Ageas Subscribes to a Capital Increase of Taiping Reinsurance Co Ltd

Company Participants

- Antonio Cano, Chief Operating Officer
- Bart De Smet, Chief Executive Officer
- Ben Coumans, Director Strategy and Business Development
- Jan Van Rethy, Group Reinsurance Director
- Unidentified Speaker

Other Participants

- Albert Ploegh
- Ashik Musaddi
- Benoit Petrarque
- Farooq Hanif
- Farquhar Charles Murray
- Farquhar Murray
- Fulin Liang
- Michael Huttner
- Steven Haywood

Presentation

Operator

Welcome to the Ageas' Conference Call. I'm pleased to present Mr.Bart De Smet, Chief Executive Officer. For the first part of the call, let me remind you that all participants will remain on a listen-only mode. And afterwards, there will be a question answer session. Please also note that this conference is being recorded.

I would now like to hand over to Bart -- Mr.Bart De Smet, sorry, CEO. Mr.Smet, please go ahead.

Bart De Smet {BIO 16272635 <GO>}

Good morning, and thank you all for dialing into this conference call and for being with us for the presentation of the subscription to the capital increase of Taiping Reinsurance.

I'm joined in the room by Antonio Cano, our Chief Operating Officer; Jan Van Rethy, our Group Reinsurance Director; Ben Coumans, Group M&A Director and Veerle Verbessem, Group Director Investor Relations.

Already in September 2017 Ageas signed a strategic operation agreement with its long-standing strategic partner China Taiping, to further strengthen the collaboration in several business areas, reinsurance being one of them.

This morning, we announced a further step in this long history of cooperation between Ageas and China Taiping, with Ageas subscribing to a capital increase of China Taiping subsidiary Taiping Reinsurance with an expected total cash consideration of around EUR340 million. For this capital increase, with the transaction expected to close in Q4, Ageas will hold around 25% of Taiping Re's enlarged share capital.

The participation in Taiping Re, one of the top Asian reinsurance companies with a strong track record and promising growth potential allows Ageas to expand in the fast growing Asian reinsurance market with a low insurance penetration rate and out of strong market positions in Hong Kong and China. Moreover, the subscription to the capital increase will increase a share of non-life activities in the group's business portfolio in line with the M&A criteria as laid out in the Connect21 strategic plan.

The key strategic focus of Taiping Re will be to expand its non-life business outside Asia, while pursuing sustained growth in Taiping Re's whole markets in China and Asia in order to maintain a well-diversified reinsurance portfolio in non-life.

In close dialogue with Taiping Re and Taiping Group, Ageas will actively support Taiping Re's strategies for business development outside Asia and specifically in Europe, in order to safeguard the global diversification that is beneficial for such a business.

Ageas and Taiping Re have identified areas where they can work together and create synergies and further leverage the successful partnership with Taiping Group. With an expected cash out of around EUR340 million, this represents the biggest acquisition for Ageas to date.

We see this sizable transaction as a very attractive alternative for this year share's buyback that was delayed following the recommendation of the National Bank of Belgium. It will, however, not impact our commitment to the 2021 share buyback. I propose to now open the floor for questions.

Questions And Answers

Operator

(Question And Answer)

Thank you. Ladies and gentlemen, this concludes the introduction and we now open to call for question. (Operator Instructions) Our first question comes from Michael Huttner from Berenberg. Sir, please go ahead.

Q - Michael Huttner {BIO 21454754 <GO>}

Congratulations on this deal. I had three questions. The first one is, given that we just saw how we can lower or make a landfall, can you talk a little bit about the volatility this will bring into earnings?

The second you said deepened relationship, can you explain, is there a contract or is it more like a kind of we're nice people, you're nice people so we'll stay together? In other words, is the Taiping Life joint venture is there are kind of clause which says no until 2050 whatever we will not separate or --?

