



Conference call transcript

Third quarter 2009 results

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Presentation – Q3 2009 highlights

Ole Sæberg – TrygVesta, Head of IR

Good morning and welcome to TrygVesta's result presentation for the third quarter 2009. In the studio today is CEO Stine Bosse, CFO Morten Hübbe and myself Ole Sæberg, Director of IR. With this short introduction I will give the word to Stine.

Stine Bosse – TrygVesta, CEO

Thank you very much Ole and also welcome from me this morning. TrygVesta shows another quarter with strong results with a slightly different composition of the results than we have shown earlier. The values between technical income and the investment income and also within the technical income a slightly different balance than from previous quarters. Now the premium growth remains very strong with a premium growth including Moderna just above 11% in local currency and if we take Moderna away it is 4.1% - still in local currency. Now the growth from the Finnish operation and the Swedish operation also still remain very strong and it brings the growth in a Nordic perspective for TrygVesta up to what we expect to be the best in class. Now the underlying claims ratio has actually improved since the last third quarter of 2008. The composition, mind you, of the underlying insurance result is very different from earlier and Morten will return to that later in quite some detail to take you through that. The Swedish activities now show a very, very strong result with a combined ratio of 94 and that of course we are happy with. Our plans for Sweden are progressing exactly as we have predicted and of course it is nice to see for the first time that we also have a very strong technical result in Sweden. As for Norway, the private and commercial in Norway now show a combined ratio of 96.3. Of course because and on the background of the premium increases that we have introduced in Norway which have now been going on for some time. And then of course to the investment result – also a very strong result composed also with of course the low interest rate which gives us some comfort on the investment side but also because of the decisions we have taken, namely as we have mentioned to you earlier that we would take on

a bit more of high yields in the books and of course also investment grade – a decision that has actually borne fruit and shows up in the results in the third quarter all adds up to an upgrade of the outlook from 1.7bn to now 1.8bn for the full year.

Now, if we turn to slide no. 4 and I would like to attract your attention to two areas. First of all, you can see the impact of the lower interest rates in the claims ratio so with a 2.6 impact on the claims ratio you can actually see that if you deduct that the underlying development in the claims ratio is actually very good and strong and this is of course on the total level and also I would like to draw your attention to the expense ratio. We are still very focused and we will remain focused that the expense ratio is an area for our full attention and in a time where, in some of the markets, growth is an issue of course because of unemployment and Morten will take you through that in detail we of course remain very focused on making sure that our expenses don't run away from us making sure that we don't actually hire people from the outside to any large extent, anyway, and we make sure that people actually take different positions within TrygVesta, a policy that we have had quite a success with throughout the year, which of course takes our expense ratio down. Mind you, for the third quarter it is a special effect also but the expense ratio for the full year will still remain strong and we will be able to actually cater for developments in both Sweden and Finland.

Now, if you turn to slide no. 5, this is where we try to show you that the combined ratio of course is not as strong as it was. There are reasons for that. The main reason is the private market in Denmark. We explained to you already after the second quarter that we would probably introduce more premium increases in Denmark and that is now a final decision and the premium increases are on their way out to the customers already during the last month of this year.

Now, if you look at - this is the full nine months and I won't take you through this in detail but you can see also here the impact of the lower interest rate and you can actually also, if you combine what I just showed you and this, you can actually see that the third

quarter compared to last year was actually stronger than the first and the second quarter.

Now, if we turn to slide no. 6 I'll just comment on the growth that I commented on earlier. Here you can see that Tryg Vesta is probably going to be the one general insurance company in the Nordic countries showing the best growth not just in this quarter but also in the full year. You can see it with and without Moderna; both positions are strong for TrygVesta. And with these sort of overall comments from me – over to you Morten to take us through the details.

Morten Hübbe – TrygVesta, CFO

Thank you, Stine, and if you turn to slide no. 7 we show the major components of the development in the technical result. We show that large claims are reduced by 100m compared to Q3 last year but during the whole year it is actually 55m larger than expected. Effect from interest rates and discounting are some 190m lower in Q3 and almost 400m lower year to date. As Stine mentioned the claims developments in house and contents in general and particularly in the Danish market have had a severe impact on the results of this quarter.

If you turn to slide no. 8 which shows the same components on a year to date basis and the effect on the combined ratio and if you look at these two graphs you see more or less the same effects but it was important to add it is a rather large improvement in the section others which shows that actually a number of lines of business have improved the underlying developments, particularly property in the Corporate segment, a 130m improvement, motor in general an improvement of around 100m and general personal lines an improvement of around 70m.

