Q3 2016 Earnings Call

Company Participants

- Kjetil Ramberg Krokje, Head of Investor Relations
- Lars Aa. Loddesol, Chief Financial Officer
- Odd Arild Grefstad, Chief Executive Officer

Other Participants

- Ashik Musaddi, Analyst
- Blair Stewart, Analyst
- Matti Ahokas, Analyst
- Paul De'Ath, Analyst
- Peter Eliot, Analyst

Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to the Storebrand Analyst Call. My name is Ana; I will be your coordinator for today's conference. For the duration of the call, you will be on listening-only. However, at the end of the presentation, you will have opportunity to ask questions. (Operator Instructions)

I will now hand you over to -- the call to Kjetil Krokje to begin today's conference. Thank you.

Kjetil Ramberg Krokje {BIO 20060140 <GO>}

Yes. Good evening, ladies and gentlemen. Welcome to Storebrand's third quarter 2016 conference call. My name is Kjetil Ramberg Krokje, and I'm Head of Investor Relations at Storebrand. Together with me today, I have Group CEO, Odd Arild Grefstad; CFO, Lars Loddesol; Finance Director, Sigbjorn Birkeland; and Head of Economic Capital, Trond Finn Eriksen.

In the presentation today, Odd Arild will give an overall view of the development in Q3 2016, and Lars will give some more detail on some elements in the results and solvency. The slides will be similar to the analyst presentation released this morning, and are available on our web page. After the presentation, the operator will open up for questions. To be able to ask questions, you will need to dial into the conference call.

I will now leave the word to Storebrand's CEO, Odd Arild Grefstad, who will start the presentation on slide two.

Odd Arild Grefstad {BIO 5483351 <GO>}

Thank you, Kjetil. The Group result before amortization and write-downs was NOK690 million for the quarter. This is a very strong result, which is affected by good financial results and reduced costs. Even though, we have set aside for ongoing restructuring in the quarter.

The growth within savings and insurance continues, while the guaranteed products are in run-off. This is illustrated by the premium growth of 18% year-to-date within unit linked and a growth of 28% within retail loans. Insurance premiums grow 6% compared to third quarter last year. The transformation of the business becomes clear when we see that the guaranteed income is reduced by 6% at the same time.

Good results and strong buffer building has contributed to a 9% point growth in the underlying solvency position to 131%. The solvency position including transitional rules is reduced because we have taken a more conservative approach and reduced the value of the transition with tax.

If you move to slide number three, we see that the results of the third quarter reflects our dual strategy, which really is the reason why Storebrand is an attractive investment.

Three elements, the value creation becomes -- comes through strong cost control, with a nominal flat costs from actually 2012 to 2018, as well as capital release from Oregon [ph] feedback book. The capital requirement is leveling off and will be reduced going forward. At the same time, we are growing savings and insurance based on a strong position within occupational pensions and asset management. In combination, this makes Storebrand well positioned to create shareholder value and release capital to shareholders through dividends and share buybacks.

If you then move to slide number four, the growth in the unit linked reserves was 11%, compared to the third quarter last year. Adjusted for the weakening of the Swedish kronor against Norwegian kroner, the growth was 16%. The growth is driven by strong growth in premiums and good returns. Growth in asset management is also affected by the substantial appreciation of the Norwegian kroner. Adjusted for the effect against the Swedish kronor, the growth was 5%.

Growth within insurance was 6%, this is lower than our long-term ambition of 10%, and is caused by our shift from expensive external distribution to more cost effective internal distribution. This together with a transition of the new -- into the new disability pension product in Norway means that we expect lower growth rate in 2016 and 2017, before we revert to the double-digit growth rates. Last but not least, the growth within retail banking is very good and the retail lending portfolio grew 28% from third quarter in 2015.

Slide number five; let me go a bit further into our growth strategy. Storebrand's functional organization reflects the customer value chain. All areas share a common goal of creating great customer experiences. We use insight from the sales front, and customer service to develop technological solutions, products and concepts that meet the customers' demand.

