Q3 2021 Earnings Call

Company Participants

- Barbara Plucnar Jensen, Group Chief Financial Officer
- Gianandrea Roberti, Head of Investor Relations
- Johan Kirstein Brammer, Group Chief Commercial Officer
- Morten Hubbe, Group Chief Executive Officer

Other Participants

- Alexander Evans, Analyst
- Asbjorn Mark, Analyst
- Derald Goh, Analyst
- Faizan Lakhani, Analyst
- Jakob Brink, Analyst
- Mads Thinggaard, Analyst
- Martin Gregers Birk, Analyst
- Per Gronborg, Analyst
- Will Hardcastle, Analyst

Presentation

Gianandrea Roberti {BIO 6786731 <GO>}

Good morning, everybody. My name is Gianandrea Roberti, I'm Head of Investor Relations of Tryg. We published our Q3 results earlier this morning. And I have here with me Morten Hubbe, our Group CEO; Barbara Plucnar Jensen, our Group CFO; and Johan Kirstein Brammer, our Group CCO. With these few words, over to you, Morten.

Morten Hubbe {BIO 7481116 <GO>}

Thank you, Gian, and good morning from my side as well. We start on slide 3, where Tryg reports a pretax result of almost DKK1.2 billion, made up of a technical result of just shy of DKK1 billion and overall investment result just below DKK500 million, including Codan and Trygg-Hansa, and other income cost being a negative of DKK270 million, of which approximately DKK200 million are related to the previously flagged integration costs. The technical result of DKK988 million is driven by continuous improvement in the underlying operations, the delivery of Alka synergies, which then offset the negative impact of some DKK87 million higher weather claims and some DKK50 million smaller benefits from COVID-19-related claims compared to the third quarter last year.

Now had Codan, Norway and Trygg-Hansa, Sweden been part of the reporting of technical results that would have been roughly DKK1.5 billion for the third quarter. The underlying claims ratio improved 80 basis points for the Group, in line with previous quarters. Commercial and mainly Corporate are behind the improvements this quarter. This is of course the first time we have a full quarter of earnings from Codan, Norway and Trygg-Hansa, Sweden. We're very pleased to see a technical result of 515 -- DKK519 million for the quarter despite a single very large weather claim in Gavle in Sweden costing some DKK149 million related to heavy rain showers over a few days. And we're very pleased to see an overall top line growth just above 5% for the new family members, clearly above the longer-term trend that was closer to 2%.

As you all know, accounting-wise, we have to include the net profit of Trygg-Hansa and Codan, Norway and 50% of Codan, Denmark in Tryg's investment results. Perhaps a little bit confusing and slightly blurry to have that in one line, and of course that will continue until demerger in the spring, but clearly very satisfactory to see a 5% growth and a DKK519 million technical result despite the DKK149 million for Gavle.

The overall investment result DKK481 million and Tryg's standalone investment result, DKK24 million. And then we report a solvency ratio of 179, up from 175 at the end of the second quarter, after deducting Q3 dividend per share of DKK1.07, DKK700 million altogether, in line with the previous quarters.

If we turn to slide 4, we have, as previously mentioned, in 2021, introduced a new method for measuring customer satisfaction. Very happy to see again an improvement from 83 in the third quarter last year to 85 in the third quarter of this year. Clearly the advantage of the new methodology is that measures both the touch points individually. For example, buying an insurance, but also a full process, as for example, a full claims handling process. Another advantage is that we now get more than a million individual customer responses per year, which gives us an enormous set of data to continue to improve the business.

And I would take a couple of examples from the underlying data. Then, for instance, a private Norway telephone contact has a score of 93, whereas a food processor in commercial Denmark has a process score of 78. So still a very significant variation beneath a strong number, and a lot of ammunition for continuous improvement in the customer experience.

On slide 5, we elaborate on the technical results. As mentioned, DKK988 million for the quarter against DKK980 million in the third quarter the year before. Clearly helped by higher premium income, improved underlying claims ratio, but also as mentioned a negative impact of some DKK87 million higher weather claims, lower run-off and also some DKK50 million lower positive impact from COVID-19. And all in all, that resulted in a more modest headline improvement.

Pleased to see that all areas, in general, report strong performance, while clearly commercial and corporate drives the strongest improvement in the quarter. We still expect to see in the coming years of additional important profitability initiatives to drive further improvements, particularly in corporate. And then remember that not only Trygg-

Hansa was impacted by the flooding claims in Gavle, as we also saw some DKK25 million in the Moderna business in Sweden.

On slide 6 and we show the premium development, the technical result and the combined ratio of Trygg-Hansa in Sweden and Codan in Norway for Q3. Clearly, as mentioned, the accounting point of view is to show these profits directly after tax in the investment result, but here we thought would zoom in to give a little bit more background information. As mentioned, technical result of DKK519 million despite the large weather event in Gavle, costing DKK149 million in isolation, and very pleased to see the overall top line growth of just above 5%. As mentioned, clearly above the historical trend, closer to 2%.

Looking at Trygg-Hansa in isolation, broadly stable underlying profit, top line growth of 5% and a combined ratio of 80.7, including the mentioned claims in Gavle, which is perceived to be a one in 10 years event. Also Codan, Norway report very good results, helped by good growth and improved underlying trends, but also having the benefit this quarter of lack of large claims. The overall investment result of Codan in Norway and Trygg-Hansa was DKK39 million in the quarter. The last few weeks of September were characterized by quite volatile capital markets and some asset classes like real estate investment trusts posted poor returns in September after having done well in July and August.

As mentioned previously, following the demerger of invested assets of Codan in Norway and Trygg-Hansa in Sweden will of course be transferred to the current Tryg investment mix. So, all in all, very happy with the 5% growth, very happy with DKK519 million technical result despite the Gavle claims of DKK149 million. We do see some negatives in the real estate results, but honestly the investment results is of less interest as it will be transferred to the Tryg methodology.

So over to you, Johan.

Johan Kirstein Brammer {BIO 18640275 <GO>}

Thank you, Morten. And I will be turning to the Alka synergies on page 7. The synergies from Alka continue to do be delivered according to plan and in Q3, DKK40 million were achieved in synergies and we now have in total achieved DKK279 million compared to the target we announced of DKK300 million for the full period. In this particular slide, we detail the synergies split between claims, cost and revenues and as it can be seen, we are close to reaching the target already. As mentioned in connection with the synergy targets for the RSA acquisition, we've learned quite a lot from the Alka acquisition and we will make sure to replicate some of these learnings into the RSA acquisition.

Turning to page 8 on the RSA synergies. This is the first time that we report on RSA synergies, which are a very important part of the financial rationale behind the acquisition. In Q3, we report synergies of DKK28 million. And these are unsurprisingly mainly cost related, in line with our experience from the Alka transaction. In general, there is a positive impact from natural attrition, savings from no longer being part of the RSA Group and reduced marketing spend.

