Y 2019 Earnings Call

Company Participants

- Christian Becker-Hussong, Head of Investor Relations
- Christoph Jurecka, Chief Financial Officer, Member of the Management Board
- Joachim Wenning, Chairman of the Management Board, Chief Executive Officer
- Markus Riess, CEO of ERGO
- Torsten Jeworrek, CEO Reinsurance

Other Participants

- Andreas Schafer
- Andrew Ritchie
- Emanuele Musio
- Iain Pearce
- James Shuck
- Jonny Urwin
- Kamran Hossain
- Michael Haid
- Paris Hadjiantonis
- Sami Taipalus
- Thomas Fossard
- Vikram Gandhi

Presentation

Operator

Good day and welcome to the Munich Re 2019 Financial Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr.Christian Becker-Hussong. Please go ahead, sir.

Christian Becker-Hussong {BIO 19080254 <GO>}

Thank you, Tracy. Good afternoon to everyone. A very warm welcome to our conference call on Munich Re's 2019 earnings strategic update on our business and on the financial outlook for 2020.

We will start with the presentation and this will be followed by a Q&A session. It's my pleasure to introduce to you today's participants Joachim Wenning, CEO of Munich Re

Group; Christoph Jurecka our CFO; Markus Rie, CEO of ERGO and Torsten Jeworrek, CEO of Reinsurance.

I'll be back after the presentation. And now I hand it over to Joachim.

Joachim Wenning {BIO 16273429 <GO>}

(Technical Difficulty) the Solvency II ratio is very strong with 237%. It is still well above the target range of 175% to 220%, and we propose to increase our dividend to EUR9.8 per share. And as you know since the day before we have again decided a share buy-back of EUR1 billion starting in May 2020.

So for over two years now we have been working to become more responsive embrace and adopt digital solutions in our incumbent business models, and generate new ones mainly, digital ones, reduce complexity and take resources out and to ultimately generate new business growth and increase earnings.

And in 2018, we exactly matched expectations. In 2019 as momentum and the positive impact from this is growing we over delivered both in reinsurance and at ERGO. In 2019, we consistently strengthened our initiatives that we have launched in reinsurance already in 2018.

So we have again grown business profitably in select markets like in key nat cat markets in the U.S., in Japan, in Latin America. We did the same in specialty lines like credit, but also the life and health reinsurance business has grown. Second our so-called transformation program, which intends to reduce resources in the traditional reinsurance, the more transactional reinsurance,

while at the same time, investing in to building new business models or expanding new business models is very well on track. And we established a global single-risk unit, thus increasing the focus on that type of business and again, reducing complexity.

Some of our innovation investments are showing very encouraging progress. So for example Digital Partners were already productive in 2018. In 2019 they have doubled business volumes. Cyber has grown by 27%, as anticipated, but it's a strong success. And our ambition to partner in the Canadian group life market together with incumbent clients and TPAs is generating new income streams and is scaling up now.

On the ERGO side if you look on Slide 6, practically ERGO is improving under all metrics and delivering on its strategic pillars and we actually expect ERGO by the end of this year to successfully finish the so-called ERGO Strategy Programme.

And by then sales of ERGO will have further increased. They started increasing already 2018, more so 2019 and mainly due to a very massive productivity increase at the end of the tied agent's distribution network.

ERGO international consolidation is finished with the sale of 18 companies, and we've talked about automation. We have talked about nexible. I think on previous occasions. On this occasion today, I'd like to highlight that ERGO has a minority stake in a startup called Next that you're aware of which is targeting the U.S. Commercial lines business in the SME area, which is as you know, a highly attractive and a fast-growing market.

If you look on Slide 7, then during the past two years we have to concede that market conditions have improved substantially in various markets, but mainly in select nat cat segments in the US in Japan and in Latin America. And as you know nat cat tends to be a more capital-intense line of business and this is exactly reflected on this slide that the risk capital consumption is growing faster than the business volumes.

But this higher risk intensity is very well rewarded and is creating new value which then is reflecting in increasing bottom-line IFRS results. And on the investment side, we have been also making very good progress. For one, we wanted to establish one consistent investment strategy in the group and develop investment processes very much in-line with industry best practice.

And secondly, we seek improving our return-risk profile, and we do so by expanding the number of asset classes mainly illiquid ones, which still show attractive returns, but also manage more actively our portfolio, and also use external asset managers, where those are better or have larger scale and M.Rue.

And as you all know, Slide 9. beside the pure financial view integrating sustainability criteria into our business strategies and the business processes is more and more important.

What you see on this slide is where we are standing and how we are standing on the basis of various metrics that we are applying for this. And we just want to send out the message that our ambition goes even further than that and we have become member beginning of this year of the so-called Net-Zero Asset Owner Alliance seeking a climate neutral investment portfolio by 2050.

On Slide 10, you can see the evidence that in 2019 our total shareholder return was 44%, which makes Munich Re second best performer of the defined peer group of four globally leading reinsurers, and four global private insurers headquartered in Europe.

And with a dividend of now EUR9.8 per share the dividend payout increases to EUR1.4 billion. And if you add to this the EUR1 billion share buy-back, then we will practically cashback EUR2.4 billion to our shareholders.

The outlook for 2020, you can see in a nutshell on slide 11, it's mostly unchanged. I can keep it short and say EUR52 billion premiums roughly 3% return on investment. We expect a EUR2.8 billion IFRS result and how that is split down into ERGO and Reinsurance, you can see on that slide.

Take the combined ratios only as an indication, I'm underlying this, because we had those discussions. It's not promises, it's an indication. And on the life and health reinsurance side, we are expecting an increased technical result going from EUR500 million to EUR550 million. I will finish my remarks inviting you to attend our Investor Day on the 8th of December in 2020.

And on this occasion, we plan to inform you about any strategic initiatives that we are planning, and what the financial ambition is that we will have beyond 2020. And I'd like to also add before that date, I would understand, if you have questions of what the trend is, but please forgive us. On the eighth only, we'll give you all the answers.

Thank you so far. And with this I hand over to Christopher.

Christoph Jurecka {BIO 17223019 <GO>}

Thank you Joachim. Good afternoon also from my side. I will give you a short overview of our current finance and risk topics starting on page 14.

We are very pleased with the 2019 financial performance and particularly, as we have to digest very high one-time large losses in Q4. This IFRS result of EUR2.7 billion we are showing this is clearly above our initial guidance of the year. And what were the drivers?

First of all the earnings growth in Reinsurance, where we were able to improve our underlying C combined ratio to a level of 98% to 99%. Now this year just to remind you the underlying combined ratio is the normalized combined ratio where we take out some one-offs where we think that they are not representative for the operating performance of the respective year.

ERGO once ahead is ahead of its target delivered nicely more than in line with the ESP program. And then on top of that, the strong investment result we were having nicely showing an increased investment result. But on top of that our unrealized gains increased significantly with a total return of 7.7%. German GAAP earnings came in lower mainly due to the replenishment of the equalization provision and some higher tax expenses in German GAAP only.

Our stock of distributable earnings -- and this is important now our stock of distributable earnings supports the dividend increase as well as the share buy-back easily. Our economic capitalization with a Solvency II ratio of 237% continues to be very strong. And I remind you that in these figures we already deducted the share buy-back and the dividend.

And this, despite the fact that interest rates have been declining, and we're growing our book substantially. I'd like to particularly highlight the economic earnings of above EUR7 billion in 2019, which indeed have been exceptionally high and we're able to more than compensate the growth as well as interest rate-drive increase of the required capital.

On Page 15, then some details on the Q4 results and the major drivers. I'd like to start with the operating results not on the Slide, but maybe a comment on the operating result. We achieved EUR580 million operating result, where the consensus was EUR588 million. So on the operating result level we were really meeting the consensus very precisely.

Only on the net income level, there is a deviation between the consensus and the net income mostly driven to the FX developments we saw in the fourth quarter where the positive development on the FX side until Q3 was taken back to a large extent.

Looking at the net income, and the reinsurance contributed EUR116 million to the net income. ERGO contributed EUR101 million. And with that fully in line with the run rate for the full year. Reinsurance was affected by high large losses in the fourth quarter. I mentioned that already. And then on top of that we strengthened the assumptions for our Australian life business by approximately EUR200 million.

This is reflected in the technical result, and especially the combined ratio in P&C shows this the high large losses with a major loss ratio of 27.4%. The other combined ratios continued to be very low. Maybe one more personal remark on the life and health re technical result. This came in substantially higher than I would have -- what I would have personally expected with a full-year result of EUR456 million, we're pretty close to the EUR500 million where we did warn you throughout the year that it's probably not -- no longer possible to get closer or to achieve the EUR500 million that we are that close now at the year-end given the fact that we increased the results, but this EUR200 million, is exceptionally good in my view and has to do with an out performance of our expectations in more or less all markets except Australia.

On the investment result side, return on investment 3.1% in the quarter, pretty consistent with the 3.2% for the full year. The reinvestment yield in Q4 was a little bit lower than in the other three quarters of the year due to investments into shorter duration securities.

On the next Slide, I'd like to talk a little bit about our balance sheet strength. On top of our high earnings level in 2019, our balance sheet strength continued to be very strong. You know that generally our practice is that we try to be very prudent in reserving and have a very stringent risk management approach to protect earnings, especially in times of elevated volatility.

So let's start with reserving on the left hand side of the slide. You know that our prudent setting of reserves unwinds over time leading to releases which then support the financial results of the respective year.

