Q3 2019 Earnings Call

Company Participants

- Giulio Terzariol, CFO & Member of Management Board
- Oliver KlÃ¼h, Unknown

Other Participants

- Alexander Huebner, Analyst
- Ben Dyson, Analyst
- Catrin Shi, Analyst
- Markus Klausen, Analyst
- Michael FlÃ¤mig, Analyst
- Olaf Storbeck, Analyst
- Unidentified Participant, Analyst

Presentation

Operator

(Interpreted) Good morning, ladies and gentlemen. Welcome to today's telephone conference of Allianz SE indication of the publishing of the financial results for the Third Quarter 2019. For your information, this conference will be recorded. And with this, I would like to hand over to Oliver KlÃ¼h.

Oliver KlÃ¼h

(Interpreted) Good morning. Welcome also from my side to today's telephone conference on the results of the Allianz Group in the Third Quarter 2019. As usual, our CFO, Giulio Terzariol will guide you through the quarterly results. And after that, he will also answer your questions. And with this, I would like to hand over to Mr. Terzariol.

Giulio Terzariol {BIO 17125489 <GO>}

(Interpreted) Good morning. And I'm delighted to present to you the results of the Third Quarter. But before we enter into the detailed figures on Page 3, you can see the overview for the first nine months of the year. And as you can see, the results of the first nine months were really good.

Revenues grew by 6%, driven by the insurance segments, both Property-Casualty and Life and Health. In Asset Management, we saw a slight decline. That was due to the fact that the performance fees were lower than in the previous year. But overall, the revenues grew quite strongly for the group. Operating profit grew by 4% or close to EUR 400 million, driven by Life Insurance above all. And also in Asset Management, we've seen an increase in the operating results. In Property-Casualty, the operating profit declined slightly by EUR 15 million. That was due to the investment result development. The combined ratio in Property-Casualty remained at 94.1%. So basically on the previous year's level. And we've seen a better development here when it comes to natural catastrophe, 60 base points. But the runoff ratio was lower than in the previous year. So those 2 components combined led to the slight decrease of the -- would lead to a decline of the combined ratio by 14 base points. But against this, we have an improvement of the expense ratio and, therefore, we've seen a stable level for our combined ratio.

The new business margin also remained stable. Another good result that we've seen, taking into account the -- especially the interest rate environment and we increased production here and the value of new business, margin grew by 13%. And we've seen a good -- we saw a good development of net inflows in Asset Management. More than 3x the amount of the previous year. So in all segments, the operating KPIs developed quite strongly. And that led to the fact that the total -- the share net holders income grew by 5%. And we're in the good level of above EUR 6 billion here. And taking into account the earnings per share, the increase of earnings per share was close to 8% for the first nine months of the year. So overall, a good performance over the first nine months. And this good performance was also reflected or confirmed in the Third Quarter. If you wish, you can see this on Page 5.

So you can all see good dynamism of total revenues over the quarter, with an internal growth rate of above 6%. And this time, the growth rate wasn't just driven by Property-Casualty and Life and Health. But also by Asset Management, where we had a growth rate of close to 2%. And shareholders' net -- the operating profit remained on a good level of around EUR 3 billion. You can see that the development in P&C was declining. That was due to the deterioration of the combined ratio in this quarter, which I will be talking about later on, whereas the other segments show the good development. So overall operating results remained more or less stable on a good level. And the shareholders' net income also remained stable above EUR 1.9 billion. So overall, also in the Third Quarter, we posted good results.

With this, I would like to switch to Page 7, where you can see the development of our solvency ratio and the shareholders' equity. So if we start with the development of shareholders' equity, you can see that in the calculation according to IFRS, we had an increase of above EUR 6 billion. And EUR 2 billion approximately stemmed from the annual surplus and the other EUR 4 billion from unrealized gains and losses from our capital investments. Just to give you an idea what this means, we have EUR 86 billion of unrealized gains and losses. That's the gross figure so that is before the participation of the policyholders and before taxes. But that tells you how many unrealized gains we have on our balance sheet if we calculate this on a gross level.

