Q4 2015 Sales and Revenue Call

Company Participants

- Benjamin Gentsch
- Bertrand Bougon
- Victor Peignet

Other Participants

- Andrew J. Ritchie
- Frank Kopfinger
- In-Yong Hwang
- Kamran Hossain
- Thomas Fossard
- Vinit Malhotra
- William Hawkins

MANAGEMENT DISCUSSION SECTION

Bertrand Bougon {BIO 18934799 <GO>}

Good morning, and thank you for joining us on this call. Before starting the call, please consider the disclaimer on page two, as usual. And with that, we can now start the call and the presentation and I will leave the floor to Victor Peignet, the CEO of SCOR Global P&C.

Victor Peignet {BIO 6287211 <GO>}

Good morning. In the business environment in which we operate, the results of the January renewals for us are good. Basically, the renewals went as we anticipated them to go, and as we've indicated will likely to go following Monte Carlo and Baden Baden, they were late and they gave rights to lengthy and heavy negotiations as the buyers wanted to explore all possible options and to make sure that they have listen to and considered all available views.

Therefore, it took a long time to bring them to conclusions, but at the end of the day, none of the trends by market and by line of business led to drastic changes. Big challenges for reinsurers, insurers and brokers continue to be the same and they all boil down to one major challenge, which is the gap between insurance current growth rates, and the often blamed reinsurance capacities such as searching for premium volume with limited underwriting work done, which is typical over the soft market, and over the soft market that is proceed as getting close to reaching the bottom if not as having already reached bottom in certain classes and markets, even if there was a like a spike of competitions when the competition regains some momentum at the very end of 2015.

Fourth quarter results that are currently released by both insurers and reinsurers are for a number of them, containing the ingredients of the recipe for market term, on our side, we have been and we continue to be very attentive to maintaining the quality of the technical earnings under presence of the reserving.

Since there was no real surprise and there is (02:06) renewals for us, all the preparation that we had done was proven to be relevant and helped us a lot during the renewals to stay focused on our two main objectives to maintain both the expected profitability and the franchise, and with regard to the franchise to continue to enhance it in the U.S.

This was achieved, thanks to the extensive well done on client segmentation and the targeted approach, with the in depth knowledge of our clients by our teams and the capabilities we've developed to manage the relationship with them globally, and to steal the total portfolios in the real-time including at the level of the entire division.

In such a business environment, the quality and the history of the relationship with the clients and of the services rendered (02:50) over time to business partners, makes a real difference and do positively distinguish us as a reinsurer that has a track record of consistency and continuity that is willing to negotiate and that adds value over and above the provision of capacity.

From this standpoint, the timing of our alternative solution initiatives and the approach we've followed to implement it, that is to say in total synergy with our traditional P&C treaty reinsurance activity, did very well for us. And our responsiveness to the pipeline of request for proposal has been beneficial to our overall reinsurance relationships with the interested clients.

The main drivers for these renewals have been the following. For the EMEA region an increased selectivity in response to a further increase fragmentation by market, clear work away points, and portfolio management and optimization, including a real-time arbitration by reallocating capital away from the region in the course of the renewals whenever other region like the U.S. offers more attractive perspectives. For the APAC region, priority given to the defense of the technical margins in mature markets, and the leverage on the strategic partnerships to maintain the competitive positions in the developing and emerging markets.

For the Americas, in the U.S., the productive development of the client-focused initiative with clients being very receptive to the global approach of the relationship that we are proposing. The good progression that we see in the U.S. and that is well-balanced between property, casualty, professional liability, regional, and program is also due to our ability to see if the opportunity offers for us to enter into new programs that result from the movement of consolidation of programs previously organized by business units or by lines of business like in casualty between general and specialty casualty.

Figures are there to show that the teams did perform well at the 1/1 renewals. The increase of the overall expected gross underwriting ratio is marginal at 0.3 percentage points. It includes a positive effect of the portfolio management actions, share variations, cancellations and new business that is estimated to 0.7 percentage points. It also includes a decrease by 0.3 percentage points of the overall expected gross loss ratio.

In a nutshell, a good combination between profitable new business and well management of commissions during the negotiation. It means that thanks to the further improved efficiencies simultaneously achieved at the 1/1 renewal of the retrocession program. The net combined ratio is expected to stay close to 94% for 2016 under normal loss experience.