Turning to page 9 on shareholder remuneration. Tryg is paying a dividend of DKK1.07 per share for Q3 or the equivalent of DKK700 million. As mentioned during the year, the quarterly dividend is expected to be flat also in 2021, according to our normal policy, even if 2021 is seen as a transitional year considering the equity accounting of the acquired assets and the booking of integration and transaction costs.

We did mention previously that the technical result pro forma is expected to double in 2024 and the dividend trajectory will follow that path as Tryg aims at remaining a dividend stock. Following the previously announced sale of Codan, Denmark, we have communicated our intention to initiate a buyback of approximately DKK5 billion, stressing our commitment to return capital to shareholders. That sale also improves the ROI matrix of the deal.

That brings us to the next chapter on premiums and portfolio, and I'll start on page 11. Top line growth was 5.9%, driven by growth in all Private and Commercial segments. Excluding bonus and premium rebates, the growth was 7.1%. Private being the most profitable area and therefore we are very satisfied with the growth in this segment of 7.6%. Actually, the growth was 9.5% when adjusting for the high level of bonus and premium rebates. The high level of bonus and the rebates relates to our partner agreements that also benefit from the strong results.

Commercial had a growth of 6.2%, which was a combination of organic growth in Denmark, and in Norway it was driven by price increases for especially larger commercial customers. Corporate, on the other hand, showed a slight negative growth of 0.7% and was impacted by profitability initiatives across all countries. In general, growth is not key in the Corporate business, what matters is improvement in profitability in all countries. Sweden showed a growth of 5.6%, helped by strong sales in our niche areas, (inaudible) insurance and insurance of vintage cars and motorbikes.

Turning to page 12. Adjusting prices in accordance with inflation is very important and therefore, we monitor this development very closely. In a period with high inflation in the prices of materials, Tryg has been able to mitigate this through strong procurement agreements. We now begin to see some impact especially for house and building and we will adjust prices to mitigate inflation. Barbara will come back to this point later on.

Turning to page 13 on customer retention. Customer focus is extremely important and customers' view of Tryg is best monitored through the retention rates. For Private Denmark we see, as expected, a drop in the retention rate as a consequence of a drop in the Nordea portfolio. We are satisfied that we have a net positive impact when looking at the Nordea and Danske Bank portfolio together, due to very strong sales to Danske Bank customers. Excluding Nordea, the retention rate will -- did improve with fewer 0.6 percentage points.

In Norway, we are very satisfied that we continue to see a continued high retention, even with very high growth in the last two years. And for Commercial, we saw an improved development for Denmark with 0.2 percentage points, an improvement for Norway even in a period where we have been working very much with price adjustments.

And with that, I'll turn to you Barbara on claims and expenses.

Barbara Plucnar Jensen {BIO 17487867 <GO>}

Thank you very much, Johan. Please turn to Slide 15 where you can see that the Group underlying claims ratio improved by 80 bps in the third quarter this year while the development for Private was unchanged. Please note that underlying claims ratio does not include the impact from COVID-19 claims. Price adjustments and the claims excellence program, including claims synergies related to Alka are the main drivers behind the improvement. Also bear in mind that the growth in Private has a positive impact on the figures for Group, even with unchanged underlying claims ratio for Private, as Private is the most profitable area in Tryg. As expected, the high growth in the Private business had a modest negative impact on the underlying claims ratio as new customers in general have a frequency approximately 3% higher than the portfolio in general. We are very satisfied that the initiatives in our corporate areas and Commercial Norway support the improved underlying claims ratio development for the Group of, as mentioned, 0.8, which is similar to what we have seen in the previous quarters.

Please turn to slide 16 for a little bit more information on inflation. As mentioned, Tryg benefits from having worked with procurement in many years. Our procurement agreements make it possible for Tryg not to be hit by claims inflation to the same extent as many of our competitors. Furthermore, our internal focus with strong coordination across all relevant teams help to -- help us to understand the claims development and prepare price adjustments when needed. Recently, we have seen an extraordinary impact from inflation from materials and labor when looking at building and property in particular. We are following this extremely closely and are therefore preparing initiatives to mitigate this development should it become necessary.

Please turn to slide 17 for further insights on claims. Large claims were just DKK40 million in the third quarter, a much lower level compared to the same quarter last year and also much lower than a normalized level of around DKK140 million. Weather claims were as mentioned much higher in this quarter compared to the same quarter last year, with DKK148 million, and also higher than a normalized level, around DKK120 million. The reason for this higher level was, as mentioned earlier, that we had much higher number of smaller flooding events in Denmark, as well as the big flooding in Sweden, in Gavle, which cost Moderna around DKK25 million.

The discounting impact in the third quarter was higher than the same period prior year, due to the increased interest rate level in general. Then the run-off result was somewhat lower with 3.8% in the third quarter compared to 4.7% in the third quarter 2020, and in line with the communication of run-off, it's anticipated between 3% to 5% in 2021.

On slide 18, you can see that the expense ratio for the third quarter of this year was 14.1%, in line with the same period last year. This is a sign of tight cost control, and the balance continues to be to find more efficient distribution which to a large degree can finance further IT investments. In Q3, the number of employees were slightly higher, driven among other things of the higher business volume, continued investments in IT development and digitalization, and hence additional resources needed for this purpose. And finally, the continued expansion for the credit and surety business throughout Europe.

In the next section, we talk about our investments, the capital and financial targets. So if you go to slide 20, you have further details on our investment portfolio. Currently there is not much new in this slide, where we continue to show our approach to the investment activities. Tryg has a total of almost DKK45 billion of invested assets per Q3 on behalf of Tryg Classic, I must underscore. And of these, just below DKK32 billion is the so-called match portfolio that match our insurance liabilities, while the free portfolio is just below DKK13 billion. In this quarter, the asset mix broadly remain the same with very little changes.

On slide 21, you can see the performance of Tryg's standalone investments. The investment result was DKK24 million in Q3, after a negative impact following increased market volatility in the last weeks of September. The free portfolio return was boosted by good returns on property investments, and as a point of interest, properties have been a very good asset class worldwide in 2021. Also, in Q3, we have a little impact of some periodization. But bear in mind, after many very strong quarters following the adjustments after the outbreak of COVID, this was a quarter where we saw a quite negative impact from, you can say, energy crisis, the impact of Evergrande in China etc., etc. The match portfolio reported a small positive result of DKK13 million in the quarter. And as mentioned, the asset mix is broadly unchanged and in line with our position in the previous quarters.

If you turn to slide 22, you can see some more details on our solvency position. Tryg reported a strong solvency ratio of 179 at the end of the third quarter, up from 175 in the last quarter, driven by a strong organic capital generation, i.e. the net profits, while the Q3 dividend is already deducted in these numbers. The SCR in this period is virtually flat. All solvency figures include the acquired assets, as well -- as was also the case for Q2 this year. As mentioned earlier, it's important to remember that at Q2, the 50% ownership of Codan Denmark ties up approximately DKK1 billion of SCR, hence all other things being equal, the SCR should be DKK1 billion lower compared to Q3 '21 following the demerger next year.