And then the final one and it's still on the same topic. What would happen if Taiping, and I know it sounds very unlikely at the moment, but what would happen if Taiping decided to sever to end the relationship? What are the -- how much money would you get back on your two joint ventures now? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

All right. The value it will bring to our earnings we know that the reinsurance can be a volatile business. But if you look to the past history of Taiping Re, in 40 years of existence, there has been one year with a loss. If you also look to the history, and we're gave in the investor presentation a number of views over the last period, 2013 to 2019, you see that there are sometimes years with a better results, years with a bit lower. But the combined ratio over the cycle has been relatively stable. And we also expect that in the current situation that it's a good moment to step into reinsurance, knowing that we expect the market to harden and that prices in reinsurance will go up. As I look to my colleagues whether somebody wants to add something, no?

So the second question, we have indicated the long-term partnership, in the meantime, with Taiping Group since 2001. If you look to the history of those -- these almost 20 years, we have been at a certain moment stepping out of part of the business we did with them, that was with Taiping Pensions where we were initially a partner as we stepped out. We have reduced our stake with them in the more, let's say, direct technology company due to an entry of an external party. And also this is an entry in a new joint venture with them, where we also have been in a competitive process. So we look at each opportunity case-by-case, and there is no contractual agreement whatsoever that we have to work together with them in all the initiatives they take.

So it's -- when I refer to the strategic cooperation agreement we signed with them, I think three years ago, this was more an intention to work together in a number of areas, reinsurance was one of them. Also in terms of training, in terms of ALM, real-estate, more sharing the experience from both groups in one and the other direction. So that's I think the answer on the second part.

The question, the third one what we will get back from the investment if they want to get those out, I would say, that will be a question when the moment might arise so we have of course a lot of protection of our interest in the share based agreements that we have signed in the different joint ventures. These are agreements that are not disclosed, but it's for sure that we have taken care to have our interest sufficiently protected. And again, also looking to this new deal, we don't expect any, let's say, negative element in the relationship with Taiping Group in the periods ahead of us.

Q - Michael Huttner {BIO 21454754 <GO>}

Excellent. Thank you very much. Thank you, Bart.

Operator

Thank you. Next question comes from Ashik Musaddi from JP Morgan. Sir, please go ahead.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Thank you, and good morning, Bart. Just a few questions I have is, first of all, I mean, can you give us some clarity on the earnings profile of this business? Because on one hand you're saying it's 13x PE, but on the other hand, what we see on this slide is like EUR50 million earnings for past, say, five, six years. So how confident you are on that EUR100 million earnings which you're 13.5x PE you're suggesting, so what the degree of confidence on that?

Second thing is, as a consequence of this deal, your solvency ratio will go down to around 180% to 183% or something around that, so how confident you are on the solvency ratio sub-190%? Because I mean, you had been used to running a solvency ratio which is typically higher than 200%, but now below 190%, looks a bit lower. So how confident you are? I mean, I understand that it is because you are not able to consolidate any of your own funds from Asia, so it is driven by that. But any thoughts on that?

And lastly, what sort of cash flow should we be expecting from this business? I mean, does Taiping really typically pays a dividend or is it just earnings profile, you get earnings rather than getting dividend as well? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

First question I propose to start, and then maybe hand over to Ben who has been in all the details of the file. On one side, the EUR51 million average is the average profit over the period 2013 to 2019. But if you look to the growth profile of this company, that has been a quite important CAGR. So if you would look to the, let's say, the situation based on the average combined ratio and more looking at the current volume of the business, that's a bit what steered us more to give this earnings profile and this multiple. So Ben, I propose you to give a summary.

A - Ben Coumans

Maybe it's useful to explain how we have calculated that 13.5x. So we have taken on the non-life side the premium level of 2019 and then applied an average combined ratio over that figure, and leave all other result elements of 2019 identical to what the company has done. And so then we end up with 13.5x debt earnings element, gives the valuation of the company before the capital increase.

