



Conference call transcript

Full-year and Q4 2009 results

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Good morning and welcome to TrygVesta conference call and webcast for the full-year result 2009. In the studio today, which is a café, it is a Stine Bosse CEO, Morten Hübbe, CFO and myself, Ole Søreberg from Investor Relations. We will run through the results and in the background you can enjoy the cold season of Denmark which is quite unusual, but before start I also suggest that you take a closer look when finished at the stakeholder magazine which is a new invention from TrygVesta. Anyway, with my short introduction I will hand over the word to Stine.

Stine Bosse – TrygVesta, CEO

Thank you Ole and I think you forgot the coffee for the café but we will try to have the sensation of the café anyway. Okay, the highlights for the results of 2009 for TrygVesta are first of all featuring very, very strong growth. Close to 10% on the total, and if we exclude Moderna, we come up with a close to 5% growth rate. So that is definitely one of the stronger parts of the results. Also you can see when you study the results that we have actually been able to have a very, very firm grip of the cost control and on the side of that also been very continuously increasing premiums as we saw the increase of the risk in the books.

The claims development, Morten will later on comment in detail, but of course that has been one of the worry-points as we have communicated during the year. We have not been satisfied with all we have seen in the claims area. Finally, I would say that with the payout ratio of 89, we remain very, very

sort of strict to what we have promised, that we will pay out 50% every year as a cash dividend, and on top of that we will pay out whatever we can to our investors, meeting still the target of an A minus with Standards and Poors. That is nowadays DKK 1bn in cash dividend, and on top of that a share buyback programme of DKK 800m.

Now, the outlook for this running year is, of course, of a large interest. We have this time round given more of a range for the outlook, saying that our growth will be between 3 and 4% for the full year, and before runoff we will see a combined ratio of between 93 and 95, and that of course you should see in comparison with last year's combined ratio of 96.2 before runoff gains. So, a slight improvement and of course that is based mainly on the increases of premiums, but also of course on the cost control situation that we are actually performing.

Morten Hübbe – TrygVesta, CFO

Actually rather like the concept of delivering a combined ratio in the thirties, that would be great.

Stine Bosse – TrygVesta, CEO

Yes, that would be fantastic, but that is probably promising a bit too much. Anyway, on the next slide you can see the growth and you can also see that compared to our peers in the Nordics, and we are quite sure that we are going to come out with the most interesting growth profile again, also not taking into consideration the acquisition of Moderna, but of course if we include that significantly better growth profile than our peers.

Now, on the next slide you can see that the combined ratio has suffered throughout 2008 and 2009 if you compare it to 2007. I will add, though, that 2007 was an extreme situation, and I think that we also communicated that clearly at the time. But having said that, we did start our premium increases already in 2008, and of course that is what is helping this running year to look a lot better than last year. Still we remain in the same area as IF when we compare to them, and somewhat better than Gjensidige. It is very difficult to say anything meaningful about Codan TrygHansa because the disclosure from our say on these points is lacking.

If I just point out to you on the same slide, the expense ratio, it is coming down from last year, and it is of course something that we are working with intensively, I will comment on it a bit later, but as you can see for the Danish and Norwegian business we still see significant cost cutting through 2009. I don't think I will give a lot of remarks on slide 8 for the fourth quarter, it is a continuing story of what we have seen during 2009, especially the development in burglary in Denmark has been very depressing, and Morten will comment on that. I would rather go on to slide number 10, and there, point out to you the fact that these developments in Denmark and Norway are not coming out of nothing, we are actually working continuously with Lean as a concept for actually taking out costs, but also for hiring, employee satisfaction, and those two things actually go nicely hand in hand. But also the way that we are working with digitalisation of the whole organisation with the living house implemented, where people can actually take our their laptop and move around and

work in a different way, and also digitalisation of all our documents, and of course that is all passing the way, or sort of making the way to talking about self-service in a totally different scale.

On the next slide you can see that the number of employees has come down throughout the year, you can see it compared to our budget, but of course on an overall basis, it is more interesting to see that at the end of the year we are at a lower level of employees than from the beginning of the year. And this, Morten, I guess is a trend that we will see continuing, that we will have a very, very firm grip on how many people we actually hire from the outside. That is going to be one of the features also for this year.