In 2019, we were able to release 5.6 percentage points despite significant reserve strengthening we had to do for U.S casualty. And still, and this is important, I'd like to underline that still our reserve strength overall remains unchanged.

On the investments side our defensive investment portfolio and the ALM have been the basis for delivering again a stable investment return despite a low interest rate environment. We have EUR33 billion of unrealized gains now. And there, it's kind of a normal course of things, but part of these reserves are being realized. We try to be as reluctant as possible with that, but still also this year again these realizations overcompensated the losses we had on derivatives for hedging purposes.

Finally, taxas very quickly there the reserving approach is pretty similar to what we do on the claims side. So initial reserves are being set prudently, and once the topics are clarified, usually, we can enjoy releases from tax reserves as well.

That's something which happened in 2019 again. And therefore the tax rate of 15% was pretty low due to some releases we're able to make, while at the same time the overall tax reserve position is unchanged. On Page 17, some more details on P&C reserving. Overall, I mentioned that already but again, very favorable reserve development.

But the U.S. casualty turned to something, which we see in the whole market and the whole industry and of course, we are also concerned about some of the developments we are seeing there. For own large and diversified US portfolio, it's important to distinguish between different areas. And in some of these areas, we have observed adverse development,

particularly in the commercial liability space. And whereever we saw that and very much in line with our prudent reserving approach, we immediately and very significantly strengthened the reserves in 2019 after having taken action in 2017 already, and also in 2018.

So this is nothing new at all. It's just the usual course of things that we react where we think is necessary. On the other hand, there are other books in our portfolio like First Alliance, where we did see a pretty normal development. And overall our casualty book is quite satisfying.

Furthermore, developments in asbestos as well as workers' comp have been favorable in 2019. So overall on aggregate level, another year underlining our strong and very solid reserve positions in an environment with quite some issues in the industry, and as I said, also in some of our books.

But, and that's again important to notice, as already in 2018 and '17, the positive developments overcompensated easily all the reserve strengthenings which we had to make in some of our books. And with that we were able to on top of just compensating the pockets where we had area to take action, on top of that we were able to release 5.6 percentage points of our net earned premiums this year. On average, 5.4% over the last seven years and this is clearly satisfactory.

On the next page, the focus on the investment result. For the last couple of years, we were impacted by the low interest rates quite heavily, but -- and that's what you can see on this slide, our investment return proved to be pretty stable.

These stable returns are a result out of our well balanced long duration, high quality investment portfolio, including managing some of the risks with derivatives. And then of course, to some extent, it's unavoidable that, that reserves are being realized.

We do so only in case really need to do that like for financing the ZZR in -- at ERGO or for ALM purposes where it's really -- where we really feel very much under pressure to take action to optimize our ALM position. On top of that, the day-to-day portfolio turnover, of course, sometimes it's really unavoidable to realize something because there's nearly -- any security left in our portfolio without any unrealized gains.

Out of these realizations, we think the impact for the future on the running yield will be minus 5 basis points roughly. There's another effect of minus 5 basis points from the lower reinvestment yield or the lower investment yield in the environment right now compared to what we have in the book. And so overall, the attrition is expected to be minus 10 basis points,

but then also we are investing in non-fixed income securities, like infrastructure, like private equity, like real estate, which also helps us to partly at least compensate the negative attrition we have in our book.

Page 19, a quick view on local GAAP. Local GAAP result of EUR1.5 billion is lower than the capital repatriation in 2019. The main driver here is the significant contribution to the equalization provision, despite a year with very high losses.

You know that generally our local GAAP result is protected against volatility and then stabilized by this equalization provision. But of course then the flip side is that we eventually have to refill it. And especially in 2019 the replenishment was pretty significant.

If I would adjust for this replenishment of the equalization provision and some tax effects local GAAP would have covered the capital repatriation.

These differences we have between local GAAP IFRS economic earnings, which are much higher than IFRS this is something and you know that, of course, which -- this is just a natural thing with different accounting standards in place and just shows timing differences.

So the money is not gone. It is just being recognized at a different point in time in our P&L statement. And therefore it is just a different distribution of earnings over time. The economic focus and then the economic beneficial year we had in 2019 is not affected by that. For 2020, similar to IFRS we expect Local GAAP to be above the 2019 level.

Page 20 the Solvency II ratio, largely stable and still pretty high, above the optimal range 237%, and this includes already the deduction of the share buy-back and of the dividend. And for the first time, we have been applying the volatility adjustment for some of the ERGO entities, which we think is an important step to improve the comparability to our peers.

The impact on the ratio is 6 percentage points only. So there was not nearly a necessity to do so but we think comparability is important here. There have been many debates around our capitalization in the past. Of course, for some years we have been asked why we are not more active in bringing the ratio down in Q3.

On the other hand we have been asked what would happen if we would then finally be at 220% or even below that? I can only say we feel very comfortable with the current level of capital we have. We were able to absorb the pressure from the low interest rates quite nicely. We were able to finance our growth, and we were able to deliver a strong operating performance, which was easily compensating the growth and interest rate-driven SCR increase. More details on the sources of earnings will be provided with the disclosure of our Annual Report March 18.

Page 21, a quick view on the SCR increase. The increase was almost EUR3 billion across all the risk categories major drivers business growth in reinsurance in line with the risk bearing capacity, which also was increasing.

On top of that the decline of the interest rates, of course and also currency effects. Overall, we were able to further improve our risk profile, because the insurance risks now even more clearly exceed the investment risks than a year ago. We have now EUR15.2 billion of insurance risks versus EUR14.3 billion on the investment side.

So we continue to be in a very sweet spot with respect to our risk profile. On my last page then 22, only quickly some CFO housekeeping remarks. To improve the comparability and the consistency across our segments and also with peers, we decided to change our disclosure in 2020 in some limited aspects.

We will firstly concentrate more on the IFRS return equity going forward and discontinue to present the RoRa. Secondly, we will harmonize the definitions for admin and other operating costs between Reinsurance and ERGO and will thereby move the reinsurance also somewhat closer to what market practice is for some of our peers.

By doing so our P&C combined ratio will decrease by 0.5 to 1 percentage point. And then finally, we will move other costs at ERGO from non-operating to operating to have a clear distinction between operating and non-operating result components and to give you a little bit more transparency on that going forward.

That's it from my side. Thank you for your attention. And with that, I'm happy to hand it over to Mark.

Markus Riess {BIO 1835270 <GO>}

Thank you, Christoph. I am very happy to present you the 2019 results of ERGO. I repeat what Joachim Wenning said. This is the last year, 2020, of our ERGO strategic program.

So 2019 was the second last year. And if you look at the development, I think we can be very happy across the Board and can look at this as a confirmation that we are well on track to achieve our ESP targets by the end of this year.

If you follow me on Page 24, you basically have the standard array of KPIs that we have presented to you from the beginning and I'm happy to report that they are all at target or even better than what we anticipated.

There is growth in premiums. You'll see that in the next couple of slides which is widely dispersed around all our companies. We have an, again, increased profit of EUR440 million after EUR412 million in 2018. The investments now for the first time in 2019, were higher than budgeted on the isolated 2019 year. We had a quarter of 117%, and we can -- we are now confident to say that we will achieve the ESP targets without exploiting the full EUR1 billion that we have anticipated. But we rather currently estimate the overall investments in the order of magnitude of EUR920 million.

The total cost savings come in as planned. Current status is EUR234 million. And the combined ratio of P&C Germany, obviously, one of our key KPIs, is now already down to 92.3%, which is pretty much on target as per 2020 already.

The following page introduces again to you the progress that we've made according to the way we structure our business between Germany digital business and the international business. Now you know most of that that's why I will again focus only on the highlights.

In Germany, we have yet another year of increased sales. The sale increase year-over-year is 6%. The productivity of our tied agents, which is one of the key leading KPIs when it comes to customer orientation and profit orientation, is 18%. Another year of 18% productivity increase is really remarkable and it shows that we are very well underway in the sales area.

We have now integrated our brands into ERGO, launched a new website which shows this integrated approach. So what used to be a concept now has become reality in Germany, and the numbers speak for themselves.

On the Digital Venture side, we are going one step further with nexible. We have 23% growth in our pure digital player. We are now focusing very stringently on process automation and optimization because as you remember medium-term, this should be a very, very scalable organization with very low administration costs.

So one of the housekeeping items here is to make sure now that we have a critical mass of clients 100,000 risks, that we really streamline the processes as much as possible before we scale up further. Good progress in ERGO Mobility Solutions as well as in robotics. I think a more interesting KPI is here that every two weeks we come up with a new robotic solution that substitutes repetitive tasks by technology and thus increasingly substitutes manpower by technology.

On the international side, I'm happy to re-emphasize what Joachim said, the portfolio consolidation optimization phase is over. Technically, we acknowledged in the footnote that closings will take place during 2020, but it's all being negotiated and signed.

We have now a very stable situation in which the core markets are well positioned and where we also have a growing franchise both in China and obviously in India, I'll come to that in a second, and I'm very happy that we have now a strong and -- I'd say with low volatility affected kind of net income on the international side.

Technology is one of the key drivers and I'm very happy that I could write down a couple of interesting sentences for you. Basically, we are much more better in providing digital solutions and digital assets throughout the group. We work on portability of digital assets and we use them primarily on the sales side when it comes to using them for pure omni-channel behavior on the customer side.

Now there are a couple of numbers with slides, which I understood -- numbers, which I understand that Christian Becker-Hussong has already related to you the key information. So again, I'll be very brief and very happy to be available for questions later.

