Q3 2017 Earnings Call

Company Participants

- Helge Leiro Baastad, Chief Executive Officer
- Janne Merethe Flessum, Head of Investor Relations, M&A and Capital Management
- Jostein Amdal, Chief Financial Officer and Executive Vice President for Finance

Other Participants

- Jonny Urwin, Analyst
- Paul De'Ath, Analyst
- Steven Haywood, Analyst
- Vinit Malhotra, Analyst
- Wajahat Rizvi, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good day, and welcome to the Gjensidige Q3 2017 Results Presentation. This conference is being recorded.

At this time, I'd like to turn the conference over to Janne Flessum. Please go ahead, ma'am.

Janne Merethe Flessum {BIO 19368607 <GO>}

Good morning, and welcome to this third quarter presentation for Gjensidige. My name is Janne Flessum, and I'm Head of Investor Relations, M&A and Capital Management. As always, our CEO, Helge Leiro Baastad, will start by taking you through the headlines from the quarter before our CFO, Jostein Amdal, runs you through the numbers in more detail.

Please, Helge.

Helge Leiro Baastad {BIO 5865247 <GO>}

Thank you, Janne. Good morning, and welcome from me as well. Once again, we deliver a strong overall result. We are really delighted to announce our best-ever underwriting result this quarter. We report improvements in all segments. And going forward, we will continue to see gradual positive improvements and effects of profitability measures in the Nordics and the Baltics. This is combined with continued strong position in Norway, supported by the best-ever reputation in the financial industry, superior customer experience, and unique customer dividend model.

The profit before tax expense in the quarter amounted to NOK 1.7 billion; and the underwriting result was NOK 1.2 billion, corresponding to a combined ratio of 81%. Premium growth was strong at 6.2%; and the loss ratio was 66.3%, positively affected by run-off gains as expected and a lower level of large losses than normally expected. However, the overall underlying frequency claims loss ratio was also very good.

Continued good cost control is reflected in a cost ratio of 14.7%. For better comparison with our Nordic peers, the cost ratio was as low as 13.9%, if we exclude our Baltic operation. The financial result was NOK 477 million, corresponding to a satisfactory return on financial assets of 0.9%. The annualized return on equity was 22.4%. And Jostein will come back with more details on the figures of the mix.

Turning then to page 3. In Norway, we continue to deliver very good profitability and are able to maintain a strong and leading position in a competitive marketplace despite prioritizing profitability ahead of market share. The Private segment's reported solid premium growth of 4.3% and a very strong combined ratio of 71.1%. We are also very satisfied with the development in the Commercial segment, which reported growth of 1.6% and an equally strong combined ratio of 73.1%.

As shown on the right, Gjensidige last week received the IPSOS 2017 reputation prize in Norway. I am proud to say that we have, by far, the best reputation in the financial industry in Norway overall. And we achieved the best scores in all categories from social responsibility, economy and profitability, to marketing information, and environmental focus. Irrespective of sector, we ranked number six up from eighth place last year.

Reported growth in the Nordic segment was 9.4% underlying 3.4%, driven by growth in both Denmark and Sweden. Profitability improved, and the combined ratio was 91.4%. Profitability in Denmark improved, and it is expected to continue to gradually improve going forward, driven by the measures taken early this year and new measures to come. Among other things, we have changed the terms related to price adjustments, limited the use of discounts, started to convert existing customers to new product versions, made adjustments to Private tariffs, and we have re-underwritten a large part of the Commercial book. We will also soon introduce new and improved tariffs in the Commercial book.

In Sweden, we are on track to reach profitability towards the end of the year as expected. To mention a few examples of measures all undertaken or soon to come in the Swedish market, we have increased and/or increasing premiums in the Commercial model portfolio; we are introducing Gjensidige tariffs in the Vardia Private motor portfolio; and we continue to re-underwritten the Commercial property portfolio. Effects from these and other measures will materialize going forward.

