Q1 2020 Earnings Call

Company Participants

- Lars Thykier, Chief Financial Officer, Topdanmark and Topdanmark Forsikring
- Peter Hermann, Chief Executive Officer, Topdanmark and Topdanmark Forsikring
- Steffen Heegaard, Group Communications and Investor Relations Director

Other Participants

- Alex Evans, Analyst
- Asbjorn Mork, Analyst
- Derald Goh, Analyst
- Jakob Brink, Analyst
- Jon Denham, Analyst
- Mads Thinggaard, Analyst
- Martin Gregers Birk, Analyst
- Michael Huttner, Analyst
- Per Gronborg, Analyst
- Youdish Chicooree, Analyst

Presentation

Peter Hermann {BIO 20507411 <GO>}

Good afternoon, everybody, and good morning to the USA. Thank you for joining us at this conference call. With me is Lars Thykier, the CFO; and Steffen Heegaard, the Group Communications and IR Director. We are holding this conference because earlier today, we published the interim report for Q1 2020. But before we go to the questions, we would like to use the first minutes just to explain the development in our investment result with focus on our hedging portfolio. Hope that's okay for you.

So, I'll give the word to you, Lars.

Lars Thykier {BIO 16427122 <GO>}

Thank you. I don't want to waste your time, but I think I may save a couple of questions if I spend a couple of minutes on the investment result.

So if I can make you go to the slide 15, which shows our investment return. You know this table, it appears that we've had a negative result in Danish equities and foreign equities and unlisted equities, put together DKK217 million. We have lost DKK190 million on government bonds and mortgage bonds and we've lost DKK94 million on CLOs. On the other hand, we have had DKK46 million plus on our technical reserves.

I'll try to take the essence out of the slide 15 and show the result on slide 16. You'll see that there are some minor things that is a positive result of DKK23 million and then we have what I call risk assets that is the major part of these equities and CLOs that has given a deficit of DKK311 million. And then we have our hedge portfolio, which is supposed in our forecast to give result of zero. But we are having DKK190 million plus on our asset positions and only DKK46 million gain on our technical provisions, leaving us with a result of minus DKK144 million. There are reasons for this, of course, and I'll try to explain to you what has -- some -- what has happened in the Danish mortgage market.

If you look at slide 17. On the left part of the table, we are comparing seven-year euro swaps to the only run open mortgage bond 30 years in tenure with a 1% coupon. If you look at blue dots, that is how the correlation has been between those two items in the first two months and over the quarter and the half of March. For instance, if you look at the blue dot farthest to the left, it shows that if the seven-year euro swap was minus 42 basis points, then the 30-year mortgage bond would cost 101.4, something like this. And then there is a very fine minor combination between swap rates and mortgage prices as long as we are within the period from the 1st January to mid-March.

This is how it is supposed to be. There should be close coordination between swap rates and market bond prices. But on the 20th March, or actually a few days before, we saw a rising panic in the mortgage market, which, among other things, led to interest rate increase from the Danish Central Bank. It was only Denmark that increased the money market rates and we increased it by 15 basis points. This 15 basis points increase in the money market rate, it actually hit all maturities on the swaps. So the swaps rate increased by more than 15 basis points. On top of this, there were a huge sell-off in government bonds, which led to the result that you can see in the lower part of the table.

The yellow dots that is the correlation between swap rates and mortgage prices from -- in the week from mid-March to 4th March and the gray ones is the correlation between mortgage bond prices and swap rates in this last week of March. The gray diamond in the middle is the relation on 31st March. As you can see, the mortgage bond price has fallen 3.5% compared to where it, so to speak, should be on the 31st March. Some of this is due to the changes in swap rates and some of this is due to idiosyncratic specifics when we're talking mortgage bonds. But, of course, this is very expensive.

Then you could say this is because mortgage bonds are hard to handle, there may be increase in the OES, there may be some decrease in prices because of optionality and so on. But if you look at the right part of the table, you can see the correlation between three-year bullet loans and swap rates. And we are going to detail the yellow, what is called, diamond, yes, thank you. Yellow diamond shows where the three-year bullet loan were compared to where it was supposed to be if you calculated price from the first 2.5 months in the quarter. So we have a substantial decrease in mortgage bond prices here as well, even though there is no optionality.

What happens is that when mortgage prices decrease, then the value of the prepayment option decreases as well. And this means that the maturity or the duration of the mortgage bonds increases with decreasing prices. And we have this situation where our prices decreased a lot and this means that duration increases a lot and everybody owning mortgage bonds saw themselves with far bigger risk than they wanted to have, which meant that they tried to get rid of the mortgage bonds. This led to pressure on the Danish krone, which again led to this unilateral interest increase from the Danish Central Bank, which again, as I said before, led to an increase in the spread between your swaps and Danish krone swaps, not only in the short end, but in the full spectrum.

There was some relief from the VA, but it was completely dwarfed by what happened in -- on the asset side. There was a complete turmoil in the Danish mortgage market. It was very hard to trade sizable chunks of mortgage bonds. So it has been a market with some kind of panic and with very, very steep price changes in very short time.

Looking at page 19, I will try to gather this a little. The -- our starting point is that -- which we used in the forecast is that the return we'll get on assets and the return we'll get on liabilities will even each other out and we'll get the zero result. And then if we compare to the -- to what I showed you before, we had a spread widening on fixed loans, which alone cost fixed loans that is kind of adjustable rate mortgage short time bullet bonds, which cost DKK58 million and we have the spread widening on the long run mortgage bond -- 30 years mortgage bonds mainly of DKK269 million. The gain on the volatility adjustment was DKK269 million as well, but that is a coincidence. The volatility adjustment should, in an ideal world, cover the losses on the fixed loans, the mortgage bonds and a substantive part of the DKK86 million you see in the last line. So the VA did not help us sufficiently to ensure a reasonable result.

On top of what we can -- what we have with the price dislocations, there are some inherent things when we use mortgage bonds. There is a volatility and the mismatch, which make -- which forces us from time-to-time to sell when things are cheap and to buy when things are expensive to keep our interest rate sensitivity within reasonable levels. This euro-krone swap rate I mentioned, which actually alone cost around DKK100 million. And on top of the impact in -- on the mortgage bonds, there's some more impact on assets that are not mortgage bonds, but still what were the price still reflect Danish interest rate levels.

