Conference call transcript

First quarter of 2006

11 May 2006 at 10:00 CET / 09:00 BST

Corporate participants

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Ole Søeberg
TrygVesta – IRO

Conference call participants

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Deutsche Bank

Presentation – Q1 2006 highlights

Operator

Good afternoon ladies and gentlemen. Welcome to the TrygVesta A/S Conference Call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session.

I would now like to turn the call over to your Hosts CFO Morten Hübbe and IRO Ole Søeberg.

Morten Hübbe – TrygVesta, CFO

Thank you very much and good morning to all of you. I know that you all have a busy day as a few of our peers together with us are reporting our results for the first quarter today.

Hopefully you have had a chance to look at our webcast followed by our CEO Stine Bosse and our press release from this morning. What I will do is go briefly through some of the highlights of the results and fairly quickly turn into a Q&A session.

Q1 2006 highlights

If we look at our results for this first quarter, we have reported a growth of 3%. We have reported a result before tax of DKK 700m compared to DKK 523m the first quarter last year. We have reported a combined ratio of 93.6% despite an unusually high proportion of large claims in the first quarter.

Our first quarter had large claims of DKK 342m before re-insurance and as you know we usually say that a normal year is 400 million for the full year; in other words, 100 million for a normal first quarter. The large claims have affected our combined ratio by 6.4 percentage points and if we look at the proportion that is above normal that is 4.9 percentage points of the combined ratio.

Also, the good result has been achieved despite having to increase worker's compensation by DKK 50m due to a new court decision in Denmark. We also see that our investment result is significantly better than last year of course helped by very strong results on equity and a larger on bonds of DKK 190m that is short-term offset in increased discounting by DKK 160m so a fairly low net effect of DKK 30m.

Also, we have upgraded our outlook for the full year from previously stated our outlook was a combined ratio of 91; that has now been improved to 89 for the full year. Our result before tax that was previously announced was 2.2 billion before tax is now adjusted to 2.8 billion before tax and a tax rate that was previously communicated as 25%, which has now been adjusted to 24% expected for the full year.

Of course this is helped both an improvement in the investment results; that is what has been achieved in the first quarter and a higher running yield for the full year due to higher interest rates and also claim ratio has been improved 1) due to basic development in frequency and average claims than expected and 2) due to the higher interest rate, which increases the discounting ongoing and therefore moves a proportion from the claims ratio to unwinding helping the claims ratio by one percentage point.

Gross premium income drivers

If we look at the results slightly more we see that our growth has been if you look at slide 7 in the webcast material;

The growth has been 4% in private and commercial Denmark, very much a continuation of the growth of last year.

Corporate has grown by 3.9% compared to a reduction in the premium level in 2005 so a positive development there where mainly corporate Denmark is showing the growth in premium. Finland is growing by 36.7% and our private and commercial business in Norway has a flat growth in DKK but a negative growth of 2.8 percentage points in Norwegian Kroner.

If we open that up slightly more there is a good development in the commercial segment whereas the private segment has negative premium development.

Technical result drivers

If we look at the results development slide 6 shows you how quarter on quarter the various business areas have developed compared to first quarter last year and you see a very significant improvement in private and commercial Denmark from a technical result of around 100 million last year to 271 million first quarter this year and a combined ratio improvement from 96% last year to 86% this year.

Of course a significant difference there is the storm we had in the first quarter last year, which comprised some 8.2% of the combined ratio in the first quarter last year for private and commercial Denmark. Private and commercial Norway you see a slight reduction in the technical results from 128 million last year to 99 million this year but still at a very good level. We see that we have a combined ratio that has travelled from 90% to 94% with a more normal first quarter than last year, which is typically the worst quarter of the year in private and commercial Norway.

In corporate you see the combined ratio has grown from some 93% last year to around 102% this year first quarter but there of course realising that the unusually high proportion of large claims is in the corporate segment. We have had 321 million before re-insurance of large claims in corporate and that is 27% of the gross ratios and 20% of the net ratios. If we look at the extent to which that is higher than normal then 15% of the combined ratio, 15 percentage points of the combined ratio in corporate is above normal, which means that the underlying business is providing a combined ratio of around 86% to 87%.

As we see it, it is very satisfactory that despite having a normal full year of large claims in one quarter we are still earning money on the corporate segment in this quarter.

