

S1 2020 Earnings Call

Company Participants

- Unidentified Speaker

Presentation

Unidentified Speaker

Welcome to the presentation of Topdanmark's Results for the First Half of 2020. Profit in the first half of 2020 was DKK196 million compared with DKK831 million in the first half of last year, this is primarily due to a lower investment result. The combined ratio was 85.5 compared to 80.7 in the first six months last year, mostly caused by lower run-off profits.

Premium increased by 2.7% in non-life and by 20.7% in life. For the full year 2020, the assumed combined ratio is improved by 1.5 percentage points to between 88 and 89, excluding run-off in the second half of the year. The profit forecast for 2020 has been improved by DKK100 million to between DKK550 million and DKK750 million, excluding run-off in the remainder of the year.

Following Danish FSA's recommendation, Topdanmark has decided to postpone the payout of the remaining dividend for 2019 until the AGM on the 25th of March 2021. These are the main points in my presentation.

Pre-tax earnings decreased by DKK804 million to DKK262 million. The technical non-life profit decreased by DKK207 million to DKK697 million. The decrease was primarily due to a lower run-off profits, a higher level of weather related claims and the impact of lower interest rates.

Investment return decreased by DKK352 million to a loss of DKK427 million. Investment return was impacted by the turmoil in the Danish mortgage market during Q1, resulting in a substantial spread widening impacting the portfolio of Dennis mortgage bonds, which is used for hedging the provisions. Profit in life insurance decreased by DKK244 million to a loss of DKK25 million, primarily due to lower investment return.

The claims trend deteriorated by 4.6 percentage points to 68.7%. The claims trend was negatively impacted by lower run-off profits of 3.1 percentage point. A higher level of weather-related claims of 1 percentage point and the discounting effect due to lower interest rates of 0.5 percentage point.

The underlying claims trend which is the claims trend adjusted for run-off profit, weather-related claims, large scale claims, discounting and COVID-19 related claims was 68.7 and that's almost the same -- at the same level as in the first half of 2019. In Q2 the claims trend improved by 0.3 percentage points to 65.

For 2020 the assumed negative impact on a combined ratio from COVID-19 has been reduced from between 0.5% to 1% to between 0% and 0.5%. Premiums decreased by 2.7% in non-life. The premiums growth was split between 1.7% increase in the private segment and a 3.9% increase in the SME segment.

Topdanmark continues to see a net inflow of customers in the Topdanmark brand. A good start to the distribution agreement with Nordea continued into Q2 and the number of customer deals has already by the end of Q2 reached the growth for 2020.

We still expect a negative impact of premium growth in 2020 of approximately 0.5 percentage points due to the switch of distribution partner from Danske Bank to Nordea. And in 2021 the premium income from the inflow of customers from Nordea is expected to fully compensate for the terminated distribution agreement with Danske Bank

As stated, the combined ratio was 85.5 in the first half of 2020, up from 80.7 in the same period in 2019. Despite a negative assumed impact of discounting of 0.2 percentage point, the assumed combined ratio for 2020 is improved from around 90 to between 88 and 89, excluding run-off in the second half of the year.

The assumed combined ratio for 2020 is affected by the improved impact from COVID-19 of 0.5 percentage points. Profit in the life insurance decreased by DKK244 million to a loss of DKK25 million, a lower result was primarily due to a decrease in an investment return of DKK210 million but also due to a lower sales in administration result as well as a lower result of on insurance risk.

For 2020 the assumed profit in life insurance is unchanged between DKK0 million and DKK50 million. In life, company holds a good competitive position, this was reflected in the 20.7% increase in premiums, split between a 29.2% growth in single premiums and a 3.5% increase in regular premiums.

We continue to assume growth in regular premiums of about 0% in 2020. The investment return for Topdanmark Group was a loss of DKK387 million, this includes the result of Topdanmark's asset management company of DKK43 million. The investment return was impacted by losses on Danish government funds, hedging the provision of DKK250 million, a loss on the portfolio of CLOs of DKK99 million and a loss on equities of DKK62 million.

Based on a number of assumptions described in the Q2 report the assumed profit for 2020 has been improved from between DKK450 million and DKK650 million, to between DKK550 million DKK750 million excluding run-off in the second half of the year, representing earnings per share of DKK7.5.

As a consequence of COVID-19 -- of the COVID-19 situation only DKK8.5 of the previously announced dividend of DKK17 per share for 2019 was paid out in connection with the AGM on the 2nd of April. In the Q1 report, we stated that when the situation is back to normal, the Board of Directors has the option to distribute in part or in full the remaining DKK8.5 of the previously announced dividend of DKK17 per share as extraordinary dividend.

If so this extraordinary dividends would be paid out later in 2020 or at the AGM in 2021. On the 26th of June the Danish FSA decided to recommend the Danish financial companies not to complete capital distribution for the remainder of 2020.

Following the Danish FSA's recommendation, Topdanmark's Board of Directors has discussed the Danish FSA's recommendation and has decided to postpone payout of the remaining dividend for 2019 until the AGM on the 25th of March, 2021. It is still the intention to distribute in part or in full the remaining DKK8.5 of the previously announced dividend of DKK17 per share.

Thank you for taking the time to participate in the presentation of Topdanmark's Q2 report. If you want to know about Topdanmark, you are welcome to contact me. In August, we'll host a number of online investor meetings. Today we'll be hosting a conference call at 15:30 CET, and the dial-in information is available on our website. You'll find more information on our virtual schedule in the Events Calendar on our website. Thank you and goodbye.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.