

Q1 2019 Earnings Call

Company Participants

- Investor Relations Director, "

Presentation

Investor Relations Director

Welcome to the Presentation of Topdanmark Results for Q1 2019. Profit for Q1 was DKK 439 million, up from DKK 267 million in Q1 last year due to an improved non-life, life and investment results. The combined ratio improved to 80.1 compared to 85.2 in Q1 last year. Premiums increased 2.6% in non-life and 12.8% in life.

For the full year 2019, we assume combined ratio has improved from between 89% and 90% to between 86% and 87%, excluding any runoff in last three quarters of the year. The profit forecast model for 2019, has been upgraded by DKK 250 million, to between DKK 1,250 billion, and DKK 1,350 billion excluding runoff in the remainder of the year. These are the main points of my presentation. Pretax earnings increased DKK 220 million to DKK 564 million in Q1 2019.

In technical non-life, profit increased DKK 129 million to DKK 465 million. The improvement was due to higher runoff profits and lower claims trend in theft and motor. On the other hand, large-scale claims increased DKK 24 million. The investment return in non-life increased DKK 25 million to minus DKK 20 million.

The relatively low investment return was accounting-wise impacted negatively by DKK 200 million due to a change in the method for calculation of the volatility adjustment component. Profit in life insurance increased DKK 67 million to DKK 111 million in Q1 due to a higher investment return and improved result of sales and administration, and an improved risk results. The claims trend improved 4.9 percentage points to 63.0 percentage points in Q1 this year. Adjusted for run-off profits, weather-related claims, large-scale claims, and other positions including change of risk margin, the claims trend improved by 0.9 percentage points to 68.7 percentage points.

Improved adjusted claims trend was primarily due to a lower -- a level of claims in motor insurance due to a mild winter and a lower level of theft and fire claims. Furthermore, claims handling cost have been reduced as a consequence of Topdanmark's efficiency improvement program. Premiums increased 2.6% in non-life. For the -- the premium growth was split between a 1.7% increase in the personal segment, and a 3.7% increase in the SME segment.

Topdanmark continues to see a net inflow of customers in the personal agricultural and in the SME market. We continue to assume, a premium growth for 2019, higher than the growth of 1.7% in 2018. As stated the combined ratio was 80.1 in Q1, an improvement from 85.2 in Q1, last year. For the full year, we have adjusted the assumed combined ratio from between 89% and 90% to between 86% and 87% excluding runoff in the last three quarters of the year.

This improvement was caused by the positive development in Q1 2019 with runoff profits a lower level of weather-related claims than assumed and by a generally better claims trend than assumed. Profit in life insurance increased DKK 67 million to DKK 111 million in Q1 2019, due to a higher investment return, and an improved result on sales, and administration as well as on risk insurance. For 2019, the assumed profit on life insurance has been upgraded by DKK 50 million to between DKK 250 million and DKK 280 million. The life company holds a good competitive position.

This was reflected in a 12.8% increase in premiums split between a 24.7% growth in single premiums, and a 7.4% decline in regular premiums. Adjusted for the loss of the distribution agreement with Nykredit, regular premiums increased 3.9%. For 2019, the assumed growth in the regular premiums continues to be around 10%. The investment return for the Topdanmark Group excluding life, and adjusted for revaluation, and return of the non-life insurance provisions was DKK 18 million.

This includes the result of Topdanmark's asset management company of DKK 20 million. The investment return was impacted by the change in a method for calculating of the VA component in the end of Q1 2019, which had a negative one-off effect of around DKK 200 million. The changes in the VA component, is a pure accounting issue and has no impact on the cash flow in Topdanmark. The investment return was on the other hand higher than assumed on equities Danish mortgage bonds and on properties.

Based on a number of assumptions described in the Q1 report, the assumed post-tax profit for 2019, has been upgraded by DKK 250 million to between DKK 1,250 billion and DKK 1,350 billion, excluding runoff in the last three quarters of the year, representing earnings per share of DKK 15.0. Thank you for taking the time to participate in the presentation of Topdanmark Q1 report. Following the announcement of the Q1 results, we will hold a number of investor meetings. Today we will be hosting a conference call at half past 3:00 CET You'll find more information, on our virtual schedule in the events calendar on our website.

Thank you and goodbye

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