Update on claims

Finally we have informed that we are starting up our small commercial business in Finland together with Nordea. I should perhaps also point you to as the final issue before Q&A slide 9, which opens up both development in frequency in run off and in large claims. We have a slight increase in claims frequency in motor and private house in Denmark due to the winter in the first quarter, which has been harder than last year but at the same time we have a significantly lower average claim in motor in Denmark.

In Norway we've seen the continued decrease in the claims frequency of both motor and house and as some of you know we have had some hard winter in Norway but that has been no different throughout the country and hardest around the Oslo area, which is traditionally where we have a lower market share. We also see on slide 9 that we have a runoff gain of 69 million in the first quarter despite the fact that the new court award in worker's comp that led us to increase results by 50 million is an isolation runoff loss of 50 million so the underlying runoff gain was actually slightly better than the net of 69 million.

Of course also finally on slide 9 you see that the large claims of first quarter; there you see a direct comparison to the first quarter of last year where you see the very substantial difference between the two numbers. But all in all as we see it strong results in the first quarter and good developments and a good development in our outlook for the full year.

So seeing that you have a busy day we will now turn to the Q&A session.

Q&A transcript

Operator

We will now begin the question and answer session.

[Operator instructions]

Joakim Strom from Standard & Poor's is online with a question.

Joakim Strom – Standard & Poor's

I just have a question regarding your price competition. You state in the report that you have been seeing some enhanced competition within the private segment both in Denmark and Norway. The reports that we have been getting is that of more aggressive for example so what about us getting into the P&C insurance along with AIG for example?

Can you just give us a bit more flavour on price competition within the different segments including the corporate segments and also by geography please?

Morten Hübbe – TrygVesta, CFO

Good morning Joakim. Let me reply to your questions by saying that what we see is that there is and you can also see a more normalised development in the results in our private and commercial Norway.

If we look at the private segment in particular we have seen a tendency towards higher competition in the private segment in Norway and a tendency, which has put some slight pressure on the average premium development in private house and in motor for instance. But as you also may recall these are two areas where the earnings and the combined ratio have been unusually lower over a period and it is very much in line with our outlook that we've given throughout these past six months that we expected the claims ratio and the combined ratio in private and commercial Norway to increase slightly. Of course we have not seen yet the entrance of Storebrand into the non-life market in Norway. We will see at what speed that happens. We know for certain that it does take a substantial period of time to get up your distribution channels, to get up the administration function and get the entire operations up and running. Of course, Storebrand is helped by a strong brand in Norway but it will take some time to get that up and running for a full-blown distribution of the non-life business.

Otherwise, we see in Denmark very good stability in the pricing. We have seen that over a period of time now has been more aggressive in pricing but we also saw that during 2005. It has not changed the overall price of the market. It has not changed the overall tendency that we still see as stable to small slight increases in pricing due to the annual indexation.

As far as corporate is concerned, we've actually seen a stronger first quarter and a stronger renewal season in the beginning of this year than we did last year. You also see from the growth that we see in corporate a good development.

In Denmark of course the pricing as such is helped the Social Inflation Index in worker's compensation but overall we see stable pricing in the corporate segment in Denmark.

We see a slight tick up in compensation in the corporate segment in Norway and we do see that particularly the property segment in corporate Norway is one where we see some competition and we have lost some clients or customers in the corporate Norway segment. But for corporate as a total we believe that a 3.95 growth in corporate is very satisfactory compared to the reduction we saw last year.

Operator

Jesper Brydensholt from SEB Enskilda is online with a question.

Jesper Brydensholt – SEB Enskilda

Good morning and congratulations with a recently especially strong outlook.

I have a couple of questions, one related to the gross large claims of these DKK 323m and DKK 14m against DKK 400m for a full year. How much do you expect for a full year now in your 89% common ratio guidance? Is it still around DKK 400m or is it the first level of the first quarter plus DKK 100m additionally for the rest of the year? That is question number one.

Secondly, on runoffs when we hear that from the IPO time that is saying that you are likely 3% over to best practice when we look into your numbers in runoffs if you then look at the runoff before re-insurance to kind of compare the run rate in these underlying runoff gains or should we look at runoffs including the re-insurance? It is now DKK 69m; should we focus on the DKK 147m? Then lastly worker's compensation seems from the Norwegian statistics that you have increased your market shares somewhat above your overall 17.9% market share in the Norwegian business. Is that kind of a new tendency you see worker's comp being attractive or is it due to some technicalities that it is going up this much, thank you?