In slide 23, we are showing the Tier-1 and Tier-2 debt capacity of our company. It is important to remember that the Tier-2 debt capacity is a function of the SCR. Hence when Codan Denmark will no longer be part of the Group, the SCR will decrease by approximately DKK1 billion. Being aware of this dynamic, you could argue that the current capacity is artificially high. The Tier-1 capacity is a function of the core equity Tier-1, which is predominantly driven by profits and dividends. We have no plans to issue additional debt currently and we are very aware of the cap limits and do not wish to issue debt that is not qualifying also in the future.

On slide 24, we show the key components of the solvency capital requirements in the third quarter and you will see that there is not much new compared here either. Obviously, the non-life insurance risk is the biggest, followed by the market risk immediately thereafter. The main component is the market risk when you look at a base of DKK45 billion of investment assets where equities and spread risk play an important role.

On slide 25, you can see the development in the solvency ratio. The solvency ratio was 179 as at the end of Q3, as mentioned, and was helped by good profitability in the quarter, having deducted the Q3 dividend of DKK700 million. Please note that previously we have mentioned that the current SCR includes an approximate change -- charge of DKK1 billion for Codan Denmark.

On slide 26, you will find the relevant sensitivities. These are considered stable, unchanged, and remain low versus market risk. Compared to earlier presentations, we have pro forma adjusted our portfolio to include the RSA transaction in this overview. The biggest sensitivity remains to be against spread risk as covered bonds are a large asset class for risk, hence the impact is, therefore, the largest on the solvency ratio sensitivities.

This concludes my part of the presentation and I would like to hand over to Morten to go through our outlook.

Morten Hubbe {BIO 7481116 <GO>}

Thank you, Barbara. And on slide 27, we show the 2021 outlook, which is unchanged following the guidance upgrade in July. We reported a nine month technical result for the classical Tryg business of just below DKK2.9 billion, which position us well for the full year guidance of DKK3.5 billion to DKK3.8 billion. All items related to Codan Norway and Trygg-Hansa acquisitions are unchanged and reference here is of course to the integration and transaction costs as they have been laid out.

Please remember that we have an upcoming Capital Markets Day on November 16, planning to unveil our new strategy and financial targets for 2024, and of course planning to do that in London. And hopefully, COVID will not interfere with that. And then finally on slide 28, we close the presentation with our favorite Rockefeller quote.

And with that, we are ready to take your questions.

Questions And Answers

Operator

(Operator Instructions) The first question comes from Asbjorn Mark from Danske Bank. Please go ahead, your line is open.

Q - Asbjorn Mark

Yes, thank you and congratulations on the solid numbers. I have -- I'll limit yourself to two questions, one relating to the newly acquired assets on your slide 6, on growth and on the combined ratio trends we're seeing. First on the growth. Now Trygg-Hansa has been growing slower than the market for some time now. It seems it's picking up. I guess it's not your benefit or it is not your activity so far, but could you give a little detail on what is actually driving this growth, and should we expect growth to accelerate from here once you get the sales (inaudible) coming through? And then on the same question basically for Norway, on the underwriting trends, if I adjust for the Gavle weather claims, it seems your combined ratio in Trygg-Hansa is roughly flat year-over-year despite the growth. So is that sort of the trend we should expect? And for and Norway, could you give a comment on the very, very strong growth [ph] year-over-year with and how -- or what we should expect as a sustainable level for the Norwegian business, please? Thanks.

A - Morten Hubbe {BIO 7481116 <GO>}

So good morning to you Asbjorn and thank you for the compliments. You're right that the 5% growth on Trygg-Hansa is higher than historic. Clearly it would be too early to take any of the credit for that. We also believe that the longer-term journey of innovation with new products, more cross-sales etc. is actually ahead of us and haven't really started yet. What we do see is that over a longer period the commercial SME, so the smaller commercial business in Trygg-Hansa has performed well and improved well, and actually the growth in that segment is even slightly higher than the 5%. But we also see that the sales online has developed really well. Online sales is now as high as 55% of the total Trygg-Hansa sales and we've seen, for instance, in this Q3, a strong increase and strong development in the sale of both house and content insurance in the online sales channel.

So, in many ways, I think the initiatives to strengthen the profitable growth in Trygg-Hansa will be a part of the program Trygg-Hansa have worked with already for a couple of years, and we are starting to see some of the benefits of that now. And then the add-on of our initiatives together to do more product innovation, more cross-sales. But I do believe it is too early in this phase to jump to a new assumption for growth, but positive that we'll start to see quarters with higher growth rates.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

And then on the underwriting result in Codan Norway, they have benefited in this quarter from a lack of large claims. So obviously that supports a strong performance in the current quarter.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

And I guess on the combined ratio, adjusting for Gavle in Sweden, I think Asbjorn, it is fair to assume a fairly flat development. It is a very strong combined ratio level. Some of the synergies will reduce the combined ratio further and we also need to make a few adjustments for the COVID impact of historical combined ratios, but all other things equal, a fairly flat development underlying is the most likely scenario.

Q - Asbjorn Mark

Okay. If I may just follow up on the Norwegian business, because you didn't really touch upon it very much when you did the acquisition, was sort of just something you got along with this major place [ph]. Is it fair to assume that this might be performing slightly better than you had expected when you did the transaction?

A - Morten Hubbe {BIO 7481116 <GO>}

Well, I think it's fair to say that naturally focus on Sweden, given the magnitude of that business. We see that the Norwegian Codan business has worked for a couple of years on improving underwriting and improving pricing and that is starting to impact the results positively. But what we do need to keep in mind is that it's still a fairly small portfolio, which of course means that the sensitivity to large claims is larger. So it is, all other things equal, a more volatile portfolio, but clearly, we're working hard to make sure that that becomes also a positive contribution to earnings. And actually it carries a significant weight also in the synergies planned. So the combination of the pruning and underwriting improvements already having been started over the past couple of years and the synergy is starting to kick in, will drive profit profits in Codan Norway, but of course the sensitivity to larger claims, we cannot really remove, but when it's integrated into the larger Norwegian Tryg business, then of course we will see a more leveling out of that volatility.

Q - Asbjorn Mark

All right, fair enough. Then, if I may, on the underlying claims ratios and the claims inflation, we had this interview yesterday with your Head of Commercial Denmark saying there's quite a bit of claims inflation. Now, in today's presentation, you have basically just one slide on the topic, which is basically just an update from the Q2 presentation. I was just wondering, basically -- first of all, I guess the interview was sort of to warm up customers for price initiatives coming up in the future. So what are you seeing in terms of actual claims inflation and what kind of repricing will you have to do, or what will be the impact to you'll if you don't reprice? Maybe that's easy to answer.

