Tryg – Q3 2017 results

Audio cast and Q&A 10 October 2017

Transcript

Presentation

Gianandrea Roberti, IR Officer

Good morning, everybody. This is Gianandrea Roberti. I'm Head of Investor Relations at Tryg. We published our Q3 results this morning. And I have here with me Group CEO Morten Hubbe and Group CFO Chris Baltzer to discuss the numbers.

So after a few words, over to you, Morten.

Morten Hübbe, CEO

Thank you, Gian. And good morning to all of you from my side as well.

We start on Slide 3 with the financial highlights, where we see our technical result of some DKK 789 million, which is roughly 6% better year-on-year. We see an expense ratio in the course of 13.6, corresponding to the 14.1 year-to-date, some of the lowest expense ratios we've ever delivered; and with an underlying claims ratio which improved in the quarter 0.6% in private lines. And particularly, we're very pleased to see an improvement of 0.4% in underlying claims for the group.

The total pre-tax for the quarter is somewhat down compared to year-on-year. And of course, we saw a third quarter last year with an extraordinarily high investment income. There, for instance, global equities were up 4.6% in the third quarter last year. And then we're particularly pleased to pay out DKK 700 million as members bonus to our Danish customers in September this year for the second time.

If we turn to Slide 4 briefly. We show an NPS of 22, doubled since our target; and a transactional NPS of 59. We've mentioned the bonus again this year, 8% returned to the

Danish customers. I think, particularly important is the improvement we see this quarter on our 3-plus customers, which is increasing in both Norway and Denmark. Particularly, in Denmark we've seen strong development. We're now slightly above 60% in 3 plus and close to the group target of 61% for the full year, 3 plus. And then of course, we mentioned claims automation, where we've started in Norway. We started with travel insurance and then moved on to content insurance, where we're now at closer to 3 seconds 'straight-through processing' on claims on these products in Norway. And in a few time, we will start doing the first solutions with robotics in Denmark in the same area.

On Slide 5, we elaborate on the technical results. As I mentioned, some 6% higher year-on-year. And combined ratio wise, that makes this the best Q3 in more than 10 years with a combined ratio of 82.6. Clearly, we see an improvement in both the Private and the Commercial segments, but also Sweden has a good performance, while we clearly see that the Corporate segment remains under pressure, as profitability is too low in several areas. And particularly, in the Norwegian market we've seen 4 years of declining prices in Corporate, while competitors have very high run-offs. And there's clearly a need to increase pricing in the Norwegian Corporate segment, and we have started that journey.

If we look at Slide 6. We show a Q3 dividend per share of DKK 1.6 and a 9-month dividend per share of DKK 4.8. We show again a strong solvency ratio of 211, up from 209 last quarter. And we continue our strong focus on shareholders remuneration, as Tryg is a dividend stock.

If we turn to Slide 8. We show a bit of split on the premium growth. There's no doubt that Tryg will never be a growth-driven company, but at the same time, we would like to have a top line growth that develops roughly in line with inflation. And we see a satisfactory growth of 1.5% compared to 0% growth year-on-year, but clearly with a lot of variation underneath. The strongest and most healthy development, we see in private lines Denmark with an organic growth of 2.6% driven by sales in our "Tryghedspakker" or packaging of products which has increased our number of sales - or number of products and new sales by 18%; and of course, also supported by the customer bonus.

Commercial, struggling somewhat more, a growth of minus 0.6%, still challenging but still a significant improvement year-on-year and also compared to previous quarters. Bear in mind in Commercial Norway the OBOS portfolio helps the top line numbers in Commercial. Corporate is the most challenging area. We see roughly the same level as Q3 last year but a significant reduction in Norway of 7.8%. We've seen particularly one large customer paying more than DKK 100 million leaving our books, as we were losing money on that portfolio and as we're in the process of securing a more sustainable and higher price level in the Norwegian Corporate business. We see a flat development in Denmark. And we see a rather high increase in Corporate Sweden, as we explained last quarter, mainly due to fronting business which has extremely low risk but flattest at the top line.

In Sweden private lines we continued to see a positive premium development, of course helped by Skandia, but also a positive development underlying.