So now, we do -- we'll do a capital increase, the equity or the solvency of the company will increase and the company will have now the means to invest that capacity into the reinsurance markets and make returns, we hope, in line with the historical profitability characteristic.

A - Bart De Smet {BIO 16272635 <GO>}

Ben, on the second question, indeed as we indicate solvency will go down with 9%, and it's good to indeed refer to your remark, I think that, this is also due to the fact that our non-controlled participations in the joint ventures outside Europe are not at all recognized in Solvency II.

Of course, the fact that we showed confidence in the half year results presentation about continuing with our plan for the dividend payment in the month of October, also to in-principal renew the buyback, but this is now replaced by this rather important M&A file as we are concerned. It shows that we as board, as a management feel confident that our target of under 75% is not at risk.

The third question on the cash flow, So the company, Taiping Re has been paying some dividends in the past, but not on a regular basis. One of the major reasons for them to go for this capital increase is indeed also to fund the growth of the company, and so that's also why we do not expect on one side the company to pay dividends in the first years. But also we do not expect the company to be calling for additional capital, so the company should be self-sufficient by this capital increase and retaining of the future profits to fund the growth, that should lead to increased profit contribution. And Ben gave an indication of what it could lead to. And this profit, of course, will increase the total profits of Ageas Group. And applying our dividend payout of 50% plus should also be to increase dividends.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. Thank you. Just one thing for clarity. Just the EUR100 million that you are expecting from Taiping, it's on the back to -- it's on the old volumes rather than applying growth because of this capital increase?

A - Bart De Smet {BIO 16272635 <GO>}

The question, Ben, whether the EUR100 million is based on the current book or on the growth of the company? That's the question.

A - Ben Coumans

I don't know whether we have said EUR100 million, we have said that the valuation before the capital increase translates into 13.5x the normalized earnings over the cycle based on the volumes as they stand today. And then indeed, the extra capital injection should be used to fund growth and realize profitability.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. That's very clear. Thank you.

Operator

Thank you. Next question comes from Farquhar Murray from Autonomous Research. Sir, please go ahead.

Q - Farquhar Charles Murray {BIO 15345435 <GO>}

Good morning, all. Just three questions from me, if I may. Firstly, what is the intended governance approach for the reinsurance subsidiary? And does Ageas, is it going to actually have some formal positions on the Board at Taiping Re from here?

And then more generally, just coming back a little bit Ashik's question on capital management. I mean, you're indicating that there won't be dividends in the near-term. Is there a kind of a agreed framework for when it would perhaps shift into a dividend paying mode?

And then thirdly, what's the kind of long-term aspiration here in terms of business volume? Because from the sound of it, obviously, you're probably looking at material growth in the coming years given what you're talking about. And then more generally, what's the mix likely to be between Europe and Asia, bearing in mind the conversation you're saying about kind of expertise from Ageas coming across? Thanks.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. We will have on the board one director and one observer, and also the right to designate one independent director. So we have, as indicated in all our joint ventures, of course, minority protection rights. In management, we will have two of our people, somebody in the senior management team who will be responsible for more the life risk aspects. And then the second person in management that will contribute to this expected further rollout of the business outside Asia, so more precisely in Europe. So that's -- and that's in line with the governance approach we have in all the joint ventures and also in Taiping Life, Taiping Asset Management, so that's in line with that.

The question was, our agreements on dividend payments in the future. No, so this will be -- it is like it is in the other Chinese joint ventures, where you see that in Taiping life, at the moment where, let's say, the benefit was more than what was needed -- the profit was more than what was needed to support the growth of the business, dividends have been paid, and since now four or five years on a regular basis.

Maybe for the last question, I look around you, Antonio.

A - Antonio Cano {BIO 16483724 <GO>}

Yes, good morning. Antonio here. So on the business mix, well, the growth certainly in absolute numbers will continue to come from Mainland China and the Asian region where

Taiping Re is already a very strong company, a market that they know very well, good client relationships. So we're extremely pleased to have that position in that market.