And if you turn to slide no. 9 we show here the rather extreme development we have seen in interest rates where of course the discount rate has been reduced from 5.6% at peak to now 3.3% and of course those 2.3 percentage points' reduction have increased the combined ratio by roughly 2.5 percentage points. And generally we see now in Denmark and Norway two-year rates of around 2%. The Danish, as I say, has decided to continue the current

discounting yield curve also for 2010 and it is clear that these rather unusual rates have an impact on our business. Longer term there is of course a potential upside in the fact that if interest rates increase 1 percentage point, for instance, combined ratios will be lowered by roughly 1.1 percentage point and earnings will be increased by roughly 300m.

If you turn to slide no. 10 we show the developments in results before and after tax and of course the improvement of 520m in Q3 is largely due to the improvement in the investment income but as Stine mentioned a combined ratio in Norway of 86% in this third quarter and the combined ratio of 94% in Sweden and actually after we acquired the Moderna portfolio a combined ratio of below 90% in the quarter. And together with the continued strong corporate business that has really developed well.

If we turn to slide no. 11 we show the same development on a year to date basis and of course the 1.7bn improvement in investment income has a significant impact but also it is very good to see that our journey of increasing prices is now starting to show in some of our major business areas.

And that is of course also the theme on the next slide 12 – we have shown that particularly our Norwegian business is on a healthy and solid track of increasing prices which actually started somewhat earlier than in Denmark and that is why we are starting to see this now very strong combined ratio in the third quarter. Now we have decided to implement further price increases on 1 January and most predominantly so in the Danish leisure house and house content where we will increase prices by roughly 14%, including 4% index, we will also increase prices in our Norwegian market some 7% further on house and roughly 3% on car on 1 January and when you add to that price increases in the corporate segment in both countries and also Sweden and Finland, now you see from this slide no. 12 that the total portfolio of price increases is very large. You see how it flows through 2010 and 2011 accumulated amounting to some 750m and some of you may recall that when you saw this slide the last time it was around 500m. So of course what we have now added is the additional price changes we are carrying out

and there is no doubt that this will improve the combined ratio in the coming two years.

Now we have illustrated on slide no. 13 that we came through a period in the early 2000s where we carried out price increases of 2.1bn. During 2 years from that point we improved the combined ratio by 13 percentage points. We are now in the coming years carrying out price changes of 750m and of course that will improve the combined ratio both in 2010 and in 2011, and mind you the 750m of course do not include potential price changes implemented at 1 January 2011 but also of course some of those 750m would have to pay for claims inflation in the period.

Slice 14 is an indicator of unemployment and really the same story as we have shown previously but really unemployment is increasing more in Denmark than in Norway, of course with the result that workers' comp in the Corporate segment in Denmark will have less growth and actually negative growth and that will impact the total top line of Corporate Denmark.

On the other hand, on the contrary on slide 15 we show that even though new car sales are down up to 40% there is really no way from the top-line point of view because the total portfolio of cars is neutral and actually for TrygVesta as a company we are increasing our total number of insured cars.

We turn to slide 16. It is rather clear from the slide and the two graphs below that the average claim development is under control in both Denmark and Norway and both car and house with price increases of around 1.5-2.5%. And there is no doubt that the price changes carried out currently are higher than the current claims inflation, but of course necessary after the previous claims inflation. When you look at the frequencies, you see a drop in car frequency in Denmark due to less economic activity, less miles driven, but in Norway you do not really see the same impact as the Norwegian economy has not slowed down to the same extent. But really the main worry in both markets is the frequency development in house. We see that in Denmark house frequencies are up almost 6%. Of course a large part of that is the water and pipe related claims that we have talked about

previously, but also vandalism and the extent to which you see lightning causing damage to houses in Denmark. In Norway a frequency up 11% leisure houses, electronic goods within houses, etc. is of course why we increase prices on both leisure houses and traditional houses.

On slide 17 as mentioned large claims, lower than last year but rather larger than expected, and roughly 100m for weather related claims.

And finally on slide 18 we illustrate the development in our technical reserves. The run-off gains is some 3.6m and now impacts the combined ratio and as expected somewhat lower than before, but you also see that the total technical reserves have been increased by 2.2bn in this period. Part of this of course is due to the inclusion of Moderna but also a signal of the fact that claims reserves as a total have increased in Denmark and Norway. And over to you, Ole, about investments.

Ole Søeberg – TrygVesta, Head of IR

Thank you Morten. The investment results came in very good helped by a strong equity market as well as a spread narrowing between Danish mortgage bonds and the government bond market so the investment result came out at 332m versus a loss last year of 331m.