You see here our segment's strong performance across the board. The only number that is negative compared to the last year is the life number. Here, you have to bear in mind that we obviously have the run-off effect of the back book which is still more significant than the new business in the new book, as expected I can say.

And also on Life Germany, we last year had one very significant positive run-off effect, which we didn't have again in 2019, and still EUR187 million net profit is a very interesting number. The other thing I'd like to comment is on the International net income.

We had in 2019, 50, 5-0, -- EUR50 million of adverse effects because of the portfolio optimization and we will still be able to achieve EUR105 million net income in this segment, which is very positive. If I look at the combined ratios, it's 94.3%, which is a record low on the international business., the combined ratio in Germany has come down.

So these are very nice sets of KPIs. If you go into the segments and starting with Life. The new book now accounts for 20% of the overall share of Life Germany. It is composed of 49% biometric and 59% Capital Market related. As you recall we will -- very -- we will build a book with low interest rate sensitivity and we are well underway.

What I find very pleasing is that our products are very well accepted both with the clients and with our distribution partners. And a testament of this is the 29% growth in 2019 over 2018. You remember also from our previous discussions, that we had notable deficits in the IT in the back book. And it's too early to claim our effort's success, but I'm very positive that the migration of the first tranche, which will be a quarter of all of our 6 million policies will take place this summer, probably in July.

We are very happy that the preparations are going very well. So when we talk next time, I can talk to you about the results, but already currently you'll find me quite optimistic with regards to the IT migration on the back book.

The following page deals with health. And you know that in health. We have a pretty strong position in Germany, we are number two, in the comprehensive insurance and number one in the supplementary insurance.

The number of insured persons, which we use as a KPI has again increased by another 60,000 to 5.231 million, which gives us a market share of a little over 21%, which is a strong leadership position. The composition of the book is also good. We have now 32% of supplementary insurance as opposed to roughly 30% four years ago. So it is going into the right direction, and we are very happy about this.

On the P&C side, I can report two positive things. As you might recall in 2016 when you asked us what is the expected growth rate that you could give us in terms of a compound annual growth rate on the premium of P&C? I reluctantly said 2% because I knew that there were a lot of portfolio cleansing that needed to be done.

I can happily report now that we have achieved 3.1% since the beginning of the program and in the last year even 3.6%, which technically is the growth above the market. And I think it's too early to tell whether this is a trend, but it's very clear that this positive development in P&C insurance has come together with higher growth than anticipated which is plus minus around the market growth, plus a significantly increased profitability as you see on the right hand side, and that obviously is a very strong message.

On the right hand side, you see the combined ratio it's now down to 92.3%. Out of the 4% that we've promised to achieve an improvement in expense ratio, we now have cashed in so to speak more than 3%. So three quarters of the way is already accomplished. We will lose -- we'll get the last quarter in 2020. And also the claims ratio has significantly come down. So I think that is a very strong combined ratio that we can present.

The last picture of mine deals with the International portfolio, and I have already said most of the things that are on this slide. The only thing I would like to say again is that, we have very interesting triangle of observations.

We have growth in premiums, we have better technical results and we have cost savings, which makes me personally optimistic that this strong performance is not only a one-off, but we have created the bases now into a strong performance for the medium term.

And you see this, for example, also in our growth markets on the lower right-hand side, where we have been able to achieve a compound annual growth rate of 30%. It is reaching now EUR700 million, and that is only for the roughly 49% that we have or 50% that we have in those markets.

So that is now already part of significant level of our overall premiums in the International business. My summary is ERGO is well underway. We have yet another year where we have out performed our targets.

You can rest assure that we will be extremely focused for 2020 to drive home and bring home the ESP fully and, therefore, then translate into EUR530 million net profit. That was the target that we set ourselves in 2015. And you will today see me very confident that we'll be able to achieve that.

And with that, I hand over to Torsten.

Torsten Jeworrek {BIO 5724439 <GO>}

Okay. Thank you very much, Markus, and good afternoon, ladies and gentlemen.

In my short presentation, I will try to cover three parts. I come back to the 2019 results, give some insights. In my second part, I will discuss the January 1 renewal. And in my third part, the strategic particularly innovation initiatives.

I'm on slide 32, that is Property and Casualty business in 2019. Don't want to repeat all the figures. Overall result was very satisfactory more than EUR1.5 billion. However, technical performance with a combined ratio of 101%, for the full-year was behind expectation. Christoph mentioned, that was only driven by a very high nat cat loss experience, but also large single losses were above expectation. Overall, the large loss in cat ratio was 15.2%, 3.2 % above our 12% average expectation.

To some extent you could ask, why was Hagibis, the Japanese loss, was EUR780 million higher than the Jebi before? That has to do to some extent with the region, but even more so with our risk appetite. After 2018, after Jebi and Trami the terms in Japan improved and we increased our risk appetite in 2019.

In the hindsight, you can say it's a wrong time right? But on the base of much better terms than in the years before. Reserves Christoph mentioned that already. Overall reserve level is inline with, I would say the last 10 years before very satisfactory,

despite we have to take action and took action in some of the U.S. segments and I will come later to the United States Casualty business and will give some more insight about that.

When I compare, let's say the volatility from cat and large single man made losses on one hand, and then compare it with a very satisfactory reserve level in the overall book in 2019 my judgment would be volatility is at the end our business.

You can say, of course, we don't like it, but it's our business that we are there for. We write this, and should justify this business as long it stays in our risk appetite, and as long as our models are right. For all the large loss events and the cat events in 2019, we have no reason to believe that any of our assumptions is violated or not met.

So these cat losses and large single risk losses do occur. And of course, we have to make sure that we get the right premium for that and get the improvements. Reserve problems are more problematic and we are very happy that we have a very conservative policy in place and take immediate action, which helps us so to speak to manage our overall portfolio immediately.

Christoph also mentioned the underlying combined ratio. Underlying is between 98%, 99 %. That is slightly above our 97%, which we expected to achieve. And you can say why is it still above? Yes, there's some noise in the underlying figures, but there's one major reason, and that is also because of the adverse development in the US business,

we decided basically to have more conservative loss picks in the current underwriting year. So that means, what we saw and see from the past has an immediate impact on our assumption also in the current underwriting year, which, of course, the moves combined ratio -- the underlying combined ratio slightly up.

Considering the changes in the allocation of the admin cost ratio, but also considering the rate change -- the positive rate change, I will report later from the renewal. These two factors will change our assumptions and we think in 2020 we are confident to achieve the 97%.

Next slide, that is the life business EUR450 million, Christoph mentioned that we almost achieved our EUR500 million target. All continents all regions in the world delivered very well. The only regions where we're still struggling and took a reserve hit of EUR200 million was Australia.

So that means if you take the assumption, that is my assumption that Australia for the time being is well reserved, then I think, there's a realistic chance to meet the target. And this is also the reason why we decided to increase it.

I skip the next slide, Slide 34 where you see our three major pillars in our strategy reinsurance business risk solutions and innovation, and come back to life and health. And in life and health, I would only like to underline that all the continents and what are the major markets, it's Canada, United States, Continental Europe, UK and Asia, all these markets have very, very strong growth and profitable growth. That is good.

And the only market where we don't grow business we hardly write any new business is Australia today. And in Australia because of the disability problems in that market, our focus is really claims management and restructuring and repricing of existing treaties.

So that means in all other markets the world is pretty good for us, and that is the reason again why we increased the target to EUR550 million, which you see on slide 36. Slide 37, and these are the January renewals. January renewals -- first, I'll try to describe the market environment. There was of course, a high expectation before the renewal started that we will see and have to see better terms and better pricing conditions.

Why? Because we had in the third year an extraordinary development of cat losses and large man-made losses. 2017, the HIM losses. 2018 the Japanese losses. 2019, again, Japan plus aviation and space losses.

And then the whole market has to struggle with these reserve problems in the United States. Social inflation is a key word here. And with this expectation, of course, we went into the renewal. And in a nutshell, I would say, the market environment did really further improve. That is a given.

So we -- the market environment is much more positive than in the years before. However, you can ask is this now a global hard market? No, it is not. It's not a global hard market. In markets like Europe and in Asia and I exclude here, Japan. Japan is up for renewal in April only.

Europe and Asia the market is not a hard market, it is a kind of flattish market I would say. It is not soft or softer than before, but it's a kind of flattish market. It does not participate in the improvements of the United States and Cat-affected business.

Which are the segments which really helped us to improve the rate? That is cat business in affected regions particularly United States, Bermuda, Japan again, will come later. And then the specialty lines, aviation, space and the large industrial business. And then the whole U.S. primary and reinsurance market does improve considerably.

So in this, of course, positive market environment, there are good chances for us to improve our profitability and also take advantage to grow our portfolio, but it's not an approach you could or should take that you say now I open the gates and really want to grow everywhere in the world. That would not be the right approach. We are very confident here.

On Slide 38, you see the Munich Re figures of the January renewal. Please remember January is for us among the three renewal dates, the most important one in terms of size. At January 1 about 50% of our global P&C business was up for renewal, and what we achieved was 4.4% increase in our volume to EUR10.65 billion now.

And this 4% after we decided voluntarily to give up more than 10% of our portfolio for price and profitability reasons, particularly in the United States. The rate change which we achieved was 1.2%, so much better than a year ago. And I would like to remind you this 1.2% is not easily comparable with all of our competitors and market figures these days. Why? Because our figure is a fully risk adjusted figure.

Fully risk adjusted figure means we don't measure and report here the rate -- the nominal rate change. What we monitor here is the risk adjusted rate change. That means it also includes our increased and more conservative assumptions regarding the loss picks in the new portfolio.