I think it's the right timing, I think it's -- they have the right product mix so it's mainly property, guts, they've been able to stay away from the more problematic business lines, and there's definitely still a lot of growth to be expected from Asia. But it is their ambition to kind of more balance the book and go also in property lines in Europe.

Now we don't have a specific target of what kind of product mix we want going forward. But -- and I would not like also to be very, very aggressive from that. In reassurance a lot depends on what the direction of the market is, today the market is hardening, so I foresee the coming years a stronger growth, probably more in Asia than in Europe because I think the hardening is mostly happening in Asia.

Q - Farquhar Charles Murray {BIO 15345435 <GO>}

Okay. Thanks a lot.

Operator

Thank you. Next question comes from Albert Ploegh from ING. Sir, please go ahead.

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes. Good morning all. And thanks for taking my questions, I've got the two. First of all on the buyback program, with August results, yes, you had to postpone, based on the guidance of the year, of the NBB. I was thinking, yes, likely to start again in January, I understand that basically the program has now been replaced, but can you confirm your intentions that for the 2021 program that it will be, let's say, the normal decision back in August again, so that we don't have to fear that there will be a cycle from January to January?

The second question is refinancing, you have of course a good holding cash position of refinance out of holding cash. Are you potentially contemplating, maybe to take opportunity of the market at some point as well to making hybrid issuance, maybe to also planning future acquisitions as well? So I am thinking around the balance sheet structure there. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. With respect to the share buyback for this year, indeed in the first instance we delayed to the beginning of next year, so now we say there will be no share buyback related to the, what I would call the, starting the accounting year 2020. But we also confirmed in the press release that, that does not change anything with respect to our strategic commitments for 2021.

So in 2021 in principal, we will launch a new buyback of minimum EUR150 million. And at this moment there are no plans when or whether -- whether yes, but when this will be launched. So it's something that we will pick up later on. The only confirm make sure we give is that, we -- this operation does not wipe away or take away our commitments for a share buyback in 2021. On the -- yes, it's a cash payment, we still will have after this payment something like EUR750 million cash available, so we don't see that as a specific attention point.

Q - Albert Ploegh {BIO 3151309 <GO>}

Great. Thank you. Thank you, Bart.

Operator

Thank you. Next question comes from Fulin Liang from Morgan Stanley. Sir, please go ahead.

Q - Fulin Liang {BIO 21126177 <GO>}

Hi. Thank you. I thought two questions. So the first one is, you mentioned, but maybe just wanted to hear a bit more color (Inaudible) rollout by bringing, it seems like you're trying to bringing Taiping Re and expand their business in Europe. Are you going to introduce them in to the country? You are already in or you're actually taking the opportunity to going into new markets in Europe? And also because you don't seem to have the re -- because the reinsurance is relatively specialized knowledge required as well. So just wanted to see more color on what's exactly the plan you think you can add value, a synergy to Taiping Re? So that's the first question.

And then second one is on the P&C. So about two-thirds of Taiping Re is P&C. And just wanted to know a bit more the business in P&C. Is it long -- because you mentioned its property and just wanted, is that actually a short-term property business or is it like long-term property business? What's exactly, because there is more in there. Because I think if I look at the slides you've provided, it seems like the combined ratio of Taiping Re has been increasing in the last three, four years. So just wonder what's actually causing that? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

I (Inaudible) first question to Jan Van Rethy, our Group Reinsurance Director. Jan?

A - Jan Van Rethy

Well, indeed about the question for the introduction, eventual introduction to other countries. So Taiping Re expressed themselves some time ago, the desire to explore more what could be done to increase their penetration, for example, in Europe. Which is totally understandable because in reinsurance, of course, it is very important to be sufficiently diversified. And the actual penetration in Europe, there is some, they are active in some countries also with Ageas, but it's only a very small penetration. In fact, I think we will be able to help them with that to a certain extent. First of all, as Ageas we have our own companies, but we also have good relationships and quite some network in European market.

