Q1 2019 Sales and Revenue Call - Activity Report

Company Participants

- Gerald Harlin, Group Deputy Chief Executive Officer and Group Chief Financial Officer

Other Participants

- Andrew Crean, Analyst
- Andrew Sinclair, Analyst
- Farooq Hanif, Analyst
- James Shuck, Analyst
- Johnny Vo, Analyst
- Jon Hocking, Analyst
- Michael Huttner, Analyst
- Niccolo Dalla-Palma, Analyst
- Nick Holmes, Analyst
- Oliver Steel, Analyst
- Peter Eliot, Analyst
- Ralph Hebgen, Analyst

Presentation

Operator

Good morning, everybody and welcome to AXA's Conference Call on our activity indicators in the first three months of 2019. I'm pleased to welcome Gerald Harlin, Deputy CEO and Group CFO who will be taking you through the highlights of the release and we'll be very happy to take your questions afterwards. Gerald, I hand over to you.

Gerald Harlin {BIO 7424807 <GO>}

Thank you, Andrew. Hello and good morning to all. Thank you for joining this call. As you can see from yesterday's release, AXA delivered another strong performance for the first three months of 2019. Our total gross revenues grew by 3% at Group level. Importantly, we grew strongly again in each of our three preferred segments. P&C Commercial lines' revenues were up 6%. Health revenues plus 6%, and Protection APE plus 5%. Our balance sheet remains very strong with Solvency II ratio at 190%, well within our target range of 170% to 220%. You would have noticed a couple of weeks ago that Moody's changed its outlook from negative to stable. All three rating agencies now have us on AA minus equivalence -- equivalent with a stable outlook.

Let me now take you through detailed objectivity for each of our geography. In France, total gross revenues reduced by 2%, impacting notably by lower sales in Life & Savings business. It was a challenging quarter for Unit-Linked sales in France following adverse financial market conditions in Q4 2018. Our Unit-Linked APE was down 24%, in line with the overall French savings market. However, with improved market conditions, we would expect to see this recover. Our Eurocroissance product in France continues to sell well, contributing to a 12% growth in G/A savings capital light APE for the quarter. Overall in France, we grew in our preferred segments with P&C Commercial lines revenue up 1%, Health revenues up 7% and Protection APE up 9%.

In Europe now, total revenues grew by 2%, notably driven by a 4% growth in both P&C Commercial lines and in Health. All countries contributed positively to the growth in these lines. Life & Savings operations in Europe were impacted by our strategic decision undertaken in Swiss Group Life to shift from full-value insurance to semi-autonomous contracts, leading to a decrease of 5% in APE. Excluding Switzerland, APE in Europe increased by 7% following strong sales in Germany, Italy and Spain.

Moving to Asia now. Growth in the region was strong for the quarter with APE up 23%. Two major trends. First, our Asian current engines are performing well, with new business strongly up in both Japan, 22% -- plus 22% APE; and in Hong Kong, plus 14% APE due to successful protection products launched last year. We would expect some slowdown in Japan APE in the next quarters, due to changing regulation, which would impact one of our key products.

Second, our Asia High Potentials entity delivered a strong growth, mostly in China. As you know, we got some seasonality in term of new business growth, due to Chinese New Year sales. Even though the NBV margin for the single premium product is low, we also saw regular premium and protection products, which is very profitable and the overall NBV margin for China was 17% for the first quarter of '19. So promising result in Asia with an overall increase of 7% in New Business Value.

Let's move now to AXA XL. AXA XL recorded a strong quarter of selective growth with revenues increasing by 7%. Let's go through the details. Revenues in P&C Insurance grew by 16%, with higher volumes, particularly in North America as International Professional lines. This includes a large contract in North America Professional. Absent this contract, P&C Insurance revenues would have increased by 10%. We also grew by 4% in Specialty with high volumes and positive price effects in Political Risk and Energy, while we remain selective in Marine and London Wholesale.

Reinsurance revenues decreased by 2% with slower volumes in Property lines reflecting reduced Cat exposed business, partly offset by increased volumes in reinsurance Specialty lines. Price increases for the quarter at AXA XL were 3.3%. In Insurance of which, 4% at XL and 2.5% at ACS and 1.5% in Reinsurance. Pricing momentum is building across most lines. The signs are very encouraging on that front.

Moving briefly to the US now. AXA Equitable Holdings recorded good growth in the first three months of 2019 with an overall revenue growth of 5%. Life & Savings APE was up 3%

mostly from higher sales of ACS, our non-GMxB Variable Annuity products. We also continue to be very successful in our International businesses. Total revenues were up 6% with once again a strong focus on preferred segments. P&C Commercial lines increased by 7% mainly in Mexico, Brazil and Turkey. Health grew by 10% from positive volume and price effects in Mexico and increased sales in the Gulf. Lastly, AXA IM revenues were impacted by the adverse financial market condition in Q4 '18, which combined with less favorable business mix lead to a decrease of 7% in revenues.

