7.7 and that is in local currency, of course we have been positively impacted by the currency effect so if you look at the Danish numbers it becomes close to 13 %, that is including Moderna but even if we exclude Moderna we have very good and strong growth, I return to that subject later. On the more depressing side, of course, is the combined ratio, heavily impacted by the winter. If we take the winter away it is still a pretty OK combined ratio for a first quarter in a general insurance business, 93.4 are the figures.

Now the investment result for the first quarter was OK and Morten will return to that. Bear in mind that we are very conservative in this part of the business and also bear in mind that what we show here is only the first three months of the full year and we will ask you to pay attention to the more volatile market situations in this running year.

Now the net income is for the first time since 2003 a negative, which of course is not by any means a nice sensation, again here, the winter effect of DKK 700m is of course the explanation for that negative result. Not saying that we should always return to weather-related explanations but it is a fact that this kind of winter is what we see once in 20 years so we will rinse our figures according to that.

Now on the outlook side and I will return to that also, of course as we have already told the market the winter has a heavy impact on the full year result but also other effects, as I will come back to, will have an impact, other than what we thought some months previously.

Now if we turn to slide number 2, you can here see the gross premiums and also here on the right side, you can see the actual impact of the winter and how much it affects the figures. And also here just let me pay attention to the fact that if you compare this quarter to the last quarter of 2009, we do see improvements and we do see improvements especially in our private lines but where the negative sides are is in the commercial lines, we will also give you more on that later on. On the claims side, you can just see the effect of the winter and also here you can see that the claims are actually stabilising, they are not developing further if we take away the winter. The expense ratio is developing well and fine and we will see decline in cost ratios except for the fact that later this year, as we have already told you earlier, there will be some investments in the rebranding of TrygVesta in all four Nordic countries. But apart from that, I will even say including that because it has been in our plans, all our cost developments are according to plans and of course we are very, very aware of the fact that we must be cautious on the cost side because of course when we see some decline, especially in the corporate business top line development, we have a sharp eye on the cost development.

On the next slide, you can see the development compared to peers and again on the growth you can see that we outperform our Nordic peers. If we take away Moderna, it is only by an inch compared to IF but even so it is good and stable growth that we show. And the combined ratio, much more impacted by the weather if you compare us to IF, close to Gjensidige the profile which is pretty obvious but IF of course has a larger exposure in Finland and a much smaller exposure in Denmark and probably a lot of agriculture so of course their profile for claims development has been significantly different. Now finally please pay attention to the lower part of this slide, which is a comparison between the Danish portfolios and what you can call the local peers, so here take away the winter effect and look at the sort of quality of the portfolios in Alm. Brand, in TrygVesta and in Top and here you can see Top and Tryg are pretty close, I would say it is an inch in difference and that is of course only for one quarter so that is how we look at it.

If you look at the next slide, here you can actually see what is driving the premiums and here of course especially pay attention to Moderna and to the price increases but also the fact that on the renewal side, especially in corporate and here you can take some of what is in Others and some of what is in Corporate and here say that some of our customers have actually gone away to other companies because we have said that we will not downprice. The results in our corporate lines are still very, very strong and we plan to remain like that so we would rather lose market share, which has been significant in Denmark, 11 % lower premium income in Denmark in the first quarter is due to the fact that we do not participate in aggressive price competition. In Others also is the fact that some of our private customers, and thankfully not a lot, but some have said “this price increase we will not accept”, so they have gone away but you can see also in the presentation that the loyalty amongst our customers, both in Denmark and Norway, more in Denmark than in Norway but even so in both countries is very high.

The next slide shows the premium increases and that also turns up in the figures, that the premium increases in Norway have been going on for a longer time, therefore the portfolio of private insurance in Norway is now very strong and good earnings are coming out of that portfolio. It is picking up in Denmark in private lines, the issue nowadays is commercial lines and we will return to that later on. Here just to show you that in Norway also our competitors have been up-pricing, that has been a question from many of you within the latest months, it has been very obvious in Denmark what has been going on but here we also show you that the same has actually been the fact for Norway, the major players have all been up-pricing. And finally pay attention, talking about premium increases, to the distribution of premium increases as we show on the next slide and what it is in Others, which is 17 %, under that is for example change of ownership where we have increased the price between 25 and 40 % and also agriculture where the price increases have been 20 %.