The expected return on risk adjusted capital allocated to the business booked at 11% (05:59), puts the division on the right tracks to bring its required contribution for the growth to be at its target of 1,000 basis point above the risk-free rate.

The overall decrease in risk adjusted pricing has been contained at minus 1%. The division recalls a 2% overall premium growth at constant exchange rates. Many thanks to the efficient development and deployment of its client focus initiative in the U.S., and generally to the preferred signing it has benefited from the clients. It's worthwhile mentioning that the new business return with existing and new clients has had a positive effect of 0.3 percentage point on the overall expected gross underwriting ratio.

I won't enter into the detail by market and by land business, but you have them all in the presentation. Based on the outcome of the January renewals and on the currency exchange rates, the forecast of the division total gross premium returned for 2016 stands at €6 billion.

At this point, I hand over to for introducing the Q&A session. Thank you.

Bertrand Bougon {BIO 18934799 <GO>}

We can start the Q&A session.

Q&A

Operator

Ladies and gentlemen, we will now move to the Q&A session. Now we come to our first question for today, and it's from Andrew Ritchie from Autonomous. Please go ahead sir.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

Hi, there. Two quick questions. First of all, Victor, you talked about walk away points, in your opening commentary. Is your walk away points, where the RAV on a normalized loss basis is below a 1,000 basis points or are you prepared to take business below that as your walk away point more on some business, just a technical price of the point at which is a technical loss. Maybe just clarify, what you mean, when you said disciplined walk away point.

And the second question, I'm a little confused on the impact of your retro, and what you've done. Maybe you could just clarify as your retro meant that you expect the 7 point normalized loss load to be a bit lower or is it benefiting the net combined ratio and just clarify exactly how the retro changes are benefiting you? Thanks.

A - Victor Peignet {BIO 6287211 <GO>}

The walk away points is, but it is not a straight application of the minimum required as per the target we're at an underwriting ratio. It's a bit more settled than that. But it's very serious for a reinsurance company to walk away from a given client, or even for from a given program. So I think what I wanted to highlight this because I think the challenge between the past and today is that lead reinsurers like ourselves, but we are not the only ones, are reaching a point where while there are limits beyond which we are not ready to go and I think that, that is clear indication in my opinion that to some extent, we are reaching kind of an end of how softening the market can be.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

I guess, the reason I asked is one of your competitors is prepared to write catastrophe business, which could be loss making on a normalized loss basis because they expect normalized losses to any occur one year after 10 (09:58) is that something you would be happy to do?

A - Victor Peignet {BIO 6287211 <GO>}

I don't know who that competitor is. No. I think we are – I said we have clear management referrals. The business is priced technically according to our targets and if the deviation from that targets exceed certain thresholds, then it gets referred to different levels of the management and then we are taking views whether or not. There is a merit to give a derogation (10:37), so we've been pretty strict on that. I think it is important for me that to keep coherence to our lead market while you cannot do in one area what you refuse to do in another one to be very careful market-by-market and between segments of clients to be coherent and consistent. So I think that's what we have been doing.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

Okay. On the retro?

A - Victor Peignet {BIO 6287211 <GO>}

On the retro, well, I think the retro, there are two ways of improving your retro. You can improve by the structure of the program, you can improve by the cost of the program. While I think we achieved both. We have improved on the cost of the program, the cost being basically what it costs you and net of the expected recoveries, that is more efficient. And we have improved the structure by continuing the move towards aggregate coverage (11:29) and also have better differentiation between peak barriers and non-peak barriers (11:35) I mean having a better cover for abnormal frequency of midsize natural catastrophes being local ones such as one light flash floods, hail, tornado, and the likes.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

But this wouldn't change your 7 point loading?

A - Victor Peignet {BIO 6287211 <GO>}

This will change probably our 7 point loading, we already indicated in the last quarters that it was probably more towards 6.5 point and we are looking it at the moment, I think, it's somewhere between 6 point and 6.5 point.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

Okay. Thanks very much.

A - Victor Peignet {BIO 6287211 <GO>}

And it contributes to our indication of our capability to maintain the combined ratio of close to 94%.

Q - Andrew J. Ritchie {BIO 18731996 <GO>}

Okay. Thank you.