If we look at slide 11, and Morten will go into details here, but just to point out to you that these developments, how enormous they actually are, the number of burglaries if you look at the left side of the slide, you can see from 2005 to 2009 has actually developed from about 30,000 on an annual basis to now 50,000, that is a tremendous and pretty scaring development. And at the same time, of course, you can see on the right side, that it has an impact on our total claims cost for content and for house.

Morten Hübbe – TrygVesta, CFO

And of course, that is rather remarkably, I mean, you could look at the development from 2006 to 2009, that is close to doubling of the annual claims cost on house and content in Denmark alone, and that is a very significant development.

Stine Bosse – TrygVesta, CEO

And here of course also we show that we have been doing reserve-strengthening in these lines of business, and that is of course due to the developments that we have seen.

Morten Hübbe – TrygVesta, CFO

It is also due to the consumption boom in 2004-07, so the content of people's houses is much more expensive today than previously.

Stine Bosse – TrygVesta, CEO

So that is just a question of number of burglaries, it is actually also what people actually get to steal once they get into the house. The stuff that people have been purchasing, B&O, radios and televisions and numbers of laptops in every house is actually pretty significant. And the price development which of course will be highly interesting to you has, as you can see, been going upwards in all major areas, apart from the car area in Denmark, we have seen premium increases over the block, and you will see that that adds up to close to a billion of premium increases for 2010.

And the final slide before I comment on the outlook, you can here see what I mentioned earlier, that even with the very strong results we saw in 2007, we did actually notice some of the underlying trends were working against us, and we started our premium increases already in 2008. Now the premium, sorry, the increases of the claims cost that we saw throughout 2009 and especially late 2009, have come on top of that, and that is of course why we increased our premiums even more than anticipated

during 2009. That is what makes us comfortable with the outlook for 2010, growth of between 3 and 4%, and a combined ratio between 93 and 95, and I will admit that some of you might be a bit disappointed on the investment side if you compare to this former year that we are communicating today, but please bear in mind the very low interest rates environment that we are working in, and of course also the conservatism that is in our investment portfolio, and is actually one of the features that we are pretty happy with, also talking about capital consumption as we go forward.

Morten Hübbe – TrygVesta, CFO

And of course I guess, all of us hope for somewhat higher interest rates longer term, but to plan for it in 2010 is probably being too optimistic. But if we move on to slide number 16, as you said Stine, really one of our core focuses currently is on securing changes in our pricing to balance out the development in our claims, and as you can see from this slide, we have reported in 2009 some 4% higher claims ratio, actually roughly two thirds of that can be explained by interest rates and changes in the runoff, by actually the underline increase of 1.7% is very diverse within our group, we have actually seen an autumn where in Q4 both corporate and our mass market in Norway have developed better in 2009 than in 2008, on the other hand, we have seen a combined ratio in 2009 for the Danish business, which is some 7% higher than the year before. And that is actually of course what we need to improve. On the waterfall slide 17, we are very pleased to see how Moderna, as the new acquisition in 2009 has improved our figures during the year. We have seen a combined ratio for the full year of 90 in Moderna, and actually a contribution to the

pre-tax result of almost DKK 120m, and that is actually only covering a nine month period. So that is very satisfactory. Of course, when you look at the development in products like house, content and change of ownership, we see clearly that the balance is not there. We see claims ratios at and above 100, those three products have actually cost us DKK 440m more in 2009 than the year before, and clearly this is where we need to improve the most. As we show also on slide number 18, of course the development in technical interest has taking its toll on earnings, DKK 340m last in technical interest and of course in addition the effect on the discounting on the combined ratio. But as I said, we actually rather expect low interest rates for a longer period of time, and therefore we need the core earnings to support the future coming years. And actually I think that is quite healthy for the industry, to be honest. On slide 19 we show the discount changes, and of course you see most predominantly in Denmark the drop in the short end of the yield curve, and as I said, taking down technical interest DKK 340m, worsening combined ratio by 1.7 percentage points due to discounting, and of course we also see that it has some impact on the market, we see for instance that longer tailed lions, like for instance workers' comp. in the corporate sector is being priced quite differently in the market currently, and of course some of that has to do with the volatility in interest rates. You can argue that longer term this could actually be an upside, 1 percentage point higher interest rates could increase earnings by DKK 300m and improve the combined ratio, but I guess we are not really there yet, are we?