It means when we see inflation trends, emerging losses also when we see the need to adjust our cat models a bit reflecting the cat activity then that is reflected in this rate change. And this is in our opinion a pretty good figure which gives an indication about the possible improvement in terms of the margin and the combined ratio in 2020 and 2021.

All lines of business showed a positive price change. So there is no exception be it property casualty be it the specialty lines. But in percentage-wise the biggest contribution came from the specialty lines. In the United States, particularly in the casualty business, we participate from the -- in the proportionate business from the significant rate change in the market.

We are still very conservative and almost reluctant to write non-proportional business. So active portfolio management remains key. And if you ask me my assumption -- my feeling for the April renewal Japan is, of course, very positive after these two years of losses.

Slide 39, only a short summary, where did our growth come from between 2019 and 2018? Smaller extent from the mature markets. There is a very big extent from the emerging markets and then also from risk-based solutions, which is in-line with our priorities in our strategy.

And Slide 40, I would like to give you a short remark or short feedback, what you can expect from our appetite in the -- in nat cat business on a global basis. Do we have an appetite to increase this further and further?

The answer would be no, but we -- considering our financial resources, we have of course financial resources available to write more cat business, if and only if, the terms are really attractive. And here on that slide, you see a few examples where we think this is the case or was already is the case, that's United States, that is Japan and that is for instance, the Caribbean markets.

Now I switch to the next Slide 41, and on that slide, because there's a lot of noise and discussion in the market about the U.S. Casualty business, we thought we'd give you some figures what we have in our books here.

And you see here on that slide, in the left part the premium and the split of the premium of our global casualty business so that is everything in the United States and all other markets EUR6.8 billion. The more important part is on the right side, which causes the attention now that is the U.S. book. And in the traditional casualty book we have EUR2.7 billion. And the EUR2.7 billion, so it's an important part but of course not the only part in the book, when you ask me where are the critical lines today in the United States look on the circle on the right side, we think, according to our analysis all what is in the commercial liability proportional and non-proportional the 70% plus 6%, part of the EUR2.7 billion, this part is more exposed to the social inflation. Personal lines is less exposed that is the remaining part.

And when you look at our contribution in -- or split in commercial lines, the highest exposure come according to our figures by far, from the commercial liability non-proportional business, that's a 6%.

What is -- is an explanation for that? What drives this feedback of this statement? The reason is pretty simple, and we saw this pattern already when we had these reserve issues, remember 15 years ago from the workers' comp book in the United States in the North American Re.

The non-proportional book looks nice for a while, but if you run into an adverse trend, then once the priority -- the retention is exceeded, then all further adverse development is asymmetrically distributed between ceding insurer and reinsurer and goes only into the reinsurance book.

That is the reason why you see here such a small figure of 6% only. And our risk appetite has not changed even in an improving market today and I admit even the commercial liability excess of loss book has improving terms today. Our risk appetite will not and has not changed. We keep this segment very, very small.

So how do we react here? And I indicated that already. Whenever we see the smallest change so to speak, of adverse development in one of the segments, we first address it with two measures; first, in our reserve book; second, in more conservative loss picks in the underwriting policy.

And then of course, we have an let's say, underwriting target portfolio defined and this target portfolio focuses more on personal lines business and less so on commercial liability. And we gave up almost EUR700 million premium in particularly coming from this segment because we think as -- our concern are not so much our reserves, our concern is the uncertainty in the new business.

We still don't know and I say in spite of all the improvements in the underlying markets, we still don't know whether the premium and rate increases are sufficient. I admit they're much better in the years before, but are they sufficient considering the loss trend or not we don't know yet. And for that reason we are very selective in our underwriting focus more in personal lines and in commercial liability more on the proportional book.

On the next Slide 42, risk solutions that is our specialty insurance book, which grew very nicely from EUR4.3 billion to EUR5 billion now which is a very nice increase. Combined ratio is elevated but not because of poor underwriting -- underlying combined ratio or performance, but only because we had to digest the large losses particularly from aviation and from our space business.

We are a market leader in space. We had around 5 satellite losses last year. Our shares between 20% and 25% in these losses. So that explains it. Particularly pleasing were the results from American modern. And here you see it also from facultative and corporate where we have excellent combined ratio in American modern, 88%. At the same 17% growth that is more property book what they entertain.

Facultative and corporate is a very volatile and very cyclical business. It was a 93%. That's the larger industrial business, which does not cause any concerns in our book. HSB is not on the list Hartford

Steam Boiler is as good as always 92% combined ratio.

Slide 43. It's a basically an update of our innovation portfolio and of our strategies. You see here the three segments on that slide. On the left side are some examples how we try to change or to build business models, which change the value chain.

Examples are our digital partners, what was already mentioned by Joachim Wenning, where our premium volume in the meantime, grew to EUR200 million IoT, internet of things, which is more a service model and where we just founded a joint venture with a car manufacturer Porsche and Munich Re New Ventures, which I come back to that in a minute.

In the middle part, expanding the boundaries of insurance -- insurability that is basically new product and services, cyber I will also come back to that. And on the right side data driven solutions that is something like underwriting engine, space and artificial intelligence et cetera.

I want to give you an example, where we stand on the platform business, slide 44 and we took this example of Munich Re new ventures. Munich Re new Ventures is a Canadian business model done by our -- developed by our life and health colleagues there. And what they do is and what they want to do is they want to basically look for opportunities in the very big and very profitable Canadian Group Insurance Market.

That is a market which is performing well. But just in terms of processes and services, although not on the best level and what they built is, they built a digital platform called Parachute. And this Parachute platform basically manages all the processes, manages the distribution, manages the admin services and pricing. And the cooperate with this platform together with insurance companies, but also with third-party administrators, and we have then two options you see that here either we take part in that business via quota share behind the traditional cedents, which use our platform or we use it directly behind the TPAs and pursue the direct business model.

Why is that important? I mean it has been developed for a number of years. We are in the market with this business model. The feedback is extremely positive. And what we expect is midterm. Midterm, when you ask me next around 5 to 6 years or so to make an income in the order of EUR100 million. So that gives a kind of indication for the potential of that business model.

On the next slide, an update on our Cyber business. The Cyber business leads always to controversial discussions. On one hand we all see there's a big ongoing demand. Why? Our world is connected. More and more of our commercial end customers see their need to protect the infrastructure of course, by using technology but also by insurance product by buying insurance. And we are absolutely of the opinion that our industry and that includes us of course have to find solutions to serve these customers.

Major market is still United States, which is about 80%, 85%, but more and more of that business comes from non-US markets like Europe and Asia. And we were successful to grow our portfolio in line with the underlying market.

Our premium volume is around the $600 million by end of 2019 and our profitability is very good. Its combined ratio over the last four, five years is in the order of 80% to 85%. And you can always ask a question, do you really know what you do? A difficult question because it's a young segment. And what we do is really, first of all, we built internal expertise. We hire external expertise from outside.

We have approximately 100 FTE now in the company, who really are kind of specialists who know how the business and how the technology works. And we use a lot of experts to permanently improve and enhance our pricing models but also in particularly, our accumulation models.

Risk management is key in that business. And that comes on top we think because it's a very technology driven business model, we cooperate with many, may companies including companies which -- like Team8 from Israel, which has their expertise from the -- how should I call it Cyber or from the intelligence or Cyber intelligence? You know what I mean, these guys. The good headcount in my words.

And of course they give permanently good feedback and help us to build also service business models for our customers. So that is in other words a careful approach. We know that is permanently changing. But on the other hand, we are still of the opinion that we have to serve the market here and are undisputed market leader.

So at this slide, I would like to finish maybe with a comment. Reinsurance expectation in terms of profitability but also selected growth looks better in 2020. It's not a global hard market, but we are in a position to entertain the business and have no issues on the reserving side.

Thank you very much.

Christoph Jurecka {BIO 17223019 <GO>}

Thank you, gentlemen. We will now start with the Q&A. So may I please remind you to limit the number of your questions to a maximum of two questions per person in order to give all of you a fair chance to participate in the Q&A. So thank you and back to Tracy. Please go ahead.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) We will now take our first question from Vikram Gandhi from Societe Generale. Please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hello. Hi, good afternoon, everybody. It's Vikram, Societe Generale. I have got two questions. Firstly, on the HGB result on Slide 19. I'm just a bit surprised to see a rather strong increase in equalization reserves, despite heavy losses in '19. I know you've touched upon that topic briefly in your opening remarks, but it's we've seen amount as the same in 2018, so rephrasing the question a bit, if the large losses in 2020 are in line with the budget, does it imply that you'll have to fill that bucket even more? So that's question one.

Second is on the group's investment portfolio, where I see the share of equity investments has grown, despite strong disposal gains in the fourth quarter. That's on Slide 61. Now given what's happening in the markets today and your rather conservative impairment policy, what's your comfort level with respect to the EUR2.8 billion net income guidance for this year, especially from the -- in terms -- in times of the equity market downturn? Thank you.

A - Christoph Jurecka {BIO 17223019 <GO>}

Thank you, Vikram for the questions. Christoph here. I'll take both of yours. The first one, the difficult thing with equalization provision is the following. It's not a simple formula, looking at the overall book we have, but it is really sliced according to different lines of business. And when we are looking for example, at the large cat claims, they more or less all affected the German GAAP line, which is called and in that particular line, we did not have to replenish this year. In that particular line due to the high losses, nothing really happened. But then at the same time in other lines, German GAAP lines, that's not the lines we are usually talking about.