The solvency ratio went down by 10percentage points. That was driven by the interest rate development. And I will explain on this a little bit more on the next page. But here, we also take a look at the sensitivities. Sensitivities remained more or less unchanged compared to the ones we had in the Second Quarter of 2019.

So with this, then we'll now come to Page 9, where you can see the development of our solvency ratio. It's interesting, if you look at the -- our own funds. They increased from around EUR 80 billion at the end of June to close to EUR 83 billion. And that's including the dividend that is to come from this quarter. So we've taken out EUR 1 billion for the dividend. So our own funds have increased and the increase in solvency ratio is, therefore, more due to the capital requirements because if key -- if interest rates drop, capital requirements increase. And this has been reflected in what we call market impact in the second line, we can see that the requirements went up EUR 2.6 billion. So own funds that shows what we do, they've gone up. But the capital requirements in this situation due to the environment increased over-proportionally.

And what's good is the development of operating earnings. So our organic capital generation was plus 9% before tax and dividends. So bottom line is we've seen a good operating development and the development of interest rates has increased the capital requirements. And as long as we come out with -- at the end we therefore come out with a solvency ratio of 202%, which is on a comfortable level, the minimum level we have is -- of the comfort level is 180%. So we are clearly above this level.

And with this, I would like to come to the individual segments and start with Property-Casualty on the Page 11. Here, we show the growth rates for our -- for the segment and for the selected OEs. So all in all, we had another good quarter with a growth rate of close to 5% internally. And a large part of that is due to price development, 50%. And 50% was due to volume increases. So clearly, balanced between volume and price-driven growth.

And if you take a look at this, all the OEs showed positive growth rates with one single exception, that is Spain, where we have taken some restructuring measures. But taking out Spain, you can see internal growth -- positive internal growth in all units. And we come to the price changes, they've remained stable or positive. We take a close look at the price trend at AGCS. And you can see that we had an increase of close to 8% or growth of close to 8% in prices. So I would say, across the portfolio, we saw a neutral or positive development.

Page 13. Here, we show the development of operating profit for property and casualty. The operating profit decreased by 10%, which was due to the development of the underwriting results and especially with the development of the combined ratio. As you can see, the combined ratio increased by 1.2percentage points, which reflects, on the one hand side, a lower impact of natural catastrophes than the previous year, which is positive. But against this, we had a higher number of weather-related damages and definitely, I would say, the reduction of the nat cat impact was more or less compensated for with the increasing costs from weather-related events and major events.

So you can then see that we had a good improvement of the expense ratio by around 7 base points. And if we take out the -- if you look at the base loss ratio, taking out natural catastrophes and weather-related and major events, this would also have improved a bit. So the base combined ratio was bad about 90 base points compared to the previous year. But you can also see below that the runoff ratio was 2.1 point -- percentage points lower than on last year, whereas to say that the last year's ratio at 4.5% was exceptionally high. This year, however, we're 2.5%, we're a little bit low, what we would expect on average. But that is what we -- let's see -- or a little below what we would see as a normalized view. So a better combined ratio overall for the ongoing business year. But against this, we have the lower runoff ratio. We come up with a combined ratio of 94.3%. And that is close to our expectations here, with deviations up and down. But 94% is what we would expect for the overall year.

Page 15. Here, we show the selected OEs. And I would like to start with Germany. The development in Germany was quite good, actually, with a combined ratio of 92% and 91.9%, bit lower -- a little higher than in the previous year. But the last year was extremely well -- went extremely well due to lower nat cat and major loss costs. But with 92%, we're well on track. In France, we had a special burden from major claims. So the 98.4% are a little beyond our expectations. In Italy, Italy has shown a great result once again, the same holds true for our CEE region and Australia. In the U.K., we had some special effects and adjusted for this, the combined ratio would have ended at 96%. So in line with our expectations. And we have Spain, (inaudible) talked about that in the previous quarters. In Spain, the combined ratio was affected by a negative runoff result. And if we are adjusted for this runoff result, the combined ratio in Spain would be at 94%. So we expect that next year will come back and down to this level again.