In addition, we are introducing a new customer scoring model, which will improve risk selection and risk pricing in the Swedish portfolio as well as enabling us to manage our sales force more efficiently. From the first quarter 2018, we will begin to report Sweden as a separate segment. And from November 1, 2017, we will have a new Executive Vice President dedicated to Sweden. Sigurd Austin, our Executive Vice President for Claims, will also be Head our Swedish operation. This is part of a further strengthening of efforts both in Denmark and Sweden going forward.

The Baltics segment reports solid premium growth of 5% this quarter. And I'm happy to see that we have turned the corner and can report a positive underwriting result in third quarter. In other words, we are on track to achieving profitability in the Baltics as well. From the group overall, we continue to focus on profitability before growth and on balancing cost efficiency measures with strategic investments within our financial targets to ensure continued competitiveness going forward.

Moving to page 4. I would like to elaborate a bit on the Commercial segment performance this time, as we see signs of improvement in this market. We are the market leader in Norway for commercial and agricultural lines of business with an annual premium volume of NOK 7.3 billion. Our market share for Commercial business is around 28%. As for the Private segment, we are able to combine record-high customer satisfaction with good profitability. This quarter, we delivered a combined ratio of 73.1%.

Over the past few years, the top line growth has been subdued due to the macroeconomic downturn after the fall in the oil prices. However, profitability has been strong and improving, proving resilience to macro developments. Competition is still fierce, but our customer franchise is strong, and the recovery in the Norwegian economy is expected to give support to the top line. We and competitors operate with general price increases in the SME segment, which should support continued good profitability going forward.

We have a very cost-efficient business and distribution model. A large part of our customer base is SMEs, meaning we can use efficient multichannel distribution model, similar to what we do in the private market. As much as 80% of our distribution is direct and only 20% is brokered. And customer retention is strong, with the retention rates of 87% among our SME customers. This gives support to the low cost ratio, which was 10.9% this quarter.

We deliver a strong value proposal to our Commercial clients based on key competitive strength. We offer scale and breadth to meet the varying needs of a diverse business community from farmers, to fish farmers, to big corporations. We have a strong and highly experienced underwriting team, as well as risk engineers working with experienced sales force. And we have a leading accident and health franchise, not just the traditional market leader for workers' compensation, but also group life and a growing franchise in health and pension plans.

We are also moving towards significant enhanced analytical capabilities to support sales and activities and targeted renewal processes. CRM activities is established as a tool across all channels. One example of the effects from our CRM efforts is that we are now able to utilize 90% of the leads against previously only 14%.

So what are our key priorities going forward? Firstly, developing people and skills is a prerequisite to maintain competitiveness going forward. Secondly, we are developing our digital platform integral to multichannel distribution. And finally, we are continuously working with product developments and solutions.

So, to sum up, we are well-positioned for further solid development also in Commercial in Norway. I'm reminding of you of our unique customer dividend model supporting retention, not only with Private customers but also with our Commercial customers and partners.

And with that, I give the word to Jostein for more granular information about the numbers.

Jostein Amdal {BIO 19939645 <GO>}

Thank you, Helge; and good morning, everybody.

I will start on page 6. We deliver a strong result this quarter, driven by good premium growth, a strong underlying frequency claims-loss ratio, and no large losses. We report our best-ever underwriting result of NOK 1.15 billion, an increase of NOK 318 million from the same quarter last year when adjusted for the one-offs in Q3 2016.

The Retail Bank show a continued good development. Together with the Pension company, they contribute a significant NOK 162 million in the quarter. And the investment portfolio contributed NOK 477 million compared to NOK 700 million in the third quarter last year. The profit before tax thereby amounted to NOK 1.7 billion, up from NOK 1.5 billion. And for the year-to-date, the profit before tax was NOK 4.6 billion, up from NOK 4.5 billion when adjusted for run-offs last year.