Morten Hübbe – TrygVesta, CFO

Good morning to you too Jesper. If we start with the large claims as you said first quarter DKK 342m before re-insurance. In our guidance for the full year we assume that the second, third and fourth quarter of this year will have a normal level, which means 100 million before re-insurance per quarter, which means that for the rest of the year we are expecting large claims of 300 million. That is simply a pro-rata calculation on our annual expectations so of course if that is the case then the full year's large claims will be a fairly substantial number but we see no reason to have different expectations for large claims for the remaining three quarters than we did when we started the year so that is the answer to your question number one.

As far as the runoff and the review of our claims re-service is concerned Tillinghast review was based on net numbers i.e. after re-insurance. To your question as to whether you should monitor the development in the gross runoff or the net runoff I would say that usually I pay most attention to the gross runoff because what you see is that there can be historical developments between underwriting years and business lines where the re-insurance contracts are substantially different from year to year, which means that if you tried to track only the net runoff then you need to understand how does that develop with these older different re-insurance contracts. I would say that sort of long-term it makes more sense to follow the gross runoff result i.e. before re-insurance.

As far as the market share and worker's comp is concerned I believe that you're referring to the Norwegian statistics on this. What you need to monitor on that is that if you look at the number of worker's comp insured people i.e. employees in companies that have worker's comp insurance then the number of insured people in worker's comp in Norway by these official statistics is all of a sudden falling, which would indicate and I do not like to speculate but it would indicate that maybe some of the worker's comp insurances are now being taken outside Norway to providers that are not part of this official statistic. We see that we have kept our guidelines that we do not underwrite worker's comp as stand-alone business line. It needs to be part of the full-scale corporate customer relationship typically with property and liability as well. But we also of course stick to having a good pricing and a pricing that reflects the high risk in worker's comp, which also means that from time to time our market share can be affected by our relative high pricing in worker's comp. But I think you need to keep in mind this effect that part of the worker's comp insurance seems to be going out of the Norwegian market and therefore out of the statistics.

Jesper Brydensholt – SEB Enskilda

I have an additional question relating to the pricing issue. One is when you changed the strategy in Norway mid last year. Is that having a full impact or have you seen the full impact of that translation of pricing strategy into the numbers so there should be no effects going forward from this structural change?

Relating to this and the price competition that was mentioned earlier on, are we starting to see that the price has just been coming down on much of your products and the base kind of clients so we are actually seeing a deteriorating climate from here on and we have just seen the start of it?

Morten Hübbe – TrygVesta, CFO

What we see, turning to your first question, we introduced our removal of introductory discounts the 1st of May last year, which means that we are, at least if we include April, very close to having a full circle of one year, which means that the largest proportion, by far the largest proportion, not 100% but I would say 80% or so at least of the effects we have seen by now.

But of course it takes a while for our sales staff in Norway to get used to selling on other parameters than price and getting used to not having this introductory discount when you sell. But we do see that it has improved our customer loyalty. It has improved our customer retention in 2005. If we adjust for short-term renewal in 2006 we also see a slight improvement in our customer retention so it is a matter of changing the sales methodology in our Norwegian private and commercial staff and as we have said all along that makes sense because we therefore get customers that stay with us for a longer period of time. It makes sense because they are more loyal, they have better results and we spend less money trying to attract new customers. But of course it takes some time and it also affects the growth short-term.

As far as your question about pricing is concerned what we see is if we take private housing in Norway over the past four years claims frequency in private housing in Norway has fallen by more than 20% now and at the same time there has been substantial price increases over that period. We have also seen a substantial fall in claims frequency in motor. What we see is not a cross the board reduction in pricing. What we see is that as you recall our combined ratio of private and commercial last year was 83% and that is extremely low and also as we mentioned at that point in time unsustainably low. What we see is that there is a tendency to putting more value into the concepts used by various companies and also by rewarding the most loyal customers and the customers with many products so it is a more I would say intelligent re-evaluation of the better of your customers how do you treat them and also a reflection of the unusually low claims costs for motor and private houses in Norway.

So no we don't see any trend that it is across the board and we don't see any trend that it is getting to prices that we do not see as attractive, not at all.

Operator

Jan Wolter from Nordea is online with a question.

Jan Wolter – Nordea

I have a couple of questions; first a clarification maybe. It seems like you raised your assumption on bond yield for the remainder of the year. I am just wondering it says 3% in the report or 3.7% for the remaining nine months of 2006. Do we interpret that as 3.7% as an annual rate or 3.7% for nine months? That is number one.

Question number two is regarding the competitive situation in Norway again. What actions should we expect from you given that is now is out there competing for the business again?