Then we come to AGCS, 102.7%. Well what stands out here is that we had a slight improvement compared to the previous year when the natural catastrophes were significantly lower. And the topic is that in the previous year, we had a significant positive runoff result. And this year, the runoff result was slightly negative. So that was the tendency we saw in the Third Quarter. But nevertheless, I believe that, that we'll also continue to see this tendency in the Fourth Quarter. So for AGCS, 2019 has definitely been a difficult year so far, quite to the contrary of Euler Hermes with 82% combined ratio. Another quarter with an excellent combined ratio. So for Euler Hermes, we will probably see a very good result for 2019 overall. So overall, there are some minuses. But most of the units delivered good performance. And the combined ratio of around 94% is at a good level.

Page 17. Here, you can see the investment results. And for the quarter, the investment results remained stable, more or less. What's more interesting is if you look at the right-hand side, at the economic reinvestment yield, here you can see the clear decline compared to the Third Quarter of 2018 and also compared to the Second Quarter of 2019, by the way. And I mean, there -- this is no surprise as such that's got to do with the development of interest rates, which means -- what does it mean for us? Well 15 base points less in reinvestment yields over a year means around EUR 100 million less in our operating and investment result. So to balance this, we have to improve the combined ratio by 20 basis points. That's pure mathematics. And I think we can also do that. So we can counter this development. But that is the task that we'll be facing in the coming months.

With this, I would like to switch to the Life and Health segment on Page '19. First of all, even though interest rates have continued to drop, we've still received a good and sustainable new business margin of 3.1% for the Third Quarter. And I have to say something about the calculation here. The calculation of -- for the new business margin takes into account the conditions at the beginning of the quarter. So the conditions at the beginning of June, if you wish. And not those -- or end of June and end of bells at the end of September. That is to say we will see a reduction of the new business margin in the Fourth Quarter. And with the exception of the U.S., where calculating with average method for all other units, we have a quarter delay. But nevertheless, we expect that for the year, we will reach our target of 3% new business margin. So also in the face of declining interest rates or faced with negative interest rates, even we still reached a new business margin of 3%. And that's a good result.

But coming back to the quarter, production grew by 20%, driven above all by the Germany Life, as we can see, we also had a good growth rate in private health insurance. But this is more of a technical effect. So I wouldn't see the -- this as the real growth rate that you see here in Germany Health. But then we also had a good development in Italy and in the U.S. So all in all, a good new business margin with growing production.

On Page 21, you can see the operating profit in Life/Health. And here, we had an increase of 3% what we saw here was a good development in loadings and fees and other increase compared to the previous quarter. And this is a tendency we've seen continuously over the past quarters. The investment margin declined. But it's still relatively sustainable. So I would say for the quarter, we did a good job here. Costs went up. But that's got to do with production -- with the production increases. And the technical margin also grew by close to 10%. So overall, a good picture for the operating development in Life/Health.

On Page 23, we show the development in the selected units and the selected OEs. With growing production and a stable new business margin, if you wish, on this, we've reached a growth rate of new business -- the value of new business of 4% and a good result of close to EUR 500 million. And if you look at the new business margin, in almost all of the units with just some exceptions, the new business margin is above 2%. And that shows you that there is a certain degree of sustainability in all the OEs.

Then when we look at the operating profit, in Germany, the U.S., Italy, also France, we're quite stable overall. You can see good growth rate in Asia Pacific as well. That's got to do in part with growth that we see in this region. Then there are some growth rates that stand out in Germany Health, for example, in the private health insurance and then in Spain. But this is -- and this is more of the normalization coming back from lower results in the previous year. So all in all, a good picture that we saw in the individual units in the Third Quarter.