Operator

Our next question comes from William Hawkins from KBW.

Q - William Hawkins {BIO 1822411 <GO>}

Hey, Victor. Thank you very much. Hopefully, two quick questions. In your introduction remarks in Asia, you talked about, defending the margin, but maintaining key strategic relationships. There could be an argument of those two points are somewhat inconsistent. So, could you just discuss, how you maintain the margin and keep your major clients sweet?

And then secondly, you're focusing on growing in the U.S. this is part of the strategy that you've talked about and executed for a long time, but there remains a concern in my mind that this middle market business you're winning, you are effectively still getting from somebody else, and if they're willing to lose the business, there must be something that they know about it, but you sort of don't? So, can you just remind us, how you can be comfortable, that if you're capturing market share in the U.S. you're doing so in the right way? Thank you.

A - Victor Peignet {BIO 6287211 <GO>}

So, let me quote what I said, I said for APAC, the priority given to the defense (13:33) of technical margin into mature markets, and the leverage on the strategic partnership to maintain the competitive positions in the developing and emerging markets. To me, there cannot be a contradiction between the two, because they don't apply to the same markets. So to be clear, I mean in Asia-Pac, we've renewed China, which is an emerging or developing market. We've renewed Korea, which is a mature market. In Korea, we gave the priority to the margin and while we reduced our business because the market was too competitive. In China, we give priority to the strategic partnerships that we have with a certain number of Chinese companies.

Regarding the U.S., well, first of all, our focus is not just on regional, I mean our U.S. client initiatives was very much going into so far regional and EMS (14:27) companies. So I think that's, the way we - we've gone into it, we - it's the result of several years of segmentation of the market. We are not line underwriters in the U.S. We have not line underwriters in general, we are client underwriters, and we underwrite clients.

Our U.S. portfolio of existing clients and prospects target is about 200 companies. I believe myself that with the quality of the team we have in the U.S., I mean a portfolio of 200 clients and prospects altogether is quite manageable. So I trust the teams. I think we've good professionals and we are doing we price (15:15) all the business we write. There are a number of offers that we did not consider this year, because we did not have the resources, so the triage (15:25) at the entry of the business to our team is the work of the management. That's the priority to do a triage (15:31) so that you only look at business that you have the time and the competence to look at, which means that already half of the business offers get out of the door, not because we would not like to look at them, but because we think we are not ready to do that. So I think we are extremely organized, extremely prudent, but also very determined to develop with the clients with whom we feel that there is a kind of profile fit. And I think that's the way we operate. And I think while we trust that we have the capabilities to underwrite, that each and every piece of business is unwritten, priced (16:12) by the team, and clients in the U.S. as you know, are inviting their reinsurers to edit portfolios - portfolio reviews during the year, not only on the underwriting, but also on the claims and we are doing it. And I think I'm comfortable myself, totally comfortable with the way we grow in the U.S. By the way, I mean the 24% increase, we are showing here is about €100 million of premium. You have to put that in relative terms.

Q - William Hawkins {BIO 1822411 <GO>}

That's great. Thank you, Victor.

Operator

From Goldman Sachs, we got In-Yong Hwang on the line. Please go ahead.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Hi, good morning. Two questions from me. Firstly, on the - your guidance for the 94%, just clarifying what the phrase kind of close to 94% means, I mean slightly different from kind of the illustration (17:08) you gave in the last year's renews, so does that suggest that you're perhaps thinking it could be, it's more likely to be kind of higher than 94% than the kind of around 94%, so just some clarification on that?

And secondly, on the kind of the portfolio management actions that reduced growth underwriting ratio by 0.7%. Could you give us kind of compared – comparable figures of last year and whether you except (17:36) any business last year, sorry, this year, that you would've not written last year, so kind of any potential changes to kind of the approach you had into renewals? Thank you.

A - Victor Peignet {BIO 6287211 <GO>}

I'll take the first one, and then I'll ask you to repeat the second one, because I didn't really catch what you wanted to address. Well, first of all, the 94% is nothing really new, I mean we've been talking about that for a quite while, you can find out in the IR Day and you can find it in most of our communications.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Yeah. Sorry, my question is more around the phrase kind of close to is different to just kind of straight registration (18:20) you gave last year. So wondering whether that was signaling you think maybe it could go – is more likely to be higher than 94%?

