Tryg – Q1 2016 results

Audio cast and Q&A 12 April 2016

Transcript

Presentation

Gianandrea Roberti, IR Officer

Good morning everybody. This is Gianandrea Roberti. I am head of investor relations at Tryg. We published our results earlier on this morning, the first quarter results and I have here with me CEO Morten Hübbe and CFO Tor Lønnum. So after a few words over to you, Morten.

Morten Hübbe, CEO

Thank you, Gian. And we turn to slide no. 3 where we report a satisfactory result clearly impacted by a low investment return. We see an improved technical result which is up some 30% Y/Y. But bear in mind that is clearly positively impacted by a low level of weather claims, a low level of large claims and high run-offs and we do see underlying a higher claims level, particularly in travel and property, which is a continuation of the challenges we saw in those areas in 2015. The premium is in line the first quarter last year. We see a positive trend that our largest segment Private has a positive top line development of some 0.8% in both Denmark and Norway. We have a strong solvency position at 212% or 199% if we adjust for the Skandia child insurance portfolio which we expect to enter our portfolio in the third quarter this year.

On slide no. 4, we show that the Net Promoter Score has improve has improved to 21 from 16 Y/Y, which is slightly lower than 22 at year-end, but in general we should expect some volatility in this KPI. Customers with three or more products is slightly higher at 56.8 against 56.5 Y/Y. The increase is positive because there is a strong correlation between the number of products per customer and retention rate and particularly in Private lines Denmark we see an increase or positive trend in 3+ customers and we also see the highest retention rate in four years in Q1. At the group level, we see a retention rate of 88.1, which is unchanged from the first quarter last year, but split between a positive development, particularly in Private lines Denmark and then a negative development in Commercial.

And over to you, Tor.

Tor Magne Lønnum, CFO

Thank you Morten. Good morning everyone. I suggest that we move to slide no. 6 with the headline Efficiency programme. So the Efficiency programme continued to make progress according to plan. We have quarterly savings of 45 million where 15 million is related to cost and 30 million related to claims. If we look at the initiatives that have yielded the savings we will in particular highlight the outsourcing initiatives related to accounting, also in the IT Department. We have tightened the routines around recourse payments in Claims and they have also introduced a new process related to damaged cars.

If we move to slide no. 7 and look in more detail at the expense ratio we see that the cost ratio has been reduced to 15.1% this quarter, which is down 0.5 percentage points from the same quarter last year and keep in mind that the Q1 cost ratio tends to be slightly elevated compared to the other quarters of the year. In terms of key parameters, you see that the nominal expenses are down and also that the FTEs continue to decline and at the end of Q1 we are at 3,333 FTEs so continuous decline as I said.

Moving to slide no. 9 there is a drop in top line based on fixed currencies, 0.5%. You have all seen that the nominal drop is significantly higher but that is of course due to the drop in the Norwegian krone, the weakening of the Norwegian krone. Premium growth of 0.8% in Private lines compared with 0.3% last year despite declining average price in Motor we think we think is actually okay. The Commercial and Corporate are impacted by the Norwegian economy. You have seen in the comments that we have lost a couple of Corporate customers, which of course impacts in particular the top line in Corporate.

In terms of expectations going forward, you will all remember that we said that we have

0-2% premium growth guidance for the full year 2016. We maintain that outlook but it probably will be in the lower part of the guidance so that is – important to notice – also mentioned in the report.

If we move to slide no. 10, you can see that we have an improved technical result in all areas except Sweden. As Morten already mentioned there is significantly lower impact of large and weather related claims this quarter and it is combined with somewhat higher run-off, which is something that I will address a little later.

If we look at slide no. 11, you can see that the average prices in Denmark continued to decline somewhat for both Motor and House. However, at all lower level than what you saw in Q4, so slightly improved in that sense. Average prices in Norway are somewhat higher for both products. Increasing trend in Motor, slightly decreasing trend in House.

We do expect to see improved development in both countries going forward as the price increases will start to flow into the numbers. And I think it is fair to say that if you look at one of the slides that Morten commented on initially you will see that we are in the process of converting house products in Norway and also here in Denmark and in particular that conversion will have a significant impact in terms of the pricing for the House products so albeit a continued decline in average prices we do think that that trend will turn later in the year. And then you can see on the slide also that we have new information on the slide about average prices and that is thanks to Gian who thought would enlighten you even further so at least it should give you a quick view on where we are in terms of average pricing.