Very important slide, 9, on average price developments. And as in the previous quarters, we continued to see an increase in average premium for almost all products, reflecting Tryg's focus on profitability. In this third quarter, we are particularly satisfied with the price development in house in Norway, which increases 3.3%; and in motor in Denmark, which increases 2.8%; all in all, initiatives that will support profitability also going forward.

On Slide 10, we elaborate on the customer retention rate levels, quite stable and high levels in private customers in both Denmark and Norway, although we have seen the Norwegian numbers have some negative impact from the Norwegian economy and a somewhat elevated level of market share in the last quarters but which seems to have stabilized more in this quarter. Our commercial lines, we saw an improvements in both Denmark and Norway compared to Q2 '17, an improvement of 0.4 percentage points in both areas.

And over to you, Christian, on claims.

Christian Baltzer, CFO

Thank you, Morten.

And on Page 12, as we're looking at the underlying claims ratio. We continue seeing the improvement that we have communicated before. We see on group level that the underlying improvement is 0.4 percentage points, as Morten mentioned. And really happy to and - pleased that our Private segment is continuing to improve. Here we see the 0.6 percentage point quarter-on-quarter. We maintain our overall full year guidance that the overall full year will be improved compared to 2016.

Turning to Page 13, our motor slide, so to speak. We continue seeing the number of accident actually and the market statistic increasing over the last couple of months also. And however, when we look in our own numbers, we are starting to see a little bit of a tailing off on the actual frequency. Now for us, the focus is mainly on keeping inflation on our motor book under control, as this is 30% of our portfolio. There has been passed a new tax registration in Denmark which has reduced costs, especially for midsize cars. We do not expect that this will generally change the auto portfolio somewhat. We might see a little bit of increase in added technology features in the cars going forward, which might just impact our average claims as more technology gets put into these cars, but we will keep a close eye on this.

Turning to Page 14, our components of the underlying claims ratio. We see for the third quarter a somewhat benign quarter for large and weather claims. We had a few rain showers but still less than normally expected from a third quarter. The interest rate has increased slightly and has impacted our claims ratio about 0.5 percentage point.

Turning to Page 15, on our expense ratio target of 14. As Morten was saying, year-to-date we are now trailing at 14.1. And we are seeing a lot of our initiatives that we put through during 2016 actually giving us the positive impact for '17; especially Norway which is going from 14.7 in cost ratio to 13.6, which is the area we have seen most restructuring initiatives reducing back-office costs and in general a strong cost focus in our Norwegian book.

In third quarter's, we do see the number of employees actually increasing a little bit. Some of this was due to the OBOS acquisition. And some of it was also due to our trainee program in Denmark, where we are trying to strengthen our common customer and claims handling functions.

Going to Page 17. The asset allocation is virtually unchanged. Bear in mind that our property exposure on the free portfolio is still below our target level. We expect this to roll over in the next couple of quarters, so in during first half of 2018, to be fully invested in the property exposures on the free portfolio, but overall our portfolio attitude remains mostly risk averse.

Looking at the actual performance of the investment book on Page 18, we do see that we've made DKK 87 million compared to DKK 191 million last quarter. The free portfolio is the key -- main key driver for the overall performance. The match portfolio is boosted by a good regulatory deviation, as yields between the Danish and European swap rates was narrowed. Now bear in mind that, as this might widen again, we will have a regulatory deviation that will be negative.

Looking on our solvency position for the third quarter on Page 19. It is mostly unchanged. And the SCR is virtually flat. Our own funds is primarily driven by the net profits and the dividend. But a strong 211 solvency ratio posted for the third quarter. And bear in mind again, with the targeted property exposure rolling in, we should have around DKK 60 million additional SCR as we get fully invested in our property portfolio.

On Page 20, on capital. It is nothing new really on this slide. A stable solvency remains key for us. And we still have our DKK 1.1 billion Atier 1 capacity, as mentioned in the second quarter.

On Page 21, we again show our sensitivity on the various components and broadly an unchanged pictures. And we continue to display very low sensitivity on most of the risk classes in the portfolio.

So back to you, Morten.

Morten Hübbe, CEO

Thank you, Christian.