On this slide, some selected initiatives that we have implemented in the third quarter is showed. One example is the launch of our fossil free funds. We have observed that there is a significant and growing demand for near-index funds, with low carbon footprint. In particular, public institutions in Scandinavia are adding carbon free to their mandates. We have responded to this demand by launching three fossil free funds so far. And the sales have been strong and asset in the management has so far grown to nearly NOK5 billion.

Moving to slide number six, I want to move a bit deeper into one of the examples from the last slide. Visiting a Doctor's office is -- really fits our schedule. The journey is time consuming, and the waiting time is unpredictable. And often all you need is a simple prescription. What is (inaudible) then to simply pick up your smartphone and visit the doctor online. This is now possible, if you are an employer that have a health insurance within Storebrand. Today, we launched medical video consultations in our health app Get Well and consultations and prescriptions are available right at your fingertips. It doesn't get any easier than that.

Well, then let's move back to the business in slide number seven. As we already have touched upon, we are in the middle of a transformation of the business. As illustrated on the graph, on the right hand side, which shows the shift in fee and administration income from guaranteed into savings. The stable operating result to the left illustrates that we are able to substitute the declining income from guaranteed, by creating topline growth in savings and insurance, as well as holding strict cost control.

And with that, I leave the word to Lars Loddesol.

Lars Aa. Loddesol {BIO 3969188 <GO>}

Hello, as we explained in the last quarter we will from this quarter onwards focus on operating result as the core earnings element that management and the company can primarily influence.

As illustrated on page eight in the upper left-hand side with -- in red colors. So you see that the underlying value creation per quarter here is a stable 450 million to 500 million. In addition to that, this quarter we have a strong financial result of 209 million, first and foremost, created by credit spread contraction in the quarter and which gives a good result in the company portfolios.

In addition we have special items of minus 27 in the quarter, that's a combination of 62 million -- sorry, 61 million related to laying off of staff and provisions for laying off staff and release of reserves related to disabilities of coverage for high-paid employees in Storebrand, which we are no longer covered with that disability pension and we can release reserves related to that. So the combination of those two numbers 61 and 34 is a net 27 million in negative one-off in the quarter.

If you look at earnings per share at 1.23 in the quarter after tax, that's a satisfactory level and the tax calculated for this quarter is normalized at 23%. Customer buffers and solidity capital is maintained at a good level.

Then I would like to jump to page 10, before I go back to page nine afterwards. But if we start with page 10, the ex transitionals Solvency II level coming into the third quarter was at 122. Then we have made two major changes to model and assumptions. One is that we have changed our interest rate modeling where the model -- where we model interest rates development in the future to a larger extent mere the fact that interest rates can go negative, that has a negative effect in terms of model changes.

And then we have -- the EIOPA has introduced a new volatility adjustment factor for Norway, which increases the volatility adjustment from 16 basis points to 26 basis points, that increases the solvency position. The two factors taken together gives a negative contribution of minus 0.2 percentage point.

Then we've had very good asset returns, primarily driven by good real estate development and credit spread contraction as I mentioned before, in addition to good value creation in the group as such, that increases solvency by 3.5 percentage points. Higher interest rates in Norway, 13 basis points on the 10-year swap rate in the quarter has contributed positive to 2.4 percentage points in improved solvency. Interest rates in Sweden have fallen in the same period. However, the asset liability match in Sweden is very strong and the impact on solvency is limited.

Then we entered into a mass lapse reinsurance contract in the end of last quarter -- in the end of the third quarter that contributes positive to 3.2 percentage points on the solvency. Then that leads to a Q3 2016 solvency number of 131, without transitionals and then we add on the transitional rules by 34 percentage points. And we have made a decision to change the way we calculate transitional rules to account for tax in the calculation, which decreases the value of the transitional rules by approximately 25%.

However, that means also that the amortization of transitionals from here on will be 25% lower. So this is not -- we cast in stone [ph] from EIOPA how this is -- how tax is supposed to be calculated as part of the transitional rules, but we have decided to make a conservative estimate and take that out of the transitional rules. And then, we hope to get the clarification on the calculations from EIOPA in due course.