Then we have the problems we always have that when we make up the cash flows on the liability side, we make a forecasting at the beginning of the quarter. This forecast is sent to, yes, management company that tries to hitch the forecast as well as possible, but the forecast is not necessarily the truth at the end of the quarter. There has been some impact from the pension tax and so on. All-in-all, this adds up to DKK86 million, leaving us with DKK144 million deficit in the part of portfolio, where we should have a zero and where we will get a zero in the long run, I suppose.

I hope this helps somebody or some of you at least.

Peter Hermann {BIO 20507411 <GO>}

Thank you, Lars. We are now ready to answer questions. So, please ask them one at a time. And, operator, may we have the first question?

Questions And Answers

Operator

Thank you. (Operator Instructions) Our first question comes from the line of Asbjorn Nicholas Mork from Danske Bank. Please go ahead.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Yes, good afternoon and thanks for taking the questions. First on your top line, the new guidance that you come with and the -- I guess, the negative bias that you have for the rest of the year. I'm just wondering that you had a pretty good start to the year and you also mentioned that the net impact from the Nordea and Danske distribution is probably the worst in Q1, it should improve throughout the year. So could you elaborate a bit on how big do you see the gross headwinds on your premium side from, I guess, it's workers compensation and SME portfolios where you see the risk? And also if you look into 2021, should we expect a negative growth to your premium income next year? Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

I mean, this is really -- it's guessing. We don't know what the government is going to do. We don't know how fast the society is open again. What we know is that if we lose premiums, we lose claims as well. So we think that we have a reasonable bid on the profitability, while we are a little more unsecure when we are talking (Technical Difficulty). Definitely, we are going to lose premium on workers' compensation. And we'll lose SME premiums in general on top of workers' compensation. On the private lines, I don't think that we'll lose very much, if we will lose anything. What else can we tell him on this?

A - Peter Hermann {BIO 20507411 <GO>}

I think that actually, you also mentioned the difference between the former Danske portfolio and the Nordea. And, of course, in Q1, we have had, still you can see, a churn on Danske and also that we actually have quite a big inflow of bookings. But before we have the booking and the meeting and the advice on the sale and transfer of the insurances to Denmark, that will go some time, meaning that the premium income from Nordea portfolio will first start here in Q2 for real, meaning also that we got a negative premium growth of 2 percentage points in Q1. But looking ahead, we still think that also from 2021 as you ask about that Nordea will still keep up with the loss we'll get Danske. So we still see there's a good momentum in the rest of the business. So, no, I don't expect negative growth for 2021, but it depends, of course, as Lars said about, what will be the government tools that we'll use and how much will be -- how many people will be unemployed and so on.

A - Lars Thykier {BIO 16427122 <GO>}

It takes time from we get an agreement with the new customers until they are in our portfolio. So the portfolio has hardly increased in the first quarter, but it is growing well, nonetheless.

A - Steffen Heegaard {BIO 1513480 <GO>}

And we can also say that in the September frame, we have a nice inflow of customers from almost all companies, especially within the SME market.

Q - Asbjorn Mork {BIO 17028219 <GO>}

But isn't it fair to say that at least it sounds on you guys that the distribution from Nordea is probably a bit better than you had hoped for and the outflow churn from the Danske portfolio is probably a little bit lower as well, so net-net, both are in the positive direction versus your expectations or am I reading too much into it?

A - Lars Thykier {BIO 16427122 <GO>}

No, that is true, but the size is marginal. We have actually increased our expectations for the full year by very little amount due to the success in Nordea and we haven't changed anything because of Danske, but it looks a little bit better than we had expected.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Okay. Fair enough. If I may too on your SME portfolio in Q1, it looks pretty soft. I know Q1 last year was very strong. And you mentioned prior trends, but could you elaborate a bit on what's actually going on in the SME portfolio and is it short-term negative, obviously, now as there are some more fundamental trends here?

A - Peter Hermann {BIO 20507411 <GO>}

Actually, we would say that actually we have a improvement in the SME portfolio in terms of risk, the underlying risk, if you look at the quarter one. We have had some large scale claims that's -- as you know. And then maybe if you're asking, is it the run-off you're asking too maybe? Because that --

Q - Asbjorn Mork {BIO 17028219 <GO>}

Exactly. Okay.

A - Peter Hermann {BIO 20507411 <GO>}

So the run-off in the SME segment is negative at the quarter, is that what you're asking for?

Q - Asbjorn Mork {BIO 17028219 <GO>}

Exactly, yeah.

A - Lars Thykier {BIO 16427122 <GO>}

Okay. Okay. Of course, I would like to mention in the first place that actually the SME result in Q1 was as we forecasted at the beginning of the year. So the profitability is as we expected it to be. On the run-off side, we have had some, we could say, unpleasant items. We are not used to substantial run-off losses on our short-term business. But this time, we actually have had that, and that has to a major degree been because of the unprecedented amount of rain that we have seen, that our models have not been able to handle this in the right way. So we have run-off loss on flood house, we have run-off loss on building, we have run-off loss on liability and then we have run-off loss on unemployment insurance. And that is -- the unemployment insurance and the building is, of course, the SME.

A - Steffen Heegaard {BIO 1513480 <GO>}

And further to the SME, you can say that in Q1 last year, we had an extraordinary good claims trend on the agricultural area, where the Q1 this year is more normalized with a more normal level of large scale claims.

Q - Asbjorn Mork {BIO 17028219 <GO>}

So this basically means that it goes back to the heavy amounts of rain also in late last year and then increased unemployment risks, is that how we should look at it or --?

A - Lars Thykier {BIO 16427122 <GO>}

The -- we increased reserves on unemployment risk from people -- for people who are already unemployed and who were unemployed last year. That amounts to run-off loss this year. And then we -- as you said, yes, we had this terrible rain in Q3 and Q4, especially last year as well and our models hasn't handled this phenomenon as they should.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Okay, fair enough.

A - Steffen Heegaard {BIO 1513480 <GO>}

So you're right to the run-off losses.

Q - Asbjorn Mork {BIO 17028219 <GO>}

All right. Fair enough. And on your travel claims for 2020 or basically your 2020 guidance, could you tell us -- I mean, how much have you included in claims for the travel part? I guess, you have no other limit of reinsurance considering your insurance policies with customers. So, how much have you actually put in there? I guess, it's a pretty -- I mean, for March alone, it's DKK35 million-ish, right? So it's -- it could be pretty big number for -- over the summer holidays, I guess.