And just finally, on targets and outlook that are unchanged. That is a return on equity of at or above 21% post tax, a combined ratio at or below 87%, cost ratio at or below 14%. Now bear in mind, on the cost ratio, it is a tight race. We have a very strong quarter with 13.6 in the third quarter and, as we mentioned, 14.1 year-to-date. We will reach our 14% target, but there are very few insurance companies in the world with a 14% cost ratio. And it is a tight race to reach it, so don't expect bigger numbers below the 14% mark.

And then of course, finally, we repeat on our focus on payouts on the last slide, a pleasure to pay out on a quarterly basis and also knowing that a good proportion of that flows through to the membership bonus for our customers.

I think, with that, we will take your questions.

Questions and answers

Ida Melvold Gjosund - Carnegie Investment Bank AB

Three questions from me, please. Firstly, looking at the Norwegian combined ratio excluding run-off gains. It is 5 percentage points worse than the year before. Could you elaborate a bit on the drivers of this negative development, please? And secondly, on the top line in Norway, adjusting for currency effects and the OBOS acquisition, premiums are declining by 2% to 3% year-over-year. For how long do you think this development will continue in Norway? According to some of your competitors, they already see improvements in the Norwegian market. And third, this quarter, we see the full effect of the OBOS deal into your numbers. I know that this is at early stage, but could you tell us something about the profitability of this portfolio compared to the rest of your business in Tryg? Thank you.

Morten Hübbe, CEO

Good morning Ida, I will start, and then Christian will join me. I think, on the Norwegian combined ratio excluding run-offs, there's no doubt that, if you look at the portfolio composition, we have a significantly higher weight of Corporate business in our Norwegian business than we have in Denmark. And there's no doubt that - both on your question one and two - that one of our challenges is in the Corporate segment. You can see very good statistics on the general Norwegian market, where Corporate and Commercial rates have been down for the past 3 to 4 years. And I think most Norwegian and also the Nordic players in Norway have had significant run-off gains, and that has made a total strong profitability, but there is no doubt that the current underwriting year is not satisfactory and that the whole market needs higher pricing to secure a combined ratio development which is healthy. And as a consequence, we have started increasing rates on Corporate Norway both to help the combined ratio, as you mentioned, but also on the top line development. There's no doubt that losing more than 100 million customer in Corporate Norway and also generally increasing prices in Norwegian Corporate has a large impact. We see in the quarter Corporate Norway is down 7.8%, which is a very high number in a quarter. If we look at your question on how long will that be an impact, I would rather exclude Corporate from the discussion because that is always more volatile. I think, if you look at the Private and Commercial business, we have a slightly negative top line excluding OBOS, but if you look at the current developments, we see the early signs of improvements. In Q3, we see a slightly higher number of customers in private lines Norway. And we see an slightly, slightly higher number of Commercial customers in Norway in Q3 as well. And bear in mind it often takes up to 2 years to get the full impact of that in the P&L, so that is likely to be the time horizon we are looking at. Then there was a question on OBOS.

Christian Baltzer, CFO

Yes, yes. With respect to the profitability on OBOS, I think you have to bear in mind that we basically had a acquisition of a commercial book and some private and where we see most of the growth potential being on the private book which is in line with our profitability on our overall Private Norwegian book. We kind of have a similar view on the profitability on the private and commercial books individually compared to OBOS and Tryg. So there is no, like, significant difference of the profitability in those books.

Jakob Brink - Nordea Markets

Jakob here. I have 3 questions, please. The first one is a bit of a maybe unusual question, but looking at the other financial income and expenses, I seem to recall that you have guided that to be around DKK 50 million per quarter negative. And now it's been quite a few quarters where it's actually been higher and then DKK 75 million this quarter, so I was just wondering if something has changed here. The second question is regarding large claims and weather claims, which seems to be running quite a bit below your sort of guidance for actually 2 years now. Should we maybe use a lower ratio here going forward? And then finally, Morten, you mentioned on the expense ratio quite clearly that it was very low in Q3 and also that this is sort of unheard of versus peers. How should we read that? Are you basically saying that it's currently very difficult to improve it from here? Or was that not what you meant?