If you go to slide no. 20, the structure of the bond portfolio is described here, but please bear in mind that on 1 January next year we are contemplating moving into a new set of reporting as we will have a free portfolio as well as a matching portfolio which will make it more transparent for investors as well as internally. And that is 2010 which brings us into the outlook for next year, Stine.

Stine Bosse – TrygVesta, CEO

OK, thank you very much and for the full year as you can see we are lowering our expectations as regards to the technical result. Morten has taken you through the reasons in detail. We are now at a higher level of expectations as regards the investment result and that brings us to a total as I mentioned of the net income where we are expecting now 100m more than just a quarter ago. I do want to draw your attention to the fact that in our

report we also say that we are now more certain about the 92 for the full-year combined ratio than normally at this time of the year and that of course needs some kind of attention. When we look out for next year we will still expect some interesting growth. We will expect to see quite a significant improvement of the combined ratio. As Morten has shown you, we do now see severe premium increases in all forms of market coming through with Norway a bit ahead of Denmark this time round and that will definitely strengthen the technical side in the years to come, not from a low level but from a not quite satisfactory level to a satisfactory level. I think this was the presentation and then we are going on to questions.

Jakob Brink – Handelsbanken

Hi, it is Jakob Brink from Handelsbanken. I have three questions. First of all, Morten you talked about the increase in housing frequencies in Denmark being caused by lightning. Could you perhaps say how much of the 6% increase is actually due to that in the third quarter? That was my first question. Secondly, Stine, you said that we should pay attention to the combined ratio outlook for this year. Why exactly is it that it is more precise at this time of the year than it usually is? And then thirdly on the tax rate, you mentioned that for 2010 it is dependent on tax-free and non-deductible gains but isn't it so that the rules have been changed so that you actually have to pay tax on equity gains next year? Thank you.

Morten Hübbe – TrygVesta, CFO

If I take the first and the third question, Jakob, and then Stine will take the second. Lighting is part of general fires in houses and that total category of claims always varies a lot from quarter to quarter but this particular quarter is actually almost 50% higher than the same quarter the year before so it is a rather significant amount. And if we look at your third question regarding tax, you are right that the tax regime regarding tax on equity has been changed in Denmark but it has not been changed in Norway and as the equity holdings in Norway concern European equities or equity pools that are held within Europe it is actually

still tax exempt and that is the rationale for our argument.

Stine Bosse – TrygVesta, CEO

Yes, and Jacob you are spot on my comment there. What we have always done is that we have tried to give you as good guidance as at all possible. And normally at this time we would stress and underline that the run-off gains for the fourth quarter are not within our guidance. This time round we are saying more specifically that the technical result and thereby the combined ratio of 92 is what we expect in the area. That is what we are now saying. And I would like to add, also to Morten's comments that when you look at the frequency of house, yes, that is pretty dramatic, and it might even get us to a second round of premium increases in the house insurance area in Denmark. We are now calculating that but what is also quite scary is the fact that in the content insurance we see a very steep increase of burglary and even theft of bicycles and that, we now think, will probably connect to the recession. It is a question of also the fact that the police in Denmark pay less attention nowadays, because of the resource situation I guess, to burglary. We have customers who actually complain about this. And of course due to the fact that the more systematic and organised burglaries are picking up also connecting to recession hitting much harder in Eastern Europe so some of these developments just mean that we have to be more careful on the technical side and implement the premium increases that we have mentioned but also here guide you more carefully on the expectations for the technical side. I hope that explains it.

Morten Hübbe – TrygVesta, CFO

And just adding to what you said, Stine, on house content. The third quarter in Denmark in isolation, the claims ratio of content is actually slightly above 100% and of course the year to date is somewhat lower but still that does call for reaction.

Jakob Brink – Handelsbanken

OK, just one follow-up there, Stine, on the 2009 outlook so is it what you expect to make

more research strengthening on the house content in Denmark? Is that the reason why it should be offsetting the run-off gains or don't you expect any run-off gains?

Stine Bosse – TrygVesta, CEO

I think, if you listened carefully to what Morten just said, I mean, the claims ratio developing to that level Morten just talked about in quite a big product in Denmark that is an underlying development that we are pretty worried about and it is not in the reserves - straightening or loosening reserves - it is more the fact that normally we will say that we do not guide on the reserve positions indicating that there might be a reserve release. When we now say we are more specific about the 92 that is to make sure that you do not go wrong on that one.