A - Lars Thykier {BIO 16427122 <GO>}

I mean, the intensity was very, very high in March. We won't see a lot of evacuations in six months from now, for instance. And I suppose that there will be a lot of people who don't travel due to the situation. And that means that we expect this to decline, but basically we think that what we are losing on travel and unemployment insurance, we will more or less gain on motor contents and accident. So, we have a net figure, so to speak. We show you DKK14 million net as COVID-19 result in Q1 and we expect that this is going to be closer to zero in the next three quarters. But again, it depends heavily on what the government is going to do.

A - Peter Hermann {BIO 20507411 <GO>}

On the year, we expect COVID to have a DKK50 million to DKK100 million loss in and that's 0.5 to 1 percentage point, but that's also due to -- if there's a risk of both loss income protection, there's -- there could be potential losses on illness and accidents products, health insurance, disability insurances. So that's the net result. And also you see in terms of travel, you can say that what we also see is that, yes, we will think that this can cost some money over the holidays if the country or the world will be shut down, but again we don't have the same amount of claims when people are on vacation as we used to do so. So this is, you can say, a calculation between different product lines we're ending up in the total of 0.5 to 1 percentage point as a result of the COVID situation during the year.

A - Lars Thykier {BIO 16427122 <GO>}

Which includes that it is harder to get people claiming workers' compensation and hardest for people who are claiming an illness and accident compensation to get back to work.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Sure. But just on the travel part, the numbers that you have booked for Q1, is that only for Q1, so including 31st March? Does it actually include people that have filed for a claim, for instance, for Easter holidays in March, but haven't -- I mean, of course, Easter was Q2, so are they -- those claims included in the Q1 number?

A - Lars Thykier {BIO 16427122 <GO>}

No, it's -- this is the March numbers. So it's the payouts we have from until the end of March.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Okay. Fair enough. Then on the income protection insurance, as you also mentioned, a 20 basis point impact for Q1 or basically, I guess, for March, it's isolated too. You've stopped selling the product and -- how big is this impact potentially for 2020? I mean, one month was 20 basis points in your combined ratio. So how much do you feel this?

A - Lars Thykier {BIO 16427122 <GO>}

Something like around 5 a quarter. The fact of the matter is that we have around DKK100 million in premium, but a major part of this is collective agreements with the unions and so on, where we have -- where we build up huge bonus reserves. So the bonus reserves are going to pay for the major part of the loss. We are not utterly concerned about this.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Okay.

A - Peter Hermann {BIO 20507411 <GO>}

You can also say our income protection insurance is mainly in the, you can say, the segment of people in Denmark with a, you can say, higher salary. We don't have that many about in the lower salary end. So we don't see the same risk on an unemployment rate for those of us at key segment. We will probably lose some money on this, yes, but we've not stopped selling exactly with that. We just stopped selling when you just go into the website and buying it. So -- but we still have some partnerships, where we are still selling to these unions, so that's the same.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Okay. Then on your health and accident and the communication from the Danish embassy yesterday, I was just wondering, how do you see this impacting your -- especially, I guess, your life business, but your -- in general, your business looking ahead?

A - Peter Hermann {BIO 20507411 <GO>}

You can say as an isolated thing, it's a positive thing. You can say that we have first experienced, you can say, deficits on our accident illness last year in 2019, but yes, we are also struggling with combined to 100. We have already plans about looking into pricing as we also told you before. Now if that will probably get easier, you can say, but still we are expecting to do some price increases. We also did expected that beforehand. Now, we are definitely also going to do it also with the situation, the message from the FSA, but you can say that we're also experienced and maybe you will look into that having more risks and more claims on this part due to the fact that if there is a high unemployment rate then people cannot return to their -- return to a job making the duration of the payments longer and we also expect actually may be more people getting disabled because they were actually able to keep track of themselves before with a -- maybe fighting with an illness, but still earning money and maybe now they are not earning any money and then they could be -- have a disability claims paid out. So we are still expecting the same results on the accident illness for the year. That's the expectation.

Q - Asbjorn Mork {BIO 17028219 <GO>}

All right.

A - Peter Hermann {BIO 20507411 <GO>}

And we don't -- we haven't actually changed our view on the next years', you can say, this unexpired risk. We haven't changed our view on that on unexpired risk meaning for '21.

A - Lars Thykier {BIO 16427122 <GO>}

Meaning that the premium we see for this quarter is a true premium, so to speak.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Yeah. All right. Fair enough. That makes sense. My final question from my side on your investment income and, Lars, going back to your slides in the presentation. So just wondering, do you still have the same positions? I mean, may we -- should we expect there should be sort of a reversal, I guess, on the hedge portfolio, at least the potential for reversals in the next couple of quarters from the losses that you made in Q1?

A - Lars Thykier {BIO 16427122 <GO>}

There has been some changes in the portfolio, but the basic is that we have kept more or less the same portfolio. We have tried to avoid selling out of too cheap mortgage bonds by hedging the extra risk via swaps, keeping the now cheap mortgage bonds at outlooks. So this money is coming back, but it may take a long time, the running yield will be higher than it were before. Maybe we'll see a normalization in this year, maybe you'll see normalization last year, but the present value of the return on these bonds has not changed very much.

Q - Asbjorn Mork {BIO 17028219 <GO>}

All right. That's very clear. Thanks a lot. Thanks for the questions.

A - Peter Hermann {BIO 20507411 <GO>}

Thank you.

Operator

Next question comes from the line of Jakob Brink from Nordea. Please go ahead.

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you and good afternoon. First question from my side is on the COVID-19 implications to your claims ratio in the quarter. So, I guess, I'm just wondering a bit on the, I guess, the travel of 1.5 percentage points impact is what it is, but then motor of 0.8 percentage points sounds rather low, especially when you're hearing in the market, I think Codan said a 30% reduction in motor frequencies in March, I know it's only one month of three in the quarter, but still 0.8% on something which is 10 times larger premium book than travel and then it's a smaller impact. Could you maybe give us a bit more details on why you think motor is that low or is there any technicalities I don't get right?

A - Lars Thykier {BIO 16427122 <GO>}

In the first place, we have to admit that we cannot distinguish between different reasons why travel prices has increased or travel claims has increased, and we don't know exactly why motor claims has decreased. So we have made guess on what was due to corona and what was due to other things. So that is what it is. I can't justify that the claims level will be -- or change in claims there that we have had is very much better than what we see from some of our competitors, but what I -- I don't really see what we have heard from some of the others in in our books.