Christian Baltzer, CFO

A. Jakob, I'll try to help you with a couple of these questions. On the other expenses, nothing has really changed. There is some fluctuation on when we have a - when we kind of tried to hedge some of our currency exchange rates and so far, but nothing has really changed in that line, so you can continue with your expectation that we had before. When it comes to the weather and large claims, you're right that we've had some good years where we've been lucky, so to speak, and not have a large weather impact or some really large claims, but I would say that - when we do our own internal forecasts, then we use the similar numbers, so I would kind of not put those now - down at all. We have experienced more seasonality in the weather. Some years, they are there. In some years, they are not. And then Morten, I guess you got a question, an elaboration on expenses.

Morten Hübbe, CEO

Thank you. Well, I guess, Jakob, I was just trying to make a soft comment that, when we have a 13.6% in a quarter, I could imagine a risk that people will start to guesstimate cost ratios well south of 14% as a run rate. And I will just advise against that. I think we're meeting in November. And in November, we can have a talk about the more longer-term picture, but I would look at the current run rate as getting to 14% and not get overexcited by the 13.6% number. That was my mere comment, and in the future, we can discuss in November.

Asbjørn Mørk – Danske Bank Markets Equity Research

Asbjørn from Danske. If I may go back to the Norwegian business and the top line here as one of the previous questions were alluding to. So 1.1% lower premiums in local currencies. The OBOS deal, of course, impacts positively, but then I think you said, Morten, that you had a single client with premiums around DKK 100 million that left the books, so could you please just - if I understood you correctly, could you tell me when did that customer leave the book? And sort of what was the impact in Q3 from this?

Morten Hübbe, CEO

Well, Asbjørn, I think this one customer is out of the book 1st of June… July, sorry, 1st of July. And I guess that is the main driver, but I think you should also bear in mind the comment on the need for rate changes in Corporate Norway which applies to the entire market. And of course, it would be interesting to see how that plays out. And of course, that could potentially impact the top line for Corporate also in coming quarters, but of course, we are working hard to secure that we have a stable top line as possible why -- while putting in place the necessary rate increases in Corporate Norway.

Asbjørn Mørk – Danske Bank Markets Equity Research

All right. Then if I may go to Sweden which looks very solid in Q3, especially year-over-year, could you elaborate a bit on what's going on? Because it seems to me as - that part of your explanation for, you can say, the issues in Norway has been lack of scalability or market share, but I guess that's not really what we're seeing in Sweden which is doing very well. So what's basically the key difference right now in Sweden versus Norway?

Christian Baltzer, CFO

Asbjørn, I'm assuming you meaning the Sweden as in the segment and not in the country. Just to make sure that we're on the same page, but...

Asbjørn Mørk – Danske Bank Markets Equity Research

Yes, yes, I do.

Christian Baltzer, CFO

So the segment Sweden, I think, we - if you kind of turn back time a couple of quarters, we were talking a lot about some of these extended warranties. We were talking about some of our yacht portfolio having some adverse development. I think the Swedish management have done a great job actually getting the claims cost under control, pushing through price increases on some of the extended warranties and actually getting the - putting more help into the profitability of the Swedish book. So that's kind of like more a going concern that there has been more focus on trying to increase prices in segments where we have had unprofitable development.

Morten Hübbe, CEO

And then I guess, in a sense, Sweden, for us, is composed differently to Norway and Denmark because we are small from an overall scale point of view, but if you were looking at boat insurance, for instance, we're the market leader. And if you look at enthusiasts, cars and motorcycles, again a niche, we are the market leader. And we now have a sizable market position in children as well. So it's clear that with the better control of, for instance, the extended warranty, as Christian mentioned, then these market leader positions are driving very solid earnings in Sweden. And we are very happy about those positions. I think, going forward, there's a cross-sales potential which we clearly haven't unfolded yet. We have very - a very high number of unique customers in Sweden, but that has only very few products. So they are very profitable as such, but unlocking the potential of cross-selling those will be a focus for Sweden because scale does matter.

Asbjørn Mørk – Danske Bank Markets Equity Research

Okay. Then on your Danish premiums which were up 0.6% year-over-year in a year where you have raised prices quite significantly. You've had the customer bonus. So what is sort of dragging down this? And how should we see this going forward where you won't have this year-over-year, the same benefit from the customer bonus?