And then on the -- in connection with the bonus and rebates that have been quite sizable over the last couple of quarters, if your underwriting trend starts deteriorating a bit in your Private business, how much of an offsetting effect would the bonus and rebates have going forward?

A - Morten Hubbe {BIO 7481116 <GO>}

So I think on the question of inflation, the way we see it we are in good control of the inflation. We also see several data points where we can benchmark our inflation to peers inflation, where we clearly see that we are stronger in control than our peers, which is really good. Our procurement agreements, our methodology of controlling and getting ahead of the curve works really well. And we also see that in motor insurance, we are well in control. In house insurance, we are well in control, but we also see that the trends are not stopping yet. So if you just take for instance the past three months of material price development in property in Norway, you see materials that increased 15%, 16% just over a three-month period. Now what we want to make sure, we know that material is only 15% to 18% of our property repairs. So it is the smaller proportion of the total. Property is of course only one of our products. So again a smaller proportion of the total. So this doesn't give us any sleepless nights, but of course, we want to make sure that we stay in control. And what we do know is that we have a 24-month time lag from changing a price to having that fully earned premium from every single customer, which of course means that when we -- also these months see further trends on the material pricing in property. And then of course we want to make sure that we adjust prices soon enough to make sure that we stay completely in control also in the coming years. And you should see the communication in that light. So really no new surprises. But clearly a strong wish to stay in control, and that's why we're being prudent about the way we handle it.

Q - Asbjorn Mark

But is the 5% [ph] that was mentioned yesterday, is that also -- I mean that was the commercial business -- is that the same kind of level for the Private business and that -- hence the price initiatives that you will carry through now because you're expecting this to be recurring out there?

A - Morten Hubbe {BIO 7481116 <GO>}

I think we see a number of different trends and a number of different costs -- segments where the price adjustments will be quite varied. So I think -- don't think there is a flat overall assumption on price changes, but of course, we are as we do every year carrying out price adjustments to be ahead of the curve, and of course, taking into account this higher inflation on materials also in these months that we're seeing now. So, high focus, staying and control and doing slightly higher price increases to make sure we capture also the future years' impact of higher material costs.

Q - Asbjorn Mark

But with the 24 months price action ahead, you need to do sort of -- does that mean the underlying claims ratio in Private will start deteriorating in the next couple of quarters if this continues?

A - Morten Hubbe {BIO 7481116 <GO>}

No, I think we see that the current control is really strong. The current fixed pricing mechanisms are really strong. The current trend of our inflation compared to the market is clearly better than benchmark and better than the market, but we also do see that currently, no one knows what happens in the next 24 months. But what we do know is that the current inflation tendency hasn't stopped. And we'd like to be a prudent and conservative company. So, of course, we take a stance, which is slightly on the conservative side when we secure the price increases that will impact the market also for the next 24 months. So, no, we're not worried. We are prudent and conservative, and we want to continue to be in control, which leads us to slightly higher price increases also in the next 24 months.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

And I think it's fair to just add to that that the price increases we have seen, as you pointed out, Morten, over the last three, five months are extremely extraordinary and that is what we are monitoring extremely closely, and that is what we will need to adhere to. So I think Asbjorn, take this as a sign of us being prudent, and as Morten is saying, and very diligent in tracking what can we see in historical data and what do we have of expectations in the months to come.

Q - Asbjorn Mark

All right. That was very helpful, thanks a lot.

Operator

Thank you. The next question comes from Jakob Brink from Nordea. Please go ahead, your line is open.

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you. Just continuing where Asbjorn left before on the claims inflation article from yesterday, so I guess what you are saying is that this is to potentially prepare clients for higher prices. But, still I'm a bit uncertain about the details, the numbers mentioned in the article. For example, the 5% to 10%. I mean, how can you see claims inflation of 5% to 10% if you have hedges running up to three years only linked to labor inflation which is definitely not 5% to 10%, if only 15 -- what did you say Morten -- 18% being materials, then that would basically mean materials inflation would have to be around 50 to get to 5% to 10%. So I'm a bit uncertain what the 5% to 10% is. And then secondly, there was also a mention -- last in the article about you having had to go outside the normal network to use -- yeah -- repairs outside the normal network and that was causing higher inflation. So could you just give us a bit more detail on how exactly are you handling this situation? Thank you.

A - Morten Hubbe {BIO 7481116 <GO>}

Yeah. If we take the 5% to 10% first, I think Jakob it's fair to say, like all other price changes there is a huge variation in the price changes we do. There are customers that will receive price adjustments on house or property, which is well below 5%. There are customers who would receive price increases that are above 10%. So you shouldn't see that as a very precise form of communication. I think we are beyond the days where we use sort of average price changes in any measure, because we have so detailed information now on the countries, the line of business, the customer segments. So there is a huge variation. And the types of repairs we do, the types of exposures that individual commercial companies would have compared to a private individual, for instance, there's a huge difference and a huge variation. So I think you should see -- what you should -- the read across you should take or the takeaway you should take is clearly that when we see worrying trends, we always want to be on the conservative side of that. That is the way we continue to stay ahead of the curve, even though the pricing model would consistently take you behind the curve with 24 months. And that's why we would always be more cautious than necessary. We're happy we are in control and that is a part of the methodology we use and also having been cautious in the past. So we will continue to be cautious in that way.

I think when we comment on the network, of course, our preferred process is that all repairs are handled through our network. That has never been the case in the past, it is also not the case today. And of course, we do see that there are some craftsmen who has such a large amount of work that they struggle to deliver what we have agreed in our network agreements. The way we see it, this is not a lack of desire to do the work. It is not a lack of belief in our networks, but simply a matter of bottlenecks and not having enough staff. And I guess that is probably the thing that we structurally need to manage as a society, that the bottlenecks in the construction sector needs to be handled, because it is a risk for quality, is also a risk for the customer, waits for longer than we like, because actually getting a craftsman to do the repair is more challenging than it should be. So, for us, it is almost more of a process worry than a financial worry, and then of course the desire to stay ahead of the curve and be conservative on the price changes we do.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Just to add to that, I mean, we know for a fact that one of the key components in customer satisfaction is the speed at which they get their claims handled. So that's why we are very much focused on making sure to deliver good quality and good speed in the claims handling.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay, thank you. And then just a small thing. I hope I'm correct here. But you're right, DKK519 million was the technical profit right in Trygg-Hansa and Codan Norway, while the income, or the net profit from the old RSA parts is DKK457 million after tax. Right? So pretax that would have been around DKK585 million, so DKK60 million or so difference. Could you maybe try to break that up, i.e., the 65 or whatever delta between the technical result and what you book in the investment income from RSA?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

I understand your question. And we are not super happy that we don't have more transparency, you can say, given the fact that we now need to book all related to the RSA result in the investment line, where we would have preferred to give you all the specific details. There is one item that you miss in your equation, Jakob, and that is actually the investment result stemming from this business as well. So it's not just to put two lines under the results. But I think what you should focus on is obviously the technical result from the business that we have acquired. That is an important add-on and is delivering super-strongly. And then we look forward to the time where we can go through all the details line by line, including both, you can say the Swedish and Norwegian business as well as the investment income.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

But I think your logic is correct, you have the DKK519 million and you have the DKK457 million and the components between that is tax, the investment result, and then the 50% of the result of Codan Denmark. And the way the transaction is structured, that is not split that we are allowed to give. So we focus on the split of the businesses we have acquired. And hopefully, that gives you transparency on the DKK519 million.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay, fair enough. Thank you.