If we move back to page nine, the solvency position of Storebrand Group, we see that the same things I just talked about on the previous picture. But I would like to also mention that the fact that we have introduced a model for interest rate movements in the future that allows for negative interest rates, increases the sensitivity to interest rates from 9 to 15 percentage points on the sensitivity scale here. While at the same time, the sensitivity to spreads decreases as a consequence of the higher volatility adjustment. So those are I guess the most important takeaways from that.

And with those brief comments, I think we can go over to Q&A. Odd?

Odd Arild Grefstad {BIO 5483351 <GO>}

Just before we open up for Q&A, let me just run it off on slide 20, that is an outlook slide that we have put into the package. And just brief, third quarter report shows that Storebrand continues to create capital-efficient and profitable growth, as well as substantial cost reductions. This happens in parallel with the leveling off in gradual -- and gradual reduction of the guaranteed portfolio. This gives a continuous shift in the balance sheet and the result mix.

We also show that we create good result and increasing solvency capital, even in our continued low interest rate environment. On the regulatory side, the government proposes a finance tax in the national budget. The proposed tax is structured as a combination of payroll tax and higher company tax. We believe it is updated to introduce more taxation through our productive industry and particularly our payroll tax which potentially will hurt jobs in Norway, not the Norwegian financial sector.

In addition, we are also disappointed to see that there is a lack of new tax incentives for private pension savings, but we are continuing our work towards the government to ensure better solution also for Pillar 3 savings to come along.

So with that, I think we'll just open up for Q&A.

Questions And Answers

Operator

Thank you. (Operator Instructions) We have a few people already in the queue, and the first one comes from Peter Eliot from Kepler Cheuvreux. Please go ahead, your line is now open.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much. The first one was on the solvency ratio with transitionals. Could you just clarify exactly what the change is in terms of the tax assumptions? And just -- just to confirm, if you had not made any changes, then the ratio would have been 190%, so 25 percentage points higher than you've shown the 165.

Secondly, on the solvency generation, I didn't -- as well [ph] I didn't quite catch all of the breakdown that you mentioned there, but would you be able to confirm what or how much of that you would consider underlining -- ongoing that you could expect to get every quarter and normal quarter stripping out financial results or modeling changes or anything else there?

And plus finally, just on that tax change that you mentioned, are you able to quantify roughly the impact that you think that will have the proposed tax change? Thank you.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Okay. Let's start with the first one, solvency ratio with transitionals. It would have been 175, if we didn't do the change. Lars was alluding to the effective tax rate on the transitional rule itself, that was 25%.

The second question was solvency capital generation and we've said that we will create 5 to 10 percentage points each year. And as you also know then that is also included normalized risk premiums in the unwinding when we go one-year forward. So we don't have a more specific guidance than that on this point in time.

And finally on the payroll tax, I guess we have said that with today's structure without us doing any tranche changes, you could estimate that to be in the neighborhood of 50 million, 40 million, 50 million post tax.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay. Thanks a lot.

Operator

The next question comes from Paul De'Ath from RBC. Please go ahead, your line is now open.

Q - Paul De'Ath

Yeah. Hi, there. And I will also ask a question on solvency, please. And so firstly, how much of an impact will the new sub-debt issue on the solvency ratio? And you mentioned on slide nine. And secondly, and now you've done this tax change on the transitional rules, does that make any change to your target solvency range and so, yeah, you've mentioned the potential for buybacks. But I think from the Capital Markets Day, that was using the solvency ratio including transitional rules over 180%. Is that threshold still a 180% and now that you've made this change in the transitionals? Thanks.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

If I just thought, sub-debt is around 3% point effect that becomes into the accounts in the fourth quarter. Then on dividends, I think most importantly is that we keep on creating underlying solvency and doing that by 9 percent point this quarter is very satisfactory. When it comes to the mix between dividends and share buybacks, of course, that is something that we have to work with going forward. What we have said is that we are working out, that we want to start paying dividends for 2016 and that you should expect those to pay at last half a dividend. So it's more about the toolbox that we have in place to, of course, work with both dividends and share buybacks to create the right capital situation in the company.