Now moving on to our Solvency II ratio, which as I mentioned earlier was at 190%. This is well within our target range of 170% to 220%. The change versus December 31 was driven by a number of different factors, which impacted this quarter. I'll start with the negative impacts. Minus 3 points on unfavorable market conditions, mostly lower interest rates, minus 3 points from EIOPA changes on both Ultimate Forward Rate and reference portfolio weights. Minus 3 points on the effect of transitioning XL entities from the Bermudian equivalence to the Solvency II standard formula. Then the positives, plus 2 points of strong operating return, net of accrued dividend for the quarter. Plus 2 points on our latest sell-down of AXA Equitable Holdings shares in March. Plus 1 point linked to the forex as euro depreciated versus main currency of the period.

So to conclude, AXA delivered a strong performance in the first three months of the year, pretty much in line with our stated priorities. First, we grew our top line overall with particularly strong growth in all our preferred segments. Second, we are progressing well on the integration of XL. AXA XL grew revenues by 7% in the quarter, notably with discipline and selectivity in Reinsurance and with positive outlook in terms of pricing across the board. Third, the successful sales down in March and the subsequent deconsolidation of AXA Equitable Holdings was key. And this means that we are very much on track for our deleveraging targets.

I'm now ready for -- to take your questions.

Questions And Answers

Operator

(Operator Instructions) We have our first question from Peter Eliot from Kepler Cheuvreux. Sir, please go ahead.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much. The first thing I wanted to ask was Switzerland actually. I guess your Swiss license savings revenues were down 9% on a comparative basis. I was wondering if you could give us the reported basis because I don't think we have the number from last year. I just want to see the move. And I guess on that, now that you've got the benefits of seeing what the initial impacts have been, I'm just wondering whether you can give us any further insights into your thoughts on, sort of, the earnings impact and the outlook for the remaining business there.

And secondly, there were a couple of areas where there's quite big swings. I was just wondering if you could give a bit more commentary. France health was down 30%. You said on the non-repeated exceptionals. I wasn't aware of what those were. So I was just wondering if you could confirm, Japan and Hong Kong Protection, very, very strong. I was wondering if you could just elaborate a little bit on what had caused that. And Germany Motor, down 5% seems quite a lot. But again if you had any comment, that would be very helpful. Thank you very much.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay. So let's start with Switzerland. In Switzerland, what I can tell you, Peter, is that remember last time, we said at that time we announced GL 2020 [ph] that the impact would be minus EUR20 million in term of earnings. So nothing (inaudible) today that we are not in line with what was said at the time. Second, on Switzerland, you can see that on a reported basis, we are at minus 29% in terms of revenues. And you can see it on page 13 of the press release. So I could say that as far as Switzerland is concerned, it's absolutely in line with what we expected, so that means that we transformed. As you know, our business model in Switzerland in Group Life from full value to semi-autonomous. And so, retention was achieved with the retention rate of 90% of corporate customers, which was more or less what we expected, and we still expect to upstream CHF2.5 billion in '19 -- in 2020 and 2021. So that's mostly -- on the big swings that you mentioned, Peter and starting with France Health at the minus 30%.

So as you know, the revenue growth in France is driven by Group business in both domestic and international market, but as well as individual business. Health APE growth was very strong last year. In the first quarter of 2018, it was plus 39%, and it was mostly coming from Group International business and most notably from the initiation of partnerships that we had with Oscar in the US in first quarter '18, but as well as initiation of the coverage of couple of states in India leading to a high comparison, high watermark we would say for the first quarter of '19. So nothing -- as you know, new business from last year continues, and it will continue to contribute towards revenue this year. And APE, by definition, reflects new business returns during the period. But anyway as -- we still expect with a good growth in terms of Health in France and across the board towards the Group.

And your second question was about Japan and Hong Kong and on Protection, it's mostly -- as explained in our press release, it's mostly coming from the -- it's mostly coming from the Savings products in China, but as well as Hong Kong and Japan. In Hong Kong and Japan, you remember that we have -- in Japan, we had a tax savings product, which was a Protection product, combining Protection with savings. It's been extremely successful last year. There had been a change in the tax legislation, which means that we cannot expect going forward such as strong growth. And as far as Hong Kong is concerned, as we said that we have a very good start of the year in Hong Kong, and that -- it's explained and showed a recovery of our Protection business in Hong Kong.

As far as the Germany Motor is concerned, as you know, there is a global environment, which is quite competitive environment in terms of pricing, and we decided not to go along with this price competition I could say and we privilege our profitability. That explains why we were at minus 5% in Germany Motor. I'm not going by this minus 5% to price impact get a strong profitability.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay. That's great. Thanks very much. If I could just come back very quickly on Switzerland, the EUR20 million that you gave last year, I think my understanding was that, that was in respect of the investment spread, which you would no longer get. I don't -- I understood it was, sort of, based on the same volume of business. So I'm just wondering if the loss of impact of businesses had any impact on that. And on the 29%, the 29% was on the total. It was the Life & Savings in particular thereafter, but I could follow up with IR.