The third question is what is the claims ratio in workman's compensation now Norway and Denmark? I can see in the report that you say that you're satisfied with them; thanks a lot.

Ole Søeberg – TrygVesta, IRO

I will take number one and then Morten the two other questions. The bond yield assumption for the remainder of the year 3.7% is the annualised figure and when we release the full-year guidance with the full-year 2005 of course the equivalent number was 2.6% so it reflects the increase in rates we've seen since the beginning of the year.

Morten Hübbe – TrygVesta, CFO

Reflecting on your second question what actions will we take in Norway; first of all, the actions we would take are very much related to our brand position and our competitive position.

What we see is that over a period of many years there have not been enough investments done into putting value into the Vesta brand, which means that we have a very unique brand position in Denmark whereas in Norway we need to work more on that.

At the same time we see that we have very positive elements such as having been ranked just recently as the best company in Norway when it comes to claims handling and claims handling satisfaction amongst customers. So what you will see this spring and during 2006 is that we will come to the market with a more unified and uniform branding approach, approaching the market with various campaigns where we talk about the value that we put into the brand and also that we have a number of activities where we approach the most attractive of our customers.

Perhaps we will re-evaluate, for instance, when you bundle many products with us at the same time then how do we reward that? What is the element of added services that we put into our concept and our best customers and how do we attract the best customers also? What we see is that the customers that take all of their products and put them together in our company they stay with us for a longer period of time. They are more loyal. They have lower claims ratios and we have lower cost ratios associated with them. It will be a continuation really of what we've done in 2005 to attract the right customers not using price as the main driver for attracting these but rather spending a lot of time, resources and focus to convince customers and continuously remind customers that the value they get from our concepts are such that they should stay with us. We do see that that is the right way forward. Of course in monitoring how does the entrance into the market absorb on, how do they behave, how do they react, what is the strategy?

But when you look at the Norwegian market you see for instance that Gjensidige has been very good at putting value into their brand and therefore also Gjensidige has a very high customer loyalty. That is the position we see that we have in the Danish market and we will continuously work on achieving the same position in the Norwegian market because long-term that is the right solution.

As far as the worker's comp claims ratio is concerned we only publish claims ratio results by line of business on an annual basis and not on a quarterly basis. But what I can say is that of course the DKK 50m increase in historical claims reserves that we've had to do due to this new court award in Denmark of course means that the claims ratio for worker's comp in the first quarter in Denmark is not satisfactory. But the underlying development in the claims ratio is now the same as last year in Denmark close to being at a satisfactory level, very close to being there. But there is still not room for these rather large court awards and changes to reserves like the DKK 50m in the first quarter.

In the first quarter in Norway we have had no new court awards or no new changes, which means that we see a good development and a good level of claims ratios in worker's comp. But I don't think I should give you the numbers on that because that is not usually published other than annually.

Operator

Anders Hornbak from Carnegie Bank is online with a question.

Anders Hornbak – Carnegie Bank

First of all, could you share with us…on a normal year you forecast weather claims of 210 per year. What have you included in your guidance as we didn't have a storm in the first quarter?

Secondly, the indications that the tax rate is 24%; would that be entirely related to the high investment return for this year so going forward we should expect the 25% tax rate into 2007 and 2008 or do we have any changes there?

Morten Hübbe – TrygVesta, CFO

And good morning to you too Anders. In the guidance for the remainder of the year we've done very much the same as we've done on the large claims, which means that we assume approximately DKK 100m in the first quarter and approximately DKK 100m in the fourth quarter, which is typically where this effect is shown so we are simply assuming the same thing for the remainder of the year as we assumed for the full year.

But of course the first quarter has benefited from the lack of a storm so to speak. Had we had a storm in the first quarter or rather the absence of a storm helped the combined ratio by 2.5 percentage points in the first quarter so we are assuming approximately 100 million for the remainder of the year, which in effect means the fourth quarter. As far as your second question is concerned the tax rate; as you may recall, up to and including last year we used a tax rate of 28%. We now have a tax position, which allows equity returns to be tax exempt if we hold them more than three years. That was the reason for in our previous announcement 25% tax rate for the outlook. The adjustment now to 24% is only related to the higher capital gains on equity this year and moving on from here you should expect still the 25% as we mentioned previously.

Operator

Gianandrea Roberti from Danske Bank is on the line with a question.

Gianandrea Roberti – Danske Bank

Good morning; I have three questions actually. The first one regarding the motor claims frequency in Denmark; we were all told that after the reform last year things should go down quite a bit. I think now it is ten months down the line and I think in one of the slides you show a little bit of a hike there so please give us some comment.