Secondly, we also have good relationships with most of the regulators in Europe, which can also be important for them. And thirdly, to be able to work actively in this market. They probably will need some reinforcement of their, let's say, sales force underwriting, underwriters and we for sure can help them to find the right people to do that with them and with us.

A - Bart De Smet {BIO 16272635 <GO>}

Yes. So maybe just a small follow-up on Jan Van Rethy, I think he was a bit modest. I think in the recent past we have actually strengthened our own reinsurance team with quite seasoned profiles, people with long experience in the European reinsurance market coming from renowned names, so that's also like a skill tool that, that is valuable for Taiping Re.

On the nature of the business, so it's indeed P&C, Mainland China, a lot of property. When I say property, there is a lot of guts. So there is no significant book of, say, long-term liabilities, is that was what you were referring to us as a long tail business. So it's -- I think it's close -- around 65% is property and mostly plots in Asia, and particularly Mainland China.

The core, well, when I say property guts, I think you should look at gut events that have happened in that that region. If I compare them to some of their peers or the results in that market, they have actually been performing slightly better in terms of loss ratio. And when we -- well, we've had quite some time with them, we're actually pretty impressed about their technical skills, their teams, their IT systems, they have a very sound kind of, more like risk-averse type of appetite in P&C business, as they're quite knowledgeable and we believe that in a hardening market they will do slightly better than their peers.

Operator

Thank you. Our next question comes from Benoit Petrarque from Kepler Cheuvreux. Sir please go ahead.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Yes. Good morning, all. Just for me on the solvency impacts, I know you have your own definition of Solvency II, but I'd still like to have a kind of look at the PIM version, which was 178% in H1, moving to 169% now with this transaction. This is arguably a level where share buyback does not really make sense at 169% on the PIM, so what is your view on that? And also, do you think you are sufficiently protected against market movement potentially in the coming 12 months with a 169% pro forma? Thank you very much.

A - Bart De Smet {BIO 16272635 <GO>}

Right. So first of all, as we always said, we steered the group based on our own view on solvency, which does not mean that the PIM solvency is not of importance, it's more -- the PIM solvency will become of importance if we are in the range of 140% PIM or lower. That's also the moment our regulators will start to become a bit more attentive.

If you look also to the latest overview of the Belgian, the eighth biggest Belgian insurance companies, the solvency ratio was, on PIM, was somewhere around 166%, that's under 168%, we are still on the, I would say, on the median or the average. So again, my answer was earlier on my sixth question, when we -- you know that we put a lot of attention to solvency ratio, also the sensitivities that whenever we also in a stress testing we go to quite aggressive stress tests. And when we take a decision like this this one, it is done in full agreement with our risk appetite. And so we feel sufficiently comfortable with the future solvency position we will have after -- when this deal will be closed. Yes.

Q - Benoit Petrarque {BIO 15997668 <GO>}

And on the buyback, so if I understand correctly, the next announcement will be in August 2021. Because in the call last week or two weeks ago, you've mentioned a possibility to relaunch it a bit earlier than August?

A - Bart De Smet {BIO 16272635 <GO>}

Well, let's say, the share buyback, the only thing I can say about it is, that it's -- we will launch a new share buyback in 2021, but we did not commit nor deny when that would be in the year. When we talked about it in the analysts call, it was about the 2020 share buyback that we most probably would launch early 2021.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Okay. Great. Thank you very much for that.

Operator

Thank you. We have a new question from Michael Huttner from Berenberg. Sir please go ahead.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you. Thank you very much. I had three. One is, you mentioned that you might share the reinsurance you have in your internal reinsurance unit, and I just wondered, well, if you could talk a little bit about that? The second is, Taiping Re has a solvency ratio before the deal of 270%, I just wonder, whether you can explain what this means, how it relates to Solvency II? What would be the equivalent kind of figure?