Q - Paul De'Ath

Okay. So just to clarify, so when you talk about buybacks, that's more about the mix of -- an ordinary capital return rather than any kind of excess capital return?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Yeah, we have -- we enter now into a situation where we start paying dividends again. We have said that we will pay at last a half dividend the first year. Going forward, we should expect those of course to enter into our group dividend payment.

Then of course everything I've talked about with the back book really trailing off in combination with the right capital, light growth in our front book. That creates of course over time a very positive situation when it comes to capital. It might even call for a new dividend policy. But I think we have to cross that bridge when we come there. Now the focus is of course start paying dividends again.

Q - Paul De'Ath

Great. Thanks.

Operator

Next questions comes from Matti Ahokas from Danske Bank. Please go ahead, your line is now open.

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes, good afternoon. Matti Ahokas here from Danske. Three quick questions. Firstly, just confirming that the solvency ratio will go up in the fourth quarter by 4 to 5 percentage points because of the sub-debt issuance. Secondly, was one regarding the one-offs that Lars mentioned earlier on where, on which divisions or units was this booked in?

And then finally on the tax issue. So I guess we'll know a bit more in November about this whole situation, but is this 40 million to 50 million increase per annum based on the 26.5% tax on the financial industry or something else? Thanks.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Okay. Just to start up, as I just said, the sub-debt in itself will have an uplift on the numbers we reported on 131 now with 3 percent points in the fourth quarter.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Yeah, and on the cost side there was a one-off in the quarter and its dividends as follows, savings, 12 million increased cost; insurance, 5 million increased cost; guaranteed pension, 10 million increased cost; and we will also put out an excel spreadsheet on the web page where we take it down to the sub-segment level.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And when we talked about finance cost, the estimates now is that it will be spread towards a 1.5% increase against the rest of the industry when it comes to the overall company tax. And then a 5% on the payroll tax. So when we talk about the 40 to 50 million, that is the payroll tax effect that will have direct effect on us because the tax rate will be reduced for our other companies. So with the proposal that is in there now, this is same tax rate actually that is already in our books. So it's only a fact to put it on the risk [ph] based on payroll tax.

Q - Matti Ahokas {BIO 2037723 <GO>}

Alright. Very helpful. Thanks.

Operator

The next questions come from Ashik Musaddi from JP Morgan. Please go ahead, your line is now open.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hi. Good afternoon. I have like couple of questions, if you can help me. First of all, you mentioned that you have now moved to negative interest rate calculation in your Solvency II. What has triggered that? Is it based on your local regulator or is it based on what EIOPA has said, or is it just your own prudence because I'm not sure if other companies have yet adjusted for that. So just want to get a bit of sense on that what is triggering you to put negative interest rates.

Second thing is, in terms of volatility adjusted, you mentioned it has increased from 16 basis points to 24, 26 basis points. Again, what is this change and why only Norway has experienced such a change because it looks like the volatility adjusted for continental or Eurozone is like going down, so that would be the second one.

And third one would be, can you give us some clarity around UFR, what sort of UFR is in -- is there in your underlying numbers, the 131% ratio and how is it changed? Thank you.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Yeah, thank you. Let me start with the first question on interest rate modeling. It's clear that when, first of all (inaudible) on economic capital calculations for the last 15, 16 years. We have used up here plus model since 2007. A problem with that model that it don't allow to negative interest rates, as the interest rates have become negative in Sweden and interest rate volatility have increased, I think that the model have not been good enough. So we have done a change to the model as such both to allow for negative interest rates, but also to increase -- to increase for the volatility in the interest rates as such.

That both lead to of course a reduction in owned census [ph] or now discounting with negative interest rates, and it also have increased the time (inaudible) options and guarantees as the volatility of the options that have given the customers increase. So it's driven by what we see from the model, but our old model has not been good enough for the current interest rate environment and then we have to change.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Sorry just to, and say -- it's not that regulator has asked you be it EIOPA or be it the Europe and your FSA has asked you, just like you are doing this change of your own.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

We are doing the change on our own because we are also using these same models to zero the risk in the company. And we need to believe in our models and we do that and there has not been any discussion with regulators whatsoever.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. Thank you.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Yeah. And when it comes to the change in the volatility adjustment that is given by EIOPA. They have changed their reference portfolio. Norway is increased from 16 basis points to 26 basis points, and I think it's two countries in Europe where it has increased, and it's Norway and Poland. In Sweden, it decreased from 43 basis points as I referenced.