Per Grønberg – Danske Markets

Good morning. This is Per Grønberg from Danske, three questions, the first one related to Norway where you outlined that there has been quite a significant improvement. Can you comment on it – it looks to me that it is very much private business that is moving that is a factor that has turned from actually a loss in the first two quarters to a quite handsome gain in the third quarter. My second question is to the issue that just was addressed. You tell me on the content insurance you wrote in the report that you had to strengthen the business for the first two quarters. Can you give some indications about how large a part of the claims in the third quarter related to content that actually should have been booked already in the first half, and finally, related to your 2010 combined ratio guidance, in principle what are you guiding on, are you guiding on combined ratio excluding run-off – that that should be better than the 95 you had for the first nine months or should we look... or are you for the first time guiding on combined ratio including the run-off where the reference point would be slightly below 92 and a more general question: Previously you have always been guiding on a specific combined ratio for next year when you have given guidance in Q3 as far as I remember. Is there a special reason why you are just pointing a direction this time?

Morten Hübbe – TrygVesta, CFO

Good morning to you, Per, if I take the first two questions. You are right that we have had a better development in prior years claims in Private & Commercial Norway and we have had run-off gains of just above 50m in this third quarter compared to run-off losses in the third quarter the year before so you are right that that has developed more positively but, as you know, there is also a correlation between carrying out price increases and ensure that you also then reserve it correctly so there is a tendency to get the two right at the same time and that is why we see both a development that is positive in the underlying numbers and, as you say correctly, a positive development in run-off gains. If you look at the question of house content, generally we have had to strengthen reserves on house at a group level of around 125m for prior years' claims this year. If you then add to that that we have had in the third quarter some strengthening of the current year's claims reserves of claims in the summer period in Denmark particularly regarding weather related claims, but generally we have not had to subsequently strengthen the current year's content claims. The content claims are something we get reported rather early, we see it rather clearly, whereas house claims, particularly the most severe water related claims you can get subsequent surprises about their size. On the content it is not a timing surprise question. It is rather a question of how steep the curve is on break-ins as Stine mentioned.

Stine Bosse – TrygVesta, CEO

And to your last question Per, we will try when we get to the full year report, we will of course try to be specific again concerning the combined ratio. We will remain with a level of combined ratio, I think that we have probably moved slightly too much towards one figure. It will be a level. It will always when the year starts be without the run-off gains due to legislation and those issues, but we will of course try to come closer so when we try to give you this more specific guidance exactly on the next quarter and the expectations for the full year it is just to make sure that you know we don't run into mistakes and also of course underlying that is the worry that we are

expressing clearly about a special development in the Danish private business. Now, also taking that into 2010 we would not say that we wouldn't be a lot more comfortable with the combined ratio development for 2010 and 11 if that was not completely true. We do feel a lot more comfortable. As we mentioned, all the main areas except for Denmark show very, very strong developments. We need Denmark to come along and we need premium increases to actually come through as planned

Morten Hübbe – TrygVesta, CFO

And actually, if I might add that regardless of whether you look at the numbers before or after run-offs, we are currently at around 95% before run-offs and around 92% including run-offs and as we explained the total portfolio of price increases currently for the next two years is around 750m and of course that is why we are very comfortable that we will see significant improvements in both 2010 and 2011.

Stine Bosse – TrygVesta, CEO

And if I may add to that, Morten. As Morten just pointed out and as you also saw Per, we are not playing the game of not strengthening reserves if needed so included in our figures now and on an ongoing basis we will also be strengthening our reserves if we can see that we actually need that so that we can maintain a strong position, continuously, into the future with the likelihood of run-off gains dramatically higher than the opposite.

Per Grønberg – Danske Markets

OK to conclude on the last issue, the guidance you'll give more specifically for the next quarter assuming the full year is in line with the nine-month report your combined ratio will be somewhere below 95.

Stine Bosse – TrygVesta, CEO

Yes.

Gianandrea Roberti – Carnegie

Good morning, this is Gianandrea from Carnegie. One question on the expense ratio – I think, Stine, you said, I think you came in on

15.6 in the quarter which is quite low compared to the last four quarters as Stine mentioned. It has pulled down from the pretty large top-line growth but I think if I understood it correctly you said there was something, I don't know if I can call it exceptional but something that we should watch out in the Q3 expense ratio and then my second question is on this price high – I was looking again on the slide that you showed that carried on the Capital Markets Day. This is, like, a couple of months ago around that time you mentioned 360m of top-line effect from this and I think today you are mentioning 650. Morten, if you can just give me a little bit more of a flavour and be a little bit more precise on the difference between the two numbers. I guess most of it, as you have already said, is coming from the Danish house insurance segment but it would be great being able to somewhat reconcile the two. Thanks a lot.