A - Peter Hermann {BIO 20507411 <GO>}

Another explanation just to make another point is that if you look at the first two months of the year, then our travel insurance was at a, you can say, more normalized level. And then in the -- in March, we had all these claims trend -- or claims on travel and the first two months of the year also was a little worse. Actually, we had quite a lot of actually accidents in auto portfolio. And in January and February, even though it wasn't a very, you can say cold winter, but that is the effect that we have seen it on the quarter. And we are also seeing a drop in auto claims in a -- as we have seen from some of our competitors looking ahead, but we also see still increase in the -- you can also see travel claims still being canceled. So --

A - Lars Thykier {BIO 16427122 <GO>}

I mean, if we had DKK10 million more losses in the two first months, we may have DKK30 million on COVID-19, but we have stated that it was DKK20 million.

Q - Jakob Brink {BIO 20303720 <GO>}

And just if you try to calculate backwards, I know it gets rather rough on the external numbers, it looks more like you've probably had a 1% reduction in your frequencies in -- on motor in Q1, which sounds very little, given -- I mean, when you drive around, there's basically no cars. But I guess, I'm just wondering, is there something -- I understand if the management in Topdanmark wants to be a bit conservative in these times, could there be something where you've maybe been a bit more careful or cautious in the kroner amount you set aside to a given claim or has that not been the case?

A - Lars Thykier {BIO 16427122 <GO>}

We have not changed the krone amount that we have put aside, but we are probably a little bit cautious about how much we expect to save, the cost of corona.

Q - Jakob Brink {BIO 20303720 <GO>}

And I guess that actually brings me to my next question because -- so, in Q1, you had around 50, 5-0, basis points negative impact and you're guiding for 50 to 100. I think at least that's what it said -- says in your report, but I think you said something different before. So, I mean, why would it get worse from now? I guess, I hear what you're saying, but travel was maybe a bigger issue in Q1 than it will be in Q2 or maybe not. I don't know what you think. And then still very low social activities as you write in Q2, I guess. So, why would Q2 be weaker than Q1?

A - Lars Thykier {BIO 16427122 <GO>}

Actually, it is not different from what I said. I just only described a part of the universe. I described what happens to motor, to travel, to accident and to unemployment insurance. On top of this, we expect negatives from, for instance, claims payable. We expect more people not to pay the premiums. And then we expect this impact on next end and workers' compensation. So all-in-all, we think that there are some things that helps us now. We have a better performance on workers' compensation now before people don't work. But later on, it will be worse than before because the people who are already out of work, they can't get work again.

Q - Jakob Brink {BIO 20303720 <GO>}

I get that point, but then I guess a follow-up, which becomes a bit detailed, but I guess you haven't seen anything on workers' compensation yet, so it must be modeling where you have turned down the probability that people get -- can get back to job. So, how much have you turned it down? It just seems like there's building some buffers on that one.

A - Lars Thykier {BIO 16427122 <GO>}

That depends -- we rely on the experience we had from 2009.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay. So it's a 2009 scenario you've put into your guidance?

A - Lars Thykier {BIO 16427122 <GO>}

No, but we have used the 2009 scenario to give us an idea about what will happen to premiums and what will happen to claims. We saw at that point of time that there was a lot of premiums that were reversed. And -- I mean, the companies, they have told us they have 100 employees and they have paid premiums for 100 employees. And then sometimes during the year or next year, then they will call us and tell us that we actually only had 80 or 50 or whatever they had. And then they claim their premium back. So that is taking into the expectations the premium income. And then we can see how tough it has been to get people back in work and of course the situation is different now from what it was 10 years ago. We have a bigger system, but we simply know that if there are more who fights about the jobs, then the worker compensation claimants and the illness and accident claimants they are not the first ones to get a job.

A - Steffen Heegaard {BIO 1513480 <GO>}

And on health insurance, we can see from experience that when families have been too much together for too long time and they get annoyed and the need for assistance from a psychiatrist is increasing. Furthermore, we see more stress-related claims when the unemployment increases, both for the people not being laid off having to work more and also from people having been laid off. So we're expecting more claims around this area.

A - Lars Thykier {BIO 16427122 <GO>}

A special thing to mention is that the public hospitals, they are half empty for the time being. Nobody gets the treatment they need. And that means that we have at least a year of necessary operations put in front of us. And when people cannot get this treatment they need from the public hospitals, they will turn to private hospitals and ask us to pay.

A - Peter Hermann {BIO 20507411 <GO>}

And there will be some experience from the strike. Do you remember that when the nurses striked? Then we've used the experience from that time to say that will give some kind of claims whatever as well. But it all depends on how Denmark and the rest of world will open up. So this is more -- you can say, more unsecure prognosis. So that's also the reason why we've put in a bigger spread between the low end and the high end.

Q - Jakob Brink {BIO 20303720 <GO>}

Makes sense. And then on life insurance, didn't you say back on the 23rd March that you were not expecting to book the risk allowance in life? And as far as I can tell, you ended up doing it anyway. So was it just performance in the past week or what happened?

A - Peter Hermann {BIO 20507411 <GO>}

Well, it was two things. One is that, as you know, we have had a pretty strong rally in risk assets during the last week of March. So, of course, the situation is better now and the collected bonus potentials are higher than they were at that point in time. The other reason was that I consider the special profit we had with the -- this earnings at that point of time. When we have very slim collected bonus potentials, then there is some probability that we will make it and get our return. And there's some probability that we'll not get our return. I considered the probability we -- this return that we expect to have with a pretty high profitability that we wouldn't get. And I'm not quite as pessimistic now as I was at that point of time. So it is little -- or to some extent, it's my degree of optimism that has shown in the change.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay, that's fair enough. And then last question from me. On the SCR reduction on a Group level, is -- I guess, that's then given what you showed before on the VA and fixed income that must be driven then by equities or what -- or I guess it's also partly the VA that is pushing it down, but is it the equities or is there anything else pushing down the SCR?