Morten Hübbe, CEO

I think, clearly, when we look at our Danish top line, Asbjørn, I mean, there's a lot of variation underneath that. I think clearly, for us, private lines Norway with a top line development of 2.6%, with a very solid bottom line development as well, is extremely important. And there I think we are performing really well and also better than the general Danish market. I think Commercial is more sideways, to be honest, from a top line point of view. I think our main challenge in Denmark from a top line point of view is Commercial lines. I think it's becoming more and more evident for us that there's a number of areas where we have invested in products and segmentations and straight-through processing et cetera in private lines which we haven't invested in, in Commercial lines. We have over the course of the past 5, 6 months approved a number of large 2-digit-million projects on investing in processes improvements etc. in Commercial lines, where in many areas we are copying concepts that we can see working in private lines. I think those will be a prerequisite to becoming efficient enough and being strong enough to drive both top line and bottom line in Commercial. And I think, to be honest, there will be a sort of 3-ish years journey before we see commercial lines Denmark performing at the same level of private lines Denmark. And it does take a number of investments for us to get there, but it's positive that we know we can see which concepts in private lines work and steal from that.

Asbjørn Mørk – Danske Bank Markets Equity Research

Okay. Then a final question from my side, on the weather claims. If I understood a previous communication with you earlier today, it seems like you booked NOK 25 million or DKK 20 million in weather insurance, weather claims from the cloudburst that we saw in southern - in Norway. So if sort of I adjust for this, it seems like weather claims in the remaining part of your business has been very, very low in the quarter. And I know there was a question on this topic just earlier, but I was just wondering if - the impact we're seeing in weather claims this year, is it coincidental? Or is it - are you starting to see some impact from, you can say, initiatives that you've taken to sort of limit weather claims going forward?

Christian Baltzer, CFO

Asbjørn, this is Christian. I don't think that we are seeing the actual impact of what we have done to prevent weather claims. I think you have the cloudbursts that we have in Denmark. You have the windstorms we have in Denmark on the weather side. That has not really hit the Danish area so much. I think - if you were to go to the U.S. and say that weather claims is something that's less important, I think they will very much disagree with you. So from our point of view, weather is something that will be there once in a while, and we need to be able to save up money for the days where we actually either get that big cloudburst -- and hopefully, when we get that big cloudburst, some of the mitigation that we have done in our policies about raising some of the content you have from the floors will make sure the impact won't be as significant as it was back in 2011.

Morten Hübbe, CEO

I think that we are preparing. And we are meeting with the insurers. They will try to drive an argument that the global price of insuring a natural catastrophe risk is going up. So which years it hits our geography or not, I think that is more stochastic than anything systematic.

Paul De'ath – RBC Capital Markets

A couple of questions from me, please. And firstly, looking at the member bonus, obviously you could see that second year has that - has been paid now. I was just wondering whether you're seeing any kind of a change in behavior. Or - and - or indeed, it's just kind of a general view of whether or not it's becoming more well known in the markets now that you've - you actually paid out for a second year. That's the first question. And then the second point is just on the automation of the travel claims, so the 20% of Norwegian claims that now are fully automated. Can you just remind me, how quickly do you think you can expand that into Denmark? Because you mentioned that that's coming online soon. And also, is there a limit to how much of that, those kind of claims, can be fully automated here? And how quickly can you make that 20%, 50%, for example; and then also move that into home insurance and other areas as well?

Morten Hübbe, CEO

Paul, I think, on the membership bonus, we're very pleased to have paid it out for a second time. We monitor quite closely the awareness and what it does for the business. I think, on the positive side we've seen that, immediately after the payout, the awareness amongst current Tryg customers rises from around 40% to around 80%, but the awareness amongst non-Tryg customers in Denmark is only 16%. And we see a trend where quite rapidly, after the payout, the awareness falls back to the sort of 40%, 50% yardstick again. We see that Gjensidige after a longer number of years have pushed the general awareness up to around 90%, so there's still a long, long way to cover. I think, on -- from a market point of view, we are starting to see, for instance, our bigger partner affinity groups where we insure all Danish doctors or bigger groups of individuals, there the awareness is extremely high. And it plays a role in all negotiations in sales and keeping the customers, whereas for the broad Private and Commercial market the awareness is still quite low. We are pushing the envelope for the next 3.5 years on communication and marketing in various forms. And I think there might be a view that we should increase that even more, but I think it is a sort of 4-year journey to get the awareness high and get it out to the broader individual audience.