Looking more closely at the development of the underwriting result from the same quarter last year on page 7, the right-hand chart shows that all segments contributed to the positive development in the underwriting result. From the left-hand chart, you can see that the improvement was driven by an improved underlying frequency claims ratio, in addition to a lower level of large losses. The run-off in Q3 2016 was operation for restructuring cost, which was recognized in the corporate center.

Turning to page 8. We report solid premium growth of 6.2% in the quarter. The underlying growth when adjusting for currency, acquisitions, and the expiry of the reinsurance program related to the Vardia portfolio was 2.9%. Helge has already commented on the growth in the different segments, which all contributed to the positive development.

Moving to page 9. The loss ratio was low at 66.3%, 3.9 percentage points lower than the corresponding quarter last year, mainly driven by lower large losses this quarter. The underlying frequency claims ratio improved in Private Norway, mainly driven by improved profitability for property, leisure, and accident and health insurance. As expected, motor showed a slight increase in loss ratio this quarter compared to last year. Based on observed developments in the market, we had further adjusted our motor claims inflation expectation up to 4% to 5%.

In Commercial Norway, the underlying frequency claims level was marginally higher driven by accident and health insurance and motor insurance. In the Nordic segment, the underlying loss ratio developed positively and as Helge mentioned, we received further effects of the measure taken to improve profitability going forward. The segment reported a lower loss ratio, mainly driven by more favorable underlying frequency claims development in Private portfolio in Denmark in combination with higher run-off gains and lower large losses. The recently acquired Mølholm also contributed positively.

Sweden is still on track to reach breakeven in Q4 this year and be profitable from 2018. The Baltics reported a lower loss ratio, reflects an underlying improvement in the frequency claims level. The segment reported a positive underwriting result this quarter, hence, the segment is on track to deliver profitability according to plan. And we are positive about the prospects for 2018.

On page 10, you can see large losses amounted to NOK 71 million, which corresponded to 1.2 percentage points on the combined ratio. The level was lower than – both than normally expected and lower than the corresponding quarter in 2016. There were no weather-related losses or events in the quarter.

Page 11 shows run-off gains of NOK 244 million in the quarter, resulting in a positive effect of 4.0 percentage points on the combined ratio. This is around the same level as in the third quarter of last year and close to the communicated level. The lines driving this are as before, multi-person injury (00:15:17) and workers' comp in Norway, but there was also contribution from workers' comp in Denmark.

Looking at page 12, the cost ratio was 14.7%, reflecting continued good cost control. The cost ratio, excluding the Baltics, was 13.9% in the quarter, and as Helge mentioned earlier, at a very competitive level compared to our closest peers. The nominal decrease in costs was due to the one-off last year, but then have to see the gradual reduction in costs in the Baltic, following restructuring and cost-saving initiatives. We expect further improvements in the Baltics going forward.

Turning to page 13, the investment portfolio of NOK 53.5 billion yielded a satisfactory return of 0.9% in the quarter. The match portfolio continues to make a stable contribution to the financial result with a return of 0.6%, which is slightly below the previous quarter. The portfolio amounted to NOK 34.6 billion. A large part of the match portfolio consists of bonds amortized costs, which yielded a return of 1%. The running yield in this portfolio was 4.1% at the end of the quarter; and the average reinvestment rate so far this year has been 2.7%. Unrealized excess value amounted to approximately NOK 1.3 billion. The free portfolio which amounts to NOK 19 billion yielded a return of 1.4% in the quarter. The positive return was primarily driven by returns on the investments in equities, properties, and high-yield bonds. This was partly offset by negative returns from tactical allocations.

Page 14 shows some highlights from Bank and Pension operations, which continue to serve their purpose as important retention tools in relation to Norwegian general insurance customers. Gross lending in the Bank increased by 14.1% to NOK 45.5 billion compared to Q3 2016. For the quarter, in its isolation, the increase was 2.9% or NOK 1.3 billion. Measured by lending, more than 77% of the Bank customers are also customers with the general insurance operations. The Bank reported a pre-tax profit of NOK 140 million in the third quarter; and the year-to-date annualized return in equity was 11.5%.