If we move on to slide no. 12, you can see that we have a very good development in Private Denmark, actually reaching 90 in the retention level, which is very good. Keep in mind that that may be somewhat impacted going forward due to some of the price increases that we are.. on the conversions that I mentioned, which is going on in the Danish portfolio. On the other hand, you also know that there is a bonus distribution which will take place on 1 June this year so that should mitigate some of the effects. We have a stable retention development in Norway for both customer segments and then as you can see we have a fall in Commercial Denmark, which is primarily due to price increases introduced in the portfolio.

If we move to slide no. 14, you can see that the underlying claims ratio actually increased by 2%, 2.1% overall. However, I would really highlight the fact that we do see a deterioration in the underlying for private with 0.9% and if you look at Q4 2015 that was at the same level so the underlying deterioration is stable and as I have already highlighted based on the measures introduced in the portfolio we do expect to see a gradual improvement in numbers from Q3 onwards. It will probably have limited effect in Q2 but that as I say from Q3 and onwards we should see an improvement.

And I will just repeat what we said after Q4 that there is about 3% price increase across the portfolio.

If we move to slide no. 15, you can see again here we have a very low impact from large claims and weather related claims and it is actually a total reduction of more than DKK 200m on the technical result. Run-offs slightly higher at 8.6% but keep in mind that that is driven by the change in discount curve and the fact that we have made reservations for that change. Also bear in mind that the running discount rate is significantly lower and of course will have some impact on Q2 earnings.

If we move to slide no. 17 and look at the investment profit, there was an overall investment return of DKK 17m. It has been a very volatile quarter as I am sure you are all aware of. Equities are slightly lower. We have had a slightly lower exposure in equities at the beginning of the year, which of course has been favourable. As you can see from the slide, we have a very low exposure to energy at 7%. You can also see that bonds perform slightly better than benchmark and equities also slightly better than benchmark albeit negative. Emerging market debt and high yields slightly weaker than benchmark.

If we move to slide no. 18 and talk a bit more about the capital position as Morten mentioned initially we have a solvency ratio at 212% - 199% after the acquisition of Skandia's child insurance, which is actually very strong. You see that it is significantly impacted by the deferred tax asset, which has lowered the SCR requirement. You can also see that our own funds have increased due to the inclusion of future profits and Q1 profits and that is the main drivers.

If you go slide no. 19, you can see that we have finally received confirmation about the Natural Perils Pool in Norway, which of course is very positive. We highlighted in Q4 that FSA has stated a 125% minimum threshold for the solvency ratio, which of course we are well above. You have noted that FSA approved the 2016 buyback but also stated that the buyback will have to be deducted in full at the date of the approval, which will have an impact on the solvency margin in Q2. But keep in mind that we are on route to issuing new subordinated debt of about DKK 800m in Q2 and all other things being equal that should more or less mitigate the effect from the buyback deduction.

If you move to slide no. 20, I will try to show the solvency ratio sensitivities. As you can see it is very low, albeit the spread risk is the most important. But I would just say that the risk related to the investment portfolio is very low and that is really what we are trying to demonstrate in this slide.

And with that I think I will leave it back to you, Morten.

Morten Hübbe, CEO
Thank you, Tor. On slide 21, we show a headline that we call Growth products and I think it is extremely important to bear in mind that growth is not a priority for us as a company but we thought that since Motor insurance will gradually become a slightly smaller business it is important for us and for you to be able to see which products and areas gradually take over and we will try to make that more transparent for you in the process. On this slide, we focus on extended warranty insurance for electronics, pet insurance and child insurance and in these three areas we have examples of focusing on organic growth and also the acquired businesses basically to broaden the number of products per customer because we know that will enhance the customer lifetime, the customer lifetime value and through that gradually begin to substitute a slightly smaller Motor book with both these product and additional new products.

On slide 22, we reiterate our financial targets for 2017. An ROE ≥ 21%. A combined ratio ≤ 87% and an expense ratio ≤ 14%. Clearly, it is extremely important that we have initiated price adjustments as Tor mentioned of 3% this year with a distinct focus on travel and property where the increases are higher. Clearly, it takes some time before they are fully implemented. We will start to see the impact towards the autumn of this and also full impact next year but clearly making sure that we turn the trend of improving pricing at a higher level than underlying claims inflation. As Tor mentioned, we still expect top line growth in the lower end of the range - 0-2% - mainly based on the pricing initiatives we just talked about but also the inclusion of Skandia expected from the third quarter will impact that number.