In other German GAAP lines, we had favorable developments, which then led to the fact that we had to increase the equalization provision. And so it depends very much, not only on the technical result overall according to German GAAP, so pretty much on how it's sliced according to different lines of business and how big is the volatility in these particular lines compared to the 15-year average and what we saw there in the past. And that makes it so difficult to predict the development, because it's not depending just on one key KPI, but really on a variety and different factors, which might also change throughout the year. And so this equalization provision is also some -- somehow a little bit more difficult to predict than other positions we have. And therefore, the increase this year comparatively high despite the fact we have the large cat claims, but coming from other lines and where we had the replenishment the last couple of years.

Equity investments. Indeed, we slightly increased equity investments throughout the last year, also nicely benefiting from that in the earnings, but even more on the unrealized gain side. So the unrealized gains increased to EUR1.8 billion on the equities last year and this is pretty nice buffer we still have. And on top of that, we are positioned a little bit more conservatively as we speak. And we have some derivative protection, as you know in some of our books for ALM reasons anyway.

So having said that, I wouldn't say we are unaffected by the reduction of our -- by the development between the stock markets, but we can be, let's say, pretty relaxed when it comes to the achievement of our year-end target or year-end guidance because there's still so many moving parts. And we have a certain level of protection in place anyway. So we are -- as Torsten said before, our business has volatility that has some additional part of volatility, but we are not concerned at this stage.

Operator

We will now take our next question from Kamran Hossain from RBC. Please go ahead.

Q - Kamran Hossain {BIO 17666412 <GO>}

Hi. I've got two questions. The first one is just on the dividend. I guess we've had a good progression towards earnings EUR2.3 billion to EUR2.5 billion next year EUR3.8 billion. The dividend seems to be slightly lagging that earnings growth. So I'm just wondering whether we might see some kind of catch-up next year? Or any thoughts around that? And does an improved German GAAP result hopefully next year influence that decision in any way?

And the second question is on the Tokyo Olympics, saw the headlines on the tape about the triple-digit million number potential. Could you talk about whether that's in reinsurance, or whether that's in the primary parts of the business? And then potentially in the reinsurance book, is there any kind of -- are there any aggregation concerns that you have around coronavirus or even the Olympics? Thank you.

A - Christoph Jurecka {BIO 17223019 <GO>}

Yes, Christoph again here. On the dividend, we did show a dividend increase today. We did announce a proposal, which is an increase. I'm not sure if it's really lagging behind. I think it's pretty much in line also with consensus. We never said it's going to proportionately follow the earnings increase from EUR2.3 billion to EUR2.8 billion. But due to the fact that, that's the lower boundary of the dividend so that we never had to reduce it in the past. Because of its floor, it is pretty important to us and we cannot just increase it proportionally because we have to make sure also a level of safety as a downside protection. Therefore, under proportional dividend growth, I think we delivered on that. And so I don't see any lagging behind here, I must say.

A - Torsten Jeworrek {BIO 5724439 <GO>}

Okay, I take this question. If I understood you correctly, accumulation risk from event cancellations and I think you referred to the current pandemic situation also, that's my assumption. What I can't do -- then I give you some figures here. What I can't do is to give you specific figures for a single event, because they're all under non-disclosure situations and agreements with the client. Here, I can't give you figures like Olympic event also this year in Tokyo.

But as an indication -- before I do that, event cancellation takes place for sport events, takes place for exhibitions, takes place for concerts and whatever, there are many things, but not -- it depends on the cover, on the policy, whether this event includes pandemic events -- cancellation because of pandemic events or not, both is possible. Depends on the single -- and both is very common by the way.

When we look at our portfolio and would take a scenario, where all possible events, which are thinkable this year, all fairs, all concerts and big events, small events would materialize, which have such a coverage for pandemic events, then our kind of exposure range would be in the kind of middle, medium triple-digit million range or so. So that is EUR500 million plus at the end. So in that range. That is a kind of -- is it a worse case? It's not really a worse case because you always have a bit unknown treaty exposure. That's the kind of good indication if many events are really canceled during the year, which has this kind of coverage.

Q - Kamran Hossain {BIO 17666412 <GO>}

That's great. Thanks. (Technical Difficulty)

Operator

We will now take our next question from Jonny Urwin from UBS. Please go ahead.

Q - Jonny Urwin {BIO 17445508 <GO>}

Hi, there thanks. So first question, I was just wondering if you could please provide us a walk, like how you see the walk from the 2019 normalized combined ratio to the 2020 guidance? So -- in particular, I'm interested in just thinking of -- hearing how you're thinking about loss ratio improvement and expense ratio improvement and then the accounting change as well? Thank you.

And then secondly, just going back to the casualty, current year loss pick strengthening. Can you just give us an idea of where you are in terms of reserving level on that book? Is it in line with the reserving strength at the group level? Is it lower? Is it higher? Thank you.

A - Christoph Jurecka {BIO 17223019 <GO>}

Yes. Thanks, Jonny. First of all, the walk of the NCR, I think that's pretty straightforward. Underlying combined ratio, we said we were between 98% and 99%. The normalized 99.3%, but then you take out some one-off kind of costs and then you'll be at this level of 98% to 99%. This is 2019.

Now the walk to '20. First of all, if we look at the one-one renewal and the renewals to come, this already will give us about a percentage point or something as a reduction. And on top of that, you know this 97% next year includes the new cost definition, which is another 0.5% to 1% depending on which kind of growths are finally occurring than during the year. And that's pretty much the walk. So it's not -- no miracle or something to meet here. It's really pretty much the development we see in the market and in connection with our book we have currently.

Casualty, the reserve position. As I said, as soon as we see indications, which are adverse, we react immediately in line with our general reserving strategy, which means that we also react not only immediately but also drastically if needed. But of course, that doesn't necessarily mean that for all times in the future reserve levels are already good enough, because we cannot predict how the future evolvement and how social inflation is going to further develop in the future. So to the best of our knowledge today, we did reserve these books according to our usual general prudent factors, but you never know how the development in the future is going to be.

Q - Kamran Hossain {BIO 17666412 <GO>}

Thank you.

Operator

We will now take our next question from Andrew Ritchie from Autonomous. Please go ahead.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi there. First question I think is for Markus. Could you just help us understand -- I think, you were implying, if we were to normalize ERGO's result for 2019, we should add about EUR50 million, which was the disposal effect in international. So already, you're running at, say, EUR490 million, EUR500 million, is that a fair normalization? Is there anything else I should do?

And also just where is the kind of bigger scope for remaining improvement because you're already running where you want to run in P&C. Life, it looks hard to really shift that profitability given it's dominated by the back book. So is most of the upside from here in international still, particularly some of the businesses? Maybe just -- to just clarify normalized earnings and where upside is?

And my only second question on the U.S. casualty thing. What actually was the impact of strengthening in 2019? In particular, when I look at your triangles you had nearly EUR900 million of adverse development in the 2018 accident year. I think most of that was Jebi or other cats, but what was the casualty effect in that and the overall casualty, negative U.S. casualty, negative PYD? Thanks.

A - Markus Riess {BIO 1835270 <GO>}

Thank you, Andrew. On the normalized result, obviously it's always hard to look at the normalization, because you have positive and negative runoffs. You are right in saying that I believe that in the international portfolio, I believe that the result on a normalized basis would be significantly higher. Might be in the order of magnitude of EUR150 million. But I also have to say that we have positive runoffs in other parts of the business, smaller ones, each of -- each in and of itself not being noteworthy, but we believe that they are in the order of magnitude of EUR30 to EUR40 million. So yes, the result is a little bit understated in general, but not in terms of EUR50 million. So if you ask me, I'd say we're in the order of magnitude of EUR470 million or EUR480 million or something, but that's sort of the order of magnitude that I would be seeing.

Further upside potential comes from still various sources. One source is that we still have one percentage point on the expense ratio to go, and we'll be realizing that because we are still in the last phase of our HR reduction. While we have negotiated with pretty much everybody more or less now their point of leaving, obviously within 2020 and beyond, there will be people actually leaving that would be certainly a positive factor. Also I believe on the German sales side, with the current year-on-year growth -- last year, year-on-year growth 6%, I'm not at liberty to disclose the current year-on-year growth number, but the way I look at it, it's not going to be low 6%. That's something, which is also -- something which will create additional revenue potential.

And then lastly and probably most importantly, there are still over proportionally high investments planned in 2020 because it's the last year of this big investment phase. So if I look at all of this, I think the EUR530 million is still an ambitious target, but yes, you are right, it is absolutely reachable and we are committed to achieve it or even overachieve it. And then after this ESP, we will be looking at it strategically in the context of what Joachim was saying, the Munich Re strategy and then we will debate what kind of levers we see beyond that. I hope that clarifies the issue a little bit, Andrew. Thank you.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Thanks.

A - Christoph Jurecka {BIO 17223019 <GO>}

Your question on the casualty reserve, I'm happy to take that. Maybe we start with the accident year 2018. This one is pretty much driven by Jebi, but by far not only Jebi because there is negative run-off in there for many other single large losses in there as well in this figure. So the vast majority of this figure relates really to large losses, Jebi only being one and the most prominent one within these.

There's also a certain portion of basic losses in that. But as I said, the majority really relates to the large loss piece, which overall across all years was neutral, just to make that pretty clear. So the 2018 year is just exceptional in the sense that in all other years -- although the large losses did run off pretty positively, and overall -- and this was neutral.

Your initial question was the level of casualty reserve actions we had to take. And there I just have to apologize. We are usually not talking about sub-portfolios, and we'd like to stick to that practice.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Okay. Thanks.