The Pension company recorded a profit-before-tax expense of NOK 22 million. Assets under management amounted to NOK 27.3 billion, reflecting growth of NOK 1.1 billion in the third quarter. And the year-to-date annualized return on equity was 11.1%. The share of shared Commercial customers with the general insurance operation is close to 78%.

Last but not least, looking at our capital position on page 15, the rating model is still the most binding perspective. Excess capital over and above the capital required to maintain the current A rating was NOK 1.4 billion at the end of the quarter, unchanged from last quarter. Eligible capital increases mainly as a result of retained earning and the capital requirement also increases, mainly due to somewhat higher exposure to equities.

The capital requirement increases more in the internal model and standard formula perspectives due to growth in the bank. The rating perspective shows a comfortable margin of 110%. The solvency margin was 145% based on the standard formula and 173% based on the internal model. For better comparison versus our Nordic peers, the solvency margin was 199% for the general insurance operation based on the internal model. All perspectives are adjusted for a formulaic dividend payout ratio of 70%.

Based on a revision of the group's principal for capital management, the board has adopted updated requirements for group Solvency II ratios shown on the right-hand side of the slide. Solvency margin levels are expected to be around the upper end of the margin ratios in order to support an A rating from Standard & Poor's or similar, ensure financial flexibility for small acquisitions, and organic growth not financed through retained earnings, as well as providing a buffer against regulatory uncertainties.

To sum up, we have a solid capital position in all perspectives. We will continue to balance our capital structure in a disciplined way to support the target return on equity while at the same time, allowing us some leeway for further bolt-on acquisitions and stabilization of dividend.

And with that, I give the word back to Helge for some concluding remarks.

Helge Leiro Baastad {BIO 5865247 <GO>}

Thank you, Jostein. To sum up, this quarter, we have delivered strong overall result and our best-ever underwriting result. We continue to experience good competitiveness, and we continue to prioritize profitability before growth. Going forward, we will gradually see effects materializing from measures to improve profitability outside Norway, and we are on track with these measures. We continue to balance cost efficiency measures with investments in technology, the brand and skills. And last but not least, we have a strong capital position. And we are committed to our financial targets, including our dividend policy going forward.

So, then, thank you. We will now open for the Q&A session.

Janne Merethe Flessum {BIO 19368607 <GO>}

Operator, we are ready for questions, please.

Q&A

Operator

Thank you. Our first question comes from the line of Jonny Urwin from UBS. Your line is open. Please go ahead.

Q - Jonny Urwin {BIO 17445508 <GO>}

Hi there. Good morning. Thanks for taking my questions. Just two from me. Firstly, can you just give us a quick update on the pricing sort of outlook versus claims inflation? Did I hear you revise upwards some claims inflation expectations there just in your comments? I didn't quite catch that, but any color there would be great. Secondly, on Solvency II ratio, so there are some small changes in the target corridors. I was just wondering why really this, but capital's clearly at the upper end of the ranges. But I'd just be interested to hear your logic for those changes at the lower end of the balance. Thank you.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

(00:22:13) Jostein will take you through the logic related to the models. But you started to ask about claims inflation. I guess, it's related to motor insurance. We have revised the expected claims inflation for motor near term. And that mean next 12 to 24 month to 4% to 5%, up from 3% to 4%, previously.

And there are several drivers behind this picture. But the main driver behind higher claims costs is due to increased prices, driven by higher input prices and more complex repairs. Part of the inflation is due to higher average claims and frequency in electrical and hybrid cars, as we have discussed before. So, hence, these are market issues, which we are taking into account when pricing.