And the third question. So if Taiping Re doesn't grow, effectively you will have your share of worked out EUR75 million earnings, which is, call it, EUR20 million or something. When do you expect this growth to come through to help boost your kind of earnings contribution? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

The first question, Antonio, was about the internal reinsurance.

A - Antonio Cano {BIO 16483724 <GO>}

Yes. So the internal reinsurance scheme we have put in place is actually a bit unrelated to this transaction. Going forward, we will see if we -- our internal reinsurance capacity could also be used in the development of Taiping Re. As we also, with other joint venture partners, we do sometimes participate in their own reinsurance. In this case, it could be like even a retro program. So -- but it's -- basically it is unrelated. I'm not sure if I got your question, because the same question was also to explain a bit more what we do in internal reinsurance service.

Okay. So what we do (Inaudible) types of programs. First one which we call like the classic protection business is with Ageas assigned as a reinsurer, rights parts of the sessions of our internal companies, just like any third-party reinsurer would do. So meaning Reinsurance Re, they all take a share of those treaties. And then Ageas SA and they take also a part of the treaties up to 50%. And a bulk of that, we retrofit by the way. And by doing that you have a kind of risk pricing arbitrage.

And then the second part, which is the largest part in terms of volume of internal reinsurance are proportional treaties in the form of quota shares and those portfolio trends versus LPT in Belgium, UK and Portugal, where we actually just seed a proportion of the non-life business. And today that proportion is 40% for those three markets, whereby Belgium we don't have an alpha team in place. So it's a -- and that's more a capital management type of approach. It is a way to capture this diversification benefit we have between the regions by pulling those risk of one balance sheet you can actually, what I call, monetize a diversification benefit.

Q - Michael Huttner {BIO 21454754 <GO>}

Okay. Second (Technical Difficulty)

A - Unidentified Speaker

-- So I think it's important to clarify that the Hong Kong Solvency Regime, which this figure relates to around 260%, it is a regime which is very different from the Solvency II regime that we know. The Hong Kong regulator has indicated intentions and there is a process ongoing to prepare that to shift to risk-based capital regime in the coming years. And it is expected that, that will happen around 2023.

When we analyzed this opportunity, of course, the company is currently managed and driven by an Hong Kong Solvency Regime. But we have also looked at this opportunity with our glasses on and how we think we would look at the business, if this evolves into a solvency regime which is much closer to Solvency II or an RBC Regime.

This is probably also one of the areas where we as Ageas can help the company in preparing that transition and making sure that the transition happens in the right manner with the choices that need to happen then on the acceptance of business going forward. So we have looked at that, but I don't think it's appropriate for us to disclose figures in this context. So we have looked at it, it'll definitely help to company and this is an ongoing evolution which is expected to take place in the Hong Kong market as a whole.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. And then the last question. So if you look to the profile going back here, you see that the company has done an important growth in top line with a CAGR of 27%. It's exactly the ambition of Taiping Re to continue that growth path, and that's also one of the reasons why the capital has been strengthened with our participation in this company. So we expect a growth scenario that's not different from the past. And as a consequence to contribute to increasing profits. Thank you.

A - Antonio Cano {BIO 16483724 <GO>}

Maybe to add to what Bart said, because I sense there's a little bit of confusion. When we use our 13.5 PE, you come to a valuation of the company before the capital increase. We value the company before the capital increase at an amount slightly above EUR1 billion. So that means that the expected profit before the capital increase of the whole company is around EUR75 million on a normalized basis and the additional capital should help to add additional profits going forward.

The growth path where they have a certain track record. But we've seen that these people are very disciplined in their underwriting decision. So the growth path will also depend a bit on whether the market is attractive enough to realize that growth at a desired profitability.