Operator

Thank you. The next question comes from Alexander Evans from Credit Suisse. Please go ahead, your line is open.

Q - Alexander Evans {BIO 19956412 <GO>}

Hi, everyone. Thanks for taking my questions. Actually have already (inaudible) maybe just on -- back to claims inflation to some degree. I don't know if it's possible to give any sort of color on what you're seeing by market, or is it -- very sort of general trend in housing across all the markets on a country basis. On that, you can see sort of major insurance average pricing in sort of your slide 12 is up 5.5%, which is a bit of a difference relative to the other lines you've reported, is it possible just to give some details on the price adjustments you're making to Norwegian motor and whether that's claims inflation that you've already seen coming through or if that's just a market thing?

And then secondly, just on synergies. So I think they are slightly behind the sort of guided run rate essentially and maybe with six added weeks. If I think back to the Alka deal, they started off ahead. Is that just because it's still early in the process and you're still confident of achieving that DKK60 million by year-end? Thanks.

A - Morten Hubbe {BIO 7481116 <GO>}

So I think we're going to start with the synergies. Honestly, the numbers for this year are as planned, quite small, it is DKK60 million for the year, it is DKK28 million for the first quarter-- this third quarter. We are completely confident, then we will deliver both the total for this year and the total for the coming years and the total for the full period. And actually we've planned for a gross catalog of synergies that is higher than the targeted number of synergies to make sure that we can handle situations where individual synergies will develop differently. But you shouldn't worry about the DKK60 million for the full year, that is completely progressing as planned.

I think Barbara you can comment on the motor insurance, perhaps, but I think one of the bigger inflationary differences we'd see from a geographical point of view is that the building inflation that we see in Denmark and Norway is much, much less pronounced in Sweden. And it's fair to say that the Swedish economy has over time been further away from full capacity utilization than what we see in Denmark and Norway. So in a way you can see that Denmark and Norway has more of an urgency, for instance, for importing labor, whereas the Swedish economy has more spare capacity and therefore the building claims inflation is significantly lower in Sweden. I would say that is the main geographical difference.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yeah. And if I may just add a point on the synergies, Alexander, I think one point that I would like to make is, also, if you look at the original timings that we gave you, with DKK60 million in year, stepping up to 350 next year and so forth, very much has to take into account the whole process that we're going through. So, please remember that we are currently not, you can say, having full access to everything in Sweden and Norway, because we need to demerge the Swedish and Norwegian activities from Denmark. So, therefore, as Morten was saying, the anticipated synergies that we can harvest before demerger are at a different scale than it will be post the demergers actually been carried through. So it's just a technical detail that I think you should be aware of.

And then your final question was around the motor insurance and how come the average price increase in Norway is higher. And I think that is down to, you can say the characteristics of the cars being sold, where you can say it's a different mix in the Norwegian market than it is in Denmark. So that is the main driver.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

And, I guess, we've seen that for a longer period, also given the currency development of Norwegian kroner, the imported inflation of spare parts is more of a challenge in Norwegian motor than it is in Danish motor, for instance. So there is a currency impact there that differs between the two countries.

Q - Alexander Evans {BIO 19956412 <GO>}

Okay, great, thank you very much.

Operator

Thank you. The next question comes from Mads Thinggaard from ABG. Please go ahead, your line is open.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Yeah, hi, Mads from ABG here, and thanks for taking my questions. I think as the first one I would like to come back to the take-off in the Swedish premium growth. And I don't know if you could put a bit of more flavor on what Trygg-Hansa actually did to lift the growth to 5% and what you are going to do later, if you could give us those kind of drivers. Yeah, let's start with that one.

A - Morten Hubbe {BIO 7481116 <GO>}

Yeah, we can start with that, and good morning to you as well Mads. I think clearly what we're seeing in Trygg-Hansa is both the commercial SME segment and the Private segment contributes well. The Commercial segment has been undergoing a change in Trygg-Hansa over the recent years. I think historically, profits were not as high as desired, that has been improved dramatically. Also, the business has been pushed more and more towards smaller customers, so more towards more of the pricing tariff segment and less of the underwriting segment. So by now, the vast majority of the Commercial segment in Trygg-Hansa is the SME tariff space. That has also allowed for a higher focus in the last two years on doing online sales of commercial, which has been successful in Trygg-Hansa all along in Private lines, but very few places in Europe is successful in commercial SME.

And the online sales of commercial SME and Trygg-Hansa is clearly taking off and is succeeding extremely well and attracting a lot of really small commercial customers, which is typically where the profit is the highest. So actually the total growth in Trygg-

Hansa this quarter is higher in Commercial lines than it is in Private lines, so higher than the 5% in Commercial lines, and online sales is a very big driver of that.

Now having said that, actually also online sales in Private lines is increasing, and now total online sales is as high as 55% for the company. And we see this quarter that house insurance and content insurance has a very high growth, particularly in online sales. So those are the main drivers short term before we add any of our sort of innovation, focus and cross-sales to the future journey. So really all of that is ahead of us.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay, thank you for that. And then coming back to a question I think also from Q2, on the bonus and premium discounts. I mean, I think you mentioned a very, very high premium growth, almost 10% adjusted for this, and it is very high in Q3, the discounts, DKK293 million. should we expect that number to come down in Q4, now it's actually up from Q2?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yeah, I think in general the bonus premium, you can say we need to take into account also the last 12, 15 months of development in the business where we do the, you can say, settling with the partners that we have. So you need to think of a certain phasing in that, and obviously, it has been slightly above what we are used to seeing in the latter quarters, which is also coming back to the Corona environment that we have been in, where you have seen less claims and so forth on the partner portfolios. So I would say we are at extraordinary high levels. And I would probably lean out and say that we expect that to normalize somewhat when we have a more normal environment, you can say, around the claims levels and the development in the portfolios.

A - Morten Hubbe {BIO 7481116 <GO>}

I would work with an assumption, which is roughly unchanged for Q4, and then starting to normalize next year.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. So it's counting the COVID-19 claims backwards, then it should come down when that is released?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

It's a fair assumption, yeah.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. Thanks a lot.

Operator

Thank you. The next question comes from Per Gronborg from SEB. Please go ahead, your line is open.