A - Victor Peignet {BIO 6287211 <GO>}

I know how picky and choosy you are (18:31) it's close to.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Okay.

A - Victor Peignet {BIO 6287211 <GO>}

But I mean let me be clear on the sort of breakdown. We are looking at the breakdown of that combined ratio that would be roughly the following to be very clear, 56% of that rationale (18:52), between 6% and 7% – 6.5% of debt (18:58) between 6.5% and 7% of cost expenses; and between to 24.5% and 25% of commission. I mean that's the indication. But it's totally consistent with what we said. One thing I said during the presentation is that, the loss ratio, if we look at the renewals, the gross loss ratio has reduced. So we have an underwriting ratio, which is loss ratio plus commission ratio, that is increasing by 0.3 percentage points, right.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Yeah.

A - Victor Peignet {BIO 6287211 <GO>}

But we have an expected gross loss ratio that decreases by about 0.3 percentage points, so it means that – as I alluded to you in the presentation, lot of the renewals especially on the proportional of course has been on the commission though, which is why in the guidance or in the indication of combined ratio, I'm putting the commission at 24.5%, 25% because if you combine the fact that, we are increasing at Lloyd's and the fact, there has been a number of negotiation on commission, we are getting probably towards (20:11) 25% on the commission.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Sure.

A - Victor Peignet {BIO 6287211 <GO>}

And we cannot (20:13) balance between the loss ratio and the commission ratio.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Sure. My second question was on the slide four in the footnote, as a reference to positive effect of portfolio management actions of an 0.7 percentage points. It's only if we could add comparative figure for last year and where the approach that you took into this around the renewals as kind of more conservative perhaps than the previous trend or there was any change at all (20:45)

A - Victor Peignet {BIO 6287211 <GO>}

Well, I think we are – while the information is not totally aligned year-on-year, but we are trying to give you as much quality information as we can. So this year what we are saying basically but we are even giving you more granularity. So, the gross underwriting ratio is increasing by 0.3. Well, this increase is after a positive effect of three things, which is basically portfolio management driven, valuation of shares, consolidation and (21:22) And in that, basically the new business itself is accounting for 0.3. So I think that's the – that's how it breaks down.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Okay.

A - Victor Peignet {BIO 6287211 <GO>}

Not really fundamentally different from last year because last year we communicated on portfolio management only, which is share valuations and consolidations. This year, we've communicated a bit more because we have given you not only this, but the new business with the breakdown of the new business. It was important for me to give you the new business because I wanted you to be totally convinced, that our new business is quality new business that has got expected performance totally in line with the rest of the portfolio. But to respond to the second or the third question, I mean we are not buying new business. We're underwriting new business with expected performance levels, which are commensurate or totally compliant and even a bit better on the existing portfolio that we are renewing.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Okay. Great, thank you.

Operator

Our next question comes from Kamran Hossain from RBC Capital Markets.

Q - Kamran Hossain {BIO 17666412 <GO>}

Hi, morning. Two questions. First one, I always ask this every year, but could you just give us an idea of how much of the business that you wrote (22:43) in January that you lease? As from memory last year the percentage was 34%. So I was just interested in how that developed?

And the second question is just on the slide 23, I just wanted to clarify a couple of things. So if I compare the percentage of business that you've kind of put into the buckets of very attractive, attractive, adequate, et cetera. It seems like there's been a net move towards this actually getting positive, though the level of very attractive business has gone up slightly. The level of attractive business has gone up slightly and the level of inadequate business has only gone up by 2%. So actually some net positive there. Could you just talk us through that? And also I mean, if I compare that slide from your Investor Day in September to the one that you issued this morning, it seems like Western European and German (23:37). From memory, a lot of the European renewals seems to be a little bit worsened our expectations (23:43)? So could you just talk me through kind of how that's working out (23:47)? Thanks.

A - Victor Peignet {BIO 6287211 <GO>}

We were at 34%, we're now at 32%. I would think that is one-third and that makes it branded, that we did. I think what is very important is not only to lead, but also to be within the panel of the pricers, and I think that's what we're looking for to be in the panel of the pricers for all the clients and the business we're targeting. And I think we're there now. I would think that the area where we need to still progress is again the U.S., but I think the rebranding of the company is good and is progressing well. So I think gradually we're moving up in the ranking in the U.S. but overall that's where we are.