A - Lars Thykier {BIO 16427122 <GO>}

We gave a substantial relief from the decrease in size of equity and CLO portfolios. The equities have a loan and this regulates that CLOs' costs a 100% on the SCR. So if we lose a 100, we -- our solvency requirement goes out of the door. On the equity side, we have accessed the smaller portfolio as well explanatory variable and the other one is that the dampener has gone from being positive at year-end to being minus 10 now. So there is a substantial increase on this part of the SCR. On top of this, we have updated our internal models, we have made new calculations and this has given us the relief on the life insurance risk as well. Countering the loss absorption capacity of life has decreased as well. And then there is the difference in dividend. We used the dividend of DKK1.5 billion in the year-end results and we have used DKK750 million now.

Q - Jakob Brink {BIO 20303720 <GO>}

How much is the reduction in non-life SCR?

A - Lars Thykier {BIO 16427122 <GO>}

Actually, items use that very much because of the single company SCR is not showing what it should show.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay, fair enough. Many thanks.

A - Lars Thykier {BIO 16427122 <GO>}

Werlcome.

Operator

And the next question comes from the line of Mads Thinggaard from ABG. Please go ahead.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Yeah, hi, this is Mads. Thank you for taking my question here. I have a follow-up on the COVID-19. Looking at page seven in your presentation, it seem -- I mean, of course all -- I guess, it's around 9,500 claims you have in travel claims and I guess there's a quite significant number in there from COVID-19. But could you -- do you have an idea of the average level, it seems to be below DKK4,000 per claim, how will that evolve during Q2 and Q3 in your view?

A - Peter Hermann {BIO 20507411 <GO>}

The average claim on evacuations and cancellation is almost the same actually in the -- as we've seen in the first quarter. But -- yeah.

Q - Mads Thinggaard {BIO 15369662 <GO>}

So it's kind of the same damage picture per claim we should expect?

A - Peter Hermann {BIO 20507411 <GO>}

Yeah, but it's not that low as you was mentioning.

A - Lars Thykier {BIO 16427122 <GO>}

No, it's rather DKK8,000 or DKK9,000 --

A - Peter Hermann {BIO 20507411 <GO>}

It's around 8 or -- between DKK8,000 and DKK10,000 per average claim.

A - Lars Thykier {BIO 16427122 <GO>}

So what is wrong here?

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. It's -- I'm simply taking the kind of the -- I think it's DKK35 million you mentioned from COVID-19 on travel.

A - Lars Thykier {BIO 16427122 <GO>}

Yes, I understand. Exactly I understand your point. And I can't really explain it. It shows as if it costs DKK3,500 per claim, but if we look on evacuations and cancellations, it is actually between DKK8,000 and DKK9,000 and I'm not able to explain the difference right away.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. Do you think it will change over the coming quarters? Or I mean, with larger perhaps over the summer, longer (Multiple Speakers) et cetera?

A - Lars Thykier {BIO 16427122 <GO>}

No, no, I have no reason to believe that.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. So DKK8,000 to DKK9,000 per claim is what to expect and then no reinsurance as you said before? Okay.

A - Lars Thykier {BIO 16427122 <GO>}

That's right.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Yes. Thanks. Then on -- I mean, looking at slide five in the presentation, I think you indicate a bit from the -- I guess, the interest rate changes perhaps also driven by the COVID-19 market turmoil, kind of a neutral impact for 2020. I don't know if you could elaborate a bit on that? And also tell us what kind of discounting rate you are using at the start of Q2?

A - Peter Hermann {BIO 20507411 <GO>}

If you look at the interest rate change in the first quarter then you can see that if you look at the interest rate and compare that with the -- include the VA, then it has increased in the short-end, and in the long-end, it has actually decreased. And when doing the calculation of our cash flows, then -- you can say, then it's almost the same as we were standing at the beginning of the year. And that's the reason why we are saying neutral because that's the best we know for now. And the interest rate we use for Q2 is the -- is what is happening in the end of Q1.

A - Lars Thykier {BIO 16427122 <GO>}

Actually, we make this too early to get the final interest yield or yield curve from EIOPA. So we use proxies from either the regulator or from Danske Bank. I've used the proxy from the regulator and it turned out to be 6 basis points too low. So we'll actually see very small 0.1, 0.2 impediment in the combined ratio from the interest rate, but we have not mentioned that in the accounts.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. Okay, thanks. But what kind of delta would you expect for Q2 mentioned from last year?

A - Lars Thykier {BIO 16427122 <GO>}

Let's see. I don't know.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay, okay. I'll get back to you on that then.

A - Lars Thykier {BIO 16427122 <GO>}

Yeah, yes.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Thanks.

A - Lars Thykier {BIO 16427122 <GO>}

Welcome.

Operator

And the next question comes from the line of Alexander Evans from Credit Suisse. Please go ahead.

Q - Alex Evans {BIO 19956412 <GO>}

Hi. Alex Evans from Credit Suisse. Thanks for taking my questions. The first one is just potentially on motor, and I know, as you said, the 0.8 percentage points reduction so far. And if this were to continue and let's say you do end up with a positive from motor for the year, what's your view on potential motor rebates to policyholders and have you had any discussions with regulators about that?

A - Lars Thykier {BIO 16427122 <GO>}

No, we had no discussions with regulators. And I know very well that we have seen some American insurers repay some of the premiums to the customers. I suspect this is monoliners having motor or cars only. We're in a situation where we are gaining on motor, but whatever gain on motor is at least -- at least as much as we gain on motor is lost on other items, especially travel insurance. So we are not in a better position to reduce prices now than we were at before.

A - Peter Hermann {BIO 20507411 <GO>}

What people can do is that they change -- if their driving behavior change, they can adjust the mileage they use and that could potentially give maybe a lower premium going forward, but --

Q - Alex Evans {BIO 19956412 <GO>}

Okay, thank you. And just on what you said on the dividend, there seems to be a slight change in the message maybe from the 23rd March. You seem to be suggesting that you distribute partly or fully the DKK8.50, whereas before you were suggesting distribution in full. Am I reading too much into that or is that you've got a little bit more negative on the outlook since the previous announcement?

A - Lars Thykier {BIO 16427122 <GO>}

Not at all, not at all. I just didn't want to be caught by a very specific information here. If we choose to pay out DKK5 in the autumn [ph], I think I would prepare you for that. But I'm definitely not more negative now than I were on the 23rd, on the contrary.

Q - Alex Evans {BIO 19956412 <GO>}

Okay, thank you very much.

Operator

And the next question comes from the line of Per Gronborg from SEB. Please go ahead.