And you also asked about prices. Just to remind you about what we have done, we started price increases in the second half of 2016 and with more strength going into 2017. And the increase have, on average, been somewhat below expected market inflation due to our analytical, dynamic, and segmented approach to the market pricing. This is extremely important segment for us, so we need to continuously monitor market dynamics, especially since the profitability is so good in this segment. But over time, as we have commented several times before, price increases will have to mitigate expected claims inflation.

Just to give you a short comment also on the churn, we have not experienced any significant increase in churn. So, the premium volume is stable and competition is fierce. So that's the updated, I would say, comment on the motor market in Norway. Yeah.

A - Janne Merethe Flessum {BIO 19368607 <GO>}

Maybe I should just ask you...

Q - Jonny Urwin {BIO 17445508 <GO>}

Thanks for that. That's great. Just to quickly follow-up on the claims inflation point. I mean, I guess, we would expect the pricing to sort of converge with claims inflation over time as you matched it out and the sort of underlying loss ratio should stabilize as a result. Does the outlook now change at all? Should we expect any further underlying loss ratio deterioration, just as you've repriced to catch up with high level of claims inflation? Does it lead to a further sort of lag in the underlying, if you see what I mean?

A - Jostein Amdal {BIO 19939645 <GO>}

I mean, as we talked about the last few quarters, as the premium increases need to work through and policies renew and then need to be earned in the accounts, there will be a time lag (00:25:27) price increases in effect and before you get the stabilization of the loss ratio. That takes, say, from 12 to 24 months to reach the stable level.

Q - Jonny Urwin {BIO 17445508 <GO>}

Got it. Thank you.

A - Janne Merethe Flessum {BIO 19368607 <GO>}

And Jonny, on the Solvency II ratio targets, it's a couple of years now since we put forward the previous targets. And we have had this process with an update of our capital management strategy recently. And just based on calibrations of the assumptions and our models, we have concluded just to raise marginally up the lower level of the buffer or the margin. So, five percentage points revision upwards in the ratios.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay. Thank you.

Operator

We'll now move on to our next questions from the line of Vinit Malhotra with Mediobanca. The line is open. Please go ahead.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes. Good morning. Thank you very much. Can I follow up on two things, please? One is the frequency comment on – or rather, the claims inflation comment. Other than (00:26:47) seems to be quite – I mean quite a bit of a turnaround this quarter. Could you comment on that, because in the previous quarter, we've heard negative issues on

Commercial health, Commercial property, Baltics. So, have those gone away, and that is part of the message today, just to clarify, please?

And second thing is just on the model approval. Is it a correct understanding that the only thing – or rather, a main concern holding that approval back is the guarantees provision, which actually is only 3 points, roughly speaking, on the Solvency II. So, is that the only thing that is holding back, or could you just provide an update there? Is there any other issue? Thank you.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

I could start to comment to claims inflation more in all the segments. As I said, Private motor in Norway is slightly further up from 3% to 4%, to 4% to 5%. Private property is – as we have commented before, we expect around 4% going forward. But this is, as you know, volatile due to the seasonality effects in our marketplace.

When it comes to Commercial, accident and health, good claims development for some time now, continuing. We haven't seen an impact from the downturn, as I commented before. Commercial property, that's more in line with this index in the market. And the index for 2017 has been 4.2%. When we moved then to Denmark, we have seen increased claims inflation over time, especially in property and travel. And the picture is more or less the same as we commented last quarter.

A - Jostein Amdal {BIO 19939645 <GO>}

Yeah. On the second part of the question regarding – I think, anyway, you asked about two things in one. One is the partial internal model approval, if I understood you correctly; and the second is the uncertainty of the capital regulation, if I got you correctly, Vinit?

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yeah. Yeah.

A - Jostein Amdal {BIO 19939645 <GO>}

Yeah. And then on the first part, the communication in a way is still in a way the same as it has been the last couple of quarters. We have an application with the FSA and still have some ongoing dialogue, but the ball is really in their court. And we still hope for an approval this year, but it's a bit out of our control. So, none use on that front.