Regarding the traffic lights, well, my regret is to have to show them to you every time, but anyway. Well, I think this is a perception that we have of the position market-by-market and line of business by line of business as a function of what we underwrite. So to be very precise, the percentages are percentages in number of dots, yeah, not weighted average of premiums or I think it's one way of showing the percentages. You need also to take them with that caveat. They do not represent percentages of premium, they represent the percentage of the number of dots in this table.

I would think myself that in a market where we see first sign of bottoming up, it's not totally abnormal that while basically we have the stabilization and we do not continue to see the number of inadequate increasing. And I would add that, well, as I was mentioning in my introduction speech, the number of profitable earnings that we see now are coming out of the Q4, which is far higher than what we had already noticed in Q3, and that goes throughout the panel of insurance and reinsurance companies and informed the largest to some very specialized.

While that also covers a variety of lines of business, but for us that is indicating that well, this has got to be followed by underwriting measures, though we believe that those are the indicators that we are reaching the end to some extent gradually of course, but we are reaching the end. So we hope that we will see the consequences of that in the renewals to come unfortunately to be totally open today. We're not yet seeing that in the beginning of the 1st of April negotiations to be totally clear.

Q - Kamran Hossain {BIO 17666412 <GO>}

Perfect. Thanks very much.

Operator

From HSBC, we got Thomas Fossard on the line.

Q - Thomas Fossard {BIO 1941215 <GO>}

Hi. Yes. Good morning. We got two questions on my side. The first question will be related to terms and conditions. Obviously, you're pointing to maybe higher level of referral this year compared to last year. I just wanted to better understand what was the request from your clients in terms of terms and conditions, and potentially what has been the level of acceptance into the retail process (27:39).

And the second question would be related to your initial comments on the return on allocated capital of your division. I think that now you are pointing to the (27:56) rating more or less in line – just in line with the targeted returns, while obviously last year you were still writing with the margin; all that of course taking into account also the level of interest rate environment. So just wanted to confirm that my understanding is right and that obviously you're writing now the business only on the target and obviously in the context – in the (28:30) environment both underwriting and financial. Obviously, the margin are starting to be a bit less significant than in the past. Thank you.

A - Victor Peignet {BIO 6287211 <GO>}

Well, on the second question, last year, we – remember, we indicated last year that we had already had to withdraw the buffer, though we were writing at the target last year and we continue to be writing on the target this year. So that's the second year in a row that we basically underwrite at the target return on capital.

Q - Thomas Fossard {BIO 1941215 <GO>}

And just on (29:17) right, okay. So do you (29:19) meaning that obviously you would not expect on average, say, business you expect to write on a full-year basis to be more capital intensive than it has been last year basically?

A - Victor Peignet {BIO 6287211 <GO>}

Well, I mean there is a slight variation year-on-year of the capital, and there may be – I mean, if the market is softening, you tend to manage the portfolio, and well, I don't want to enter into all the details, but it's obvious that if you manage the portfolio, you may have to go into layers and participation that are slightly more capital intensive. Look at that (30:00) business for instance, if you don't want to write the bottom layers anymore, because they're too competitive, you look at excess (30:06) or maybe the same, so I think because of the soft market condition, there is a trend to go for slightly higher capital, but you are talking of a few percentage points of capital intensity that increases. While if that capital intensity increases, well, it has got to be remunerated which is the case. But there is a slight increase, while a handful of a percentage point of capital intensity, but I mean this is being remunerated.

On the terms and conditions, I think that the things of last year which were very much on the aggregation of events, our close and things like that. They were still present to some extent, but I mean a lot of it had been that we dealt with last year. So it was more clients that did not really pursue that last year to realign what had been achieved or what had been conceded, I don't know last year. So I think that was not such a hot topic this year.

I think that basically when you reach a point where, well, the margin to play with the prices becomes pretty minimal, while you try to manage your bit on the extent and the scope of cover, so the attempts were basically to expand a bit the scope of cover whether it is in property or in casualty or in the specialty lines by throwing in additional exposure, hoping that this could be swallowed at no additional premium. So all the discussions were on. I think that's where underwriting management comes into play, that's where underwriting also comes into place for the underwriters to know pretty well the scope of the treaties and to reanalyze in the propositions of the client to reanalyze what additional covers, ancillary coverages, additional guarantees are being thrown in, then see whether those are acceptable or not and if they are, well, talk with the actuaries regarding what sort of pricing impact it should have.