A - Gerald Harlin {BIO 7424807 <GO>}

Yeah -- no, but what I can tell you is that the EUR20 million that we announced, it reminds you the profitability of the Group pension business in Switzerland, it was more than 75% coming from Protection margin and not from -- and the remaining part in the investment, so -- and the investment was more and more declining for quite obvious reasons. So I confirmed this figure.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay. Thanks a lot.

A - Gerald Harlin {BIO 7424807 <GO>}

Thanks.

Operator

Next question comes from Andrew Sinclair [ph] from Bank of America Merrill Lynch. Sir, please go ahead.

Q - Andrew Sinclair {BIO 17749036 <GO>}

Thanks. Andy Sinclair from BofAML. Three for me as usual, if that's okay. Firstly, just wanted if you could give us a time -- an update on timing for getting XL on to your internal model. Secondly, actually just staying on XL, I just wondered there's no news on loss experience and the release for Q1. Q3, you gave an update, so maybe a slightly tougher period. Should we see no news as good news and this was just a fairly normal quarter? And thirdly, just a continuing on Japan actually again. Just what proportion of business in Japan is affected by the regulatory changes that you mentioned? Thanks.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay. So as far as the timing of XL internal model, we still are expecting to move to the internal model by the end of 2020. That it takes some time because we will work within -- we will build our internal model in 2019, and we will then present it and we should get it validated by the ACPR by our own supervisor and it will take a while. That's why it will be by the end of 2020. The loss experience of itself, I would say that, as you know, we don't comment on the claims activity for any of our entities. But I could say that, overall, we believe that the first quarter was mostly normal, at least in term of cat for XL.

Then on Japan, it's hardly 30% of the activity. So that gives you an idea. And if your question is at -- it's mostly -- it's 30% of APE. So meaning that it was 30% of APE, and it's much lower in terms of top line. And hence, I don't anticipate a negative impact on the bottom line.

Q - Andrew Sinclair {BIO 17749036 <GO>}

That's great, much appreciated.

Operator

Next question comes from James Shuck from Citi. Sir, please go ahead.

Q - James Shuck {BIO 3680082 <GO>}

Hi, good morning. James Shuck from Citi. So three from my side. First question, just returning to XL, Gerald, I think you just said you don't tend to update on kind of profit experience in the quarter. I mean, it would be helpful to get some kind of update on XL on a more regular basis, I think just going forward in terms of nat cats and man-made losses. If I hear what you said around that cats, I think you said that kind of broadly neutral in the period. Do I assume that's also the same for man-made as well because a number of players have seen adverse results in Q1 largely due to man-made or nat cats. So I just came to understand that experience at XL please.

Secondly, on Hong Kong. Hong Kong -- you saw very strong growth in Protection. However, the overall margin stayed the same. Now I would have expected Protection margins to be much stronger, so just surprising not to see that coming through as an improved margin. Thank you.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay. As far as that thing is concerned, I would say that there have been some -- as you can see, there have been some man-made disasters in the first quarter of '19, notably in marine and aviation. By definition, these man-made disasters can be lumpy by nature. And we see no evidence of a trend for the time being. And as a whole, I would say nothing material at the scale of our Group. That's what I can tell you.

And on Hong Kong, you mentioned the Protection margin. And -- but no, as the NBV margin in Hong Kong was quite stable because we went from -- last year, we were at 43%. Now we are at 44%. I'm referring to the NBV margin. So it's quite stable. So that means that just in order to get such a high level of NBV margin, it confirms that the proportion of Protection is very strong. So let's be clear. Most of our growth in Hong Kong is not from savings, it's quite obvious that the Protection, the APE in Protection was plus 56%. The savings is much lower, and it was minus 45%. And globally speaking, it means that the Protection content, which brings most of the value is quite strong. And just to -- as I told you at the beginning, just focus on the NBV margin, 14% versus 43% is satisfactory.

Q - James Shuck {BIO 3680082 <GO>}

I think. I guess so -- and just the margins on Protection would be higher than they would be on the General Account savings product, and therefore, to see such a strong improvement in the Protection sales in the period, I would have expected the margin to have actually improved. So it hasn't -- and I don't really understand why.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay. No, but let's be clear. At the Protection, what is the important of the Protection for Hong Kong? It's mostly Protection with savings. So on a constant basis, we did our best to limit the pure G/A Savings product because that there is a strong competition in Hong Kong and with very high illustration giving -- presented to the clients and we focused on protection, but Protection is a combination. When you have a pure savings product, you have an NBV margin, which is maybe 20% and you can get this 44% only combining with a strong content as a strong percentage of Protection.