Jumping on to slide number 20, I guess you can see through the window and no one in the Nordics has missed out the heavy winter,

the snow and the cold, and of course it is important how that impacts our claims ratio. What we have seen is that contrary to what you might think, actually car claims have not really increased, people are driving quite carefully and slowly, and actually on this slide we compare the dotted line which is the average of the last 8 years to the red line which is the current winter period. And you see really no deviation on cars. On the other hand, we see a lot of people falling, meaning that of course accident claims have increased, and both in Denmark and Norway we see house and leisure house claims increasing. So far it has had an extra impact of our year to date, 2010 result of roughly DKK 100m, we see that the full Q1 result could be affected by as much as DKK 150m to DKK 200m, all roughly 1 percentage point of the combined ratio. On the other hand we have seen less large claims, and we have actually also seen no storms in this first quarter which would improve to the opposite effect. And all in all this is included in our full guidance for the year.

If you look at slide 21, you see the development as usual in frequencies and averages, on cars it is fairly smooth waters, of course the real problem is, as you said Stine, in the housing area, and actually we see that it is not the smaller claims, they have both become less in numbers and smaller on average, but the number of claims above 100,000 in Danish houses for instance, the cost for that has increased to DKK 120mn compared to the year before. Also we see that for instance change of ownership is increasing, some 10% almost in Q4 alone, and we see in a period where house prices are finding it more difficult, people are more aware about using their change of ownership policy to make a claim. And actually some of the claims in change

of ownerships have almost quadrupled during the year.

Stine Bosse – TrygVesta, CEO

But Morten, perhaps you could also comment on how have we viewed the police force and their sort of, have they taken action on this, and can we rely on what is happening there?

Morten Hübbe – TrygVesta, CFO

Well, there is no doubt that during the past three years we have seen a 65% increase in the number of burglaries, and also we have seen in some periods roughly a halving of the success rates of the police, so there is no doubt that we see a need for the police to spend more resources, but there is also no doubt that we, as an industry and TrygVesta as a company, need to work with the customers to improve the prevention of burglaries, and also the prevention of water related claims in houses, and that will be a main focus area in 2010.

Stine Bosse – TrygVesta, CEO

But I actually do think that the police signalled after the third quarter that they would increase the police force and that they would have this as a high priority area to make sure that the citizens of Denmark were not left alone so to speak. We will have to rely on that, we cannot see it in our figures yet, but we will have to rely on that, and then of course as you mentioned, we work also together with our customers on the prevention side of things.

Morten Hübbe – TrygVesta, CFO

And you can see also finally on slide 21, it looks as if there is a bit of a pickup in the frequency claims on cars in Norway, actually this only relates to the spring of 2009 where you may recall the eastern parts of Norway having a lot of winter related claims. Quite on the contrary we have seen both Q2, Q3, where the mass market in Norway was 8 percentage points better than the year before and Q4 where it was more than 2 percentage points better than the year before, so a positive trend there. And on slide 22 I guess we can just say that it is positive that why the private lines in Denmark have seen more claims than usual, than actually large claims and storm claims have been less in 2009 than the year before, and in the coming years we expect these DKK 2-300m on weather related claims and DKK 5-600m on large claims.

On slide 23 you can monitor that we have a continued storm development in our runoff positions, just short of 4% of the combined ratio in 2009 compared to around 5 the year before, but a positive development still, and we see that continuing also in the coming years. It is important to notice two things. First of all that we have seen an increase in our total liabilities for insurance claims and policies by almost 4 billion at year end compared to the year before, some 1.5 billion of that is due to Moderna, some 1.8 billion is due to currency development, but also underlying we have strengthened some of the more personal or private lines related areas in Denmark. Only in Q4 we strengthened house, content and change of ownership by 200 million. And of course jumping to slide number 24, we see a continued strong development in our capital

position, we see that with the low investment risk, and the earnings profile we are able to have a continued strong development there, it allowed us to carry through the Moderna acquisition in 2009, where at the same time it allows us to have a very handsome payout ratio. Of the total earnings, as you said, Stine, of DKK 2bn, we expect to pay out almost DKK 1.8 bn, and of course if you turn to slide number 25 you see that this caters for a rather handsome payout ratio of close to 19%, and a total yield of around 8.5%. And as you said Stine, that has been important for TrygVesta all along to make sure that we share our earnings with shareholders, we do not believe that it is healthy to pile up capital for acquisitions or other purposes, but rather remain strict with the business that we operate, and if some day an M&A acquisition occurred, then we would have to come to the market if the business case was strong. But 8.5% yield...