Q - Per Gronborg {BIO 15910340 <GO>}

Thank you. First, I will return to the inflation issue. And, a bit surprising as to how you are launching. One of your managers in the media said yesterday to launch it on the date before you report. Up until now you have basically talked down everything that has to do with inflation, but I hear that now it seems a bit more serious that you were not to the extent you assumed, able to convince your construction company that they should fix your claims at the yesterday's price instead of taking new work in at today's prices. Is it fair to say that you are more concerned about inflation today than you were last time we spoke?

A - Morten Hubbe {BIO 7481116 <GO>}

Well, it's a fair push, Per. I think very little has changed, in the sense that we're monitoring that the claims of today is well under control and that the inflation we've seen until now is well under control. We also expect the coming quarter's developments on these products to be under control. And we want to make sure that when we have this debate two years from now, the same products are also delivering strong combined ratios under control.

So, of course, we are conservative people that are always cautious and always worried. And we hate inflation, but the reality is that we have a process where the networks work primarily for us, that works well. We have the fixed pricing agreements that works well, and then we have a consistent track record over the recent years of rather doing a slightly too high a price increase, then a slightly too low price increase. And when we're seeing the continued trend on materials that doesn't keep us awake at night, but it does give rise to wanting to make sure that when we do price changes for house and property going forward, we'd rather be on the slightly too conservative side than being on the slightly too optimistic side. Does that change anything for the coming quarters? No, but it does make sure that we don't have to have a dialog in two years' time that we were too optimistic about the current inflation. So, that is basically trying to take the long-term conservative cautious view and wanting to stay ahead of the curve pricing-wise. That is what you should read into it.

Q - Per Gronborg {BIO 15910340 <GO>}

I'm just reading a total different story from what you're telling the equity mark today compared to what your Head of SME at Denmark was telling to the media yesterday. Yesterday the headline was that this is pretty dramatic. It doesn't sound like it's dramatic when we talk to you guys. So where is the difference?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yeah. I think what you should be aware of, we don't write the headlines, but what we do, you can say, draw the attention to is that there is an extraordinary situation out there and we are following that extremely closely. You know us and have known us for many years. So you understand how diligent we work, as described with our partners and the supply chain. But there is also, you can say, a situation now which is out of the ordinary and I think the point is just to raise a flag and say everyone sees a lot of inflation at the moment. We see it in particular within property and the building space, and that is what Hans [ph] was commenting on yesterday, because it is something that we are monitoring very closely. So

I think it's just a question of pulling it altogether and running, you can say, a healthy and stable business taking all these parameters into consideration.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

And then I guess, Per, it's probably not very unusual that newspaper, media wording ends up being slightly more breaking than communication, which is not in the media. So I guess that is part of the equation as well.

Q - Per Gronborg {BIO 15910340 <GO>}

I'll say, one thing that the headlines -- content there [ph] also was different. Just related question, on slide 16, the upper left corner, you only have update to the first quarter. How has that developed since then, the increase in hourly wage in the construction sector, what you pay versus what the industry pays? That was also one of the things that were very specific -- addressed it yesterday. How would that look if it was updated to Q3?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

I would say, firstly, right now we're in the middle of also negotiating our contracts with our partners for -- you can say -- the renewals and it's a question of having all the details out there. I think what you should focus on is the trend, but not look at the specific number for Q3, because we don't give that out right now.

Q - Per Gronborg {BIO 15910340 <GO>}

(Multiple Speakers) sorry.

A - Morten Hubbe {BIO 7481116 <GO>}

We can -- we will continue to give you ongoing data on this, so that you can track it Per, because it's is an important topic. I think what you should expect to see is that the gap there is between us and the market will continue. We are confident that that is a strength we can continue, and then also that both numbers are continuing picking up, which leads us to the same conclusion as before. We are dealing with this in a much stronger way than most of our peers and we are very happy on where we are compared to the industry. And then we want to make sure that we stay in control also longer term.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. My second question relates to Norway. If I read what you write on page 7 of you report, the positive development is driven by portfolio growth, favorable one-off and lack of large claims. And when you commented on it, you said that there was also an underlying improvement which you don't address in your written report. What should we focus on, what is the real picture? Can you put any numbers on the change to prior year gains -- to large claims versus last year claims [ph]?

A - Morten Hubbe {BIO 7481116 <GO>}

Are you asking about Codan? Sorry, Per, are you asking about Codan Norway...

Q - Per Gronborg {BIO 15910340 <GO>}

I'm asking about Codan Norway.

A - Morten Hubbe {BIO 7481116 <GO>}

Okay. So if you take Codan Norway and if you look at our sort of historical path of data, you would tend to find two things. You would find the combined ratio, which is too high and too volatile. The high combined ratio is being addressed, one, through the underwriting and pruning that has been going on for a couple of years. We're just pulling the underlying claims ratio down. The cost ratio is still way too high. That will be pulled down as part of the synergies to reach our cost level in Norway. So that will pull again the underlying combined ratio down. And then we're also just saying that the fact that there is little large claims this quarter doesn't mean that there will be a little large claims next quarter, because fundamentally that exposure hasn't changed. So that is just a word of caution we try to put in there, Per. Hopefully, that's meaningful.

Q - Per Gronborg {BIO 15910340 <GO>}

I'm just wondering, when I see what you put in writing compared to how you explain it, can you in any way indicate what's the delta versus last year, if you add prior-year gains and large claims together, is that 20 percentage point of the difference or, don't you have those numbers?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

I think now I'm getting what you're asking for. I think in all fairness Per, we don't have all the specific details at this stage. Bear in mind, we are still depending on the reporting we get from the acquired business. And we will go much more into details on the business after the demerger, where we have the full visibility on all those items. So I'm sorry, we can't give you the exact things that you're looking for now.

Q - Per Gronborg {BIO 15910340 <GO>}

That is fair enough, but there is also an underlying improvement in Norway.

A - Morten Hubbe {BIO 7481116 <GO>}

Yes, there is.

Q - Per Gronborg {BIO 15910340 <GO>}

Which you don't address in your written copy.

A - Morten Hubbe {BIO 7481116 <GO>}

Yeah, there is.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay, thank you.

Operator

Thank you. The next question comes from Faizan Lakhani from HSBC. Please go ahead, your line is open.

Q - Faizan Lakhani {BIO 22154809 <GO>}

Morning, congratulations on a good set of results. Most of my questions have been answered, but just wanted to follow up on some of them. Just looking at Trygg-Hansa results, given the fact you are sort of heavily impacted by the Swedish bad weather, if I sort of add back that weather event, it appears results would have been DKK45 million better year-on-year. But you now suggest the underlying profitability and expense ratios to remain stable. So if you could just provide a bridge in terms of how should we think about year-on-year?