On the next slide we show you the composition or the breakdown of the development in the claims area and here, of course, winter is the significant one but also pay attention to commercial which is the one that to some extent has surprised us negatively. We did start our price increases late last year but we can see that developments are more severe than we had actually planned into our price increases so therefore we will now have price increases with a minimum in Denmark and Norway commercial lines with a minimum of 10 % and some of our customers will have premium increases between 15 and 20 %. That is not included in our disclosure of the 900 million this year for premium increases so that will come on top of that. Large claims have also had an impact on the first quarter results and I will also like to ask you to pay attention to the fact that we have in our outlook included large claims for April and for May due to the fact that we have had one significantly large claim in Copenhagen, one of the town houses of a historical type burned down almost to the ground and that of course is visible.

Now just to the next slide, I ask you to pay attention to the expense ratio and here the slide is not necessarily explaining itself very well but if you look at the Swedish and the Finnish portfolio and you look at the figure for Q1 in 2009 and 2010 and the fact that the expense ratio has declined from 41.7 to now 29.5 is of course good news and also here I just ask you to pay attention to the fact that Finland now for the private lines, as we have promised, now delivers a combined ratio of 98 and also the total of Finland is actually better than budgeted and also there we can see that the focus on Finland that we started in the middle of last year has actually paid off already.

I will not talk about the next slide, I think it explains itself and I would be repeating myself but just finally to the last slide in my part of the presentation before I give the floor to Morten, on the outlook side, what explains the increasing combined ratio apart from the winter? That of course will be a huge question from you. One is that commercial lines, as mentioned, actually have developed worse than we had planned and expected, that caters for 1 % of the increase in combined ratio, the second part is the large claims which I have already talked about and then thirdly the underlying tendencies in workers comp. we find are pretty severe and probably not yet seen, so there we have built in cautiousness for this running year and that is the explanation for the 2 % increase in combined ratio. Morten, over to you.

Morten Hübbe, CFO
Thank you Stine and if we turn to slide number 16, we elaborate more on the claims development. We reported a claims development for the group of 89 %, which is almost 20 % up compared to the year before and of course that is visible on the results. Actually, if you look at the underlying development, claims ratio is up some 0.6 % but we see an unusual difference between the business areas compared to historically. We see that our total combined ratio in the private business is just above 90 %, which is actually quite satisfactory, and we see the significant price increases now carrying through to improve combined ratios most noticeably in Norway and in Finland. On the other hand, we see in Commercial, we report a total combined ratio of a 137 % which is of course very far from acceptable, almost 30 % of that is explained by winter, we also see a negative development on large claims and run-offs but having said all that really underlying we are still above 100 % in combined ratio in Commercial, which is of course why, as Stine said, we are now carrying out general price increases of minimum 10 % throughout Denmark and Norway and quite a lot of customers will see more.

On slide 17, we elaborate on the largest business area namely Private, we see in Denmark that the underlying claims ratio is around 80 %, which is higher than the first quarter in 2009. On the other hand, what we see is clearly below the third quarter and fourth quarter of last year where we really saw the negative impact from house and content so we are starting also in Denmark to see the positive impact from the price increases. In Norway, very positively, we are now seeing an underlying claims ratio of 75 % and as you can see this is actually now the third quarter in a row where the quarter's underlying claims ratio is better year-on-year, still of course you can also see that compared to first quarter 2009 it is a significant improvement. You might wonder then why is it an increase compared to most of the quarters in 2009, and that is of course because ordinary winter impact is always higher in Norway so first quarters are always higher but a very clear improvement in Norway, my guess is that three quarters in a row is starting a trend.

On slide 18, you see that of course the claims expenses have been significantly higher, actually DKK 1.2 billion more claims in Q1, which is very sizable. Roughly a quarter of that can be attributed to the growth both in reality and in currency, roughly 60 % of that can be explained by winter and then as we said the deterioration in reality, almost all of it comes from the commercial business.

And elaborating on commercial business on slide 19, there is no doubt that the business environment for small businesses, particularly in Denmark, is very hard at the moment, we have just shown here for instance the significant increase in debts in the agricultural business, the quite severe increase in number of bankruptcies which to be honest has not ended yet and then also of course the drop in turnover by the small SMEs, which of course makes it a difficult environment when we are carrying out large general price increases., on the other hand having heard a couple of our local competitors yesterday is our clear impression that this is a problem for the entire Danish market and that we are seeing and will see further significant price increases across the board in Commercial.