Stine Bosse – TrygVesta, CEO

That is what we have said all the time.

Morten Hübbe – TrygVesta, CFO

That's right.

Stine Bosse – TrygVesta, CEO

So we stick to that.

Morten Hübbe – TrygVesta, CFO

And Ole, then we had a terrible investment year?

Ole Sæberg – TrygVesta, IRO

Yeah, last year. 2008 I mean. But 2009 was a very, very good year, 6.6% return compared to, on the gross amounts, compared with 3.5 % the year before which kind of gives you an idea of the conservatism of the portfolio, but then the discounts are insurance liabilities, then we transfer technical interest and the net investment result last year was minus one billion, but we had a tremendously good year in 2009 with DKK 1.1bn. Going forward, it is still going to be a very conservatively run portfolio, but with the difference, as analysts and investors, it will be more transparent since there will be the matching part where the bond portfolio matching the insurance liabilities will be kind of isolated, and then the net investment result, which you can easily recognize in the profit and loss statements, those will be much easier to calculate since it is basically the equity of the group, you take the return of the investment assets, subtract the domicile cost, interest on our hybrid plus the asset management fee we pay, and then you get the net investment income. So it is going to be easier going forward calculating this one.

Stine Bosse – TrygVesta, CEO

So talking about transparency, this is really going to add to the transparency of the business that we have.

Morten Hübbe – TrygVesta, CFO

And I guess finally on the summary page, we believe that we have delivered strong growth, it has been both organic, it has been to a large extent price-driven, but also in Sweden and Finland we have seen a lot of

new customers, and a very good development in our customer loyalty in a difficult period in the financial situation. If you look at our results, a return on equity of 29% before tax and 22% after tax is of course very strong, but we do see the need in the coming years to change the composition to stronger technical result in expectation of a lower investment income. We see already towards the end of 2009 a good trend in Norway to improve the combined ratio, that will continue further in 2010 and 2011, as our pipeline of price increases has been very strong and started earlier in Norway, but also in Denmark we see that the price changes we have made will improve our earnings in the coming years, and expecting to take the combined ratio which was 96.2% in 2009 before runoffs to 93-95 in the coming year. That is, as we see it, a good start of a trend to improve the combined ratio. And of course, having still a very stable, maybe slightly boring investment profile, but stable risk means that we will be able to have strong earnings and high yields also in the coming years, following the 80 or close 90% payout and 8.5% yield in 2009.

Stine Bosse – TrygVesta, CEO

And perhaps Morten, we could just sum up by saying that some of you have given us good recommendations on the way and said please stick to your knitting, that is what we have done, and that is what we intend to continuously do and up to now it has actually proven to be a good piece of advice, so thank you for that. OK?

Ole S eberg – TrygVesta, IRO

Yes operator, we are ready for some questions.

Will Morgen – Goldman Sachs

Hi, good morning everybody. I have two, maybe three questions. It largely relates to the outlook, especially if you, on the claims side, if I take your guidance for the combined ratio, if I take what you reported this year, add back the reserve releases, and seemingly remove the impact of the pricing improvements, I think DKK 900m you were talking about. It gets me to a combined at around 91.5 which is kind of below your guidance. Presumably therefore can we see the difference is what you are forecasting for claims inflation, which looks to be relatively normal. Could you just give us a bit of a sense on how you expect claims to develop in 2010, I guess? Second part of that question is, could you talk a little bit about over the last three years, what you have seen in terms of frequency versus severity, and how you would expect that to change if you do see more of an economic recovery, is that going to be quite a lagging effect, do you still see it is getting worse, just some more, kind of, would be very helpful. And the final point is, just on the effects of high interest rates that you mentioned, clearly that could also be argued to lead to higher competition in terms of pricing, I just wondered if you give us a little bit of a sense on how you would see that? Thank you.

Morten H bbe – TrygVesta, CFO

And good morning to William, and I will start out. I think you are on the right track in your assumptions as far as outlook is

concerned. I think maybe the easiest way to view it is that from the 96.2% combined ratio before runoff gains to the 93-95 is an improvement that you can calculate in the region of one to three percentage points. When you look at the price increases including index of DKK 900m from 2009 to 2010, and then you can argue that these one to three percentage points of improvement with the mean of around 2 will come from that, meaning that just short of half of the DKK 900m will improve results and some close to DKK 500m of that will have to cater for claims inflation also in 2010.