Operator

We will now take our next question from Sami Taipalus from Goldman Sachs. Please go ahead.

Q - Sami Taipalus {BIO 17452234 <GO>}

Yes. Hi, thanks for taking my question. The first one is just on the growth of the P&C reinsurance book. If I just listen to your talk, you sound reasonably cautious on, I guess, a couple of the major areas like U.S. casualty space but also the cat space et cetera. Is it possible to just give any sort of insight into how you think about the growth potential of the aggregate business over the next year or so? I mean, I appreciate that we're just going to come down to a lot to the pricing that you get, but it'd be great to hear about how you think about the potential there?

Then the second question I have is just relating to the interest rate sensitivity of the business, and I guess, ERGO in particular. If I look at your UFR sensitivity, it's come down quite a lot year-on-year, it was about 7 percentage points to 50 bp move last year and now it's about 2. And what's that driven by? Is it just you changed your hedging? And then also on this topic, how do you think about the potential reforms to Solvency II and the impact of that? And in particular have you floored interest rates at zero in your calculation of the interest rate stress? Thank you.

A - Torsten Jeworrek {BIO 5724439 <GO>}

Torsten here. Let me start with your first question. I think I understood it correctly you asked regarding the aggregate business versus cat aggregate business...

Q - Sami Taipalus {BIO 17452234 <GO>}

No sorry. The whole the P&C reinsurance portfolio in total and the potential for growth in that?

A - Torsten Jeworrek {BIO 5724439 <GO>}

Okay. I understand. So the total P&C business, let's say -- I don't have, let's say, a line of business wise growth target here. I could not tell you because -- and by the way, we don't give that to our units and our units have not given that to them. It's basically a response to market environment, what they can achieve. That is why I sometimes say, when the portfolio mix should change more towards cat business or more towards casualty business that will of course also have an impact on our combined ratio, what happened in the past by the way.

So on the property book, my answer would be the following. On the proportional business worldwide, our let's say, appetite is unchanged, but our -- the opportunities are also let's say, a bit limited, I would say. The biggest opportunities for proportional growth are in the United States, where also we had some -- lot of these attritional losses, tornadoes, and all this stuff, which benefit a bit of that.

The specific growth potential in property comes from the cat business. And here I say cat business only. And therefore, I asked a question before aggregate business, which is also a kind of cat business, but -- where you can aggregate the events. It's not a business for us. We have a few treaties, but we hardly entertain that. So the normal cat business is something we write. And here I think our growth potential comes currently from three region -- three major regions: one is Caribbean and Latin America; the other one is the United States and the third one is Japan.

Here, basically, the appetite is there. We have not really any limitations from the capital position. So we can take advantage of the market depending on the terms. Do I have an idea how much we can grow? No, not really, but it can probably be medium sized -- low to medium-sized triple-digit million number in terms of premium or so. So around EUR100 million, EUR200 million or so if you ask me, that is a good guess also. That is the best I can give you. Otherwise, it will be a result of the renewals at the end, and we don't pre-decided that before the renewal starts. It's not an underwriting strategy behind.

Q - Sami Taipalus {BIO 17452234 <GO>}

And outside the property book, are there any sort of major portfolios where you think that you could deploy more capital?

A - Torsten Jeworrek {BIO 5724439 <GO>}

Again, the most attractive environments are loss driven, of course, particularly Bermuda and Latin America, then Japan and then United States. These three.

Q - Sami Taipalus {BIO 17452234 <GO>}

Okay, great.

A - Torsten Jeworrek {BIO 5724439 <GO>}

The rest is okay-ish I would say, but not really improving.

Q - Sami Taipalus {BIO 17452234 <GO>}

Great.

A - Christoph Jurecka {BIO 17223019 <GO>}

Your question on interest rate sensitivity, I can -- think I can do that rather quickly. No real changes on the ERGO side.

On the reinsurance side the somewhat lengthened the duration during the last year. Overall, as you are mentioning already our position is pretty well hedged. Solvency II review, you probably know that there is an industry position where we have been, also where we have been very active in contributing to that. Therefore, I don't think I have to go into much detail there because this industry position is pretty well aligned.

Maybe only two remarks. One remark is that as a reinsurer for us, the risk margin is something which is of high importance. And especially the fact if you are allowed to apply diversification to the risk margin or not, we currently are not allowed to do that. And this is clearly given our global risk model and how important diversification is, for us, clearly not an advantage in the current regime for us.

And then maybe a more personal remark because all these discussions are about calibration and do you calibrate one risk upwards or downwards. And then it's maybe all compensating or not. I personally think the most important aspect would be to have stability in the financial steering framework you have. And on the other hand, also seeing that right now on the IFRS side, also all the things are being discussed all the time. It's extremely exhausting for companies and to everybody to follow all these changes all the time. It costs a lot of money. And I think stability per se is an important value, which should not underestimate. And then that's my personal remark on all these debates.

Q - Sami Taipalus {BIO 17452234 <GO>}

If I can just follow-up very briefly on that. The change in the UFR sensitivity really is quite remarkable, and it's also I think, notable, but your -- the stress you apply for ERGO for the interest rate sensitivity has actually gone down year-on-year. If it's not that you changed the hedging, what is it that has caused that change?

A - Christoph Jurecka {BIO 17223019 <GO>}

I certainly did not change the hedging strategy overall. Of course, there are always single transactions, which sometimes make a difference. But then the interest rate level again is a different one. We apply the volatility just that's the first time that might play also. It's a variety of topics. But overall, we continue to be pretty well hedged. And all the rest, I would also say is a little bit also moving upwards and downwards with the interest rate.

Q - Sami Taipalus {BIO 17452234 <GO>}

Okay.

A - Christian Becker-Hussong {BIO 19080254 <GO>}

Thank you. Can we have the next question, please?

Operator

We will now take our next question from Michael Haid from Commerzbank. Please go ahead.

Q - Michael Haid {BIO 1971310 <GO>}

Good afternoon. Two questions. First, on U.S. casualty, you said that you have EUR2.7 billion annual gross premiums from your U.S. casualty business, 70% commercial liability proportional and 6% XL. I would like to get a better idea of the per unit of risk exposure. So can you provide us, maybe the corresponding reserve positions for these lines of business by proportional and non-proportional?

Second question, Japan. Obviously, over the past two years, you like your competitors incurred high losses from Japan, 2018 and 2019. And the premiums that you collect from Japan, they're rather small competitive losses. So my view is that price increases in this business of plus 10% or plus 20% would, by far not be sufficient. So my question is what do you actually require in terms of price increases to further write this Japanese nat cat business?

A - Torsten Jeworrek {BIO 5724439 <GO>}

Okay. Torsten here. I give you a short and a long answer. The short answer, Michael, it's rather interesting you asked -- I have to smile a bit. You asked for more granularity in the U.S. casualty segment. I think Christoph Jurecka said, we don't disclose further segment results, so in general and would not like to start it here. I would only like to underline what Christoph said, our reserve approach and our prudency in this segment are exactly the same, like the rest of the business. Higher uncertainty is there because we don't know how the losses will develop over time in this market.

So now the more precise answer regarding Japan. Japan, you are right. We had two losses now -- four losses in two years due to typhoon losses. And don't forget please that we didn't have any major typhoons over the last, I don't know 30 -- no 29 years. The last one, I remember was in 1991 that was one year after I joined Munich Re that was hurricane. Since then we had no big typhoon loss, hardly any. So no one complains about that, I admit that, even we don't do it.

And now your question, the premium looks very small. It has to look small because the business, which brings these losses into the reinsurance market in our portfolio is almost exclusively non-proportional cat business. There's not so much proportionate business. So you don't can compare it with a primary insurance book, where you have, let's say, relatively high premium related to the typhoon losses or storm losses or whatever that is. This is exclusively -- almost exclusively a cat book. That means, the cat book has in relative terms, the small premium versus the capacity which you sell.

On the other hand, it's non-proportional. That means they are high retentions or noise or smaller events are not covered at all. And in that regard, the premium, the relationship between the premium -- which we charge under these kind of constructions and the limits we provide is absolutely comparable probably even better than in other similar cat books or cat portfolios in other parts of the world.

So that is pretty normal. And this ratio between amount of loss and a nominal premium, which we get for that has, of course, to do with the return period, how often does such a loss of occurrence occur, which triggers this kind of cover. And again before these two years, it's 28 years back, and of course, that is exactly the kind of risk model or pricing model, which is behind the pricing method and how we calculate that so to speak, and then of course, our cost margins and profit margins. But you cannot draw the conclusion that because of this ratio between premium and loss, we have to charge a very huge premium increase now. That would not be right.

Return period are high. I give you an indication for JV, it's in the order of 30 years for a kind of Hagibis, in the order of maybe 15 to 20 years or so. These are good figures, good estimations for that from our model. And that means you collect every year a certain portion of these kinds of event. And sometimes you have a bit of luck and these events occur in two years. Yes. So that's how it works. So that is not a conclusion for us for price increases. However, I admit, of course, after such two years, we will also increase our price under these covers, but not for the reason you mentioned. So that is basically my view. Japan regarding profitability over a longer period has always been a very decent and attractive market for reinsurance and for us. Thank you.

Q - Michael Haid {BIO 1971310 <GO>}

Thank you very much. Thank you.

Operator

We will now take our next question from Iain Pearce from Credit Suisse. Please go ahead.

Q - Iain Pearce {BIO 19522835 <GO>}

Hi. Thank you. Just two quick ones for me. Firstly, on the one-one renewals and the price move of 1.2%. Last week, we had a peer flagging quite the interest rate headwinds with their renewals. So I'm wondering if you could talk to us about the overall economic profitability change you're seeing at your renewal?