On the other hand, on slide 20 we elaborate on one of the headaches of 2009 and maybe the start of a slightly positive trend, we saw the burglaries up 65 % over the past few years, on the other hand we have actually seen maybe the start of a positive trend in Q1, we saw in January and February that the number of burglaries was down some 16 % less than expected and of course that brings a total Q1 which is less than expected. On the other hand, March was up again, so perhaps starting to celebrate is a bit early but we are quite pleased that the police are spending more time.

Stine Bosse, CEO
Definitely, I think we should actually underline that the response by the authorities and the police has been very positive in favour of doing much more to prevent burglaries.

Morten Hübbe, CFO
That is right. We see that another headache in 2009 on page 21 was the development in Danish house insurance, now what you can see from the right hand side of this slide is that after the 15 % increase in building cost index is now flat. And if you look at the left hand side, you see from the blue line that actually claims below 100,000 are actually dropping in average size, which is of course very positive and our claims procurement is working in a better market. On the other hand, the red line which is the total average claims is not yet down and that is because we are still seeing more claims above DKK 100,000, particularly water, pipe and a bit on fire as well.

And if we elaborate on average and frequencies on slide 22, I think the general statement is that frequencies for cars in Denmark and Norway are flat although of course initially due to the winter it looks quite high. If you look at the average development on car insurance we saw in 2009 a significant problem in Norway due to more expensive spare parts. As the currency improves in 2010, the spare parts have not dropped with the same amount so we are of course working hard to make that happen but we are also seeing some roughly 18 % less personal injury claims but generally we see of course that the average is impacted by winter. The houses we still see some increases in both countries, we see a 5 % increase in the total frequency in Denmark. It is the pipes still that are increasing, we are seeing vandalism increasing but actually we are seeing theft, as I said, a bit down. Norway particularly the claims below DKK 50,000 sees more pipe claims as well, as in Denmark.

Page 23 elaborates on large claims, Stine has already really pointed to the fact that we have seen a significant development after Q1, if you look at Q1 as such, large claims are some DKK 80m higher than the year before but actually within our expectations so reflecting a small expense for large claims in Q1 last year, but really the development after Q1 has accelerated and, as Stine said, we included in our outlook for the full year that including May we are some DKK 100m above expected large claims which is roughly half a percentage point off the deterioration in the outlook.

Page 24 just summarises the technical result and as you can see from the far right hand side really a significant proportion of that is from Commercial and of course winter affects all of the areas.

A single slide on investments on slide 25, as you may recall we have divided our portfolio into a matching portfolio with almost no risk at all, that is three quarters of the book, and then one quarter which reflects shareholders equity, and I guess if anything, Solvency II is still pointing to the fact that it will become more and more costly to have a high exposure on the investment side, that is why we are very pleased that we have a 1.8 % return on the total investments whereas the part of the investments which is the free portfolio actually has a return of 3.2 %. Now if you compare us to some of our peers, we can see that quite a few of them have more shares and more high yield exposures than we do which of course in a quarter like the first quarter is a positive, but then when you get the volatility that we have seen in the second quarter, I guess that is more questionable to be honest and of course the capital requirement is a lot higher.

Slide 26 shows the development in the profit before and after tax, you can see, as Stine said, really the first time in 7 years that we have seen a negative technical result but as you can see also from both graphs, had the winter been normal then we would actually have seen an increase in the result compared to the first quarter the two years before. Finally on capital before handing it back to you, Stine, we see that we are actually now in a situation where the dividend we have paid out and the development in the first quarter has pushed our total capital buffer somewhat below 5 %, of course that is a combination of the fact that we have had a negative result in the first quarter and when investments increase in the first quarter then the capital requirement for holding that exposure increases, but of course we expect to see a positive development in that buffer throughout the rest of the year. And back to you, Stine.

Stine Bosse, CEO
Right. So just to sum up, we feel that the growth profile of TrygVesta still remains strong. We are not pleased with the results on the combined ratio side and on the profitability; we have the programmes in place or in the commercial lines to increase prices. We have shown our willingness to do so in private lines, that is now turning up in the results and of course on the outlook side we now have incorporated, as we have communicated both Morten and I, some conservatism in the outlook for the full year, on the other hand that conservatism is necessary because we still face things that we need to do in the commercial lines and we are doing them. I think that sums up the total and we are now ready for taking your questions, thank you.