Stine Bosse – TrygVesta, CEO

And I think on your question on frequency and severity, I think I would argue that definitely we would see when we look into more of a positive future scenarios for the sort of economy around us, that some of these developments would go away or would flatten, and definitely I would say that goes for frequency on burglary, that has to come down, I mean the development that we have seen, we cannot as a society just look at that, so that has to come down to a lower level again, and concerning severity I would say that probably there we are stuck with all the stuff that people have actually purchased, so that is why we are sort of pricing ourselves now to say “okay, guys and girls, if you have got a house full of three or four laptops and stereo stuff and televisions in all rooms and stuff like that, you will have to pay a higher price because the risk is higher.” So that part of it, I don’t see going away actually. And then finally on the interest rate, yes of course, that might encourage some people to say okay, fine, now we can actually lower prices, we will of course always monitor that carefully, and we have seen during the last, yeah, I guess since

we were in office, that we have stood away from ridiculous price competition, but of course we have said that if there is basis for lowering prices, then of course we will do that, but if it becomes ridiculous, if it becomes something that you cannot earn money on, we are going away. So we will stick to that attitude I think.

Morten Hübbe – TrygVesta, CFO

And you might just add that of course you are right, but intuitively if interest rates move up, then competition should increase. On the other hand, we know that there is a time gap of roughly two years from changing a price to getting the full impact. And interest rates move around every day. So to base your core business on that is not really a viable solution.

William Morgan – Goldman Sachs

Could I just possibly follow up just to clarify, so maybe I will ask you this way, in terms of claims frequency, what have you seen so far in 2010? Is it stabilising out or are you still seeing big increases, I just wondered if you could....

Stine Bosse – TrygVesta, CEO

We will have to say, that with the winter that we have just seen, we have seen increase in frequency with winter related claims as Morten just pointed out, but if you look at it on an overall basis for the full year and you look at the very bad developments that we saw last year, we have predicted a slight development in frequency, but not a development that looks like the development that we saw in 2009. So it is a flattening out,

but not a bending off of frequency development.

William Morgan – Goldman Sachs

Perfect, thank you very much.

Per Grønberg – Danske Markets

Yes, good morning, it is Per from Danske, I have three questions. The first is more a clarification – on slide 12 where you showed me the total effect of price increases and index. Just to be sure, these figures are calculated quite differently compared to what you showed after Q3 where you showed the accumulated effect of only price increases. That is correct?

Morten Hübbe – TrygVesta, CFO

Yes, we have previously communicated accumulated figures without index, we felt it was more useful to communicate the isolated change from 2009 to 2010, including index. So you are right, that is a different methodology, but of course you can reconcile the two if need be.

Per Grønberg – Danske Markets

Yeah, I just needed to be sure that I interpreted the figures correctly. What index have you put in for 10 and 11 if you look at the total group premium?

Morten Hübbe – TrygVesta, CFO

For 2010 it is 4.2% for Danish insurance, and for 2011 indications are around 2%.

Per Grønberg – Danske Markets

And nothing for the rest?

Morten Hübbe – TrygVesta, CFO

No. Because it is not indexed.

Per Grønberg – Danske Markets

Yeah, okay. Very well. Then when it comes to the Danish operations, it looks like you have had, you addressed that you have strengthened reserves in certain lines, but it looks like you have had a quite material net positive one-off gain in P&C Denmark. Where is the positive item – it must be somewhere between DKK 350m and DKK 400m.

Morten Hübbe – TrygVesta, CFO

I am sure you are aware Per, we have seen also in the previous years rather large positive runoff gains from motor in Denmark, we have seen that again in 2009, we have seen runoff gains of roughly DKK 140m in motor, we have also seen runoff gains in workers' comp., the sort of SME segment of workers' comp., and then we have seen runoff gains in accidents. But we have seen significant runoff losses in the total area of change of ownership, house and content, as I mentioned in Q4 alone around DKK 200m. So you can argue that actually the trend to have positive runoff on gains on motor is not new, but rather the new trend is that these three lines have a significant negative contribution.