Gradually we will start to see some impact from the membership bonus scheme which will be paid out in June – 8% of last year's premium but expectedly it will take a while before we see the full impact from that.

And then finally on slide 23, our new favourite quote on dividends. Clearly payout is extremely important for our business model. It is very important that we show robust earnings capability also in a quarter where investment markets are extremely volatile. It is extremely important that we make sure that the price adjustments we make this year are large enough to more than offset inflation, that we continue our efficiency measures and then our strong solvency ratio together subordinated debt issuance gives us a strong ability to continue a strong development in our payouts. I think with that we will turn it over to your question.

Questions and answers

Jakob Brink – ABG
Yeah, hi, it is Jakob from ABG. Thanks for taking the questions. I have three questions, please. The first one is about Norwegian growth. I know you already touched briefly upon it but it looks like in also local currency it has been quite a negative development Y/Y. I think after Q4, Morten, you stated that you believed the Norwegian market would see positive growth in 2016. Is that still the case or have you seen any material change? Then the second question is regarding run-off gains. I think typically or historically there has been a fairly high correlation between high large claims and your run-off gains. This quarter you have fairly low large claims but very high run-off gains. Have you seen any change or could you please just confirm that you are actually now reserving for 3% or best estimate + 7% as you used to do. Or 3% run-off gains over time or have you

actually increased your buffer so that we should see high run-off gains over time? At least, I am a bit surprised about the quite high level and then finally I think, Tor, you said you had some details about what we should think about the Private and in Private underlying claims ratio in Denmark and Norway – I am not quite sure I understood what the point was. That was those three questions please.

Morten Hübbe, CEO

I think if I start with the first question you can continue, Tor. You are right, Jakob, that for the market as such we expect positive top line development for Norway but what we are seeing is that particularly the Corporate and Commercial segment in Norway is under more pressure. We have seen one of our largest corporate customers in Norway go bankrupt, which has impacted our numbers and we have seen a couple of large accounts leave our books where clearly that is a matter of more pressure on macro and our clear view that for us top line is not a priority in Corporate and we would rather live with a slightly smaller top line and then have a positive development in the bottom line. When it comes to Commercial business in Norway our sales are currently a bit too weak and to be honest the retention level is a bit too weak as well and I would argue that if we look across the mature businesses in Denmark and Norway Commercial lines Norway is where we are the least professional and where we will need to improve the most. We have replaced our head of Commercial during this winter and we have moved a number of our stronger managers from Corporate and Private to Commercial Norway to strengthen our team but I think it will take a couple of years before Commercial Norway is where it ought to be.

Tor Magne Lønnum, CFO

Yes, just to the – it is all right I will just supplement Morten on what was said in Q4 Jakob, and I think it is fair to say that Morten's comment was really related to the Private segment where we still expect to see somewhat positive development. I think we also said very clearly that for.. the Norwegian top line was clearly the area where we had the lowest visibility going forward and where we were relatively uncertain as to how it would develop so I would argue that at least to a certain extent this is what we are expecting – what we are seeing is in line with the comments we made.

Now in terms of the run-off gains that you highlighted. Yes you should – you are right that Q1 is at an elevated level and we will try to formulate it relatively subtle I would say in the report but the point is that in 2012 there was a change, we had a forced change in the discount curve and that had a positive impact in terms of the investment income. Now in order to – we always knew that that would be reversed at some point in time and we have seen that it has been reversed here in Q1 2016 and that we made additional reservation and that is really let us call it a one-off effect related to run-off releases this quarter so to your question we feel that our reserves are very strong and nothing has changed in that sense. The reserving practice is still aiming for the 2.5-3 % run-rate over time but as you know we have said that it will be at an elevated level at least until the end of 2017 and that still stands. There is an extraordinary element here in Q1 which will not be then repeated.

Now in terms of the underlying claims, and I am sorry if I wasn't making any sense in terms of the statements I made. What I was trying to say is that yes there is an underlying deterioration of 2.1 % if you look at the overall numbers but keep in mind that typically the underlying will be a bit more volatile when it comes to Corporate and Commercial lines and so we think that it is really important to focus on the underlying in terms of the Private lines and you can see in Private lines that there is a deterioration of 0.9 %, which is more or less similar to what you saw in Q4 and my point was simply that based on the price increases that we have highlighted a couple of times and based on when they will start to have effects in the numbers you should see an improvement from Q3 and onwards. I don't – please just correct me, Jakob, if it is not precise enough in terms of the question.