Operator

Thank you. Next question comes from Farooq Hanif from Credit Suisse. Sir, please go ahead.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, guys. Thank you very much. Just two questions. Firstly, when I look at the net profit profile that you've given in your presentation, to compare that to the growth and premium, there's some -- seems to be some kind of disconnect. So I can see that the combined ratio has gone up and you've had net capped, but this just seems to be something else that must be driving that profit to be -- to not grow as much. So I'm just wondering, is there a central cost line, is it declining investment income? Can you talk around that side of that P&L? So that's question one.

And then secondly going back to all the other questions on mix. So can you give a little bit more detail, please, on that mix. So you say 65% property capped, how much life do you have in there? And how much kind of other business lines? And in Europe, are you going to be mainly going for business lines that are, I guess, similar to what you write, which is a lot of retail and motor and home? Would just be interested to see. Thank you very much.

A - Bart De Smet {BIO 16272635 <GO>}

Yes. The first question on the disconnect between the top-line growth and the net result, it's a mix of aspects of course. And it's -- I'll give you some. The top-line growth is partially also driven by an increased effort on the life insurance side. So when we look at the past, and I have to apologize, I've here the figure through 2013 to 2018 CAGR, they had a CAGR in non-life of somewhat less than 20%.

So the overall CAGR of the company is higher, and that is thanks to efforts on the life side. And then when you look at the life business that they underwrite, it is a mix of, on the one hand quota share saving business, mainly in Hong Kong and financial reinsurance which is mainly in China, mainly sourced from Chinese insurers. And of course, the net result profile of each businesses is quite different. The Fin Re business is high figure in premiums, but low figure in solvency consumption and in results.

Q - Farooq Hanif {BIO 4780978 <GO>}

Can I just follow-up on, just because you mentioned the life. So you said life, call it, a share saving business and Financial Re. So Financial Re I get, but on the savings business, I mean, how much of that has a guarantee risk? And what kind of mortality risk you have in that?

A - Bart De Smet {BIO 16272635 <GO>}

It's mainly guaranteed risk. It's not -- it's relatively short-term. And without the duration -- and also the duration, we looked at the duration, it's okay, so it's simply a short-term guaranteed profile.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. And on the mix between life and non-life, and then the other lines if you could --?

A - Bart De Smet {BIO 16272635 <GO>}

Maybe I'll comment on that. When I said the 65% is property, I was referring exclusively to the non-life side. And the life business, I think it's about -- we have around about, sorry --

A - Unidentified Speaker

(inaudible) 50% of the total premium is increased.

A - Bart De Smet {BIO 16272635 <GO>}

And then you have small, 40% is life; and out of the life the underlying mix, it is a bit different year-by-year. Last year they wrote more financial reinsurance and less savings, the year before it was more savings. So it is a bit evolving.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. Thank you so much.

A - Bart De Smet {BIO 16272635 <GO>}

Maybe to give a bit more light on the life business. As Ben was saying, we've looked at this and valued this with an Solvency II/RBC glass. So in the valuation, the value is essentially the P&C business. The life business has a value, but it is in the grand scheme of things it is today rather much more limited than the non-life business.

Q - Farooq Hanif {BIO 4780978 <GO>}

But I mean it's -- I mean, essentially what you're saying is it's making a loss currently?

A - Antonio Cano {BIO 16483724 <GO>}

It's not making a loss, it is profitable, but it also depends on which regulatory lens you take to assess the profitability profile of that type of business.

Q - Farooq Hanif {BIO 4780978 <GO>}

And I'm really sorry to keep going about it, but just to get to that net profit figure, even if you exclude life and assume that it's maybe a lower profitability, I just don't understand why it hasn't grown. You still had CAGR in non-life, so is there a central cost line or is it lower bond yields that is also pulling it down? Just want to understand why. I mean, even if you take life out it just doesn't make sense it hasn't grown that much, the net profit.

A - Bart De Smet {BIO 16272635 <GO>}

Again, it's really a mix of elements. You have on the P&C you can see that in the presentation, the combined ratio profile has deteriorated over the past years. Our conviction is, this is mainly cycle related, it's not really underlying increased acceptance or risk tolerance thing like that, it's really cycle related. And on the life side, there is profitability, they are profitable on the life side. But as Antonio mentioned, the bulk of the profitability is on the non-life side.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. Thank you very much.