Per Grønberg – Danske Markets

But my figures indicate that you have almost 10% positive impact on P&C Denmark in the fourth quarter. That is materially more than you have had ever before.

Morten Hübbe – TrygVesta, CFO

But it is, I think we have mentioned quite a lot of times that the fact that between the quarters, it is more coincidental how the runoff figures move, but it is, when you look at P&C Denmark as a total, we have less runoff contribution in 2009 than we had in 2008. But you are right that we have significant runoff gains from for instance workers' comp. in Q4. Actually a runoff gain of around DKK 200m in that period.

Per Grønberg – Danske Markets

Perfect. My final question relates to Norway, we saw IF a couple of weeks back, stating that they felt that they had now curbed the claims inflation in Norway. Again adjusting P&C Norway for prior year business, it looks like we could see some of the same effects in your figures. Do you recognize that picture or...?

Morten Hübbe – TrygVesta, CFO

Well, I think that it is correct that we are on the right path in Norway, I think actually that the historic of the problem was that the pricing in 2005, 2006 and the early part of '07 was too low, that has been lowering earnings in '08 and '09, we have seen since 2007 price increases that are quite substantial, only the last 12 months we have increased prices on house by 20% and car by

15%, and as I said we have seen in the entire autumn, we have seen better combined ratios in Norway than the year before. I would argue that we still need to see a lot more improvement also in 2010 and 11, and I think that maybe if you look at the composition of the IF combined ratios in Q4, you saw a very unusually low combined ratio in Norway of around 83-84 I believe, and then a combined ratio in Finland and Sweden that was a lot closer to 100. So yes, definitely a positive trend, but we still have a fair bit of way to go.

Stine Bosse – TrygVesta, CEO

I definitely support what Morten says here, we do need to see further improvement from the Norwegian business, it has done increasingly better during 2009, but we need to see, and this goes for the mass markets specifically, we need to see different levels of combined ratios. So there is no way that we think that talking about price increases and how we price the risks in Norway, that that has gone away. That will still be a focus for us.

Per Grønberg – Danske Markets

Okay, thank you.

Gianandrea Roberti – Carnegie

Yes, good morning from me as well. Actually I have just a couple of questions, one is if I look at this split of the three segments in Q4, it seems like in your corporate business had an extremely strong quarter at 82.4, now while the two private and commercial segments have clearly done somewhat poorer. And I just would like to

have a feeling on the outlook that you see for the corporate segment. And also building up on what was just discussed in Private & Commercial Norway, it just looks like when I look at just the reported figure, but also including the runoff, that that kind of segment has been consistently worsened, the part of commercial Denmark. And if you could just give me some comment on that or how the improving, that would be very helpful, thanks.

Stine Bosse – TrygVesta, CEO

I guess that is just down the road that we were just commenting and I must admit that I think that the IF-figures for Norway, fourth quarter, I would not lean on them. Talking about sort of what how is the profitability of the Norwegian mass market just now? The Norwegian mass market still needs to be focused on, that the premiums are at the right level, meaning going up as we view it, and that is also baked into our expectations that we will continuously be affecting premium increases, and of course here, the whole model in Norway is much more bound for thinking down that road. But goes also for the Danish private and commercial business, the mass market, and that is why the premium increases are so significant and have been going on for such a long time. The mass market needs to come up to the same level as of earnings as we have seen in the corporate lines, because definitely the corporate lines have been doing fantastically, what is baked into our assumptions is not quite as fantastic this year as last year, but still of course a strong corporate book. And that is why also, if you look at our growth expectations, because if you look at the premium increases that we are effecting and sort of the index that is

running out, the growth expectations could actually be higher if we just said that we would do any business that was around. So we have said to our corporate lines, as we have done always, “you can not write any book that is unprofitable”. We need to have good earnings in the corporate lines as well as in the private and commercial lines, and we would rather see some business not in our hands if it is not profitable than actually losing money

Morten Hübbe – TrygVesta, CFO

Actually, you might add, Gianandrea, that you are completely right that consistently the combined ratio level in mass market Norway around 95% is higher than in Denmark, and that that has been to structural issue for the past couple of years, but when you look at the trends, at that is maybe the most important, it is tremendously different because we have seen a worsening of the claims trend during the year in Denmark in house and content and change of ownership, and as we have said, the opposite positive trend in Norway during the autumn. And when you combine that with the earlier changes of prices in Norway, that bodes for better improvement in Norway in the coming period earlier than in Denmark.