So I think nothing really massive but here and there, attempt to broaden the cover. Cyber has not been as much of a hot topic as we thought it would be, well the good reason being that the take up of cyber coverage is still pretty low outside of the U.S. So I think even though they are cyber covers for the moment, the exposure to cyber covers outside of the U.S. is quite low.

Q - Thomas Fossard {BIO 1941215 <GO>}

Okay. Thank you.

Operator

Our next question comes from Vinit Malhotra from Mediobanca.

A - Victor Peignet {BIO 6287211 <GO>}

And then, if I may, I had one point on this. I think one of the line that has been and it's not surprising, this is soft markets sort of reputation. One line of business that is the most affected by these attempts to throwing additional cover is marine. And you remember back in the 1990s the idea that marine was accepting additional war, marine was accepting terror, some onshore energy was thrown in the marine & energy treaties, well we have a bit of a repetition of that, which again is a sign of the submarket.

Operator

And we come to our next question from Vinit Malhotra.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Hello. Hi, good morning. Thank you. I'm just curious that if you could just comment a bit about the one product which seems to be – seems strong or reasonably good price increases more the non-prop, is it just one-offs because of what's happening in Spain, if you highlight or if you could just comment on that that would be very interesting for me.

Secondly, if it's just the SBS slide, which I think you have provided some new information on signing ratios on slide 19. And I just can't help but notice the offshore energy where at least two years ago, it seems there was a lot of more competition maybe from the slide where you got less than you wanted to sign, but then the last year has been flattish. Is it – I mean, is it if you could comment on that.

And there is one small clarification I need if I'm allowed that second half question, just to confirm that you mentioned that the gross loss ratio is actually even improving by 30 basis points because of low commissions or retrocession just to clarify, sorry. Thank you.

A - Victor Peignet {BIO 6287211 <GO>}

Start by the last one because we need to be very clear on it. In our expected performance, we are communicating on underwriting ratio. Underwriting ratio is the addition of loss ratio and commission ratio. So what I'm saying is that our underwriting ratio, the addition of the two, is increasing by 0.3 basis points. It means that business is a bit less profitable at the moment, but within that evolution basically, the loss ratio itself, the expected gross loss ratio, so there is no retro in there. We are all pricing our business, gross, it will be for retro. So the loss ratio, gross expected, is reducing while 0.3 basis points. What does it mean? It means that the deterioration in bracket of the underwriting ratio is coming from the commission and this is not again surprising. I think our underlying business, and you see that in the attrition of loss ratio, our underlying business is behaving pretty well. I think our underlying portfolio is very solid, but a lot of the negotiations are on the commission revenue.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yeah. Okay. Fair enough.

A - Victor Peignet {BIO 6287211 <GO>}

On the motor non-prop, while this is very different market-by-market, I mean it's obvious that in Spain, the system has been changed, so the indemnities are going to be – are changing. So, as all the system of indemnity is changing, you re-price the business. And in the [Technical Difficulty] (36:30) and in UK and France, well I think the market in France has been to our point of view too competitive for the last three years at least. And while again, I mean, we are probably here reaching a kind of a bottom and there is a need to consider that the volatility in particular and the inflation and the very large severe losses needs to be remunerated.

So I think it's – I would not think that that is it, we shouldn't make too much out of it, but I mean on the line of business, per line of business, yes, I mean UK, France and Spain have seen changes, which are not linked to exactly the same reasons, but (37:23) and regarding business solution, well, I think maybe Benjamin you're on the line.

A - Benjamin Gentsch {BIO 5633839 <GO>}

Yes, I'm on the line.

A - Victor Peignet {BIO 6287211 <GO>}

Okay. You want to take this one?