And finally on Ultimate Forward Rate, what we use is 4.22, that is given by EIOPA, we have also given sensitivity to move to 3.7 as has been discussed by EIOPA and that is shown on page nine as a reduction of 7 basis points on the underlying solvency and some of the smaller reduction on the solvency including transitionals.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay, that's very clear. Thank you.

Operator

The next questions comes from Blair Stewart from Bank of America. Please go ahead, your line is now open.

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you. Good afternoon, gentlemen. A few questions. Firstly, the reinsurance agreement that you have entered into, is there any material cost for that reinsurance agreement on an ongoing basis? That's first question.

Related to that, do you -- are you -- are there any other management actions that you're considering that might help the solvency ratio, that will be good to know?

And finally, the -- it was very good to see the evolution of the required capital under the Solvency II model. I noticed the paid up book is still growing. Is it possible to give us a feeling for how the required capital is moving on a year-on-year basis? Thank you.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

I will answer the two first questions. In terms of the reinsurance contract, it does have a cost obviously, and we have not published or said what the cost is. But I can assure you, it's competitive to other kinds of creating Solvency capital, for example, subordinated loans, this is a more cost effective way to create Solvency capital.

In terms of other management actions, we are constantly looking for things that in a cost-efficient way can improve the Solvency. And you have -- think that are for free to some extent like improving results and closing out longevity gaps and creating excess returns, et cetera, that doesn't come at an explicit cost, and there are things that does have a cost like subordinated loans and reinsurance.

So we will try to do a lot of things that can improve solvency, improve bettering our operation, that doesn't come at an explicit IFRS results cost. And we will from time-to-time do selective things in addition to that. Obviously, we don't or I can't, I will not announce anything explicitly that we're working on now, but we're constantly looking for good ways to improve -- improve the solvency at a competitive cost.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Maybe touching on that, I will be more specific on SCR, but I think I would start to say that we -- we still transfer from paid-up policies into -- from defined benefit into paid-up policies. But we also, as we talked about in our Capital Markets Day, see that the new paid-up policies typically have better buffer capital situation. They are fully reserved for longevity and there is also lower in general interest rate guarantees in these paid-up policies.

So there is more evening out of the total capital need in the portfolios even if there still is some time to go with transitions from defined benefit to paid-up policies, but maybe from 10 [ph] points to (inaudible) on that.

When it comes doing the capital requirements, we are reporting that in NOK13 of quarterly interim report, of course, on the top level, how many comes without the product level, I can't confirm that during Q3, the capital requirements for paid-up policies standalone is somewhat decreased due to both the volatility adjustment that we have talked about, but also because of increased interest rates, and that -- and finally due to the fact that there has been a very good return in those portfolio that have allowed us to be longevity reserves and also strengthen on the buffer capital.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. Thank you for the reference to the note. If I can have one follow-up please. Just on capital generation, is it possible to split out the 3.5 points you have from asset return and results, should we just take kind of a pro rata number given the 200 million from financial effects, will it be fair to say that 500 million or 700 million, so five seventh of that 3.5 should be regarded as the operating capital generation.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

I have to think that although it's tempting to do that, I think it's -- it wouldn't be completely correct because a lot of the operating variance comes through changes from products that are within the net present value framework. So there are some direct financial contributions from asset management, insurance and et cetera that comes outside of solvency calculation. And then you have -- then you have changes within the net present value framework, everything that's in the -- in the live companies. So I don't think you can do that straight off as I see it at least.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. You've worked hard to get a differentiation between the operating result and the financial market impact in your P&L, it will be good to have that for the solvency capital generation as well.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yeah, we'll continue to -- I'm going to continue to work on that disclosure there. Thank you.

Q - Blair Stewart {BIO 4191309 <GO>}

Thanks a lot.