Jakob Brink – ABG

That was good thank you but just a follow-up on that I mean so basically what you are saying is that in Q2 this year we should most likely be seeing less than 90 basis point increase here Y/Y and then you say positive in Q3 and onwards.

Tor Magne Lønnum, CFO

I think we are likely to see continued deterioration in Q2 but you know the exact estimate is really difficult to give you.

Asbjørn Mørk – Carnegie

Yes, good morning, Asbjørn from Carnegie here. I have two questions, the first relating to your cost ratio. If we look at your acquisition costs they are down 7 % Y/Y. It seems to be explaining around 0.9 % on the cost ratio – of course lower sales would benefit you there. I just think in looking ahead it seems like, Morten, you were mentioning that you were scaling up in Norway and that retention is not what it ought to be so is there any future headwinds from the acquisition cost and therefore should we see a deterioration on the cost ratio from that? That was my first question of course relating to the 14 % or below cost ratio target that you have. The second thing, on your capital side. The Solvency II ratio of 199% and then of course you are going to deduct the buyback and include the tier2 capital so you are going to be maybe slightly below the that in Q2. How should we look at this? I know you do not want to give us an exact number but you used to be at around 150% and of course now you are including future profits and some tax assets so if we do the like for like comparison here is that something that you take into consideration when you are looking at your capital ratio that maybe it is a little bit more – what should we call it? – fluffy money now than it used to be? Thank you.

Morten Hübbe, CEO

If I take your first question, Asbjørn, what we see on the distribution side is that in our main areas in Private and Commercial total sales are actually slightly higher than last year but what we do see is a potential to work with the efficiency of our distribution model. If you look at the past three years clearly the number one driver of cost reduction has been the staff areas, number two has been claims and distribution and the business has really been a distant third so in our view when we look at the coming years we should continue to focus on staff and particularly claims but also we see much more potential in working with the efficiency of our distribution so we don't expect headwinds from distribution. Rather we see potential in that area.

Tor Magne Lønnum, CFO

And just to supplement Morten on that there is absolutely no changes in terms of the below 14% target so in our mind Q1 is a step in the right direction. And then to – good morning – just in terms of the capital question I think it is really difficult to elaborate on that question. I think if you go back to Q4 there was a lot of tension I would say related to whether or not it would be a buyback programme for 2016 and what we have clearly demonstrated is that even with the buyback programme in 2016 and even with the significant and as you know stable dividend the capital situation is actually very strong and I would argue that we feel that our capital position is comfortable. Clearly you are right in the sense that there is slightly more volatility related to some of the elements that have been included both in terms of own funds and what has been deducted in terms of the SCR but I mean that is also taken into consideration when the FSA has stated the 1.25% target so I think I will just leave it with the statement that we are in a very comfortable capital position.

Christian Hede – Nordea

Yeah, hi. This is Christian from Nordea in Copenhagen. I only have two more questions and I guess it is more less like one question. I was wondering if you could give us more information about the price increases and how you think about that and I guess in Denmark for example are you going to combine it in any way with the bonus payment from TryghedsGruppen so that it is easier to so to speak swallow for clients and then how do you see the situation in Norway and also on the bonus scheme are you going to do any advertising campaigns? I think you mentioned that before. Is that going to be just in the coming week just before the payout or how do you see that? Thank you.

Morten Hübbe, CEO

Well, good morning to you as well, Christian. Clearly what we see with the price increases is first of all two different areas. Clearly travel has its own category with increases that are very substantial, which is also required and I think everyone in the industry has the same challenge. When it comes to most of the other areas the price increases are smaller than in travel. What we generally do is that we combine it with conversion of our existing products to our new products. And in many ways we see a slight price adjustment in that process but also we offer new add-on coverage to customers, which has a positive impact both on top line but also on our margin and in most areas we see a very strong reception from our customers to accept these new add-on coverage and to pay the slight price adjustments so both pull in the right direction as we see it and then of course as you mention that we are now communicating the bonus of 8% of last year's premium of course helps the total equation and the total attractiveness of our offering.