Q - James Shuck {BIO 3680082 <GO>}

Okay. Thank you very much, Gerald.

Operator

Next question comes from Michael Huttner from JPMorgan. Sir, please go ahead.

Q - Michael Huttner {BIO 1556863 <GO>}

Thank you very much and well done. This is amazing stuff. The first question is on leverage. I wonder if you can give us a bit of an update on the progress. I know you reiterated that you're on track. But maybe you could say where you are at now, what you're thinking about. I'm particularly thinking about these -- the chances in XL, which could be redeemed at any time. Of course, the usual notice period. And the second is on the asset by (inaudible). So you stopped selling -- you have your reasons. That's absolutely fine. But I just wondered if there's any -- you can give us an update on how you see your -- that portfolio of smaller countries. Are they performing so well that you want to keep them all, or are you having another thing where we're at in this process?

And finally on the XL, you said reinsurance premiums in Nat Cat were down. And I just wondered if you could give us an update on what this means for the Nat Cat exposure. I have in mind that figure EUR1.5 billion, plus or minus EUR500 million [ph]. Thank you.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay, Michael. So let's start with the leverage. So you remember that last year, we ended 2018 with a gearing ratio of 32%. We mentioned and we confirmed in November and then in Feb. when we presented the last year accounts that we were expecting to be between 28% and 25% at the end of 2020. Since then I would say by the end of March, we sold the equivalent of EUR1.3 billion of equitable stock, which means that we will stay consolidate as soon as -- at the end of the present quarter and half year. That means that the end of June. And it means that the consolidation will lead us from 32% to 31%. This doesn't take into account the proceeds of EUR1.3 billion and the equivalent would lead to 30%.

And what I could say is that I'm quite happy to say that we are well positioned in order to achieve. I cannot tell you, I said last year that we would be between 28%, and 28% in case we wouldn't sell any further AXA Equitable shares. If I would say the same, I would say that we would be between 28% -- 27% and 25%. That's what you should keep in mind.

So really, it's very quick deleveraging, and I'm quite happy that -- and look what I said in my introduction from the rating agencies, the fact that we are now at AA minus confirms the strength of our balance sheet, and that's extremely happy on this situation.

The smaller countries, so as you can see the smaller countries are behaving extremely well, and it means that the -- when you take the performance of these countries, it's -- as a whole, international is at plus 6% -- and in terms of revenues, and I would say this is mostly coming from countries like Mexico. And Mexico has been extremely well in Health as well and as well from the -- I would say, Colombia, the Gulf and Turkey. Turkey is behaving extremely well, and it's a good recovery. So a bunch of questions relative to -- it didn't change.

Of course, there are some very -- some strongly performing countries and it's our intention to -- I've said, two years ago that this country should be managed for profit. And so long these countries are managed for profit, I have no problem, and we'll keep it. So nothing changed on that side. I'm quite happy to report strong performance on three countries of international.

Then, you have a question on (inaudible) sales and the -- I would say the Reinsurance part. And so, I could say that on the Reinsurance side, voluntarily I would say we've decided to slightly decrease our exposure. What we said and what I explained just in back in February about our exposure is still the same, so that means that we still have at 4% normalized cat loads. It's still quite -- it's still valid. But I believe that on an opportunity basis, we believe that we decided to reduce sales in cat exposed product line in Reinsurance, and it's what our shareholders are expecting from us and you can expect us to remain disciplined in terms of underwriting going forward. It's an illustration of our discipline. But at the same time, I'm quite happy to report that nevertheless, we are at plus 7%, which means that as far as XL is concerned, it's clearly a focus on the most profitable line. On top of this, as I said, we still are expecting pricing changes and -- which is a good sign because we see pricing momentum building across many lines, which is a good news. And we are not the only ones to report this. Just refer to our main competitors, it's a same message.

Q - Michael Huttner {BIO 1556863 <GO>}

Brilliant. Thank you very much. That's lovely.

Operator

Next question comes from Jon Hocking [ph] on Morgan Stanley. Sir, please go ahead.

Q - Jon Hocking {BIO 2163183 <GO>}

Hi, there. Good morning. This is Jon Hocking from Morgan Stanley. I've got three questions please. Firstly, on France, the fall in Unit-Linked we saw in the, sort of, first quarter as you say, a reaction to the volatility in the fourth quarter. In your experience, how quickly does that take to reverse given we've seen very strong market conditions in Q1? And then on XL, a couple of questions. The comment that you just made in terms of reducing the profit cat exposure in Reinsurance, to what extent you also have cat in the property book? I saw the Reinsurance and you are trying to reduce that as well?