The second question on inflation once again. Do you see differences between your peers in terms of how they deal with [ph] inflation, and are there different strategies adopted in terms of putting through pricing across different territories? And the final question is your solvency ratio remains very, very strong. You announced -- you announced the sale of your RSA Danish business, your share being DKK6.3 billion. Is there any reason why you can't do the full amount in a buyback next year? Thank you.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Well, thank you for the questions. I think I'll start with the favorite topic of today being inflation and what we see in the marketplace. I think if you look at the Nordics, where we operate, we can see that there is a strong focus on inflation, obviously, as Morten was saying, in particular, in Norway and Sweden -- sorry, Norway and Denmark, less so in Sweden. And there is probably a situation where the maturity in the companies depend a little bit on the size of the companies and how we work with it. I think we are pretty advanced, we have had a strong focus on our procurement capabilities and the whole supply chain for a number of years. So that's why you can say, we believe there is a good control and we feel quite comfortable with the results that we deliver. But we are also aware that there is a number of competitors out there that don't have the same procurement strength and the same possibility to deal with it. So I would expect that you will see a market where there will be price increases, to a large extent, in particular in some of the affected branches that -- or lines that we have been talking about today.

Q - Faizan Lakhani {BIO 22154809 <GO>}

So just quickly on that. So if some of your small peers have [ph] put through higher rates to adjust inflation, given the fact they don't have the same level of capabilities, is there an opportunity to capture market share or better business for you guys?

A - Morten Hubbe {BIO 7481116 <GO>}

I think the way you should see it, the bigger players with more profit [ph]. I think trying not to boast too much here, but I think our procurement program and the fixed pricing agreements, the network agreements, particularly in Denmark but also Norway, particularly in Denmark, I believe that is stronger than even our largest peers. Then I think there is a big drop down to the smaller players who hasn't -- doesn't have these programs in place. So in a way they need to increase prices more, but from history you can also see that typically the small players are the ones increasing the price the last. So these two could sort of offset each other to some extent, but clearly the fact that we manage this better helps our profits and helps our competition, which should be beneficial both to the bottom line and to our market share development. So this is one of the examples of a larger player driving industrial advantage to smaller players, and I think that should continue.

I think on the Trygg-Hansa side -- and then maybe you can get back to the buyback, Barbara, but on the Trygg-Hansa side, you're right that if you add back the weather to the technical results, then actually performance is up -- technical result year-on-year and combined ratio improves. We are just saying that when we look at our business case, it works off an assumption of stable combined ratio before synergies. It doesn't work off an assumption, which is lower combined ratios before synergies. So that is just to be transparent on the assumptions we've made, but of course very positive to see an underlying improvement in the Trygg-Hansa numbers for Q3.

Q - Faizan Lakhani {BIO 22154809 <GO>}

So the delta is -- mainly synergies is not something related to better COID [ph] or lower large loss (technical difficulty).

A - Morten Hubbe {BIO 7481116 <GO>}

Well, the synergies will be mainly ahead of us. So I think it's fair to say that the actual third quarter has underlying improvement in Trygg-Hansa. But what we were saying was on a question on the future, are we assuming lower combined ratios in the future for Trygg-Hansa. The answer is, including synergies, yes. But before synergies, no. We are working off an assumption of future stable combined ratios, and then we're deducting synergies impact from that. That is the way our modeling has been built.

Q - Faizan Lakhani {BIO 22154809 <GO>}

I see. Your Q3 report doesn't seem to suggest that. I mean it says underlying profitability was broadly stable. It doesn't really add up to that statement. Okay.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

And on your third point on the share buyback, I think, basically when we could announce the sale of Codan Denmark 11 days after actually having closed the overall RSA transaction, our intention was to signal that we have a strong commitment to return, you can say, the excess capital to the shareholders. I think you need to understand that there is a lot of moving parts from the time that we announce the deal till the time that we are actually able to close the sale of Codan Denmark, including the opening balance and a number of other items. So I think -- I believe, we said that it was an intent to launch a share buyback of approximately DKK5 billion. And then you just need to await the actual launch of the share buyback to get the final size. There is a lot of moving parts and that's why we sort of want to steer towards something that we are quite comfortable that we will be able to deliver.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

And just to supplement on that one --

Q - Faizan Lakhani {BIO 22154809 <GO>}

So that's more precautionary?

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

Well, it's -- just to supplement that a little bit. The fact that the Nordic companies of RSA have been run as a branch out of Denmark means for instance that there is another full Solvency II set of data and there's another full balance sheet set of data per country. So, for instance, we don't yet have a full set of opening balance sheet numbers for Sweden, opening balance sheet numbers for Norway, and as a result a completely firm set of Solvency II numbers for those two countries. We have quite good modeling signaling and indicating those numbers, but working off a spread -- a balance sheet that was not divided by the countries to a full extent, of course takes part of the equation that we want to be completely rock-solid before finally deciding what precisely to do. So, see this as a nine-month or more pre-signaling of a buyback with some days and not yet being ready, but they will be ready in the spring. And then, of course, we will be in a completely rock-solid position with full balance sheets and with full solvency numbers per country.

Q - Faizan Lakhani {BIO 22154809 <GO>}

Okay. And once again congratulations on very good set of results.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

Thank you.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Thank you very much.

Operator

Thank you. The next question comes from Derald Goh from Citigroup. Please go ahead, your line is open.

Q - Derald Goh {BIO 20775137 <GO>}

Hi, there. Morning, everyone. Just a couple of questions, please. So the first one, I'm just keen to hear your thoughts around the underlying loss ratio. Obviously, the third quarter in a row now that you've reported an 80 basis point improvement year-on-year, which seems to me like the new run rate. I know you had previously mentioned the natural volatility from the Corporate segment. At the same time, you talk about higher growth in Private that has a lower loss ratio. So I mean putting all that together, what does that mean for the outlook of the underlying loss ratio? And second -- my second question is just around the trends in claims frequency in some of the key lines. Has there been any changes that you've seen following the reopening of society? Thank you.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yes. Hi, Derald. If we start with your questions on the claims development, I think it's fair to say that we are very much back to normal if you look at the Denmark. Norway is very close behind, which also means that the claims ratios are back to normal, so to speak. When compared to pre-COVID-19 levels, obviously, we have seen a strong growth in the business. We have certain lines that have grown more in the timeframe. So, for instance, pet and some of the health insurances and so forth, where you also see that there is a slight pickup in the claims reported in those lines. But, in general, we are very much back to pre-COVID levels compared to, I would guess, rest of Europe.

When looking at the underlying claims development, I hear you on the new normal is -- 0.8, you can say the sustainable level, I would say and repeat what I've been saying in previous quarters. When looking at the Private, we continue to see a very strong growth in our Private business. And that does have an impact on the underlying claims ratio in that segment. I think should that continue to be flat forever? I would say probably not. I would like to see that that we start -- you can see, say, more contribution from there going forward, but it is also, as we point out, still the most profitable segment. So even a flat development is positive for the Group.

What we have seen in particular in the corporate space in terms of increasing prices, we have been very much dedicated to this and we continue to be so going forward. Let's see if we will continue to see the same levels that we have seen in the last couple of years where we have been mid-double-digits in some of the countries. That might have to come down slightly, but in general, I would say it's positive that you see the contribution from both the Corporate and Commercial segment. We still have expectations for them to continue to deliver as they are strengthening the profitability in their businesses. And then with Private staying at flat growth levels we see is fine, but I would say the levels that you've seen historically between 0.5 to 0.8 is probably what you should be looking towards.