Operator: Thank you. Claus Højmark from ABG is online with a question.

Q (Claus Højmark): Yes, hello, I am Claus from ABG in Copenhagen here. A couple of questions on premiums actually, first you say that you expect to increase premiums on the commercial lines with about 10 %, could you give us some insight into when we should expect this to materialise in numbers, is it fair to assume that we will not really see this until the middle or maybe the end on next year? Secondly, apart from the commercial lines are there other lines where you would say you are still looking at whether you need to increase premiums even more than what you have initiated already? And a final question also on premiums, what segments do you believe you can continue to increase premiums on and where do you begin to see competition kick in and maybe preventing further increases?

A (Morten Hübbe, CFO): And good morning to you, Claus. I think I will start with the first question. What you said on the increase in commercial lines I think it is important to stipulate that the 10 % is the minimum which will be rolled out roughly flat throughout the business and then quite a lot of customers will see more impact than that. Rolling out price increases in commercial is a bit more flexible than in the private market and we will actually start doing that around a bit before the summer holidays and quite a lot of it after the summer holidays, so I think most of our customers will experience it in 2010, we will see some early impact of that towards the end of 2010 but in reality the majority of the earnings impact will be 2011. Of course we see that what we have one on agriculture already is starting to give some positive impact but you are right that most of the P&L impact in reality of the new initiatives will be in 2011.

A (Stine Bosse, CEO): And I think on your question of other possibilities for premium increases, I think if you look at the Danish house insurance especially within the next 1-2 years I think we will return to price increases more selectively than what we did earlier but still I think we will have to see that the prices will need to come up in this segment unless we suddenly see changes in the underlying dynamics.

A (Morten Hübbe, CFO): And it is probably fair to say, Stine, that differentiation on the risk of water claims and pipe claims are something we would like to grasp better in the next section of price changes.

A (Stine Bosse, CEO): Yes, and also here we will work heavily on preventing claims from occurring together with our customers of course because it has to be a trade-off between premium increases and actually bringing the risk down. Then, of course, also talking about the segments and where can we actually do more in the different segments, I think still there will be possibilities for premium increases in private lines in Finland, I think we will still see premium increases in private lines in Sweden and I think that the premium situation for the corporate lines is one where we will just say that we are going to maintain the profitability that we see, we are not going to participate in the aggressive price competition that is going on and it actually travels in from competitors outside of the Nordic market and what you can see if you look at this on a global level is that corporate sort of insurables have actually decreased of course with the financial crisis and some large competitors of course feel that heavily on the top line and they go for top line rather than thinking about the profitability, that travels at the moment slightly into the Nordics, we are not going to go that way and you can see that on the profile of our premium development.

A (Morten): And I guess we have said really for the past year or so that when unemployment would increase then it would become harder to get an injured workers comp person back to work again and then the claims would start to increase. We are starting to see some of that trend and that makes us believe that some of the new competitors' pricing on workers comp will actually be loss making and of course good luck on that for them.

Q (Claus Højmark): Okay, thank you very much.

Operator: Per Grønborg from Danske Markets is online with a question. Please go ahead, Per.

Q (Per Grønborg): Okay, hello, it is Per Grønborg from Danske, I did not recognize my name, sorry. I have a couple of questions. First related to the Copenhagen fire, can you confirm that that will be close to your upper limit of DKK 100m on single risks? The second one is related to the buyback timing during the year, the fact that you now are below your 5 % buffer, does that mean that you will hold back short term and then speed up the buyback as the capital is coming back later in the year? The third question is related to you are now dividing up your investment portfolio in the matching portfolio and the more freely invested portfolio. Can you give us some impression of what the return of the matching portfolio has been versus the actual cost of unwinding the discounted reserves? And finally, a very specific question on the other financial items in your investment income that was minus, I think it was minus DKK 151m in this quarter, can you give us an impression of what we should expect as full year run rate for this figure?

A (Stine Bosse, CEO): I think I will take the first two questions, Per, and then hand over to Morten. On Dehns Palæ in Bredgade in Copenhagen it is a significant figure and it is a double digit million Danish kroner figure, I think that is what we are going disclose and of course that is high double digits and that is of course also paying attention to our customer.

Q (Per Grønborg): The maximum potential according to your annual report is DKK 100m on such rates.