And then just finally on XL, I just wanted what the logic was for writing the multi-year contract given we seem to be going through a period of positive rate momentum. Thanks.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay. As far as -- Jon, as far as volatility is concerned, I would say that -- I expect that there will be a recovery. Look, the Europe and in this equity and this is our back to the top. And if I covered it what happened in the past, there is always a lag effect, and that's why I'm not worried, and we are still expecting a significant growth going forward. So I'm really expecting a recovery on that side. I just wanted to highlight one point, which is the strong performance of Eurocroissance. As you know, Eurocroissance up to now -- and I remind you that Eurocroissance is not exactly General Account because it's -- you cannot like to surrender before eight years. So if you surrender, you surrender at the market value, meaning that you have more leeway for investing in risky assets. And really, what we have been achieving is that, that the government wants to develop it quite strongly because to date, EUR2 billion of the (inaudible) in France and the ambition is to multiply it by 10. That's the ambition of the government going forward. So -- and for us, we have the growth in Eurocroissance by more than 100% in the first quarter. So it highlights just the fact that we are pragmatic. I think that when we are not only dependent from Unit-Linked, when we have -- due to market decline, some slowdown in the Unit-Linked, then we have some maternity products and that's a good illustration. So on that side, I believe that we'll recover.

On XL, I would say that this is a multi-year contract just because we wanted to mention it because a multi-year contract is not -- I'm not expecting this professional contract, it's not the contract within itself a lot of potential risk. It's not a (inaudible) misinterpreted. I just liked it because as long as we take the whole premium upfront, I said that instead of 7%, we would have been at 5%. And the objective was to be fair on the real level of growth. And so, that's it. But this -- I don't have any worry at all from this contract, and I'm not expecting volatility coming from this contract at all.

Q - Jon Hocking {BIO 2163183 <GO>}

Thank you. And then on the cat exposure in the non-reinsurance part of XL?

A - Gerald Harlin {BIO 7424807 <GO>}

Yes. But nothing specific. I believe that the global trend is the same. Meaning that we try to marginally reduce this cat exposure in line with our own risk appetite. That's what you can expect from us going forward. And I repeat what I said. I think that the cat environment up to now has been quite in line with what we could expect.

Q - Jon Hocking {BIO 2163183 <GO>}

Right. Thank you very much.

Operator

Next question comes from Farooq Hanif from Credit Suisse. Sir, please go ahead.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hello, good morning everybody. It's Farooq Hanif from Credit Suisse. Just returning to XL for two questions and one question on China, can you just talk about some of the logic of your business mix change in XL? So I get that your shareholders want you to reduce volatility. But pricing conditions in parts of property cat are very, very good. And if you start to see the middle of the year in the US reinsurance renewals also good pricing, will you not take the opportunity there? So are you just on the general reduction of the Reinsurance business or would you be opportunistic?

Secondly, can you comment on further news of staff departures and kind of chief underwriting roles at AXA XL and your concern if any around that? And lastly, could you comment on growth in China Direct P&C. Now that you have 100% ownership, just what the trends are there? Thank you.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay. So I would say that on property, if you take the example of North America for property, partly speaking, we were at -- we were flat, so it's not a real decline. And I agree with you that the profitability is good, but more generally what we have been going online, which are profitable. Take the example of NA construction plus 8%, and that it's a very profitable line. And I could give you many examples like this. On North America Professional, it's the same and so on. So globally speaking, we cannot say that today, I think that the price environment is improving, but I would not say that it's a strong and a hot market. It's not the case yet, which means that taking into account our own criteria in term of profitability, I would not say that the property and the property cat business, they came together reinsurance and direct insurance is at the level where we would like to increase.

So I believe that we want to talk that we have some tailwinds, I would say because the price environment is better than before. But there is nothing new, and it's not a shift in what -- compared with what we said a few months ago, not at all. We have a risk appetite. We will stick to this risk appetite. We have some guidelines that we shared with you in terms of expecting losses in one in 20 years, and we stick to it. And that's it and besides this, we are honestly a big opportunity also, and we are trying to push online where we benefit from strong rate increase and from what we can consider is a good profitability.

As far as the departure are concerned, you are referring on growth to Convex and to the fact that following the set-up of Convex, some people left, but it's a handful of people. We have 9,000 colleagues at AXA XL. And so, a handful of people leaving is not impactful for us and we have every day a good people who have approached us. Presently, we are the Number 1 in the commercial line, so we are active, and the people are interested, and we are attracting top talents.

And last I would say that, for the time being, Convex is a lower rated business. And of course, there will be a competitor, but we are not playing on the same -- is that in fact that we will have to compete with us with -- they will be down on the slips. So you cannot compare such a company with us. But to stick to your questions, Farooq, no, we are not at all we will have by this handful of people leaving.

And on China, let's be clear, we didn't close the business yet. So closing will take place that it's always long in China. So it will take place a bit later in the year. And so, we cannot -- I would say to hold the lesson from our present acquisition because it's too early. So let's wait a bit. I remind you that our objective is still the same in China for P&C, which is to combine a strong and quite -- and good profitable motor business -- direct motor business with inbound calls. In order to do these inbound calls, it's necessary to invest in others. And for the time being that being the -- it's a majority shareholder, it didn't start yet. And the second ambition is to develop strongly our Health business. So these are the two strategic domains that we are going to develop and please wait a bit before drawing conclusions, and of course, we will update you on a regular basis on our achievements.