Morten Hübbe – TrygVesta, CFO

If we take your first question, Gianandrea, it is correct as Stine mentioned that you should be careful just taking the third quarter expense ratio and assuming that is now a new general picture. Both we see less activity, due to summer holidays we see less activity and less commission expenses in that quarter. Secondly, we have holiday which has then been paid through the holiday reserve which means that those two elements have a positive impact on the cost ratio of the third quarter. Having said that there is no doubt that since this spring, and particularly since the summer of this year we have been extremely cautious in handling our employment of new staff and we are recruiting internally so there is no doubt that during the past three months we have seen a significant reduction in the number of head counts within our company.

Stine Bosse – TrygVesta, CEO

Can I – just before you take the next question – just point out to you, Gian, that also please bear in mind that the cost ratio for the Danish and Norwegian businesses – if you take them and isolate them, it is actually now 15.5 and this is really what I wanted to also express that the fact that we can still operate with a low cost level, definitely if you look at this by an international standard, but also if you look at it

by Nordic standards at 16.7 that is due to the fact that the operations in Denmark and Norway are very, very efficient and they are still being pushed to even further efficiency and that caters for the good developments and of course the growth machine that we see out of Finland and Sweden.

Morten Hübbe – TrygVesta, CFO

And when it comes to your question about the changes, an increase in our price change assumptions since the Capital Markets Day, you are right that one of the main drivers is of course the house and content change of around 14% in Denmark and Norway. That will have an impact of more than 50m in 2010 and will add up to close to 100m in 2011. House and motor in Norway are continuing to increase. That is taking us up to somewhat below 100m but actually quite a large amount also in 2011, which was not included previously, and then thirdly our entire price changes carried out in the Corporate segment were not included in the price changes shown before. They are now. And we implement general price increases particularly or both in property and also in the general personal lines business areas, most predominantly in Norway where we implement price increases of 6-10% in the various lines of business and also as Stine mentioned we are currently planning the price changes that we will carry out also in Sweden on 1 January which will be rather varied from segment to segment. There are actually some segments in Sweden that will have price increases of more than 20% while others will actually have some slight price reductions so it is a more varied pictures and signalling that we now have a more firm grip on how to price the various segments in Sweden.

Giulia Raffo – Autonomous Research

Good morning. Thank you very much – just a couple of very quick questions. The first one relates to slide 12. You mentioned the total effect of price increases in 2009 of DKK 250m. Will you please share with us how much – we have already seen within the last couple of months - how much is yet to be seen within Q4? The second question relates to slide 21 where you describe the outlook. For some reason in August there seems to be a negative

100m balance between technical result and investment result in your BBC which now seems to have disappeared. Is that due to rounding? And then my final question is relating to the recessionary driven claims which you are seeing like fraud and theft. Are you seeing any signals of that coming off in Q4?

Morten Hübbe – TrygVesta, CFO

Good morning to you Giulia. If I start with the price changes the total impact that we will see of 650m in 2010 there is no doubt that in 2009 the areas where we actually do see clearly already now improvements from the price changes are mainly in Norway and of course if the pipeline of price changes that was carried out in 2007 and 2008 that is now starting to prove the development particularly on car in Norway but also now starting on house insurance and general in the Corporate segment. When you look at the Danish market, the Swedish market and the Finnish market there is no doubt that the predominant part of the price changes included in these numbers are price changes that were carried out on 1 January 2009 throughout 2009 and now on 1 January 2010 and really that means that the quarters we have seen so far in 2009 in those three countries have very little from price increases and rather, it is in the quarters of 2010 that we will start to see the significant impact of that and I am quite sure that when we have the webcast again after Q4 we will again see that yes we have carried out more price increases but we have not fully moved into the positive impact of those price increases yet. That is a 2010 and 2011 story.

Giulia Raffo – Autonomous Research

Sorry. You mentioned 250 for 2009.

Morten Hübbe – TrygVesta, CFO

Yes.

Giulia Raffo – Autonomous Research

Are you in a position to say how much of that... that was my question.

Morten Hübbe – TrygVesta, CFO

Yeah, OK, sorry. Well there is no doubt that we will see a positive impact again in Norway in Q4 and we will start to see again some positive impact on house in Denmark as we increase that by 11% on 1 January, but in Denmark that impact, I am afraid to say we see the same trend now in house and content in Q3 on the claims side and even though we see the price increase is starting to impact positively Q4 also on house in Denmark we will not see the total net impact of that because claims are increasing as rapidly as they are.