When it comes to advertising, we actually tested a few months ago that 85% of our Danish customers did not know that a bonus was coming and we are starting here in April continuing in May and June to advertise significantly that the bonus scheme is starting and we expect the more than 80% to drop significantly and we expect customers to take this positively. Expectation would be that the Corporate and Commercial market reacts more rapidly than the Private market but generally we expect a positive reaction.

When it comes to Norway, we see that our ability to carry out price increases is good. There is still an acceptance in the Norwegian market that inflation is fairly high compared to the rest of Europe and therefore the price increases can be carried out but we do see that in the Commercial segment and in the Corporate segment the negative development macrowise is pushing people to lay off staff, have less lorries to insure and to be tougher on pushing and negotiating on pricing so that is a slight negative on the Norwegian development but we are able to carry out price increases as planned.

Christian Hede – Nordea

Thank you. Did I understand you correctly Morten that you are not going to combine the bonus and the price increase as such. It is not going to be one letter with two pages one saying here you get money and the second one saying now we take it again?

Morten Hübbe, CEO

They hit the market at roughly the same time, but of course they are different communication tasks but I think all in all the fact that they hit the market at the same time gives a – I think the reception we are looking for but I think it is also fair to say particularly in Private lines Denmark that even before the bonus communication the acceptance rate of the price adjustments has been very high and you know we see the highest customer retention rate in Private lines Denmark for four years even including that we have started communicating price adjustments. So I think the core business model handles the price adjustments well and then the bonus payments can give some added positive reception, hopefully.

Tor Magne Lønnum, *CFO*

Can I, I would just make one more comment to Christian's question and that is you probably remember that we have given you updates in terms of what is happening with the Motor product in the new Motor product in Denmark and we actually continue to see a positive trend in terms of the average premium for the new Motor products as well so you know in addition to the price increases that Morten already mentioned we also see a positive on the new Motor product here in Denmark so that is really why we do – as I said earlier – we do think that we should be able to move into a better development for the underlying in Private going forward.

Christian Hede – Nordea

Thank you Tor, do you have any numbers on that? I think you mentioned at some point was it 6 % higher on average than old premiums – do you still have an update on that?

Tor Magne Lønnum, *CFO*

It is actually slightly higher now.

In-Yong Hwang – Goldman Sachs
Good morning. Thank you very much. So two questions from me. Firstly regarding the price increases, could you just give us a bit more detail about what is happening in the market? Are the competitors kind of responding by just following you as a market leader and increasing the prices as well or are they trying to win market share off you by going to stay put? And secondly on Sweden, the underlying claims ratio it has deteriorated quite a lot there. I think there was some problems to do with extended warranty insurance which I think you highlighted also – the gross area – so is that a market problem? And how big is this question in the Swedish portfolio? Can you just give a bit more detail about what is going on in that market, please? Thank you.

Morten Hübbe, *CEO*
Well I think, In-Yong, on the price increase question, it is probably a bit early to tell what the competitors are doing. I think, in Norway fairly clear that our competitors are generally following the same trend so I think that is working out as planned. I think in Denmark the companies are still to some extent considering how much they do on travel insurance but I think everyone has the same need. I think on the smaller products or on the small adjustments on the rest of the products we see some variation in the strategy between the companies but we have not seen enough variation to sort of impact our retention rate. So again, that plays out so far as expected but I think we need to move further into 2016 before we truly know the Danish competitors' response. When it comes to the underlying claims development in Sweden first of all bear in mind that it is still a very small portfolio so volatility is much higher but it is correct that in extended warranty we have seen that particularly the iPhone claims have been increasing and we have been working to replace the repair solutions and the solutions to replace phones and to do both at a lower cost. And both are needed to push the margin levels of extended warranty to where we expect them to be. And you know, every time there is a new iPhone version the temptation to get a new one tends to increase so we need to manage that quite forcefully to avoid higher claims but generally when we look across the board of the extended warranty the margins are very strong and we are very pleased with that.

Tor Magne Lønnum, *CFO*

Good morning, I will just supplement Morten slightly and if you look at – if you go back to the question about price increases what we do monitor of course on a monthly/weekly basis is the switching ratio between the various competitors and there is absolutely no challenge in that area at the moment, at least not if you look at the larger competitors. Also keep in mind that as Morten highlighted earlier when you look at the price increases introduced in the market, most of the price increases are at a relatively low percentage i.e. 2-4%, which is what the customer will perceive but then there is also, as Morten highlighted earlier, an additional product built into the conversion oriented renewals so the actual price increase on our hand will be significantly higher than what is perceived to be the price increase by the customer so we are actually relatively optimistic in that sense.