Q - Farooq Hanif {BIO 4780978 <GO>}

Very helpful as always. Thank you very much.

Operator

Next question comes from Nick Holmes from Societe Generale. Please go ahead.

Q - Nick Holmes {BIO 3387435 <GO>}

Hello. Hi there. Thanks very much. Can you hear me? Yes?

A - Gerald Harlin {BIO 7424807 <GO>}

Yes.

Q - Nick Holmes {BIO 3387435 <GO>}

Just a couple of questions. First is on XL, I wondered how the cross-sell of XL products to AXA's corporate customers is going. And then second question on China, with ICBC, just wondered have you got the right balance between profitability and sales? I know this has been an issue in the past. And obviously, you've made a lot of progress in the first quarter. Wondered, is there more progress that you can make to improve profitability? Thank you.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay, Thank you for your question. So cross-sell to customers. So you remember that it's part of our synergies, it's part of the $0.5 billion in tax of synergies. These cost sales that you are referring to -- should represent $0.1 billion. As I said in our previous calls or presentations, it's the idea that we take a bit more time whereas I'm comfortable that the synergy and that the expense synergies will be spread over two years and within two years, we should be done. Here, it will take more, let's say three years. And the program for this year was relatively small compared with the global objective.

I can tell you that taking into account the present ramping up, we are online. So that -- in fact, we are in line with our expectations. So quite confident, it will take time. I remind you that it will be spread over three years. The most important part of the synergy will be in 2020 and 2021. But the stars of 2019 program is concerned, we are on track.

On China. ICBC, you remember that, Nick, we have 27.5% of ICBC XL. We have always -- we did our best in order to privilege profitability. Just last year, the NBV margin on ICBC was 32%, if I'm right. And as I mentioned in my introduction for the first quarter, we are at 17%. So that it means that it's going -- no, because I remind you from a traditionally, the first quarter production, the first quarter new business is Savings business, pure Savings business. And then we stop the Savings business to switch to more Protection. It's exactly the same framework today. Could we do more? For sure, we couldn't do more. And could we improve the profitability? It's still our ambition to improve the profitability of ICBC XL. Yes, but I don't think this first quarter is an indication of the global profitability for the year.

Q - Nick Holmes {BIO 3387435 <GO>}

That's great. Thank you very much. Just one very quick follow-up, just very briefly with the XL cross-sell plans into AXA, can you very, very briefly just give us a flavor for that types of products that you think have potential?

A - Gerald Harlin {BIO 7424807 <GO>}

It's a type of product that could be sold in some kind of specialty products you know that the need for MVNO in Europe is always increasing. And there will also be cyber. So that's the example of the type of product that we will sell. So in other words, of course with the privilege products, which are quite profitable. And so, that's mostly.

Q - Nick Holmes {BIO 3387435 <GO>}

That's great. Thank you very much.

Operator

Next question comes from Niccolo Dalla-Palma from Exane BNP Paribas, sorry. Sir, please go ahead.

Q - Niccolo Dalla-Palma

Good morning everyone. Three questions from me. First one would be last one on XL. Could you help us with a pro forma gross earned revenues of last year just to help us with that to base -- to start from which we will see that the like-for-like this year as we are learning the seasonality of the gross premiums? And secondly, if I may question on -- back on cash, I actually based on the reporting of full year, but taking the opportunity now. So we see in the Annual Report that internal loans at the holdings increased by EUR6 billion year-over-year compared to the EUR3.5 billion of cash on hand that use for the transaction. Could you just confirm that the intention is to rebuild EUR3.5 billion? And that you don't need to rebuild EUR6 billion of cash, because we clearly can't see what's happening at the intermediary holding levels. So just confirm that, that's the case.

And secondly, on the cash from Switzerland. Again, in the Annual Report, you mentioned that it will come over the next three years. Does it mean that some of the EUR2 billion slips into 2021 or is it just, let's say, the original statement reported -- into the reported, so you still expect the EUR2.2 billion coming by 2020? Thank you.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay. So Niccolo, as far as the AXA is concerned, what I could tell you is that roughly speaking question -- but -- and then, I misunderstood your question, but your question was much more what percentage did you achieve roughly and what the seasonality? So roughly speaking, I could say that in the quarter, we did well there. That's what you have to keep in mind, roughly speaking. So one-third of roughly the annual production has been done in the quarter. Internal loans. I remind you what I said, so that means that it's part of the -- in other words, one other way to explain it is that when I say that if we sell the totality of itself of AXA Equitable Holdings, if we sell this -- the totality of the remaining share, then roughly speaking, I could say that the 25% assumes that roughly speaking internal loans will be back at the same level as before. So -- and as a buffer, as I explained before. So nothing changed on that side. So the 25% is 25% assuming that roughly speaking we would back to pre-XL acquisition in the financial situation. Switzerland cash. No, I don't expect that it will slip to -- and switch to 21%. I'm still expecting roughly 50% this year, 50% next year.