Q - Per Gronborg {BIO 15910340 <GO>}

Yes, good afternoon. A couple of questions still from my side. First of all, you have put a new line called rain. If you had that rain in the Q4 and Q3 last year, do you have a guesstimate on what the impact would have been from rain that isn't included in weather?

A - Lars Thykier {BIO 16427122 <GO>}

We haven't made the calculations, but looking out in the window, I would say, it was probably very much like in the Q1, so say 20 in Q4 as well.

A - Steffen Heegaard {BIO 1513480 <GO>}

Yeah, I think it was 1 percentage point in Q4.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. Perfect. If we go to the life business, you gave out profit warning that you potentially couldn't take any risk allowance. Did that imply that your bonus ratio was pretty close to zero at that state and where are we seeing the bonus ratio today versus where that were at the end of last year?

A - Lars Thykier {BIO 16427122 <GO>}

They are lower than they were at the end of last year. And as it is now on the buffers and especially the low interest rate, I mean, it's interest rate of 1% with a 1.5% currencies. There are only a few percent buffer. And that means that of course it is not -- I can't say it's negligible risk that will go under water. And then we won't receive the fee we should have. And (Multiple Speakers)

Q - Per Gronborg {BIO 15910340 <GO>}

They are more --

A - Lars Thykier {BIO 16427122 <GO>}

They are more safe, but --

A - Peter Hermann {BIO 20507411 <GO>}

Interest rate pulled us one of the biggest ones.

A - Lars Thykier {BIO 16427122 <GO>}

Yes, it's just because it's so big. We are talking about more than DKK60 million from this group. We have our industry group 9, which is pretty small. And there is no collective bonus potential for the time being. So that is a small amount that we haven't been able to book in this quarter.

Q - Per Gronborg {BIO 15910340 <GO>}

It looks like if you hit it, it will only be partial and we need to see clear downturn compared to where we were at the end of last quarter.

A - Lars Thykier {BIO 16427122 <GO>}

I admit it would be too conservative -- or too pessimistic on the 23rd March.

Q - Per Gronborg {BIO 15910340 <GO>}

So it is sometimes. Business interruption insurance, what's the status? Are you covering that or is that an issue at all?

A - Lars Thykier {BIO 16427122 <GO>}

It's not an issue. We have pretty clear terms saying that it should be like a physical damage claim, rain, fire, flooding, whatever. So it's not covered by this -- corona is not covered and we don't have actually any disputes with our customers on that issue.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay, perfect. Back to the investment return. You are suffering DKK413 million losses on your hedge transaction. You're partly indicating that those money will come back. If spreads normalize tomorrow, how big a share of those DKK413 million would come back and how much has been lost in the transition, meaning the ongoing adjustment of the hedges?

A - Lars Thykier {BIO 16427122 <GO>}

In that case, we would receive the -- on slide 19, the DKK58 million and the DKK269 million and we would receive a part of the DKK86 million. But there would definitely be losses.

A - Peter Hermann {BIO 20507411 <GO>}

But then you would also have the VA going down again.

A - Lars Thykier {BIO 16427122 <GO>}

Yes.

Q - Per Gronborg {BIO 15910340 <GO>}

But would the VA -- okay. Of course, the VA would go down in that scenario if you got the spread out, that's of course correct. So what you basically are saying that a very significant part of the DKK413 million, we should expect those to be reversed if the Danish mortgage spreads normalize at some stage in the future?

A - Peter Hermann {BIO 20507411 <GO>}

Yes, that would be my expectation.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. I just got the perception that you -- that the ongoing adjustment of the hedges is quite costly, but that's basically not the case?

A - Lars Thykier {BIO 16427122 <GO>}

Yes, yes. It depends on how much is a major part. We are losing money on this definitely, but I have not been able to make out with whether it was DKK25 million or DKK50 million that arises from these volatility adjustments. Of course, we are looking into this, we don't like what we have seen during the period, whereas the interest rate has been so extremely low and volatile as they have been in the last two years. This is a strategy that is better suited for little higher interest rates and we have had that lately.

Q - Per Gronborg {BIO 15910340 <GO>}

What I would say, basically, you have lost a lot of money this quarter if Danish mortgage spreads normalizes. If the lion's share of the mortgage is coming back, then we should be less concerned. If this was a loss that wouldn't come back because it was lost in the transition and adjustment of the hedges, then of course we should be more concerned. And what you're basically saying, significantly more than half of the DKK413 million is basically money that should come back. And then of course you would lose some money on the VA (Multiple Speakers) transition, is that fair to say it like that?

A - Peter Hermann {BIO 20507411 <GO>}

It would certainly be more than 50%.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay, perfect. That's what I had.

A - Peter Hermann {BIO 20507411 <GO>}

Depending on the VA, yeah.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. Thank you.

A - Peter Hermann {BIO 20507411 <GO>}

Thank you.

Operator

And the next question comes from the line of Martin Gregers Birk from Carnegie. Please go ahead.

Q - Martin Gregers Birk {BIO 19920552 <GO>}

Thank you so much. Just coming back to the question of motor premiums and potentially compensation for the customers. And you mentioned that of course customers could reduce whatever kilometres that they plan to drive this year. But that said, I mean shouldn't it be a real concern, we have seen this in US monoline insurance, we have seen it now -- well, we start to see it now, I guess, Admiral was the first one out in Europe on Tuesday and couldn't be -- couldn't this be sort of like a sentiment-driven thing that European insurers across the board reduce motor premiums and thereby you guys would also be affected by it or if profitability in motor is going to explode in Q2 that there could be some kind of political action since this would be your way of showing some concern? That was my first question.

A - Peter Hermann {BIO 20507411 <GO>}

I think it's fair to say that there's always a risk. I can also read what on -- I can also read something in newspapers what is happening in some of the other European countries. But again, we're not a monoline company, we are providing our customers -- our full customers both auto and motor, content, house, accidents and so on. So at the moment, we don't see that why we should pay out where it goes well and then do somewhere it goes wrong. So that's our standing and I don't know what will happen, but of course it's a risk. But as we see it now, we have actually had a prognosis, where we are estimating a loss between DKK50 million to DKK100 million on corona or COVID-19 on the year. So that -- I don't think that implies that we should pay some of it back where we have some -- earned some money.

A - Lars Thykier {BIO 16427122 <GO>}

It may be that the risk is higher for the mutual companies paying back part of the surplus to customers that they will make use of the situation in order to acquire new customers. But, as you know, most of the Danish market is growth companies and we all have an interest in servicing the shareholders.