The second question is on the expense ratio, which is down 0.6% in the first quarter. If I remember correctly you said that you were targeting some two to three percentage points in the medium-term if you can give us an update there.

Then the final one is on the IT system. I see that you have implemented two new IT systems and you are saying this basically should help your earnings in the future if you can give us a clue of what is exactly there, thanks.

Morten Hübbe – TrygVesta, CFO

Good morning to you too Gianandrea. If we look at the motor claims frequency we clearly expected or could have expected that the introduction of the new driver's license system in Denmark and the punishment there would help the frequency on motor claims.

What we see is not unnatural that the first quarter of this year Denmark has had very substantially larger number of days with snow than last year, which means that that naturally brings up the claims frequency in motor. Actually, we were slightly surprised that the claims frequency in motor was not higher than it was in the first quarter when the winter was as strong as it was. I think you may actually see still an underlying development where the introduction of this new driver's license is actually underlying the increase due to the more white winter in the first quarter in Denmark that underlying there is a positive development from the new driver's license.

But I think we need to see some more quarters with a more stable development in the weather to see the long-term effect of that. I still think that intuitively it makes sense longer-term that this should have a slight positive effect.

As far as your second question is concerned; yes, the expense ratio is down 0.6 percentage points compared to last year from 17.8 to 17.2, which we see as very satisfactory.

We see still that long-term we would want to take the cost ratio further down. Traditionally the first quarter is always the quarter with the highest cost ratio, which to some extent is linked to the fact that our franchising distribution in Norway is paid through commissions and there is a higher proportion of those commissions in the first quarter.

Long-term we still see that we would like to bring our cost ratio even below 15% but we have not put a timing to that. But I could add that our previous strategy period was running from 2004 to 2006 and we are working out our strategy for the next period 2007 to 2010, which is also where we get a lot closer to exactly which projects are we carrying out over those three years that will positively affect our cost ratio. But we're confident that we will continuously drive the cost ratio further down as we've done in this quarter and as we've done over the past couple of years and getting below 15% we do believe should be achievable although we cannot yet put a timing on that.

Your last question about the two new IT systems; we've implemented a common Nordic SAP finance system and I think all that have tried that know that that is not without obstacles. It takes some time and some effort at the same time as listing the company was also quite a challenge. But it's now there, which means that we have one platform, not a similar platform to Denmark and Norway but exactly one platform, which means that a lot of our financial information is now a lot more reachable, easily accessible and doing a lot of our financial functions is now becoming easier, which means that we are able to reduce the number of IT or the number of employees that work with the financial functions.

We are also able to shift some of the employees from accounting, consolidation etc. into business controlling that is more beneficial to the long-term results of our business so both a cost reduction and a better use of resources. The second IT system that we've done; we've done a new IT system for our bonding business.

Also, we've actually now introduced that our sales staff in Norway have a better IT system when they sit in front of the customers. The first one in bonding allows us to be more efficient and do more self-service from the customer site on the Internet where we've done a lot of work that we can reuse in other parts of the organisation with a lot of cost efficiency in there. Of course it's a help for the sales staff in Norway that they now have a better system that they can use when they quote in front of the customers in a sales situation, which will long-term both help sales and also help the cost of carrying out that sale.

Operator

Matti Ahokas from Handelsbanken is online with a question.

Matti Ahokas – Handelsbanken

Good morning, Matti Ahokas from Handelsbanken and Capital Markets. Most of my questions have been answered but one issue was regarding the claims frequency in motor Norway.

If I heard you correctly, you said that it was below normal and this doesn't seem to be the case in the market. Can you shed some light on this issue? I understand the motor claims frequency was pretty high in the market overall in Norway.

Morten Hübbe – TrygVesta, CFO

Good morning to you too Matti. Well actually, I very much share your opinion that there have been periods with more than normal heavy winter weather in Norway. If you have been in the Oslo area it's clear that in March, April, to some extent February there has been a lot more snow than normal, which has affected negatively the claims frequency for motor in the Oslo area.

But if you look at our geographical spread in Norway, it is quite clear that our market share is the strongest in the Bergen area and in the north-western parts of Norway whereas in the eastern part and around Oslo our market share is relatively lower. There is quite a significant difference in our market share in the various regions of Norway, which simply means that the regions of Norway that have been unusually high on the winter and snow side, Oslo in the east, that is where we are relatively less exposed and that is why we believe that our claims frequency for motor is continuing down in Norway in the first quarter.