And then secondly, just on U.S. Casualty, where you talked about, well, sort of your exits from some of your lines, the EUR700 million number, mainly related to U.S. casualty seemingly. Could you talk to us if there's any expected headwinds from further exits of certain portfolios in 2020? Thanks.

A - Torsten Jeworrek {BIO 5724439 <GO>}

Economic profitability, you're right. We usually don't take it into account, but I would mention that economic profitability is slightly below 1%. And that takes into account, of course, a lower interest rate, which we took into the consideration in the fourth quarter of the year and which we used then for pricing purposes.

In the meantime, so to speak, in hindsight, interest rates are -- have a bit recovered, have a bit improved. So that means slightly below 1% is still good economic, let's say, round figure, if you want. So now I have to ask a question to my colleagues, what was the second question here regarding the EUR700 million. I didn't get it? Can you repeat that again?

Q - Iain Pearce {BIO 19522835 <GO>}

Yes, sure. It's just -- it was just you flagged some portfolio exits walking away at one-one. And I just wondered if there's anything you've sort of allocated to walk away from in the remainder of the year and if that's going to provide a headwind to top-line?

A - Torsten Jeworrek {BIO 5724439 <GO>}

I can't tell. It's not, let's say, pre-decided. As we didn't decide, so to speak actively how much we want to give up in the January renewal, we said that, that is unchanged, while the reserve is not my major problem. There's a big uncertainty in the pricing and we have a kind of risk appetite or underwriting strategy in place, which focus on the commercial and here in particularly on the non-proportional business. And how much we will give up, it's difficult to say but considering, so to speak the small premium, which is left in that portfolio, you saw the figure, the 6%. And maybe you add some of the proportional figure on top. Yes, there's a potential that we give up, maybe a another amount, maybe a low triple-digit amount or something like that. Again, it's not predetermined that is possible, but nothing which will basically severely impact our portfolio and will make the portfolio look very differently. That would be my answer.

Q - Iain Pearce {BIO 19522835 <GO>}

Okay, great. Thank you.

Operator

We will now take a follow-up question from Vikram Gandhi from Societe Generale. Please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hello. Hi. Thank you for the opportunity. Two quick clarifications, please. On the change in approach on the cost allocation that is expected to help the P&C recombined ratio, can you just tell us what the motivation was behind this change?

And secondly, I appreciate there is a very limited transparency around RORAC. But since you steer the group on an economic basis, can I just ask what prompted the change from RORAC to ROE now? Thank you.

A - Christoph Jurecka {BIO 17223019 <GO>}

Yes. Of course -- Christoph here. I'm very happy to talk about that. Cost allocation first. We had a huge difference between what we do in the primary insurance versus reinsurance with respect to cost allocation. Whereas in reinsurance we basically allocated all the costs we have into the admin expenses with a comparatively high portion in primary insurance, which we did allocate to other expenses, not into the admin.

And there, we thought it might be helpful for everybody to have a better comparability between our segments, if we align that. And therefore, some of, for example, holding costs, group costs will no longer show up in reinsurance in the combined ratio because basically they don't have anything to do with the avoiding business in the reinsurance anyway. So in that sense, we clarify a little bit what we're doing. And I'm a little bit clearer in our disclosure with respect to what is really related to the business and what are the other overhead costs, like holding costs or stuff like that.

So therefore, we think the transparency will increase. As far as we are aware all of our peers are doing that similarly. So we have been as far as we know the only ones allocating all the costs into the combined ratio into the admin costs. And therefore, with a new approach, where we take out roughly 0.5% to 1%, we still think that we are pretty much on the conservative side, in a sense that we do not take out a lot of the costs out of the admin. But we think that's a pretty reasonable amount given the holding cost we actually have.

On the RORAC side, well basically, we try to convince you for, I don't know a decade now or so, that not only you, but also all the other companies will follow us and also rely a little bit more on the RORAC externally. What happened is that nobody did actually. So we did never get any questions on the RORAC nor did we perceive any discussions around that. And all our peers are concentrating on the ROE. And as we think that the comparability in the disclosures of the different companies is absolutely key and we said now we are going also to focus more on the ROE because that seems to be the well accepted and consensus metrics, everybody's looking at.

That does not mean that internally we are not continuing to see steer according to our common principles, of course, we do. And also internally for the underwriters, writing the business, the RORAC continues to be an important element in their assessment of a potential contract they are underwriting. But externally, and we will try to be as comparable as possible to our peers, and that's why we focus on the ROE.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay. Just going back to the first question. So the overhead costs that are taken out of reinsurance, where will they appear then within ERGO?

A - Joachim Wenning {BIO 16273429 <GO>}

No, between -- in other expenses reinsurance. Other operating expenses reinsurance.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay. Got it. Thank you very much.

A - Christian Becker-Hussong {BIO 19080254 <GO>}

Thank you. Next question, please.

Operator

We will now take our next question from Andreas Schfer from Lampe. Please go ahead.

Q - Andreas Schafer {BIO 21186558 <GO>}

Thank you. So two questions from my side, please. On the first question regarding German Health Insurance. You ablated about the development in supplementary insurance. Could you give us some sort of indication how your insured persons developed in comprehensive insurance? I mean, it still makes up almost 70% of your premium base.

And the second question, could you maybe give us after the turmoil in capital markets, a very rough estimate where your solvency ratio currently stands?

A - Markus Riess {BIO 1835270 <GO>}

Okay. This is Markus. I'll take the question on -- if I understood it correctly, we have sort of a bad connection here. Your question was on comprehensive insurance, right?

Q - Andreas Schafer {BIO 21186558 <GO>}

Exactly.

A - Markus Riess {BIO 1835270 <GO>}

Very good. Well, on comprehensive insurance, we have an old book, not a back book, but an old book, because the DKV is traditionally one of the largest German private insurer currently. We hold market position number two. We have roughly around 750,000 comprehensively insured people. And because these are people who joined us decades ago, they are comparatively old. And given the fact that the access to private comprehensive insurance is limited because you need to fulfill certain criteria, which have always gone up,

the pipeline of new people coming into the private insurance is in the entire market comparatively low compared to 10 years ago. So all of the companies, which have a large client base traditionally have a hard time of, basically retaining that client base because simply the portfolio is old in terms of the members. Our clients are old and the death is an over proportional factor in such an old client base that you have. And our rate is currently that we lose around 2% of our comprehensive insurance people every year. The year for 2019 was 2.2% or 15,000 comprehensively insured people. But given the fact that there's medical inflation and the premiums goes up, you see that the premium level ultimately, also has risen in 2019.

So we have a very large traditional book. I can also say, it's very profitable. We consider this to be one of the most profitable health books in Germany. So it's a very healthy company in the best sense of the world. So we used that for profitability and for client orientation, obviously they're very good values there. But the growth clearly comes from supplemental insurance and has been coming from supplemental insurance over the last couple of years, and where we are a market leader with 21%-plus percent and currently have EUR5.2 million of supplementary insured clients. I hope that gives you some context on these numbers.

Q - Andreas Schafer {BIO 21186558 <GO>}

Yes. Thank you.

A - Christoph Jurecka {BIO 17223019 <GO>}

The real time Solvency II ratio, we don't have that. And unfortunately, I can relate to page 20 maybe. And page 20 of my presentation, what you see there is sensitivities around our Solvency II ratio of 237%. What you see there is that an equity market stress by 30% -- minus 30% would bring us down to 222%.

Now the equity market stresses we are currently having is much less than 30%, it is probably about 15%-ish or something. So I don't know, my rule of thumb estimate would be, I don't know between 225% and 230% as current Solvency II ratio of the day, but I don't know. That's pretty much everything I can say to that question. We don't follow that on a day-to-day basis really.

Q - Andreas Schafer {BIO 21186558 <GO>}

I got the impression that combining drop in interest rates, drop in equity markets and increased in corporate bonds, I guess it must be more than 10, 15 percentage points?

A - Christoph Jurecka {BIO 17223019 <GO>}

Yes. Maybe if you combine these sensitivities, you can also come to bigger figures. But then again, tomorrow the markets will look different again, we are so easily above our optimal range. We don't internally put a lot of importance to this day-to-day tracking of the Solvency II ratio. We don't think it's highly relevant. But of course, based on sensitivities you could do the math every day. But, as we said, we've been pretty happy with where we are, with respect to capitalization. And this is, to a certain extent, of course, volatile day-to-day.

Q - Andreas Schafer {BIO 21186558 <GO>}

Thank you.

Operator

We will now take our next question from James Shuck from Citi. Please go ahead.

Q - James Shuck {BIO 3680082 <GO>}

Hi, thank you for taking my questions. Three from me, please. I'm interested in the ROE focus versus RORAC. My first question is really around, please could you give an indication of on a normalized basis, what the ROEs are in the key divisions, so P&C Re, Life and Health Re and ERGO? I'm presuming that there is a greater focus on the group level ROE, means that you'll also start giving us allocated capital between the different divisions?

Second question, the problem with RORAC was that it was using a multiplier on the SCR as a kind of theoretical level of equity. Does the greater focus on the ROE mean that, you will be focused more on how you manage the stock of equity in the near term? And will that drive management remuneration?

And then just thirdly, quickly, the combined ratio development in 2018 to 2020, if look at what rate has done, rate is up kind of in aggregate about 2.3 points. The combined ratio target has gone from 99% to around 97%. You've had expense improvements over that period. You've also got the expense reallocation, which is up to a point, and you've also changed the mix of business more towards nat cat. So I guess my question is why 97%, why not a better number than that? Thank you.