A (Stine Bosse, CEO): That is right, exactly. So it is not going to grow above that, exactly right. Now on the share buyback and changes there, there will be no changes, we do not have any plans to change the profile, we feel comfortable with our capital situation and a buffer is a buffer, I mean it has to cater for situations like the one we have just seen with a winter that we will have one off within 20 years so we feel comfortable definitely and over to you, Morten.

A (Morten Hübbe, CFO): And on your last question on the investment side, there is no doubt that if you look at it currently we have a complete match with the 31 billion of matching portfolio to the liabilities but it is just above water in terms of making sure that that portfolio handles both the unwinding and the technical interest. Of course, it has been helped a bit in the first quarter by the fact that mortgage bond exposure will have had a positive impact but generally in the markets we are at now low interest rate levels and just barely making sure that that covers unwinding and technical interest which in reality also means that most of the investment result above that will come from the active portfolio where I guess 3.2 % in the first quarter is quite satisfactory. The section Other that you specifically asked about, I do not think I will give you specific run rate on that for the full year but because pointing to the fact that when we do inflation hedging then one leg of that will hit the claims ratio of workers comp., the other leg of that will hit the other section here so when we have development on the inflation hedge, which we have had in the first quarter, that flows in this quarter negatively into Other, so I would not see that as an ordinary run rate for the section Other.

A (Ole Søeberg, head of IR): Can I just add on this share buy back programme, you are aware that it is a safe harbour programme which means that it is discretionary to the bank who is running it for us and if there is to be any changes we have to release this as a company news release before actually telling the bank.

A Stine Bosse, CEO: Exactly, so we do not sort of …

A (Morten Hübbe, CFO): We don't juggle around.

A (Ole Søeberg, head of IR): We do not manage it ourselves, so to speak.

Q (Per Grønborg): Okay. Thank you.

Operator: Gianandrea Roberti from Carnegie is on line with a question.

Q (Gianandrea Roberti): Good morning from me as well. I guess the first question, it is really more a reflection on my part than a question, I am just wondering if in the last year and a half or so since quite a few things have been popping up you have almost felt that it is kind of a blanket a bit too short, sometimes you have the problem in Norway and it was private Norway, now lots of price hikes, it looks like the private section is a bit more in line commercial popping up, you have some problem in the growth in the corporate segment, I am just wondering if sometimes you have this kind of feeling.

The second question is on the downgrade of the full year combined ratio 1 % because I think in the beginning you mention that it is clearly because of the commercial segment but also large claims and tendencies and then you have this slide where you are showing the large claims in Q1. It is true that they are higher than last year but they are basically finalised the Q1, it is in line with your guidance so I just want to check that, so it really seems to me that it is primarily due to claims inflation in the commercial segment, that seems to be the key problem here. And also, I was a bit puzzled because in the text when you talk about, I think it is still in the commercial segment, when you talk about a price hike then you are saying yes, in the commercial Nordic section you are saying the individual premium increases have been difficult to implement and hence a general premium increase will be implemented in Denmark and Norway, I am just trying to understand why it has been difficult to implement or what do you mean by that? Thanks.

A (Stine Bosse, CEO): I think I appreciate your reflections and to some extent I think we sympathise with them. On the other hand, I think it is also right to highlight that yes, we have seen some negative development but also bear in mind that we are actually acting in a very, very difficult environment and the Danish, now I am coming to answer your specific question, the Danish commercial lines, I mean walk through any smaller town or even the largest cities in Denmark and you will see shops being closed, everything is up for hire, there is a completely different segment than if you look some years back and that is why we said last year we wanted to take through price increases on a more sort of individual, from an individual model because this is a very difficult environment, now that has not paid off in the way that we had expected and this is why we say now we cannot avoid general price increases so... but it is going to be an extremely difficult and of course delicate process that we are now asking our employees to go through with the customers, of course helped and supported by the fact that you can see both Alm. Brand and TopDanmark are pointing out to the exactly same factors that prices need to come up in just this segment.

A (Morten Hübbe, CFO): There is a lot of parallel to the changes in private house and content and this and that, it is really just one year later that we are seeing an unsustainably high claims inflation and clearly the entire market has to react.

A (Stine Bosse, CEO): And then perhaps just back to your reflections, I think what you should also bear in mind is that what we have said we were going to do has happened, I mean, look at the private lines, they have definitely improved, also if you compare it to first quarter last year underlying and also the fact that Finland which was a worry point right for you and for us is now also in a much better shape so yes, difficult times where we have to be very, very close to the business and where we, and I guess we could say we feel as sorry about that as you, where we have seen developments that have been worse than we had thought.