Vinit Malhotra – Mediobanca

Okay good morning. Thank you. Just sort of whether your gain on the underlying claims trend for somewhat stubborn than you had expected but I just wanted to check Morten, last quarter you had commented on this soft dynamics of how people don't really mind 2-4% as you mentioned, but they do mind 8%. Just my question is if this is the stubbornness of this 2% worsening of underlying claims. Is it causing you to change a bit the mix of the price increases between what you had thought at Q4 and what you are thinking about at Q1? Is there any change? I know the total level you still confirm 3% but is it any change? That is the first question.

The second question is just on the Solvency II progression. I notice as well obviously that the future profit is a bit higher than it was a few months last time you reported this data it was 600, it is now 750 but is this just an unwinding effect and I will even ask you I am just trying to square what obvious changes are sort of stuck at 2 % worsening and likely to be negative quarter even or maybe next quarter even just what drives this future profit to pick up? Thank you.

Morten Hübbe, *CEO*

And good morning to you as well Vinit. If I take the first question you are correct that there is an underlying negative on claims of 2% in the first quarter and as Tor said volatility from Corporate and Commercial and our main focus is really the underlying of 0.9 negative on the claims in Private lines. And you ask whether that leads us to change the mix of our pricing changes and the answer is no. You have to bear in mind that it takes 12 months for you to get to the renewal date of all customers and through that the price change and then it takes another 12 months to earn the actual higher price in terms of accounts. So the only thing you could argue is that ideally our reaction to that should have been faster during 2015 where we underestimated the inflation a bit and I think that is why in the fourth quarter we talked about the traditional challenge that the insurance industry gets behind the curve when inflation picks up because you do have this time lag. But actually when we look at the inflation and we look at the initiatives we have taken on pricing we are quite comfortable that that takes us to above claims inflation but we know that it takes a while to earn the premium and that is why we mention that we will be towards Q3, Q4 and into next year when we see the impacts of the higher pricing and we will still have some challenges from this question during Q2. But generally there is a good visibility that the initiatives we take are the right ones compared to the underlying inflation.

Morten Hübbe, *CEO*

And on Solvency II?

Tor Magne Lønnum, *CFO*

Yes – No, you are right, good morning Vinit. You are right, we did actually increase the inclusion of future profits slightly and I think, to make it simple, it is fair to say that we were a bit conservative in our first estimate so it is really the approach that, well, I would still say that we are in the conservative end but perhaps not as conservative as the first estimate so we have updated it slightly but feel very comfortable with the amount used. We are planning, as you know, the future profit is really a function of the premium reserves so it should, all other things being equal vary throughout the year but we have chosen to sort of stay at a flat level and as I say at a relatively conservative level so we feel very comfortable with that amount.

Vinit Malhotra – Mediobanca
Could you just comment please also on that miscellaneous figure there on that slide which is obviously a large item. It seems to be completely a division because a previous loss thinking reverses now to positive or what is happening there, if I could have a comment, please?

Tor Magne Lønum, CFO
Is the question related to the SCR or related to the Own funds?

Vinit Malhotra – Mediobanca
To the Own funds I think in that slide there is a number of 267 on slide no. 18 and in the comment it is mentioned that it is differences of goodwill valuation, also DPS on the Own funds just to be clear, not deferred tax that I required but is there anything to note there or is it just a model...

Tor Magne Lønum, CFO
No, it is just a model of data and I would say very minor changes so in my mind nothing to really discuss in that sense.

Vinit Malhotra – Mediobanca
Sure. Because higher profits and mix high miscellaneous is almost 500 million so it makes a little bit of a difference to… but that’s fine, alright. Thank you very much. Thank you.

Per Grønborg – Danske Markets
Yes good morning, it is Per from Danske, two remaining questions from my side. The first workers' compensation the big renewal at 1 January – how much of your negative growth is due to lower volumes in workers' compensation? Should we take that one first?

Morten Hübbe, CEO
I don't think we published any numbers on that but I think that we.

Per Grønborg – Danske Markets
That is why I am asking.