Christian Baltzer, CFO

And Paul, with respect to the other question, on automation, I think we'll -- it will be a topic that we'll elaborate much more on when we meet in November because this is definitely an area where we see, going over the next 10, 15 years, digitalization. It will be a huge part of the insurance market.

Paul De'ath – RBC Capital Markets

Okay, great. I will look forward to that.

Per Grønborg – SEB, Research Division

I'm returning to a topic that has been addressed many times today: Norway; and I should probably call it, the less-impressive performance you have this quarter. You addressed that you are seeing competitors also meeting a hike prices in the commercial lines. I'm a bit surprised. When I look at Gjensidige's commercial lines, I think they are doing pretty well even if we take into account that they have some large claims put up into the parent company. When I look at Sampo's, of course, visibility is much lower.

They are also having materially better numbers than you have in Norway. When I look at your combined ratio, not measuring same big quarters, but doing a 12-month rolling areas on your combined ratio in Norway excluding prior year gains, we see now that, last one half year, you have stabilized at 95%. Now you are talking about Norway improving at that volume wise. Or is it underwriting wise? I think we need to know something more to have faith that Norway actually will not stay at the underlying 95% going forward. I assume that's not your ambition either.

Morten Hübbe, CEO

I think - Per, I think, when we look at the Norwegian numbers, it's quite important whether you look at Commercial and Corporate or you only look at Commercial. And then secondly, I think it's very important to say are you looking at combined ratios including run-offs. Or are you looking at combined ratios for the underwriting year? And I think what we're saying is that, while - combined ratio including run-offs have been healthy for the general industry. Then if you strip out the run-off gains. That goes, as far as I can see, for all the players in the market. And you only look at the underwriting year. Then there's very good public statistics showing what has happened to pricing in the high end of commercial and in corporate for the past 3, 4 years. And there you've seen 2 big declines in rates, which means that in those segments the current underwriting year performance is not profitable. So that means that the entire market needs to make sure that rates move up so that the actual underwriting year becomes profitable. Then of course, you can always get some icing on the cake from run-off gains, but I clearly assess that as a market issue. And we're starting to see signs that the general rates in Corporate Norway is - that there's an awareness that, that needs to move up. And we have taken the first steps in our business to clearly move up the rates in Corporate Norway. I think, the improvement signs you asked, I don't know if, Per, I understood the question. I think what we mentioned was to a question on top line, which I guess is a different topic, where we mentioned that in private lines and commercial lines, not corporate lines, we've seen a slightly shrinking top line. And what we mentioned there was the early signs of some improvement in that direction where we've seen an increase in the number of private lines customers in Norway in Q3. And then we know it takes a rather long period to get that to become even premium and hit the P&L. And then we also said there is an ever-so-slight increase in Commercial SME number of customers in Norway in Q3 as well, but you should hear those as soft indicators of an improvement that was just a lot more of a longer-term story and not a short-term story. I hope that's slightly clearer.

Per Grønborg – SEB, Research Division

That at least paint us a picture, thank you.

Håkon Astrup – DNB Markets

Håkon from DNB here. You are talking about higher frequency on motor on Slide 13. Is that the trend that you're seeing in all 3 markets? Also, the [inaudible] that -- where the uptick here in the frequency was particularly strong in Q3.

Christian Baltzer, CFO

A. This is a trend that we actually specifically have seen in the Danish market. When we look at some of the frequency - and this is on comprehensive only where actually the frequency in Norway being a little bit more flat than what we have seen in Denmark. We're kind of struggling to find the smoking gun on why this has happened in Denmark, but there is no doubt that there are more cars on the road. The economy is better. There is more miles driven in Denmark. And then there is this distracted driver syndrome that has been going on for the last couple of years. And I think it's a combination of these different aspects that has moved the needle upwards on the frequency in Denmark. I think, if you zoom out a little bit, there's been a global trend going on for the last couple of years where more countries both in the U.S. and U.K. have seen a tick-up in frequency on the comprehensive part of auto.