Stine Bosse – TrygVesta, CEO

On your outlook question, Giulia, it is a rounding issue. Then on the recession issues that you pointed out we think that what we see in the content area is a question of more burglary, more organised claims as I pointed out the fact that we are very close to Eastern Europe here and the question of the more organised criminal issues coming from these countries that have been very, very hard hit by the recession we think that we actually see now turning up in our books. We also see a higher number of bicycles being stolen and it is a very, very steep increase and there of course also it is likely that it can have some connection to a recession situation so we will look into that and then finally there has been a debate on the house insurance side that frequency of houses burning down - it picked up in the first quarter, then it was less frequent in the second quarter, now it has slightly picked up again and we will investigate into whether there is any connection. I just hesitate to think that people actually burn down their own houses whereas perhaps some of the other areas mentioned there might be a fraud issue there that we need to look deeper into. Fraud issue or not, the conclusion is the same. We need to be very, very firm on the price increases, which we are, and we are also now – as Morten pointed out – even taking up again if we have to take a further price increase in the house insurance area in Denmark and I think that is the way to handle it and then of course try how much we can prevent fraud – sort of internally – and also addressing the fact that the police do not pay enough attention to this area which of course hits the citizens hard.

Morten Hübbe – TrygVesta, CFO

and you might say that part of the recession is also that house pricing is lower and in some situations that makes people more aware that they could potentially make a claim against the change of house or home owner policy and that is why we also see as part of the house content sphere that the claims frequency in change of house policies is actually also up significantly probably not because there are more actual claims but more that under slightly more pressure you will become more aware of using that policy.

Simon Christensen – SEB Enskilda

Good morning, Simon from SEB Enskilda in Copenhagen. Firstly, your capital position. I can see you have roughly a capital of 2.1bn at the end of the third quarter. Now if I add let's say some earnings from the fourth quarter and you pay out dividends on 2009 earnings then you will have roughly 1.5bn extra capital. Could you please share your thoughts on whether you will hold this – that is called a strategic reserve also throughout 2010? What are the pros and cons? Also, secondly should we still expect 3 percentage points roughly in run-offs for 2010? I believe you mentioned that at the Capital Markets Day we should expect slightly lower of around 500m and also to clarify Grønborg's questions now if I take the run-offs for the first to the third quarter we end up at a combined ex run-off of 94.5 so the only thing you are saying is that you will be better. Is that correct and if you feel like it, maybe you can quantify it a bit, I don't know? That was my question.

Stine Bosse – TrygVesta, CEO

OK, let me take the last one and the capital position and Morten can comment on the run-off for next year. Now I think it becomes a bit ridiculous if I try to be much more specific on the guidance for next year. We do always guide from the beginning of the year without run-off positions so I can't give you anything better than that and we also say very clearly that combined ratios for next year our expectations are going to be quite visible below the underlying development for this full year so I cannot really give you anything more at this

stage, Simon, but I think it is accurate and specific enough to help you. On the capital position we have said, and we remain with that statement, that we will not overtime sit with excess capital. We will actually give capital back to the market and rather return if we need capital to do specific things. On the other hand, there is a momentum at the moment like the ones of Moderna that we would like to have some kind of – let's call it – capital readiness to participate in consolidating. It is not going to be a significant sum. As you saw also with Moderna we do take up hybrid and there is room for taking up more hybrid and still remain with our A minus so I think you should look positively on the capital position and our willingness to actually make sure that the market also feels good when TrygVesta does well.

Morten Hübbe – TrygVesta, CFO

And on your questions, Simon, on run-offs you are completely right that our expectation is to have an ongoing level of around 3 percentage points positively to the combined ratio and of course as we have mentioned all along there will be variation around that number. The 3.6% in this quarter is an example of variation, but generally an expectation of around 3 percentage points is as we said before what we expect also for 2010.

Claus Højmark Jensen – ABG

Hello, it is Klaus from ABG in Copenhagen. Just a question on your premium growth next year, with these extra initiatives you take, some of them are in the Corporate segment – I would just like to get a feeling of how you see the possibilities of actually getting those through, I mean, it is no secret that many companies are trying to save costs at the moment. What sort of possibilities do you actually have to push these through? And also on premium growth for next year, I just want to be totally sure you say that premium growth next year will be the same as this year excluding Moderna so is it fair to assume that that would be at the 4% level and hence you are not expecting that much effect from increased indexing next year or are you expecting increased indexing but premiums to fall somewhere else? Yes, that was the two first questions.