Operator

(Operator Instructions) And we have another question from Peter Eliot from Kepler Cheuvreux. Please go ahead, your line is now open.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you. Just a bit of a follow-up actually on the volatility adjustment. I mean, the reason it increased for Norway was that the weighting [ph] of corporate bonds was increased and the reference portfolio from sort of 54% to 60% I believe. I mean, it's quite a high level. I guess given that your quite high proportion of the Norwegian industry and the reference portfolios lags quite a long time. You've got some sort of insight on how that's developed -- is likely to develop. Could you remind us how your own sort of corporate bond weighting, I mean I think it's been increasing recently, but how sort of varies to the rest of the industry?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

I don't have this detail in front of me. Peter, I think we gave quite a few slides on that during the Capital Markets Day, and I think they are still very representative for our portfolio. It's of course when they are making this reference portfolio for Norwegian market, Storebrand, DNB and KLP goes into that, and of course the Storebrand as being a very big player in this market that will have also a quite large influence on the reference portfolio and which actually I think is very good because the volatility adjustment can't go up and they can't go down and that we are really having our wait into that as a reference portfolio gives us some risk mitigation for changes in the volatility adjustment, because if the volatility adjustment increases that, I mean that the spread on this bonds have increased and that they have come through in our returns as well.

So, I think to answer your question, overall, yes, I think we would have in -- broadly in line with the reference portfolio and actually I think that is a good thing.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay. Thanks a lot.

Operator

(Operator Instructions) And we do coming through -- two questions coming through. So we have first Ashik Musaddi from JP Morgan. Please go ahead, your line is now open.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hi, thanks for another opportunity. Just one follow-up question on UFR. You reminded that every 50 basis point drop is 7 points. Now if we have to believe that UFR goes to the current level of whatever 1%. So if we need to strip off say 3.2% of UFR, would the relationship be linear, i.e., do we need to do seven times 3.2 or would it be more than 3.7 times, 3.2 or would it be less. I'm just trying to understand the magnitude, is it going up or down based on the convexity? Any thoughts on that would be great. I'm not looking for absolute number. Thank you.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

Did I understand the question correctly that, you asked what will happen to the magnitude of the impact if the UFR rate go to 3.2% or 3.7%?

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yeah.

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

All other equal that would be probably less due to convexity, as you say, a large number than the 7 percentage points.

Q - Ashik Musaddi {BIO 15847584 <GO>}

So you mean every 50 basis point additional drop would be less than 7 percentage points?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

They are more than 7 percentage points.

Q - Ashik Musaddi {BIO 15847584 <GO>}

More than 7, okay. Sounds good. Thank you.

Operator

And the next questions comes from Blair Stewart and that is the last question. Blair, your line is now open.

Q - Blair Stewart {BIO 4191309 <GO>}

Thanks. Just a follow-up tranche on the -- on the SCR. I know that you've given me the ammunition. The -- I notice the life capital requirement went down by about 1.8 billion in the quarter. I'm guessing part of that is the reinsurance agreement, but it doesn't -- it wouldn't possibly account for half of the change for. What else is going on there, please?

A - Lars Aa. Loddesol {BIO 3969188 <GO>}

I don't have a detailed answer for you on that at the moment, Blair, I need to look more into that, but I can confirm that what your (inaudible) is that the reinsurance on the math left is going into the life -- the model of Solvency II calculation and reduce that first.

Q - Blair Stewart {BIO 4191309 <GO>}

Yeah, okay. If you can come back on that would be very helpful, thank you. Because I think that change is about seven points from in the quarter. So they -- obviously the -- just about half of -- the reinsurance is about half of that, little bit less than half of that, so there's another three or four points, but we can come back to that. Thank you.

Operator

There are no questions coming through. So I will hand the call back to you for any concluding remarks. Thank you.

A - Kjetil Ramberg Krokje {BIO 20060140 <GO>}

Okay. We just want to thank you all for joining the call today and we are also present in London at 14:00 tomorrow at the Warwick Building, if you want to see management then. So, have a good day and thank you.

Operator

Thank you for joining today's conference. You may now replace your handsets to end this call. Thank you.