Q - Niccolo Dalla-Palma

Thank you very much. It's very clear.

Operator

Next question comes from Ralph Hebgen. Sir please go ahead.

Q - Ralph Hebgen {BIO 6297020 <GO>}

Hi, guys. Good morning. Ralph Hebgen from KBW. Just one question left for me. It's a bit of a technical thing. I was just surprised to see that your premiums in one quarter for AXA XL up at EUR6.1 billion. But if I exclude that one contract which you wrote in North America and if you exclude the contribution from Corporate Solutions in AXA are like an estimate, maybe it gets to something like in the region of EUR5 billion in gross premiums and -- for what is basically the XL stand-alone business. And this is basically my question. If you look at the historical accounts of XL when it was a stand-alone business, that number, the run rate was more like an equivalent of EUR4 billion in the first quarter.

So my question was down to seeing, it looks as if there was EUR5 billion for XL stand-alone in the first quarter '19 versus what I believe is a run rate of EUR4 billion. So is there anything, which you can add or explain why that dynamic occurred? Are there any perhaps translation? It's just going on as the premiums are represented on the IFRS or was there anything else, which might have inflated that production in the first quarter?

A - Gerald Harlin {BIO 7424807 <GO>}

No, I believe that you have these -- as I said, you have these exceptional premium and we would be back from EUR7 billion to EUR4 billion. I would say that this -- as I said, we have present roughly 50%. I don't believe that it was fundamentally difference of the previous years. But keep in mind as well that the reinsurance part explain roughly speaking, you have 50% of the reinsurance, which is returned at the beginning of the year. So that explains the seasonality effect. I could say that, except this, we are more or less provider, but I would say generally, it represents -- yeah, generally, represents maybe 25%, roughly 25% of the year. And then, you have the contribution mostly of the traditional lines. But I hope that these answered all your questions. We could go into more details. There is no mystery. And we can follow-up with you, Ralph, on the detail of '18. And -- but honestly, there is nothing -- but there is nothing specific there, but there is the seasonality linked to the combination of the business, which is more or less narrow [ph], but with a quite significant share of the premium in January and with the reinsurance business where clearly it's 40% of the business, which has returned roughly in January. That's more or less the way I would explain it.

Q - Ralph Hebgen {BIO 6297020 <GO>}

Okay. That's lovely. Thank you very much indeed.

Operator

Next question comes from Johnny Vo from Goldman Sachs. Sir, please go ahead.

Q - Johnny Vo {BIO 5509843 <GO>}

Yeah. Thanks very much. Just a couple of questions. Just in terms of -- obviously, you're seeing some reasonable growth in the XL business. But I guess that's from a top line perspective, how should we think about the evolution of the top line translating into the bottom line? So the growth is there. How will that translate into bottom line for this year and going forward?

In terms of the Reinsurance business, clearly, you're obviously changing the scope of that business somewhat. Is the reinsurance part of XL still core to the Group, or is this potentially surplus to supply?

And the third question is we see further liberalization in the Chinese market. I know that you've recently bought out your joint venture partner. But does this potentially change your attitude to the Chinese market in terms of opportunities? Thank you.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay, Johnny. So XL has reasonable growth and your question is already translated into the bottom line. I just wanted first to remind you that we have an objective, which is -- which was shared with you in November last year, which is to achieve 95% combined ratio for AXA itself, meaning XL plus ACS, plus AXA Art and a contribution to earnings to underlying earnings of EUR1.4 billion.

So we didn't change it, and I believe that we are doing everything in order to achieve it and this plan and this top line and this evolution into one aim at achieving this goal. We consider it as a firm commitment. And so, that was it. Keep in mind that roughly speaking -- and you can make your own math, but roughly speaking, if we would more or less normalize because we got some of you asked the question in February, roughly speaking, excluding the -- with the normalized cat loss, we have a combined ratio -- we had a combined ratio, which was close to 99% -- between 99% and 100%. That -- the improvement is all the point -- all the synergies, the synergy starting first with the cost synergies. It's EUR0.3 billion pretax, and then we have also reinsurance synergies, EUR0.1 billion. Then we have the revenue synergies EUR0.1 billion that we discussed before that will be spread that will go beyond 2020, but the impact shouldn't be very high. And then, we have also the asset side. And as I said answering one question in Feb., we can expect with synergies -- yeah, synergy improvement, I would say, improvement of EUR0.1 billion.