Stine Bosse – TrygVesta, CEO

Thank you for those questions Claus. Yes I think, actually, I would like to start with your final question indicating the premium increases that we are here talking about and a premium growth of 4% next year also tells you that the risk remaining with TrygVesta will be less. Otherwise these two things don't work together meaning that we will accept to have a decline in market share to actually maintain the profitability and as I have earlier pointed out actually increase the profitability from the level that we see now. We do still stand back from quoting, giving quotes in corporate lines that we can actually see are unprofitable from day one. I am afraid it has been quite significant in Denmark, we have actually seen quite a heavy situation in Denmark with competitors coming in quoting businesses at a level where we just say we are not going to participate and you can actually look at this as what happened in the mass market where a competitor a couple of years ago went out and took in young men at a very, very low premium for car insurances and we did not go that route and we accepted to lose market share, this is exactly what we are doing in corporate lines in Denmark. Now fortunately, this is not the situation in Norway in corporate. That is why you see a good development even in Corporate just now. The whole economy in Norway is very, very different from the one that we see in Denmark, which is good for a portfolio like TrygVesta, it gives us a very good balance in a difficult situation and that brings me back to the premium growth. The premium growth for next year is of course what we say, 4%. It varies from area to area and the area with less premium growth is the Danish corporate lines.

Morten Hübbe – TrygVesta, CFO

And of course bear in mind that when you make the traditional assumption about indexation which is a bit more than 4% next year that is only the case for Danish mass market business. The other countries' mass market business has no such index and that is why you should be slightly careful in doing that and of course we do also expect that having the 4% index in mass markets in Denmark we do not expect a lot of actual volume growth in

mass markets in Denmark so that will be basically holding on to the current market shares and then growing price that is what you should expect.

Claus Højmark Jensen – ABG

Yeah, if I understood correctly what you previously stated then this price pressure that you are seeing in particular in Denmark is not that much from local clients but more from international clients. Is that correct? And if so why do you then only see it on the Danish market and not on the rest of the Nordic markets?

Stine Bosse – TrygVesta, CEO

I would like to just clarify that it is especially in the corporate lines. We have seen price increases over the whole block when we talk mass market but in corporate lines we have seen some more aggressive attitudes mainly from international competitors but also from a couple of local competitors and I guess that is how competition should work. We had to say from our point of view we stand back and we do not quote business that we can see from the beginning is not going to make a bottom line.

Claus Højmark Jensen – ABG

Yes, but you expect, you said that the economy in Denmark are hit harder than the Norwegian economy so why is the premium pressure picking up here?

Stine Bosse – TrygVesta, CEO

It is because as some of your colleagues mentioned earlier the sort of aggressiveness to negotiate the premium down and also to perhaps accept a supplier that you would under other conditions say: We will stick with somebody we know, we will stick with somebody local, we will stick with the good quality of supplier – when the companies are under severe pressure they do feel, some of them, inclined to take the less costly offer knowing that they also get a different quality that is the situation.

Morten Hübbe – TrygVesta, CFO

And then you might add that there is a simple difference in time between Danish and Norwegian corporate at the moment. If you recall two years ago we saw new competitors in the Norwegian Corporate market and we were struggling with growth but delivering very strong combined ratios. At that point in time we had very nice growth in Corporate Denmark. When you look at it currently we have seen competitors who draw out of the Norwegian Corporate market meaning that we can drive both high growth in Corporate Norway, price increases and a very good development in the combined ratio. Now we have the vice versa in Denmark at the moment, we have a couple of new players in the market that are present elsewhere in the Nordic region which are now trying to enter the Danish Corporate market and when you combine that with a less positive development in the economy in general that gives a rather low growth and actually some loss of market in the Danish market and of course that is part of being on the Nordic platform that we can see these things moving in different directions and levelling each other out over time and that is of course positive.

Will Morgan – Goldman Sachs

Hi there, I have three questions, I think. The first one, I appreciate this is going over something that was discussed a bit earlier but I think you just mentioned about 125m of prior year house claims strengthening going on in the Danish business, I mean given that you still have net reserve releases? The very fact that you were probably releasing around 11% ex that could you possibly just talk a little bit about what is driving that? The second question is related to your Swedish business, obviously the combined ratio you posted throughout the third quarter is, you know, a significant improvement, to what extent can we see that as perhaps the new base level and also where do you see that improving to and how quickly from here? The third question just relates to your capital again, I mean, you mentioned obviously that you want to maybe keep some degree of flexibility, I mean, does that mean we could think about doubling your buffer over the A range target from maybe 5-

10% that is when you get some kind of sense because obviously, you know, flexibility means a number of things and can't you relate it to that to the extent that you do return any excess capital over the basic dividend, do the tax changes taking place in Denmark alter your view on whether you would like to do that by a shared or further special development? Thank you.