Gianandrea Roberti - Carnegie

Thanks a lot.

Håkon Fure Reistad – DnBNor

Yeah. Hi. Most of my questions have been answered, just clarification. On page 9 of your report you state that further initiatives are primed for 2010 in relation to premium increases. Does this imply that you are in the

process of announcing further premium increases? And if so, would you mind indicating which products?

Morten Hübbe – TrygVesta, CFO

Well, I guess you can argue that we have affected a lot of further price increases on 1 January. We have increased content in Denmark by 15%, we have increased leisure house by 10%, in Norway we have increased house again by almost 7 % and cars by around 3% following an almost 10 to 15% increase during 2009. I think what you will find in 2010 is a focus on how we further need to differentiate on pricing. Stine mentioned that when people have put in a lot of more expensive content in their houses, we are not sure that the differentiation in pricing grasps that well enough, also the large increase in water related claims has different exposure and risks depending on the house age and the house type, we need to grasp that better, so I think you will find less of a across the board more significant price increases and more of a differentiated view on different risks and different price increases. And also we will spend more time focusing on how to prevent claims because we simply need to find that part of the solution as well because that is also what the customer would want.

Håkon Fure Reistad - DnBNor

Okay, thanks

Simon Christensen – SEB Enskilda

Yes, good morning. I have three questions. Now the strengthening of reserves on current year claims you said was around, was it 200 million or something. Could you

say what the distribution on the individual divisions are, and secondly on these winter related claims which you touched upon, Morten. You said that you have seen between 150-200 million in the first quarter, but somewhat offset by fewer large claims, could you, I did not quite catch the net effect, maybe you can enlighten me on that. And the last question goes really on the sector as a whole in Denmark, I can see that growth in the motor business is up from Q1 to Q3 in 2009 versus last year on comprehensive motor by 3 % but down on CPL by 7 %. Could you please comment on that? Is that due to the corporate line's way of seeing more competition, or, I just don't get that development. Thanks.

Morten Hübbe – TrygVesta, CFO

And good morning to you as well Simon, on as far as the claims reserve changing is concerned. In Denmark and in mass market only the strengthening has been on house and content as a total DKK 150m, and that is all of it in what is reported as PE Denmark, and then DKK 50m on change of ownership which is also only on private and commercial Denmark. As far as the winter is concerned, we haven't yet seen 150-200, as of now we have seen, in the middle of February, we have seen 100. What we are saying is that we assume that we will see more problems also the rest of February and somewhat into March.

Stine Bosse – TrygVesta, CEO

And when people come out to their leisure houses, I mean that's how things work, that they don't go out there in the winter, then they come out here in the spring and then we see also a pickup in claims in that situation.

So it is to be careful that we give the assumption of between 150 and 200 million. And then what Morten said was that that is of course baked into our expectations for this running year, and how can we then have expectations that you might have calculated your way through, that that looks like the ones that we might have had late last year, and that is because we had not had any storms and we have also had fewer larger claims within the first couple of months here than normally expected. So these things actually balance each other out nicely.

Morten Hübbe – TrygVesta, CFO

And then your final question on the growth in motor. It is both an impact from commercial and corporate and also from private. In commercial and corporate we have seen during 2009 that the number of trucks and lorries and commercial vehicles has actually been reduced by some 4-6% on the total market. So simply they have taken off the plates of these cars and they have dropped from the face of this sort of insurance as well and of course that gives a drop in the volumes. And also in the private house, private car use, we have seen people buying smaller cars and smaller cars driving less miles, and of course that lowers the price on the comprehensive part.

Stine Bosse – TrygVesta, CEO

And I guess also that some people view and they say: Well, if we can save some money, we run the risk, we only have the third party liability that is given by law, and then we run the risk on our own books, so to say, that if the car disappears or we have a crash, then we are on our own, which of course is not

very good if it is a significant number, but anyway, I think that is the way the dynamics are just now.

Simon Christensen – SEB Enskilda

Okay, thanks, maybe just a short one here to clarify also, I think it was Per Grønberg's question. On the accumulated effects from the premium hikes, now what you are showing, I think it is slide number 12, that is now the change here or in a year (0.45.28 ???) from both premium increases and index.

Morten Hübbe – TrygVesta, CFO

Yes.