Håkon Astrup – DNB Markets

So you're not seeing the same trend in the Norway and Sweden at the moment.

Christian Baltzer, CFO

In Norway it has been not as significant, so it's been more flat in the frequency on the comprehensive. And the MTPL, we have seen more a slight decrease in the number of serious injuries for people.

Vinit Malhotra - Mediobanca

So, if I can ask 3 quick questions, please. Just I know Corporate is not a focus for the management team, but I would have imagined that the - given 3Q '16 had that very - had a big pickup in midsize claims, sort of polluting the underlying entity 1 year ago, I was expecting that maybe there would have been a bit more improvement. And just in line with this, I mean, it's actually a very good sign that you raised prices so much that a customer left, I would say, from the underlying profitability point of view. Should this kind of pricing measure make us a bit more bullish about that area? And I actually appreciate that it's not the focus, but it still has to be part of in the yearly outlook for us. And the second one is on the run-offs. I mean I've noticed the trend around the court ruling in Denmark commercial buildings. Is that the real -- is that the single reason why, although there has been a slight pick-up versus 2Q, this 5.4% is still below a normalized run rate, would you say? And lastly, just really clarifying back on the motor: If we just look at the slide that you have very helpfully shown, thank you very much for that, for the number of accidents, the monthly levels between up to May and then up to August have actually come down a bit even, maybe volatility monthly, but you still did say that 3Q continued to be above the [month] frequency. I'm just checking if there is a kind of number for the market. I appreciate, but could you comment just a little bit more on that data, please?

Morten Hübbe, CEO

Vinit, I'll start with the first question. If we look at the underlying development, I guess there is no doubt that, in 2015 and '16, we were struggling seriously with the fact that underlying claims were increasing. And almost every time we made a new prognosis on a quarter, it looked slightly worse than anticipated. And of course, that was rather a nuisance that it has taken us a while to handle that. As a result of that, we have tried to shapen up - or shape up our processes of identifying negative claims as early as possible, reacting as early as possible, doing mitigation and price change as early as possible. And therefore, we've had a number of quarters where underlying has improved in private lines but not yet for the group. Then it slightly improved last quarter. And this quarter, it improved 0.4%. To be honest, we are extremely pleased by the improvement of 0.4% because that is a sort of 2-year journey that takes us to a positive. And I guess your question is could that positive be a larger positive. Of course, it could. We would very much look forward to having a larger positive to -- but to be honest, we are very pleased with the 0.4%. And bear in mind 0.4% is in a combined ratio of 82.6, which is the best we've ever had in a third quarter. So I don't think -- from the earnings level and combined ratio level we have, we cannot make drastic movements in any direction, but I guess, can we make smaller gradual improvements? That would keep us quite happy. I think, on your question on customers leaving, it's not a target for us that customers should leave as we increase prices, but it's quite clear that, when you need higher rates, you need some - you need to be willing to run the risk that some customers will leave. And I think we've seen that in the Corporate segment. The reaction of customers, of course, also depends on what does the rest of the market in Corporate Norway do. And there we find comfort in the fact that it is a broad market challenge, that rates have been dropping for too long. And hopefully, that will support our journey to increase prices and also keep also the top line in the process, but we'll see.

Vinit Malhotra - Mediobanca

Can I just follow up quickly... just before we change topic: The corporate who left is presumably large. And is it safe to assume that it's more in the state sector or it's a municipality kind of thing? Or is it more insulated? Are you able to comment? Because partly municipalities have been a problem.

Morten Hübbe, CEO

We cannot comment the size. I think that it is in the Private segment. Let me put it that way.

Vinit Malhotra - Mediobanca

Okay, okay.