A - Peter Hermann {BIO 20507411 <GO>}

But, of course, it could be an -- you can say, a competitive thing at one stage, we don't know that.

Q - Martin Gregers Birk {BIO 19920552 <GO>}

Okay. Okay, thank you. Coming back to the first question that Asbjorn had on health and accident and the report out from the Danish FSA and your comment in saying that this would be -- this is mostly positive for you guys since starting since the argument for setting up prices in health and accident would now be -- or illness and accident, sorry, would now be greater. But what about in the meanwhile, while you guys -- until you raise prices, could there be potential negative actions in the Danish FSA in this?

A - Peter Hermann {BIO 20507411 <GO>}

I don't expect that actually. I think this is the response. And we, as I said, all -- actually already have plans about the price increases and we are still going forward with that. And -- but I don't think that they will come up with anything else, but I think it will be maybe a bigger issue for some of our competitors if they -- if we go the direction that the FSA has set, meaning dividing the accident/illness portfolio that actually that could be, you can say, held within one company and have them write capital in itself. Then I don't think we have a problem actually, but I think some of our competitors could have a problem. But I don't expect the FSA to come up with anything in between. That's my expectation at least.

Q - Martin Gregers Birk {BIO 19920552 <GO>}

Okay. So if you stop this cross-subsidizing, when we would see -- when will see this impact? Is this going to be a 2021 thing or do we need to put it on even longer lenses?

A - Peter Hermann {BIO 20507411 <GO>}

As you see from our perspective, we are looking into price increases in 2020, but that's something we already had told you beforehand. So that's looking from our perspective, but I see that -- I think that we will be more into 2021 before this will be real rules and actually have effects in the marketplace, I guess, but I guess that it will be positive if we can raise prices and still keep more of our business than we could maybe expect to lose if the other ones didn't increase prices as well. But I think that we will go into 2021 before we see, you can say, yeah, bigger movements.

Q - Martin Gregers Birk {BIO 19920552 <GO>}

Okay. Okay. And then just my last question on solvency. It seems that you guys have positively benefited in this quarter in both the denominator and numerator. And now you stand at 204%. How does that play into your dividend decision later in the year? Could that be an argument for not postponing the dividend decision and then maybe take it around Q2 or this is the expectation that we have to wait?

A - Lars Thykier {BIO 16427122 <GO>}

There are no decisions about this. We just decided that we would be cautious, not because our SCR was insufficient. Actually what we were a little concerned about was could we withdraw dividend when the solvency capital was as high as it were, but this is -- we want to be slim, but on the other hand, we want to play safe when we don't -- or when we are not able to look through the dark.

A - Peter Hermann {BIO 20507411 <GO>}

And I think that that will be looked on this later. That will be after the summer at least. So it would be later this year.

Q - Martin Gregers Birk {BIO 19920552 <GO>}

Okay, all right, excellent. Thank you so much. That was all I had.

A - Lars Thykier {BIO 16427122 <GO>}

Thank you.

Operator

And the next question comes from the line of Jon Denham from Morgan Stanley. Please go ahead.

Q - Jon Denham {BIO 19972914 <GO>}

Thanks very much. I just have one last. Coming back to the point on the FSA, I think you're still guiding to the 0% growth in life premiums this year. And why has that not changed, given yesterday's announcement by the Danish FSA? Is it just your point earlier that you think it will take around 2021 for payers to start raising rates? Thanks.

A - Peter Hermann {BIO 20507411 <GO>}

It's a best guess seeing that if we look into price increases, that could of course give some -- you can say, that could -- if you do premium price increases on the (inaudible) that we expected to lose some money on -- lose some business on. That's the reason why we said that we'll probably be flat on growth. But you can say that now the FSA then maybe made it more easy, as I said before, that we can maybe keep more of the business even though we do price increases. But on the other hand, we can also see that people maybe being laid off, they will not get price -- the salary increases over time, maybe that can also hurt, you can say, the growth in the life division because in Denmark, you pay, you can say -- you pay pensions as a pension as a percentage of your salary. And if salaries don't go up and maybe if people lose their job, we'll not get that many pension money. And so that's one thing. And the other thing is that we are looking into the market here after Q1, it's a pretty frozen market in the life market. The -- our companies in Denmark is not looking into pension at the moment. They're looking into their own businesses. So it's a pretty freezed market, there's not happening that much. And you can say, part of our growth is also that people are moving. And at the moment, there is not much activity. So that's also a reason for us not setting -- guiding for a bigger growth than the zero.

Q - Jon Denham {BIO 19972914 <GO>}

And (inaudible)

A - Lars Thykier {BIO 16427122 <GO>}

We made the prognosis before we got the information from the FSA.

A - Peter Hermann {BIO 20507411 <GO>}

Yes.

Q - Jon Denham {BIO 19972914 <GO>}

Okay. So was it a situation that might have been negative before you got the nod from the FSA as you point out some negatives and obviously the positive wasn't until yesterday?

A - Lars Thykier {BIO 16427122 <GO>}

We haven't changed anything because of the FSA message. It came too late simply and I don't know if we're going to change anything. We have to analyze the situation.

Q - Jon Denham {BIO 19972914 <GO>}

Okay, thank you.

Operator

And the next question comes from the line of Youdish Chicooree from Autonomous. Please go ahead.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Good afternoon, everyone. I've got three questions, please. The first one is on the growth in the SME segment. You grew at 3.5%, which is decent, but it seems quite low relative to some peers. So, I was wondering whether you could comment on the pricing environment and your strategy in that segment, especially in light of the COVID-19 outbreak? And then secondly, you mentioned at the beginning that you increased reserves because of unemployment risk. So could you just tell us what the impact was on the run-off figure here in Q1? And then finally, this is more a clarification. I think you said the future claims on travel and income protection, you would expect that to be offset by gains in motor. So, could you tell us, so the DKK50 million to DKK100 million impact, could you just give us a sense where those are coming from, please? Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

The difference between what I said and the DKK14 million we already have in Q1, that is more losses on the customers that don't pay the premium they should pay and it is cautious look at how is next and then what compensation will develop during the year, and health, not to forget it.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Okay.