Simon Christensen – SEB Enskilda

Whereas what you showed on the Q3 presentation was just the accumulated effects from the premium hikes.

Morten Hübbe – TrygVesta, CFO

Yes, that's right.

Simon Christensen – SEB Enskilda

Okay, great, thanks.

Morten Hübbe – TrygVesta, CFO

And of course, the logic is that if you continue to use accumulated figures, then what periods do you accumulate? So we

think this is a clearer way of communicating.

Ole Sæberg – TrygVesta, Head of IR

It will be easier for you to run your model on this basis. Next please?

Guilia Ruffo – Autonomous

Q: Good morning. I have two or three questions. The first one relates to the DKK 700m benefit that you wrote on this (in 2011 from price increases and index. Can you give us a sense of how much of that DKK 700m would you expect to go through the bottom line? Because I would assume that it would be more than the 50 % indication you have given for the 900 million in 2010. And the second question relates to strategy and consolidation, there has been quite a lot of talk in the last two months about insurance consolidation. I just want to hear what your strategy is on this front, and if you have seen more opportunities for you in Sweden and Finland?

Morten Hübbe – TrygVesta, CFO

And on your first question Julia, you are right that in the 2010 figures it is just short of 50 % that would influence the bottom line. When you look at 2011, the assumption is that we are above 50 % of impact, but I would give one word of caution because when we look at, or that is at least how we perceive it, when we look at the trend in the late autumn in Denmark, then trying to decide what would be the claims inflation of house content etc. in 2010 and 11 is extremely difficult. So at least we are observing a lot to see what more do we need

to do, both on the differentiation and on the average pricing, but you are correct, the starting assumption is that we are above 50 % in 2011.

Stine Bosse – TrygVesta, CEO

And on your strategic question Julia, I would say that these rumours, they get out there from time to time, and there will be guessers of who wants to do what with who. We have never hidden that we would like to do something in Finland that was similar to what we did in Sweden with Moderna, it is probably not going to happen, the structure of the Finnish business is very, very mutual and not a lot of obvious opportunities are around, but I will not hide that could we find a good portfolio, high quality, well run and stuff like that of a size like the Moderna, we would of course be interested. What I think was worrying people was the sort of the rumours about the big scale stuff, and there of course I think the fact that it was communicated pretty clearly that IF might be sold, and then the guesses were who are the potential buyers and stuff like that. And now I would say that is on a rumour side, there are no actual things going on, and we would, as we have said always, and you can also see that with our payout ratio announced today, we are minding our business, sticking to our knitting, but of course if the right case comes up at the right time at the right price, we would not hesitate to come back to the market. But we would always be very, very prudent with ourselves that it would be meaningful for our shareholders whatever we should do of any sizable stuff.

Morten Hübbe – TrygVesta, CFO

As always a good discipline that if you cannot prove a strong improvement or a accretion to the EPS, then you would not dare to come to the capital markets for more equity capital, and that is why, of course, as you said Stine, paying out means that we remain with the discipline we have had so far.

Guilia Ruffo – TrygVesta, CEO

Julia: Can I just have a quick follow-up on that, because you have never stated minimum.... How do I target on... Acquisitions, should I assume that your criteria would be to have EPS accretion within a reasonable timeframe? Or do you have specific minimum return on investment targets?

Stine Bosse – TrygVesta, CEO

No, I think you should say that the EPS should, within a reasonable time, and there I am not talking about 5 years or anything like that, within a reasonable time should give meaning also to our shareholders, and I think that if you look at how we have conducted this whole area, we would not come to our shareholders and ask for any kind of support in a situation like this if it was not meaningful for all parties, and that means of course earnings per share has to come up within a reasonable time, within two-three years at least.

Guilia Ruffo –

Julia: Thank you very much.

Stine Bosse – TrygVesta, CEO

You are welcome.

Ole S eberg – TrygVesta, Head of IR

Okay. Then we will thank you for joining the webcast this morning. We will be on the road the next few weeks, supporting the European Airline industry, apart from when going to Danske Bank tomorrow when we will drive or take the train, and then for the rest of today Lars M oller and I will be delighted to answer your questions. Thank you for now, and see you in the first quarter webcast.

Stine Bosse – TrygVesta, CEO

Thank you

Morten H bbe – TrygVesta, CFO

Thank you.