A - Bart De Smet {BIO 16272635 <GO>}

I'm not sure whether I answered your question but --

Q - Farooq Hanif {BIO 4780978 <GO>}

I think maybe I'll take some of them of it off-lines, but more -- I'm asking more sort of a more technical question about the mix of profit. And I can investigate that myself, but thank you very much. Thanks.

Operator

Thank you. Next question comes from Farquhar Murray from Autonomous Research. Sir, please go ahead.

Q - Farquhar Murray {BIO 15345435 <GO>}

Good morning, gentlemen. Maybe guys, apologies, very quickly actually. Just coming back on the matter of 13.5x, when you say the kind of price you're planning is just over EUR1 billion, can you just help me a little bit with that number. Because if I took the EUR340 million gross up for 25%, I initially obviously started about EUR1.4 billion. Are you deducting the dividend from that figure, just want to understand the math there, please.

A - Bart De Smet {BIO 16272635 <GO>}

We have three -- we will invest EUR340 million to obtain 25% share. So it means that if you come to -- if you come to a valuation before capital increase, you do it times 3. So the EUR340 million, times 3 gives you the valuation before the capital increase, then you add the final quarter and you come to 25%.

Q - Farquhar Murray {BIO 15345435 <GO>}

Okay. Got it. Thanks.

Operator

Thank you. We have no more questions for the moment. (Operator Instructions) We have a new question from Steven Haywood from HSBC. Sir, please go ahead.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you very much. Can you be 100% sure that the combined ratio weakening over the last six years is mainly driven by the cycle? Or is it the fact that you are -- the company is reducing premium to acquire growth going forward? The first question.

Secondly, in the sort of 30-year history that the company has, are there any legacy portfolios, whether it's long tail or other stuff that concern you within the business? Or is it very much simple stuff here that we shouldn't have any worries about? And can you remind me -- lastly you can remind me, whether that these companies still have to pay 10% of earnings as dividends every year? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Maybe I'll take the first one on the combined ratio. So as I said, we have come to know Taiping Re relatively well in the last couple of years. As I said, they are also member in practically most of our P&C treaties in Europe. And we've seen that they are, if you would rank the reinsurers, they are more on the conservative side, they're definitely not chasing volume, we're pretty sure about that being a customer also of Taiping Re.

And everything really just confirms that afterwards when spoke to them. So it is not a combined ratio that it's -- that's getting worse because of a different pricing. It is really, as Ben was saying, a cycle thing and a market phenomenon. And again, if you would compare their performance to their peers and the regions they're active in, are actually performing slightly better. So they're not chasing volumes, definitely not.

A - Antonio Cano {BIO 16483724 <GO>}

To illustrate with some figures, if you -- and this comes AON Global Reinsurance, 2015 combined ratio of 91, 2016 of 94, 2017 of 107, 2018 of 99. So it is related to the overall environment (Technical Difficulty)

A - Unidentified Speaker

On the question whether there are any legacies? No we haven't seen any legacies, it's not -- there are no old books there. No. As we've told you back of it, that's something you're thinking about or -- Also not active in the critical illness business, for example, that's also a business that they stayed away from.

Operator

Thank you. It was the last question. I would like to return the floor to Mr.Bart De Smet.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. Ladies and gentlemen, thank you for your questions. The subscription to Taiping Re's Capital Increase provides Ageas with a unique entry point in the reinsurance market and the opportunity to tap into non-life markets in Asia, with a solid and ambitious company backed by strong and long-standing parent and partners.

I would like to bring this call to an end. Do not hesitate to contact our Investor Relations team should you have further outstanding questions. Thank you for your time. And I would like to wish you a very nice day. Bye.

Operator

Thank you. It was the conclusion. Thank you all for your participation. You may now disconnect.