So -- and on top of this, we can expect, roughly speaking, to improve to achieve the 95%, roughly 2 points of combined ratio improvement and all these business mix and this evolution that you can hear that we are commenting today are part of this improvement. Is the reinsurance part of core? Yes, it's core. And we have been clear on this. It's not because we want to adjust and if our constant efforts in order to improve our profitability mix that we want to be selective and that's the reason why in cat, we went down, but it's core -- I remind you as well that the one -- the attractiveness of this Reinsurance business is also in insurance-linked securities and cat bonds, meaning that when the profitability on the cat side is not sufficient in order to remunerate I would say -- in order to remunerate the volatility, then we can transform part of this business into a fee business, which is just as the model (inaudible) to distribute, just like in asset management. So that's the reason why I repeat that for us in this call.

Liberalization in China. Johnny, I could say that for the time being, I repeat what I said before answering previous questions. So we are just in the process of closing our move from 50% to 100% in AXA Tianping, the P&C business. We have 27.5% of JV with the Number 1 bank in China. So for the time being, we consider that it's good. And moreover, I could say that we are still -- we have to improve the profitability of this business, as I explained before. So that's what I can tell you. So -- and we will see in the future. But for the time being, our roadmap is clear.

Q - Johnny Vo {BIO 5509843 <GO>}

Okay, that's brilliant. Thank you.

Operator

Next question comes from Oliver Steel from Deutsche Bank. Sir, please go ahead.

Q - Oliver Steel {BIO 6068696 <GO>}

Good morning, Gerald. Just one question from me, which is looking through the property/casualty price increases. Both at XL and in the rest of the group, to what extent are these price increases beating claims inflation?

A - Gerald Harlin {BIO 7424807 <GO>}

I could say that, Oliver, if your question is globally -- is your question on the control lines or on the personal lines?

Q - Oliver Steel {BIO 6068696 <GO>}

Well, let's start with the XL first of all.

A - Gerald Harlin {BIO 7424807 <GO>}

Okay. As far as XL, it's -- yes, it's -- I think that's when you were the present price increase and we had the -- we were at 3.5% in insurance, so 1.5% in the Reinsurance. This clearly -- from this price increase and this is the price -- this corresponds to the price increase for the first quarter, but the global outlook is very positive. It's positive now, more positive now, which means that yes, look at what I said before. This will help increase our profitability. And if all of this, I would say, will participate to the improvements in terms of combined ratio for XL that I just described before. As far as the other -- the individual lines are concerned. No -- yes, the price increase is -- again, the frequency is still -- the frequency is still globally improving. We have severity -- frequency and severity. If I take the price effect, globally speaking, say, for personal motor and for personal non-motor, the price effect more than offset the combined effect of frequency and severity. The net is positive. It's still true and it's still true for the first quarter. And I'm expecting it still to be true for the whole year.

And take in mind, the fact that -- keep in mind, sorry, Oliver, that as far as motor is concerned, we can expect going forward to have a frequency still going down and the severity is mostly due to positive [ph] reinsurance due to the spare parts that -- globally speaking, we can expect to have -- some people would say it could be a run-off, but it will be a new kind of run-off maybe 20 years or 15 years, but we can expect that it will be positive in term of profitability.

Q - Oliver Steel {BIO 6068696 <GO>}

Okay. Just to sort of summarize all of that. So excluding XL for a second, elsewhere, what you're saying is both across personal lines and commercial lines, these price increases are -- should lead to an improvement in the attritional loss ratio?

A - Gerald Harlin {BIO 7424807 <GO>}

Yeah. Yes.

Q - Oliver Steel {BIO 6068696 <GO>}

Thank you.

Operator

Next question comes from Andrew Crean from Autonomous. Sir, please go ahead.

Q - Andrew Crean {BIO 16513202 <GO>}

Good morning. Just one question. Can you say anything about potential loss creep from events in 2018 on XL?

A - Gerald Harlin {BIO 7424807 <GO>}

Yes, Andrew. We could say that we -- of course, some of our peers have been reporting on Jebi. And I would say that last year, you remember that, for us, Jebi cost EUR162 million. It was impact post of tax and net of reinsurance. Globally speaking, I would say that these typhoon increased for the whole market from EUR9 billion to EUR12 billion.

So for sure, as a consequence, there will be some impact for us. But it's too early to share any precise number. But I would say that there will be some other favorable developments. And we can anticipate. My view today is that we can anticipate that other positive developments, favorable developments in other areas could offset this potential impact from Jebi. That's what I can share with you.

Q - Andrew Crean {BIO 16513202 <GO>}

Thank you.

Operator

Sir, we haven't any questions.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay. Well, thank you very much everybody.

A - Gerald Harlin {BIO 7424807 <GO>}

Thanks to all and thanks for your time.

Q - Peter Eliot {BIO 7556214 <GO>}

Have a great day.

A - Gerald Harlin {BIO 7424807 <GO>}

Have a good day. Have a nice weekend as well. Bye.