A - Christoph Jurecka {BIO 17223019 <GO>}

Okay. I'll start with the combined ratio. Your question is, if I understood it correctly, why -- would be more aggressive in setting our target and giving all the figure even lower than 97%. Well, as you see, we usually do not have anything behind the dot, behind the comma, so it's either 97%, 96% or 98%. 96% would have been pretty aggressive. I think, you would have been clearly against that. And we would have been challenged by you a lot, if you had put out 96%. So 97% was the obvious choice, I think. And if there's upside with also the renewals, which are later in the year, then we're of course, happy to digest that in our figures once we realize it.

The ROE versus RORAC, first of all, of course, no management remuneration at all connected to that. So the bonus works completely different. It is related to the total shareholder return for us. So that's not of any concern. With respect to the divisions, we do not disclose any divisional ROEs, but this is really the group figure we are looking at. And maybe only a remark on Re to take out unnecessary volatility on the equity, what we will do going forward, is we will adjust the equity for the unrealized gains and losses, especially on the interest side because this is inflating equity depending on the interest level and at least increasing the volatility. So that's something that we will take out then as of -- starting with Q1, but that's all to it.

Q - James Shuck {BIO 3680082 <GO>}

Could I just -- I mean, on the move from -- I mean, RORAC will still be used internally. I think, you're saying that your focus on ROE, that won't drive management compensation. I'm trying to understand, whether the shift from RORAC to ROE and how you're communicating to the market will ultimately lead to better capital discipline and managing the excess capital that you have because you're running with very high levels of capital that may make sense as of today. But I'm trying to understand if there's a shift of focus here in terms of what you're saying to the market?

A - Christoph Jurecka {BIO 17223019 <GO>}

So two answers to that. First of all, internally we continue to steer economically. So no change at all. It's RORAC, it's economic earnings, it's all these kind of economic key metrics we've been using for a long time already. That's unchanged.

With respect to the focus on capital management, I even -- I would even say that the focus was always on capital management, it will continue to be on capital management. But if ROE can contribute to that focus, then of course, we will be happy about the additonal contribution, if this will be of any help. But the focus of our management of our stock on financial management always was very much on capital management and the distributions have been pretty high so far in the past. So I think, the ROE was just additionally underlying and already existing focus.

Q - James Shuck {BIO 3680082 <GO>}

Okay. Thank you.

Operator

We will now take our next question from Fossard Thomas from HSBC. Please go ahead.

Q - Thomas Fossard {BIO 1941215 <GO>}

Good afternoon. Two questions on my side. The first one would be on ERGO. Moving closer to the ESP initial targets. Can you remind us or maybe refresh our mind regarding, what are the group expectations in terms of dividend or restating dividend payment from ERGO to the group and when this may start again?

And the second question would relative to the life reinsurance business. Just to better understand how many deaths related to the virus you will need to reach before we see any negative impact to the EUR550 million technical result expected for 2020? Thank you.

A - Christoph Jurecka {BIO 17223019 <GO>}

Christoph here, I'll start with the ERGO dividend question. There everything is unchanged with respect to the communication, like we did it, when we started the ERGO Strategy Program. So the assumption continues to be that after the termination of the ERGO Strategy Program, ERGO will nicely contribute to our local GAAP earnings on group level by paying regularly dividends like any other daughter company as well.

A - Joachim Wenning {BIO 16273429 <GO>}

Regarding your coronavirus question. It's an interesting one. But honestly, we don't have this kind of stress scenario available, at least we haven't made the calculation yet, how many people dying do we need before it really impacts our life result 2020 or so. What we can say is, and that is what I said to the press today. We have, of course, a pandemic scenario in place, which is kind of risk management approach. It has nothing to do with this one here, by the way, that is maybe more based on the kind of Spanish flu event 100 years ago. This kind of event where plenty and millions of dead people in all parts of the world and continent also. And we said, like in large cat -- in large cat events, our risk modeling, we make this 200-year approach. What is the 200 year event. And here we come to a kind of figure that we have then an exposure of EUR1.4 billion. If such a really absolute extreme scenario should occur, but that is not the scenario, not even close to this scenario. And that is of course, not the question you ask. Regarding your question, how many more people dying? Do we need before it impacts our result? Honestly, we don't have as a stress scenario available? Sorry.

A - Christian Becker-Hussong {BIO 19080254 <GO>}

Thank you. Next question, please.

Operator

We will now take our next question from Emanuele Musio from Morgan Stanley. Please go ahead.

Q - Emanuele Musio {BIO 19781440 <GO>}

Hello. Hi. I have a couple of questions on cyber. The first one is on your strategy. So in particular I'm referring to the change in relationship with Beazley. So how has your strategy changed?

And the second one is on your PML. If I look at your PML, it's gone up by only 15%, roughly looking at Slide 73, whereas premium went up by 30%. Is this result in change of -- it is a result of your change in appetite or anything else?

A - Christoph Jurecka {BIO 17223019 <GO>}

First question, our strategy has not changed at all. We have a strategy consisting of two pillars: one is risk carrying functions, insurance and reinsurance policy. Our split between reinsurance and primary insurance in cyber is about 50-50 roughly. Beazley is a cooperation, which was ended has not basically changed our strategy. The only reason was because we said, we have enough, let's say, both companies have enough, let's say, market presence that is original cooperation to basically generate business is not to the same extent necessary. So neither our risk appetite in terms of maximum limit per policy, or the risk appetite for risk is EUR100 million has changed nor our strategy. It's only a kind of independent market approach, what we pursue now.

Q - Emanuele Musio {BIO 19781440 <GO>}

Yes. Okay. Thanks.

A - Christoph Jurecka {BIO 17223019 <GO>}

And the scenario question, yes, you are right. I mean, we have, of course, a number of accumulation scenarios in cyber. And the accumulation scenarios, of course, grow in line or not in line, that depends with our expansion of our underlying portfolio. And the scenarios basically should monitor and should basically also control and limit our accumulation risk according to various potential cyber attacks at the end of the day. So that's similar to the nat cat business.

And you cannot automatically say that all these -- there are various -- all these accumulation scenarios in cyber grow proportionately with the premium. They can grow faster. They can grow to a lesser extent, that depends a bit so to speak, what business we write from what industries we write the business and what accumulation potential is in these segments. So that's more, let's say, a kind of residual or following calculation, basically, which follows the business generation and not the other way around. At some point in time, you can argue, of course, that it might limit our risk appetite, but we are still far away from this position. And only because we monitor and basically publish our biggest accumulation risk, we thought it would be fair, not only to publish the cat scenarios, which you know already from the past, these five biggest cat events on the

200-year basis. No, now cyber scenario has grown into this segment, so to speak. And therefore, we said, okay, that is now part of our disclosure.

Q - Emanuele Musio {BIO 19781440 <GO>}

Thank you.

A - Christian Becker-Hussong {BIO 19080254 <GO>}

Thank you. Next question, please.

Operator

We will now take our next question from Paris Hadjiantonis from Exane BNP Paribas. Please go ahead.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Yes, good afternoon for my side as well. Just one and I hope a very quick one. So in a year where you actually took some reserve strengthening relating to U.S. Casualty, you come out with reserve releases of 5.6 percentage points. So I assume that the underlying number is higher than that, and that would imply that it's considerably higher versus your 4% normalized level.

So going forward, I guess how should we be thinking about reserve releases in this 4% level? Is it essentially a hard level which you don't go below? Or, some kind of explanation of why this is the actual correct number that we should be expecting going forward?

A - Christoph Jurecka {BIO 17223019 <GO>}

Yes. Christoph here. I'll take your question and actually this is a question, we could debate for some time because there are many aspects, which are relevant to that. So I give you some flavor, but maybe that's not completely exhaustive because it's really a complex one.

First of all, our assumption is 4% is the right figure. In reality, we will only know -- you will only know if 4% was correct, after the book has been completely run-off. And so far, it's always assumption based. And we always in the past said we'd keep this assumption stable, just for the sake of simplicity, and then, of course, it turned out over time that, at least for the seven last years, we were higher than that. And following your thought with the casualty this year, if you take that out, maybe it would have been even higher than the 5.6% you're right. So there seem to be kind of more buffer in the reserves than the 4% we put in.

On the other hand, and we also have so-called pricing reserving gaps. So if you ask our pricing actuaries, they would probably argue that it's natural thing because the 4%, in any case is by far too low.

On the other hand, looking forward, our book is growing and the composition is changing. So the business mix is changing and this is a figure, which relates to the net earned premium. So if we grow 4% on the larger book means a much bigger absolute figures, which still had then to be run-off out of the old book, which has been a smaller one still. Therefore, even if in the past, we had about 5% now consistently overall the years, that does not necessarily mean that also in the future, it needs to be more than 5%, only due to the fact that we are growing and that our business mix is changing and so on and so forth.

Having that in mind, we decided that the best estimate we can give you for the future continues to be 4%. But if I may remind you on our prudent approach, you know I think, how to interpret this message.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Thank you.

Operator

There seem to be no (Technical Difficulty)

A - Christian Becker-Hussong {BIO 19080254 <GO>}

There don't seem to be any further questions. So I guess we will close this call now. And thank you very much for joining us this afternoon and for your questions. The IR team is, of course, happy to answer further questions you might have. So bye for now, thank you again for joining us.

Operator

This concludes today's call. Thank you for your participation, ladies and gentlemen. You may now disconnect.