Morten Hübbe – TrygVesta, CFO

If I take your first question Will, the 125m of reserve strengthening of prior years' claims on house is correct. That is the year to date number that you have to compare with the net year to date run-off again of around 500m so it is not a Q3 number so you can relate the 125 so you can say that the 500m net would have been 625m had we not had the strengthening of house, you should see it in that light and I think the calculation of 11% you just tried to do was the Q3 calculation so that is probably where it sounds a bit high so there is really nothing unusual in the fact that there is a sizeable total run-off gain of around 3% and within that number there will always be areas where we have run-off losses and then we have a portfolio which is rather on a total basis stable.

Stine Bosse – TrygVesta, CEO

OK Will, and on the capital, yes, I appreciate that it would be nice to know what flexibility means but if you look at the Moderna case it is probably sort of where I can get your attention going where we finance some of it in cash and we finance some of it via hybrid and we have said we want to remain with kind of flexibility around DKK 1bn, no more no less, but including hybrid possibilities that are quite significant within the positions that we have now. And then turning to the question of share buy backs or just dividend, not talking about the magnitude, but the composition of the payout model, we are looking into that currently to actually see whether both the Danish different tax issues but also taking this up when we go on roadshow and we will be pleased to do this also if we meet you this time round saying and getting the sense of what would people actually like to see just now and it might change the composition from what it

was, but nothing has been decided, we are still picking up information.

Andrew Hughes – ICAP

Hello, it is Andy here, a couple of questions, really. The first one is related to reinsurance I am just wondering with interest rates being lower obviously claims are going up and does this mean you have to pay more or indeed buy more reinsurance at the renewal days and the second question was related to the increase in claims that we talked about a lot already, I just wanted to ask two things on that one really, the first one was: Are these sort of household vandalism/theft claims seasonal in terms of obviously in the UK when it is dark in the evening we get more theft/vandalism claims. Would you expect this to be a kind of winter phenomenon that maybe slows down a bit in the summer and the second question was about fuel and fires I think you mentioned that household fires have gone up significantly, but I am wondering maybe it is a personal thing from mental escaping from having to produce a lot of fire wood for the mother-in-law but it seems that people switching from oil-based heating towards wood and other sources of heating which potentially pose a greater fire risk I should like to know whether that was actually more due to the oil price rather than the recession? Thank you.

Morten Hübbe – TrygVesta, CFO

On the reinsurance you should not expect us to buy more reinsurance in 2010 and you should not expect the price to increase. As we see that - across the Group - our diversification is very severe our general attitude is that claims above 100m we use reinsurance and below 100m we pay ourselves and as we see now that the claims picking up – as you mentioned – is on house and on content these are typically smaller more frequent claims where in reality it makes no sense to use reinsurance to pay for that so you should expect something rather stable when it comes to the reinsurance programme for 2010.

Andrew Hughes – ICAP

But do the interest rate falls not influence the large claims?

Morten Hübbe – TrygVesta, CFO

Well, the interest fall is of course impacting the way we discount the large claims, but I mean in large claims there is really no other link to the total large claims rather than showing what a slightly different net present value because of the interest rates, it does not change the fundamental dynamics about which claims we cover and which claims should the reinsurers cover.

Stine Bosse – TrygVesta, CEO

And Andy to your insurance questions, this is why insurance is so interesting. This is all about these various operational issues at the end of the day. Now, yes, there is a kind of seasonal thing here and this is of course also when we see this pick-up of burglary especially in the third quarter, we do remain very cautious about what are we going to see in the fourth quarter in these areas, so yes, there is a seasonal issue. But the problem is there and we need to do something about it, not just talk round it. The fire issue – in Norway we have seen a pattern actually, in Norway when it was very cold winters historically, people sort of over-fired inside and we did see an increase in severe fires from that. I don't think that is what we are seeing at all in Denmark and we are investigating it at the moment – if we can see any kind of geography, any kind of patterns that would actually lead us to a conclusion or it might just be a third quarter where just from a statistic point of view sometimes you have a bad quarter, sometimes you have a better quarter when we talk about the fires. When we talk about the pick-up in burglaries and theft of bicycles and stuff like that we are pretty much sure that it connects to the recession.

Andrew Hughes – ICAP

OK, I was hoping you would tell me there is a link between the use of fire wood and fires so I could tell mother-in-law to use oil in future and I guess that is OK.

Stine Bosse – TrygVesta, CEO

I can't help you there Andy, you are in for it.

Ole S eberg – TrygVesta, Head of IR

Thank you everybody for listening in and for all your good questions. If there are further questions, Lars and I will be at the phones for the rest of the day until the evening and otherwise I will see you – and Stine and Morten – we will see you on the road over the next few weeks. Thanks for now.