Morten Hübbe, CEO
Sorry that's why you're asking. Ha, ha. I think that the overall comment we can give, Per, is that we are not seeing any significant change in the trend in workers' compensation Denmark. We actually see that Corporate Denmark has a positive top line in Q1 and we have seen a sort of quite stable renewal season in January in Commercial and Corporate Denmark in Q1 so workers' compensation there, you know, it is not our favourite product. It is always a slight challenge, the capital requirement is high, etc. but no real change in Denmark. I would say in Norway we have seen some tougher competition on Personal lines including workers' compensation and bear in mind that Personal lines are a higher part of the total premium in Commercial and Corporate Norway. I don't think we put any numbers on how much the reduction is but in general workers' compensation is like 40% of Commercial and Corporate premium in Norway and competition has been tougher.

Per Grønborg – Danske Markets
Okay. My second question is basically only a clarification. You write on page 5 that the new discounting curve has impacted your capital position by 187 million – just to be sure, this had no P&L impact? Did it have any equity impact? Or was this solely something that happened in the solvency numbers?

Tor Magne Lønnum, CFO
It had in the solvency numbers.

Jonny Urwin – UBS
Hello, good morning. Thanks for taking my questions. Just two left. Firstly, sorry to return back to the pricing and claims inflation dynamic but I understand that net pricing takes some time to put through and then there is a lagged effect but I wondered if there was anything that you could do on the claims inflation so as to help your sales more quickly, I mean, I remember in our meeting after Q4 you guys mentioned that for example on home claims inflation there are enhanced processes and controls that you could put through which would help but not letting the plumbers assess and fix the damage themselves and just put in some sort of control around that. I wonder if there are any areas that you are exploring and if that could be of any help? And secondly on the sort of customer targets you have got your NPS target – you are largely there that the customers with over three products and the retention rates. I mean, on 2017 target levels there – these are looking a bit stretched now because we are not just seeing the momentum on the customers with over products or the retention rate and are you still confident that you can hit those targets given that so far we haven't seen the sort of translation from NPS to higher retentions and higher cross sales. Thanks.

Morten Hübbe, CEO
Well good morning to you as well and thanks for two good questions. I think you are completely right on the fact that we can improve the claims management and through that actually massage down the claims inflation faster than just waiting for the price increases and in the organisational change we have made on 1 January we have taken one of our strong people in Finance and moved to be head of Claims Denmark. We have also taken a more financial person from Products in Norway and moved him to becoming head of Claims and one of their major tasks is clearly to spot areas where we can improve our claims control measures. I think we have been very well developed in claims purchasing measures but clearly we can improve further in claims control

measures. One of them is the one you alluded to where already now we have employed the extra claims assessors on plumbing where we are starting to see the first early, early trends that the new, coming claims become less expensive than the old ones and that this new control measure is starting to have an impact. Bear in mind it is very early days so I don't want to sort of over-exaggerate that but clearly that is just one example. We have a large number of items on the list of improved control measures. We have increased the focus on fraud, which is starting to pay off and we have in a number of areas increased the focus on claims control. We will be happy to talk more about that during the next year or so because it is really something that we have started only this winter so it is still quite early days.

And when it comes to your 3+ question, I guess there is no doubt that the 3+ as such has increased more slowly than we had targeted. We are seeing now a stronger improvement in the Danish 3+ numbers and a stronger challenge with the Norwegian 3+ numbers that have actually deteriorated. We are currently working on various initiatives to push that number further upwards. We have no doubts that the current trend in Denmark is an increase but we also have no doubts that we need to push it higher to reach our 2017 numbers. When it comes to Norway, the challenge is that our Motor distribution through car dealers, we have too many customers in that segment that have only one part and we have just on 1 January integrated that business into the general Private lines business. We have replaced the manager and we have put in place a programme to cross sell to these customers because that is a requirement to get the general 3+ number in Norway high enough so as you can hear we have a lot of activities in that area and you are completely right that from a time line point of view we need to push those harder to reach the 2017 3+ targets.

Gianandrea Roberti, IR Officer
Yes, thanks a lot everybody for participating in the call today and thanks to Morten and Tor. I just would like to draw your attention to slide 24 of the investor presentation where you see all the upcoming road shows. We will be a bit quite around and also our Analyst Day on 16 June so hope to see you soon and if you have any questions just mail or call. Thanks.