A - Benjamin Gentsch {BIO 5633839 <GO>}

Well, if you look at those two charts on slide 19, I think it's obvious that offshore energy has seen a significant pricing pressure, but nevertheless they are all resources (37:49) that we like to underwrite because they're still at (37:51) price. And then it's I think not surprising that on such better risk, you see that at least the preferential signings actually that depresses and the signing ratio down to add it something like 80%, 85%. So I don't think it's contradictory to see negative price trends there and then not so good signings meaning we would like to underwrite more of the risks that we're on, but because they're reasonably well priced, obviously there is more than enough capacity for that.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes, Benjamin, I will just – sorry, if you can follow. Just wondering that this hasn't moved in the last year.

A - Benjamin Gentsch {BIO 5633839 <GO>}

Yeah.

Q - Vinit Malhotra {BIO 16184491 <GO>}

It's not surprising that it's fairy in 2014, but it seems to be stable at this level. So, if that is what it is (38:38)

A - Benjamin Gentsch {BIO 5633839 <GO>}

Stable at the low level. I mean we tried to defend the business as much as we can. So we would hope that the signings do not fall further.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay. All right. Thank you, Benjamin.

Operator

Now we take our next question from Frank Kopfinger from Deutsche Bank.

Q - Frank Kopfinger {BIO 16342277 <GO>}

Yes. Good morning, everybody. I have two questions. My first question is on your gross and your (39:15) on the 24% and can you break this down into the two drivers property and casualty, and also on the casualty side, you seem to become more and more positive on this, and if this is the case, then what is your outlook then in terms of the prospect for this business? And my second question is on your reductions – on your volume reductions in marine and aviation, obviously this was driven by the weak pricing, but my question would be what kept you there from cutting the volumes even more?

A - Victor Peignet {BIO 6287211 <GO>}

Well, in the U.S. as I said, it's pretty spread sort of progression, and if I give you the percentages, the new premium is 34% property, 27% casualty, 18% professional liability, 12% regional business, 9% program business, so it's pretty distributed, which is what we want. I mean we have segmented the market and we want to progress in the different segments.

The property, casualty and specialty casualty is then again resulting from this global approach of clients where we are looking at the client in all the classes of business including specialty lines and surety (40:40) for instance can be one in which we are present in the U.S., though we want to consider the client globally, and that's what we have been doing.

On the marine aviation, well again, I mean, as Benjamin is on the line, maybe you can comment on this one, Benjamin.

A - Benjamin Gentsch {BIO 5633839 <GO>}

Let's start with aviation. In aviation, we are really concentrating our portfolio on that, very largest most influential players, and I would like to remind you that as we have talked about as many times, aviation is not just only airlines business. The airlines are the most under pressure, but GA products, airports, et cetera, are still relatively better priced. So in this leading – the leading players in the market retain a portfolio that from our point of view is very flat to be underwriting. Of course, there is no excess margin in there, but we want to concentrate the portfolio on those basically four key players in the market. Therefore, there should not be an expectation of much through reduction than what we have shown in the 1st of January renewal.

And in marine, I think a 6% reduction is already quite a significant one. Marine is a portfolio line of business which is very important also for our composite clients. So it quite technically also forms a part of an overall relationship. Nevertheless, of course, also the marine business has just to satisfy our profit requirements. But this is done in the context of the overall client relationship that we have. So we have reduced because a lot of the business has not satisfied the profitability requirements, but the business that we have underwritten still makes sense to be underwritten.

Q - Frank Kopfinger {BIO 16342277 <GO>}

But would you expect to cut it even further in marine? In aviation, I understood that this would be probably the level?

A - Benjamin Gentsch {BIO 5633839 <GO>}

Well, if you give me the crystal ball and tell me what marine rating will do in the next couple of quarters and I could give you the answer. So if rates are further reducing, but this is the need (42:55), we heard before about Victor and I fully joined this view about Victor's view and expression about the market leveling out. I think if the market levels out, then we will not reduce our portfolio anymore in the marine. However, if the rates would reduce significantly, then you would have to see further portfolio management actions there. But let's wait and see how the market reacts, I think the signs that the market is leveling out, those signs are actually increasing day-by-day.

Q - Frank Kopfinger {BIO 16342277 <GO>}

Okay, thanks.

Operator

As there are no further questions in the queue, I would like to turn the call back to Bertrand Bougon for any additional or closing remarks.

A - Bertrand Bougon {BIO 18934799 <GO>}

Thank you for attending this call. Our next event will be the presentation of the full-year 2015 results on the 21st of February, and I just have to wish you a very good day.