Then certainly, your point two is the effect of the guarantee provision, which is kind of a point where we think that the current interpretation on FSA is too conservative. And if our interpretation is (00:29:43), our solvency margins will be 3 percentage points higher, but what we report to you is the more conservative version. Just to be clear on that.

A - Janne Merethe Flessum {BIO 19368607 <GO>}

And also just, Vinit, to add, you shouldn't kind of combine and mix the guarantee provision approval – or not, with the partial internal model approval. So, these are two separate issues.

Q - Vinit Malhotra {BIO 16184491 <GO>}

All right. Thank you very much.

Operator

We'll now move on to our next question from the line of Paul De'Ath with RBC. Your line is open. Please go ahead.

Q - Paul De'Ath

Yeah. Hi. A couple of questions, please. Firstly, just looking at the Commercial business, we see highlights with how well that's going. I just wanted to check in terms of the very large Commercial business that you write. One of your peers talked about markets specifically needing to see some large price increases, because the current year isn't particularly profitable. Is that something you're also seeing? And are you bringing up prices there?

And then second point is just on Sweden. Obviously, you're more focused on Sweden. You're going to start reporting it separately for next year. And I guess, the question is really are you big enough in Sweden, or do you think that there's more in terms of bolt-on fee can do in that market to increase your market share? Thanks.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. Back to the Commercial business. As I commented, we have a very strong position in Norway, clear market leader, 28%. As you have seen our profitability over time now, so we have a very strong profitability. And I will not comment especially on the competition, but when we see claims inflation, also in this market, we have to over time secure that the price increases are in line with claims inflation.

And I commented that we have seen that competitors operate with general price increases in the SME segment. We will price in line with claims inflation. And, of course, we have to take – the starting point needs of a (00:32:22) strong profitability. So, we have a very strong and unique position. And I commented finally that, of course, this customer dividend model also is contributing enormously in the Commercial segment also. So yes, continuously, price increase is in line with claims inflation. That's the name of the game also for us.

A - Jostein Amdal {BIO 19939645 <GO>}

Paul, in terms of the second question about Sweden, I think what we're saying now is that we reiterate that we will be profitable, reach breakeven in the fourth quarter and be profitable from 2018. That is – would become the current setup. We do not believe long term that the current position is big enough that we can ever reach profitable level with the setup we have. But there are no kind of – no signals about the new bolt-on acquisitions. We will turn around the position we have, which is now approximately NOK 8.7 billion, NOK 8.8 billion in premium and deliver that into a profitable business. And the increased focus we'll have with a new separate EVP on Sweden. And with the (00:33:35) we give you on Sweden going forward, you will see at the end, that hopefully feeds through the numbers for 2018.

Q - Paul De'Ath

Okay. Thanks.

Operator

Our next question is from the line of Wajahat Rizvi with Deutsche Bank. Your line is open. Please go ahead.

Q - Wajahat Rizvi {BIO 19928187 <GO>}

Hello, and hi, everyone. Just two quick questions for me. First one, are you able to quantify the impact of lower weather losses in your underlying claims situation, like in medium and smaller claims, how much benefited have you got there? And the second question would be on the Nordic segment. So, the turnaround there seems to be quite sharp, so the underwriting measure impacting measure won't come through that quickly. Is there anything big happening on the claims side, which you can please allude to? Thank you.

A - Jostein Amdal {BIO 19939645 <GO>}

On the first part, I think we haven't provided the numbers. I think we probably might be able to do it if we wanted to. But we kind of combined the large claims with weather-related events in kind of in one number. And I don't think we have any plans of doing it more granular than that going forward either, so sorry.