A - Steffen Heegaard {BIO 1513480 <GO>}

If we take the first question, growth in the SME, Topdanmark is only present in the low end of the mortgage market, servicing small and medium sized enterprises. We have not increased prices in this market, we are not present in the high end of the market, where we have seen that some of our peers have increased prices. We have a very nice inflow of customers in the SME market from almost all of the year.

A - Peter Hermann {BIO 20507411 <GO>}

You can also say that within our commercial market, it's actually also these small self-employed people, we also have certain private people -- private persons in the agricultural area actually living in, you can say, old farms. So it's not a -- it is in the low end of the commercial market.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Okay, understood. Thank you.

A - Peter Hermann {BIO 20507411 <GO>}

And the income protection you're asking about, was it the run-off?

Q - Youdish Chicooree {BIO 17430923 <GO>}

Yeah. You said the run-off were lower because you increased reserves. Right? So I just wanted to get a sense of the magnitude.

A - Lars Thykier {BIO 16427122 <GO>}

I said that the run-off was negative by -- yeah. So I think this will probably not give me profits with the stock exchange. But we are talking about DKK15 million.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Okay. All right, all right. Thank you. Great. Thank you very much.

Operator

Next question comes from the line of Michael Huttner from Berenberg. Please go ahead.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you. I just had two. One is just to confirm that in the numbers, the revised profit outlook you have, you don't have an expectation in there this year of recovery of some of these hedge losses. And then the other question is a broader one. Maybe you can talk a little bit about this rain thing and this -- you said the models are strange and I just wondered if that's already been reflected in pricing or something. That's it. Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

I did only get half of what you said. Maybe my -- one of the colleagues can help me.

A - Peter Hermann {BIO 20507411 <GO>}

To the last question about the rain, the explanation was that our actuarial models for the rain claims regarding Q4 wasn't good enough, meaning that in this quarter, we have had some run-off, negative run-off due to that part, but that hasn't changed, you can say, it isn't a matter of pricing at this stage, this is a matter of that we should have had, you can say, higher claims in Q4 than actually was expected. This has been -- we are not looking into this as a need to raise prices just in -- just due to more rain.

A - Lars Thykier {BIO 16427122 <GO>}

This has been an extraordinary situation in two ways. One is that risk has played out different from what we are used to. And the other one is that our models hasn't really been able to handle this change. And that's the reason why we have more than DKK100 million in run-off, negative run off on the short-tail business that has never happened before. If I may return to the travel claims, just got the chance to think a little. We have had travel claims in January and in February and in first part of March, which is not part of DKK35 million we are talking about as COVID-related.

A - Peter Hermann {BIO 20507411 <GO>}

And then you had the first question, can you repeat that because we didn't hear that through our phone?

Q - Michael Huttner {BIO 21454754 <GO>}

Yeah (inaudible) and being confusing. So what I know and my numbers are very rough is that investment income is a negative in Q1. I can't quite figure the precise number, but it's somewhere around DKK400 million. I think somebody on the call said DKK430 million in his (inaudible). And for the year, I see a figure of minus DKK340 million, which kind of says that in the next three quarters, you have a positive of DKK20 million each on investment income, which kind of, for me, makes me think that you're not assuming any recovery of the hedge losses. And I just wanted to know is that the right way to --?

A - Lars Thykier {BIO 16427122 <GO>}

Okay. But that is absolutely correct. We do not make forecast of investment income. We make a mathematical extrapolation of the actual situation with some given returns in different asset classes. So we make the forecast on equities, for instance, by giving equities return of 7% in the year for the rest of 2020 and we get the return on equities and so on. We don't express any opinion.

A - Peter Hermann {BIO 20507411 <GO>}

It's a modeled forecast on the -- in terms of financial gains here.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you very much. That's very clear.

A - Peter Hermann {BIO 20507411 <GO>}

Thank you.

Operator

And the last question comes from the line of Derald Goh from Citigroup. Please go ahead.

Q - Derald Goh {BIO 20775137 <GO>}

Hi, there. Just one question, please, just on the dividends. So I think it sounds like the real constraint from your side is just about managing the solvency ratio. Is there anything from the regulatory front that you need to consider? And also secondly related to that, assuming that for whatever reason you compare this year, how would you consider it in terms of announcing in next year? Will it be considered separate to the 2020 dividend or is the payout ratio constrain that will prohibit that? Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

We have not changed our lean capital structure policy. But again, as I said before, we want to be cautious when we don't know very much about what is going to happen. But after we paid our dividend, we received a letter, everybody in the financial sector did, from the regulator that they think we should think very carefully about what we do with our dividends, meaning don't pay dividends. I don't expect this to continue for years.

A - Peter Hermann {BIO 20507411 <GO>}

And to the second question of yours that we don't have any rules that say we cannot pay out more than something. We have a rule that says that we have to pay out at least 70% of a year's result in a normal situation. And you can say that we don't have a limit for it that it could be more than 100%. So if it is pushed for 2021 for the 2020 result, then it could be over a payout ratio over 100%. So there are no limitations there.

Q - Derald Goh {BIO 20775137 <GO>}

Okay, thank you. Sorry, just to clarify, so essentially for the other half of the 2019 dividend, essentially it's up to the regulators as to whether you can pay out or not on -- I mean, I understand you, that's a bit of solvency, but it's mainly a regulatory hinge, so to speak.

A - Lars Thykier {BIO 16427122 <GO>}

The EIOPA has asked the national FSAs to push their financial institutions into not distributing dividends. So it is not as much a Danish decision as European decisions. And we don't know how long time this will last, of course. We do not intend to pay dividend in a situation, where the regulator tell us that they really would dislike if we did it.

A - Peter Hermann {BIO 20507411 <GO>}

That's also the reason why I'm saying there will not be any dividend in Q2 at least, so we will wait and look in the situation both in terms of our capital situation, our earnings and then also, of course, looking into the regulatory environment. What -- like, what is being said to the market. So we will look at it later this year.

Q - Derald Goh {BIO 20775137 <GO>}

Okay, all right. Great, thank you very much.

Operator

And as there are no further questions, I'll hand it back to the speakers.

A - Peter Hermann {BIO 20507411 <GO>}

Thank you for taking the time to attend our conference. Thank you for the many questions. As you know, you're always welcome to call us if you have any further questions, then we'll be happy to answer them. So have a good day. Bye.

A - Lars Thykier {BIO 16427122 <GO>}

Bye-Bye.

A - Steffen Heegaard {BIO 1513480 <GO>}

Bye.