A (Morten Hübbe, CFO): But I guess on your "blanket too short" comment which I think is quite a nice metaphor, if you look at the slide we showed for instance on price indexation on Norwegian house insurance the index is up 61 % since 2001, that is a tremendous number but still actually it improves the claims ratio but actually the level of claims ratio is still too high so it just shows that the driving force of claims inflation has been very unusual and then just perhaps one nuance on your comment on large claims because you are completely right that first quarter’s large claims was in line with expectation, was 80 million higher than the year before, but importantly for April and May we have included roughly 100 million negative in the outlook for the full year and that is actually half a percentage point in the outlook.

Q (Gianandrea Roberti): Okay. Thanks a lot, much appreciated.

A (Stine Bosse, CEO): You are welcome

Operator: Giulia Raffo from Autonomous Research is online with a question.

Q (Giulia Raffo): Hi. Good morning. I have two questions. The first one, I was wondering if you can give us a sense of what is your expectation for the price indexation impact for next year, so 2011, when you try to incorporate these new waves of price increases across your commercial book and then my second question is can you please clarify what, in your capital model are you already incorporating the fact that you sold the marine to Royal Sun and if you can also give us a sense of your thought on what we know about QAS5 at this stage? Thank you very much.

A (Stine Bosse, CEO): Shall I say something about the price increases and you can also come back to that Morten. I think, Julia, what you should see is it is going to be, sort of, if you look at the index as such, close to 3 %, on top of that you can build the minimum of 10 % of the total commercial book. We have not done the calculations yet because we want to do the total, it is not going to be just 10 % if that is the minimum then on top of that we place between 15 and 20 %, to give you a kind of sense I would say that to give you on the total, that I think would take us up to 5 % in that area from 3-5 %. We will come back with the second quarter results and be much more specific on that because of course also what can you add to the 900 million that we are talking about this year, what is running into the next year? But it will be significant figures.

A (Morten Hübbe, CFO): I think we may add to that we have previously shown you that the 900 million would be the impact on 2010 and then additionally 700 million for 2011, what we are now adding will most likely point to a scenario where 2011 will actually be at least as high as the 2010 number and most likely somewhat higher. But we will return to that. On your question on the marine, that is a good and valid point for the calculation of the capital because the Q1 capital has not yet benefited from the fact that we have sold marine. This was a portfolio just short of 400 million in premium so somewhere up to 200-250 million in capital requirement. That will flow through the numbers during the next year, a year and a half and positively impact the capital calculation. But bear in mind that we have actually kept the runoff of the book, we are currently in the process of transferring as much of the portfolio as humanly possible to Royal Sun and then of course at renewal date they would have to take over any single customer, but you will see that positive impact to the capital calculation flow through during the next year-year and a half, so that is a good point. Finally on QAS5, I guess what we have seen is the development that we probably anticipated in the sense that the capital requirement for investment exposure has been lower somewhat although with also some methodology change, I guess you have seen that previously equity exposure would be required to have a more than 40 % capital requirement, now it is a corridor between 20 and 50 % so if you have had very high price or increases in equities the requirement could actually be higher as much as 50 %, if you have had a lot of negative development in equities it could go as low as 20 %, we have seen that the fear of, sort of, very, very harsh treatment of Danish mortgage bonds has been relieved in the sense that if you are a triple A or double A rated mortgage bond you will be, you will have a fairly low and quite sensible capital requirement, then we noticed positively that in the new QAS5 descriptions the benefit of having geographical diversification on the insurance technical side is returning, and that is of course an area where we expect to have comparative advantages to our local peers.

Q (Giulia Raffo): Thank you very much for that, are you in a position to make a comment as to what you would expect the answer from QAS5 is going to be relative to your own progress?

A: Okay. Well, I guess we showed in the full year that if you took the QAS4 calculation and all of the CP subsequent to that then the capital requirement would converge up to the S&P A range requirement in our book so some 53 % or so of total top line. We will, we expect to see that the QAS5 calculation will be somewhat lower than that and clearly below our S&P A range requirement so we will return to a scenario where S&P A range will be the driving force and solvency 2 would be somewhat below that but I think it is too early for us to disclose exact numbers on that.

Q (Giulia Raffo): Thank you very much.