In terms of the turnaround in Denmark and Sweden, which is your second question, there's a number of measures, and I think Helge went through some of them. We're talking about reunderwriting of the Commercial book, where we raised prices sharply on the least profitable customers, which made some of them leave. We focus (00:35:15) on the profitability, so that the first and foremost effect are non-profitable customers leaving. And then, we get to kind of the customers we want to stay onto higher prices.

And this should also keep very strict cost controls, reduce the possibility for the sales force to use discounts, and so on. So, what we're seeing now is the effect of measures taken, say, in the second half of 2016, early 2017. And then, we go into 2018, the effects that we know working into the portfolio will be seen. So, it always have a lag effect. So what we see now are measures taken, say, half a year to a year ago, and then current measures we'll feature for 2018.

Q - Wajahat Rizvi {BIO 19928187 <GO>}

All right. Thank you.

Operator

We have one more question remaining in the queue from the line of Steven Haywood with HSBC. Your line is open. Please go ahead.

Q - Steven Haywood {BIO 15743259 <GO>}

Good morning, everyone. Just two questions, I think. The $0.04 to $0.05 motor claims inflation up to this quarter, I wonder if you can sort of explain to me how many months behind are you in your sort of pricing? So, if you see claims inflation next quarter at a higher rate, how many months does it really take for you to put through or to sort of up your inflation guidance? Not for how many months it takes for the pricing to come through in 12 to 24 months, but how long it takes for you to recognize inflation is higher, therefore, we need to take it to us, really?

And then on the S&P A rating, you still have $1.4 billion of excess capital. I just want to understand, the capital requirement here, does this include your forthcoming dividend expectations for the full year, say, for example, does it include your expected 2017 dividend roll-up in this capital requirement of the S&P model? Thank you.

A - Jostein Amdal {BIO 19939645 <GO>}

Okay. I'll answer the first part of your question. I think it is a bit hard to be precise on your questions, Steven, because we, of course, measure claims development on a continuous basis. And then, you need to kind of have some security that what you see is a change in trend and not just pure volatility around that trend. That's much of an expert judgment. So, it's not that we have a set number of months that we need to see the change and then we communicate. I can't be precise there. We have a fairly quick reaction time from kind of when we decide that this is the new number when we actually implement into a new pricing. That's not a very long time, but it's kind of – to be honest, this is the new number. It is not something I can give a very precise number, I'm sorry.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Just to add, and that's more to the motor situation in Norway. We monitor the development closely. And with all statistics pointing at the same direction, and you can read that from the FNH statistic in Norway, we expect competitors to follow with price increases also sooner or later, because this is a market claims inflation.

And I also commented that electrical car and hybrid cars is part of this picture. And when it comes to electrical and hybrid vehicles, you have to bear in mind that Gjensidige was not competitive in pricing Teslas and similar cars when they first entered the Norwegian market. And our market share in that segment is also lower compared to our overall market share in the market. So, it's a very fragmented picture. And overall claims inflation, we are talking about, that's the market claims inflation.

A - Janne Merethe Flessum {BIO 19368607 <GO>}

For your question on the capital side and the S&P buffer, remember that we adjust both this S&P buffer and the Solvency II ratios with a formulaic dividend of 70%, which is kind of the minimum that we say we should pay out according to our dividend policy. But what is even more important is the starting point which was NOK 6.80 for 2016. And we say we will deliver high and stable dividends and also growing if our earnings are growing. And in addition to that, of course, if we build excess capital, we also state that we will pay out excess capital over time, as you've seen we've done before.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. Thanks very much for your help.

Operator

It appears there are no further questions at this time. I'll now hand the call over back to speakers for any additional or closing remarks.

A - Janne Merethe Flessum {BIO 19368607 <GO>}

Okay. Thank you, everybody, for participating. I just wanted to remind you of the road shows this quarter, which goes to London, Copenhagen, Helsinki, and Frankfurt. And we hope to see you. Thank you. Bye.

Operator

This concludes today's conference. Thank you, everyone, for your participation. You may now disconnect.