Q - Derald Goh {BIO 20775137 <GO>}

Perfect, thank you very much.

Operator

Thank you. The next question comes from Will Hardcastle from UBS. Please go ahead, your line is open.

Q - Will Hardcastle {BIO 16346311 <GO>}

Hey, morning everyone, hope you're well. The first one is just drilling down again, you touched on a bit of this actually on the Private underlying margin delivery and the level of premium growth. You've delivered the flat margins you set, again, despite the high growth. And so, effectively this is implying that the renewed book is just continuing to show pretty good improvement. I guess, is there any color on what the level of improvement that is currently on the renewed book, so we can start framing our thinking for if growth does slow down what could come through? And perhaps just thinking that the driver of this, I guess, on one hand, should we take it that you're happy with the current margin, return on capital and therefore pushing the foot down a bit on the growth, or is it that you are just taking advantage of the growth opportunities that are around now and therefore you do still expect that margin benefit to come through once that growth returns to a more normalized run rate? I think it's the latter as you just touched on there, but just some clarification on that.

The second one is a bit shorter and sharper, you'll be pleased to know. The buyback timing of commencement of -- effectively, we have to wait for the RSA Denmark sale to be complete. Is that correct or is there any possibility that it could commence earlier? Thanks.

A - Morten Hubbe {BIO 7481116 <GO>}

So I think on the first question, the way we see it, the growth we are seeing currently in Private and SME is not a traditional market share growth, is much more of an expanding the market type of growth. So when we add new products and we add to the product and share of wallet with the customer, we are in effect growing the market. And when we can grow the market with these growth rates in Private lines and beginning to see it in and Commercial SME at combined ratios, giving the returns it's giving, that is clearly a path we want to continue. And the fact that the underlying combined ratio doesn't increase shows a very strong control despite the slightly higher -- 3% or so higher typical claims frequencies and of course also higher distribution costs short term.

So you should see us more wanting to continue that path, and we see of course also that the more products customers have with us, the more sticky they are, the longer they stay, the less price sensitive they are et cetera. So it of course elevates the topline, it elevates the technical results, it keeps the underlying claims at the moment neutral for Private lines, would like it to improve slightly. And then it of course improves the stability and stickiness and strength of our business. So I wouldn't expect us to look for lower growth rates in the retail segments because we think that would be a mistake. And, of course, then we deliberately run very low and even negative growth rates in the Corporate segment, which actually could continue further and we could see periods with even more negative growth in the Corporate segment. And I think that reflects, well, the enormous difference in the return to our shareholders and the value created in Private and SME on one hand and corporate on the other hand.

Q - Will Hardcastle {BIO 16346311 <GO>}

Thanks. And just a follow-up on that. Presumably, the new Private and SME products there, the capital intensity of that is fairly similar to the current core book, is that correct? Obviously the Corporate reducing will be a high capital intensity benefit. What about the Private stuff?

A - Morten Hubbe {BIO 7481116 <GO>}

So will talk a bit more about the new products also at the Capital Markets Day in November. But I think the broad assumption that they follow the path of the low capital requirement of the Private segment, that assumption is right.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yeah. It's significantly more short-tailed in the Private and the lower Commercial segment than it is compared to the Corporate segment.

And, Will, then you had a question on the share buyback and the timings. I would say, even before being able to consider selling Denmark, we need to be able to demerge the Swedish and Norwegian activities from Denmark. So that's the first step. And the second step is obviously that the Danish competitive authorities need to approve of the sale to -- the plan. So those are the two key milestones before we can close the deal on the sale. The timing of the launch, I would say, is fair to tie to the timings of the closing. Could it be slightly before? It could, when we have visibility and certainty on the various approvals and so forth, but I think it's fair to assume that it will be around the timing of the close of the sale.

Q - Will Hardcastle {BIO 16346311 <GO>}

Brilliant. That's really clear. Thank you.

Operator

Thank you. The next question comes from Martin Gregers Birk from Carnegie. Please go ahead, your line is open.

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

Thank you. Two questions, if I may. The first one relates to sort of outlook on reinsurance cost. I assume -- well, I hear that reinsurance markets generally are pretty tight in the wake of the fall floodings in Central Europe. How should we think about that going into particularly the next year? That's my first question.

Then the second question, when we talk about all this claims inflation, Morten, I can't stop thinking about, isn't this your perfect storm where you finally get to distance yourself from your competitors?

A - Morten Hubbe {BIO 7481116 <GO>}

Well, I can start on the latter. I think I love the areas where the larger peers and particularly us separate ourselves from the smaller peers and perform better. And I think clearly professionalizing, pricing, underwriting data and not least, claims procurement and procurement programs is enormously important. That's probably been the -- one of the biggest value drivers we've had in recent years. I think it will be one of the biggest value drivers in the next couple of years as well and separating us from a number of our peers, professionalizing that is a big motivation, and I think we're achieving it well and we will continue to achieve that well. So I like your train of thought, and that is exactly what we are aiming at doing.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

And then on your question on the reinsurance cost, I think what we always do when we negotiate with our counterparts is obviously to have a lot of data to support what is the business that we run, what are the exposures that we are looking into, so we have a good and solid starting point. Obviously, there are areas that are changing. If you look at covers for pandemics and so forth, that is something which is probably unlikely to get anywhere in the market at the moment. And, yes, it is probably more tight than what you have seen in previous years, but I think it's going into the negotiations and renewals of our reinsurance programs with as high visibility as possible on the business that we run.

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

Okay. So Barbara, if we dig into the numbers up and then saying that you want the exact same reinsurance coverage in 2022 as you've had in 2021, what's the price difference that you are looking into?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

I think probably (inaudible) to comment specifically on, as we are entering into the negotiations, but I think it's fair to say that that -- probably lines like property, we will have more discussions on than in other areas. So I think it will be, you can say, with a slight tick-up, but nothing that would concern us at this point.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

And then I'll probably add to that, that if you look at property reinsurance by some of the private customers and SME customers, that cost is actually very small. Typically this would hit the corporate segment and the agriculture segment where the requirement to make gross profits will be slightly higher, whereas for the Private and the small SMEs, the impact would be very limited.

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

Okay. But a ballpark number, would that be 10%, 20%?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

That sounds very high. I think we are clearly below that.

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

Okay, all right. Very clear. Thanks.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

You're welcome.

Operator

Thank you. That concludes the Q&A. So I will pass back to the speakers.

A - Gianandrea Roberti {BIO 6786731 <GO>}

Yes, thanks, Salong. This is Gianandrea again. I just want to thank you all from all of us. Peter and I as usual remain at your disposal for the rest of the day, and looking forward to talk to you the next few days. Thanks.