Operator: Will Morgan from Goldman Sachs is online with a question.

Q (Will Morgen): Hi. I think most of my questions have been answered, the only one I did have which you may have kind of entered into and answered for Julia's question earlier but when you are thinking about growth you have kept obviously your premium growth forecast despite selling the marine hull business which is about 400 million of premiums, looks like about 2 % on a full year, can you just give a sense of what other areas are kind of making up the slack on that front? Thanks.

A (Morten Hübbe, CFO): I think there is a rather clear technical answer to that and that is when you take out the business sold you actually take out the business sold also from the comparative numbers in 2009, so it is a like for like comparison so that change does not impact as such but you can argue that of course the market development in the corporate business results in less top line than planned, on the other hand we have seen a slightly better development in our private lines than planned and that is why as a total we are comfortable with 3-4 %.

A (Stine Bosse, CEO): And just to point out to what Morten has also said, say more about this, in Finland and in Sweden we have seen still very good growth and I mean it is on portfolios now that our substantial, we are talking about growth in the area of 25 % or even more and in the Danish private lines and the Danish commercial lines we have also seen growth and picking up market share even with the premium increases already introduced, so I think sort of on the growth issue it is mainly driven from these areas and we do see that continuing during the year.

Q (Will Morgan): I mean if I could just, sorry, one more question, just on the Finnish business, you know clearly you have had very strong combined ratio in the first quarter. I mean, is this a signal that this business has now hit, you know, an underwriting profitability phase and that is what we should factor in going forward or is this to some extent a quarterly blip and you would perhaps still be expecting to make underwriting losses in the year?

A (Morten Hübbe, CFO): It is probably fair to say that while the downward trend is very clear and as you said, Stine, the cost ratio in Finland is also very clearly down and sustainably down then just taking the 98 % and then expecting every single quarter from now on to stay at that level, that would probably be too aggressive, but clearly the trend is on its way down and we will start to see more and more quarters below 100 % in private lines and then also start to see the commercial lines coming down.

Operator: Gianandrea Roberti from Carnegie is back on line with a question

Q (Gianandrea Roberti): Yes sorry, I just have a follow-up on what you discussed before on Solvency II and I was wondering, I mean, even, would it be correct to put it that even if the final outcome of the QIF 5 let us say would imply that solvency might be close to 4 as opposed to the 50 that you just mentioned Morten, for you in terms of capital management, how much you can get back to shareholders would be almost surreal, if you really want this to match because if the S&P. does not really change his model or capital business in some way, then you would still have to continue to apply the model.

A (Morten Hübbe, CFO): That is correct. And we have said that we are not going to go away from that until we get wiser later down the road but you are so right that we use the S&P model and we are very happy with that with the A minus and our assumption is still debating this with regulators and other people that the final final of the Solvency II is going to be in the low end of the A level of requirements so we still feel comfortable with that as our backbone.

Q (Gianandrea Roberti): Thanks.

Operator: Andrew Broadfield from Morgan Stanley is online with a question.

Q (Andrew Broadfield): Hi there, just a very quick one, I just wanted to get an update on how you saw if indeed there was any new news on the development of the reserve position and now you mentioned that workers comp. used to be a bit of a challenge and you have been providing additionally for that in new business, I was wondering how that was generally developing whether there is any update on that and where you are still seeing releases across the profile or whether there are particular areas or even more particular years where you have seen that development coming through. Thanks.

A: Well, there is no doubt that we are still very comfortable with our reserving position, some of you might have noticed that actually our total claims reserves grew by some DKK 1.2 billion in the first quarter which is of course a very sizable number, of course a significant chunk of that was driven by the winter claims but also we have seen increases in the larger claims and in the workers comp. If we take the runoffs and workers comp. specifically, runoffs have been roughly 3.4 % to the combined ratio in Q1, we have seen that again we have had positive runoff gains from older years and workers comp., particularly year 2004 and 2005, we are setting aside somewhat higher reserves for the newest year of workers comp. because as Stine pointed out we are starting to see some claims inflation on workers comp. due to the high unemployment but generally there is no doubt that we are comfortable with our reserving position across the board, workers comp. motor continues to drive a bigger proportion of the runoff gains and of course really like 2009 where we saw some runoff losses from house insurance then the price increases have resulted in a situation where that is no longer the case, then of course now when we see deterioration in commercial property then we both see that on the running year and a bit on runoff losses as well. But generally comfortable with the general reserving position.