Christian Baltzer, CFO

And to your question about these -- the fire and property part of adverse development and these MGO plates I think you are referring to, where you will find it in our run-off split-up is actually on the liability side where we saw the impact is. And when we have architect and they have given their advice, it's the liability insurance that actually has been filing some claims on our books. So that's where you can see the impact of these

MGO plates. When it comes to auto or the frequency, I think I actually mentioned in my walk-through of the slides that we have seen the last couple of quarters a more flattening frequency for 2017. We will update this graph that we are showing for the next quarter with full year 2017. So you are right in also the market statistics showing a little bit of a more of a flat frequency on auto and which we are pleased to see because that means claims inflation is coming a little bit under control.

Vinit Malhotra - Mediobanca

And the MGO explaining some of the lower run-off this quarter. You - would you say that? Or...

Christian Baltzer, CFO

You could argue that, that has an impact on the run-off level that we've had, an area where we would need to put up extra reserves, yes.

Niccolo Dalla-Palma - Exane BNP Paribas

Just a couple of follow-ups again on Slide 13. First, on the new tax registration, apart from concluding that BMW 7 Series remains extremely expensive in Denmark, is that - do you think there is - that does have an impact on the size of cars sold at all? Or so how relevant is it to your premium development? And can it change again? And the second question is on electric vehicles where you - where Gjensidige has clearly been pointing to some claims inflation specifically on that type of vehicles in Norway, both on frequency and average claims. Is it something that you see as well? And have you figured out why, in case you see it? Thank you.

Christian Baltzer, CFO

On the tax side, yes, BMW 7 Series is extremely expensive. I think what we expect the impact would be is that you'll have more midsize cars in our portfolio, so it could mean we will see a little bit of a shift from - away from these very, very small cars to a little bit more midsize where they have more electronic devices in them and you will have some better safety. We - when we run through the numbers and see what do we believe is going to impact our book, I don't think we expect any, like, huge tick up or tick down based on this, but it remains to be seen what the behavior of the Danish customers are once this gets pulled through and we start seeing some of the first sales numbers. With respect to the electrical vehicles, I think it was 2 years ago where we actually did a fairly significant price increase on electrical vehicles. I think we put more or less a 50-plus-percent increase on prices on electrical vehicles probably because we saw some of the trends that we have mentioned we didn't see, also seen now. Why this is? I think that, if you would try to ever drive an electrical vehicle, you will find the acceleration to be quite astonishing. I think that surprises a lot of people, but this is personally guessing on why we might see a little bit more claims on the electrical vehicle side.

Morten Hübbe, CEO

But I think there's - in addition to that fact, so there is also the facts that we've worked quite hard on a number of years to make sure that there is top procurement going on in the repair of the cars. And on ordinary cars, you can have the cars repaired by a vast number of shops, so there's a lot of market forces on moving the repair costs down. I think, on some of the repair of electrical cars, for instance Teslas, you can only get them repaired at very few shops. And the general procurement mechanisms do not really work, so the repair cost is higher. I think on Teslas, for instance, there is also a mechanism where, the way the bodywork of a Tesla is structured, a lot of the body parts is glued together, so there's a bigger risk that you have to shift bigger parts of the bodywork, for instance. So I think it also has to do with the sort of monopoly status of some players and a less-efficient repair setup. And particularly in Norway that's an issue because the number of Tesla's electrical vehicles sold in Norway is dramatically higher than Denmark, where in Denmark it is really currently the electrical car market has died out again because taxes have been reintroduced on electrical cars.

Niccolo Dalla-Palma - Exane BNP Paribas

Okay. And so do you think you need further prices adjustments for that? Or that was captured with the big price increases 2 years ago you just mentioned.

Christian Baltzer, CFO

I think we captured a good, significant amount of the trend back 2 years ago, but as Morten is saying, there's a lot of moving parts in this, and we continue monitoring the actual development. And we'll push through necessary both price increases and procurement initiatives to make sure that electrical vehicles also will be a profitable book going forward.

Morten Hübbe, CEO

We don't see any sort of a current need but clearly observing as Christian said.

Gianandrea Roberti, IR Officer

Well, thanks a lot to you for all very good question.

I just would like to highlight that I think on Slide 24 you can see all our road shows activity in the next couple of months. And of course, we'll look forward to see all of you on November 20, London, for our Capital Markets Day.

If you have more questions, just call or mail Peter and I at any time. Thanks.