But we were slightly surprised. It's a continuation of the tendency that we've seen both in 2004 and 2005 and as I said different geographical spread than some of our competitors I believe is the main explanation.

Operator

Anders Hornbak from Carnegie Bank is online with a question.

Anders Hornbak – Carnegie Bank

Just a follow-up question on the run of gains that you had, this 69 million in the first quarter and you're stating that you don't expect any more runoff gains for the rest of the year. Is that just an indication of what you have in your guidance or would it be unrealistic to look for further runoff gains, thank you?

Morten Hübbe – TrygVesta, CFO

Yes, we are saying that we have a DKK 69m runoff gain for the first quarter and it is always in our guidance that we expect a runoff gain of zero. Jesper mentioned that Tillinghast reviewed our reserves in the autumn and said they were 3% above their best estimate and since then as you may recall we increased our reserve for claims handling on top of this assessment, which means that all other things equal we're probably closer to 4.5% or so.

Then of course that gives a higher likelihood of runoff gains in most years. When you try to calculate that you should always recall that there's a duration element. The duration is not one year but slightly above two years. But it's clear that this situation gives us a higher likelihood of runoff gains in most quarters and therefore also a higher likelihood of runoff gains in the remaining quarters of this year.

But we cannot predict when we have adverse developments in quarter what etc. and that is why we do not in our guidance include positive runoff gains but the likelihood as we see it is unchanged.

Operator

Per Grønborg from ABN AMRO is online with a question.

Per Grønborg – ABN AMRO

Good morning. I actually have two questions. The first one is probably pretty simple. The large claims in the first quarter, the 342; can you give us an indication of how much of that is in the Norwegian business and how much of that is in the Danish business?

My second question is related to your guidance on the return on your bonds. It looks like you have hiked your normalised return by possibly one percentage point. To me it looks like now you are moving much closer to the actual market rates where you previously were significantly more conservative than what the market would yield if we saw that curve going forward. If you can comment on that and whether we should see you becoming even more aggressive on this tendency going forward.

Morten Hübbe - TrygVesta, CFO

Good morning to you Per. The large claims; there is only a very small proportion of this in Norway. I believe that it is around DKK 30m or DKK 40m or so that is in Norway. The remaining part of the large claims is in Denmark.

There are particularly three large claims that are a substantial proportion of the total amount and that is, as you know, always the case with large claims. We define large claims as claims above DKK 10m and typically when they are above DKK 10m they are property claims and when they are large property claims it's not unusual for them to be DKK 100m or even more so three very large claims and only a couple of smaller large claims in Norway, some DKK 30m to DKK 40m.

As far as your second question is concerned, the bond rate we used for the full-year guidance of 2.6 was actually closer to the running yield that you saw in the autumn when we did our expectations for the full year. So the adjustment is to some extent a reflection of the increase that we've seen this year. But also to some extent a reflection of the increase we've seen in the latest months of 2005. We do see the duration of around two years that we have and the running yields that we currently see in the market 3.7% is a reasonable but also as you said closer to market or very close to market running yield.

What we have tried to do in our guidance is that we are always very specific when we say what returns do we assume on equity and on bonds because as you all know the investment market is obviously an area where the likelihood of predicting exactly what happens is not very good as all of you know and we do not pretend to be better at predicting that than the rest of the market. So rather we choose to be very specific in telling you how we assume our guidance in returns on equity and on bonds and therefore you'll be able to monitor yourself if bond rates or equity markets perform substantially different from that.

Per Grønborg – ABN AMRO

This also means that going forward we should expect that your guidance was based on the current market rate than what we saw at the end last year.

Morten Hübbe – TrygVesta, CFO

Yes; that's right.

Operator

Eva Olsson from Deutsche Bank is online with a question.

Eva Olsson – Deutsche Bank

Actually, all my questions have been answered at this point.

Morten Hübbe – TrygVesta, CFO

Good morning to you anyway; glad that you had your questions answered. Do we have a final question?

Operator

If there are any more questions please press star and one on your touch-tone phone.

Ole Søeberg – TrygVesta, IRO

If it's not the case, then Lars and I will be on the phone numbers you can find on TrygVesta.com.

Morten Hübbe – TrygVesta, CFO

Otherwise we thank you very much for participating in this call and we hope that you've gotten answers to most of your questions. Otherwise as Ole said, Lars and Ole are ready to receive any subsequent questions that you may have. I wish all of you a good day.