Q (Andrew Broadfield): Okay, thanks very much.

Operator: Giulia Raffo from Autonomous Research is back on line with a question.

Q (Giulia Raffo): Sorry. I just have a quick question. When I tried to estimate the underlying combined ratio deterioration and I do the numbers on a net of reinsurance basis, I actually get an improvement on Q1 2010 against Q1 2009, so I was wondering if I took the number correctly but I think there is a less, you know a lower impact from a prior year, then there has also been a much higher impact from large losses and winter so I am using 700 million of the extraordinary winter and I am assuming the 138 for large losses is a net of reinsurance number and on that basis I have an improvement in the underlying combined ratio about 1.4 points which does not fit with your slide, your slide is down on a gross basis, would that be correct that the net is actually improving?

A (Morten Hübbe, CFO): Have you adjusted for the lower net reinsurance cost?

Q (Giulia Raffo): Yeah, I have basically taken the net premium and I am allowing for the net runoff, large losses DKK 138m and I am using DKK 700m as the net extra cost for winter.

A (Morten Hübbe, CFO): I think that most of your calculation would be right, I think there is a risk that the net runoff is not exactly similar to the gross runoff so you just would probably may have to check that but maybe Giulia if Lars or one of us calls you later just to double check each of your numbers, but I think you are right that the net change is somewhat different to the gross change, but making that assumption is always a little bit tricky because the coincidences in the reinsurance number does vary quite a lot from quarter to quarter, for instance when you have captives and fronting where the entire result of that flows through to the reinsurance number but let us call you and then double check each of the calculations, it sounds close to right, but maybe not completely.

Q (Giulia Raffo): Alright. Thank you very much.

Operator: Andrew Broadfield from Morgan Stanley is back online with a question.

Q (Andrew Broadfield): I am sorry, just a really quick follow-up on the workers comp. and the claims comment you made on the sort of newer claims. Is that, it sounds to me like it is more a frequency issue than severity. If you, are you baking in both higher frequency and severity on workers comp. claims?

A (Morten Hübbe, CFO): The short answer is yes but I think that is what we see in the data currently. But if you look at our worry point, that is probably more a severity worry point than a frequency worry point because the problem is that when you get injured then what drives a lot of the expense size is how rapidly you can return to work. And then the average claim simply becomes higher if the time of non employment increases so that is our main worry but we are seeing a bit of both.

Q (Andrew Broadfield): That's very helpful. Thank you.

Operator: Per Grønborg from Danske Markets is back online with a question.

Q (Per Grønborg): Hello, it is Per again. I just stumbled on a figure that makes me wonder a bit. When I look at your premium for the country segment Sweden, there was negative seasonality in the fourth quarter but I am seeing in calculating back to local currency, it looks like your volume is down by some DKK 60m again in the first quarter. Can you give any indication about what is happening to the volume in Sweden because in all the texts you are writing that there is solid growth.

A (Morten Hübbe, CFO): It is probably relating to the impact from leisure boat where they are insured only from 1 April until 1 October and premiums are only recognized in that period which means in the winter half of the year then that premium is not recognized so when you get into the second quarter we will add on these DKK 100m approximately again.

Q (Per Grønborg): That is DKK 100m per quarter or?

A (Morten Hübbe, CFO): Per quarter, but only for the second and third quarters.

Q (Per Grønborg): OK, because in the fourth quarter last year you had according to my figures 5.22 in local currency in the fourth quarter, in the first quarter of this year you only have 4.60 and there the leisure boats should be out of both quarters.

A (Morten Hübbe, CFO): It sounds, there is the adjustment in Q3 for leisure boats, I don't know if there is maybe a currency adjustment thing that is not handled correctly because there is clearly not a drop from Q4 to Q1, quite the contrary.

We have our usual discussion about the currencies so I will come back to you on that one.

Q (Per Grønborg): Let's do that.

Operator: We have no further questions at this time.

Ole Søeberg, head of IR
Okay, before finishing I would like to mention that today we have a group meeting at 12 o'clock in Copenhagen at the Nordea offices followed by one-to-one meetings this afternoon. Since we have a three day weekend ahead of us then we thought we will just push it into the afternoon. But that means Lars and I will be running in and out of meetings trying to take a course throughout the afternoon and do our best to service your needs. And with this I would like to thank you for participating in our first quarter 2010 webcast presentation.

Thank you.