Page 25 shows the division of the capital of the investment result into the individual components. And you can see that the current yield has remained more or less stable, difference of 5 basis points. And guarantees went down. So that is important to show that we can reduce guarantees according to the development of the current yield. Then there is also the influence of realized gains and losses and profit sharing under IFRS that are added to all of this. But all in all, the investment margin remained more or less stable. And with '19 base points, it remained stable compared to the first and Second Quarter as well. So with this KPI, also we saw good sustainability and have reached good sustainability over the course of the year.

And that brings me to our Asset Management segment on Page 27. First of all. And that is really quite good, we had EUR 1.7 trillion in third-party assets under management. That is a new record level. And I'm delighted, especially because if you have EUR 1.7 trillion assets under management, that's always good for future performance as well. And all factors contributed to the development in the quarter. All in all, we had positive net inflows. The market development was positive as well, decreasing interest rates, the values of the fee, bonds and increases, of course. And then the exchange rates were also positive for us. So all factors contributed to the positive development, which led to this record level in the Third Quarter.

And if we look at Page 29, this means that our revenue has also increased each adjusted for exchange rates with an internal growth of close to 8%, then the development differ between PIMCO and Allianz. PIMCO, plus 5% growth rate. And whereas in AllianzGI, we were more negative. We were minus 5%. But we see good sustainability of the margin in AllianzGI. We remained stable there so that is a positive development. At PIMCO, we saw a reduction of the margin. But that was more due to the changes in the business mix. Then we also took an acquisition where we have a lower margin. But the expense ratio as such is also lower. And therefore, the margin decreased. But that didn't have any effect on the results of PIMCO.

As you can see on Page 39, the operating profit -- the development for PIMCO was excellent with a growth rate of 14%. Adjusted for foreign exchange effects, it would have been close to 10%. So good dynamism. And also for AGI, even though the operating profit went down, we still are at a very high level with EUR 180 million operating profit. So all in for the segment, with an operating profit of EUR 700 million that was reached. And that is certainly a very, very good result.

Page 33, now you can see the development in our corporate segment, the loss in the segment was at EUR 150 million, which is clearly better than in the previous year, driven by a better performance in Allianz Technology, our internal IT service provider. So also in the corporate segment, we saw a positive development.

Page 35. Here, we show, as always, the nonoperating factors and there's been some movements back and forth. But if you look at the realized gains and losses or the movements in fair value assets or in the tax rate and minorities, all of that basically is set off against each other. And so what you can see is that the shareholders' net income development was in line with the development of operating profit, which brings me to my last page, Page 37.

The summary, here you can see. I would like to focus here on the nine months, which tell you a little more than just 1 quarter. So overall, we saw strong results with EUR 9 billion -- over EUR 9 billion of operating profit and net income of EUR 6 billion the increase of earnings per share of above 7%. And property and casualty, overall, we are well on track. We certainly have some room to improve and with AGCS. But -- yes, also have to keep in mind that we have many other units with good performance in Life/Health. So we saw good sustainability of the operating result, of the new business margin and the new business's value. In Asset Management, we had a record level of assets under management for third parties, which is also -- which was also a great effort.

And if we sum up all of that, we've confirmed our outlook and lifted it up to the upper half of the target range, our outlook for the overall year. So all in all, a good picture. And as always, I would like to thank our employees for their great efforts.

And with this, I would now like to hand over to your questions.

Questions And Answers

Operator

(Interpreted) (Operator Instructions) Our first question, Michael FlÃ¤mig from BÃ¶rsen Zeitung.

Q - Michael FlÃ¤mig

(Interpreted) Yes, Mr. Terzariol, Mr. FlÃ¤mig from BÃ¶rsen Zeitung. I have 3 questions. The first one looks at maybe outlook and the other 2 on the interest situation. When it comes to the outlook, you presented the outlook for 2019 and shifted it slightly upwards or to the other half in the press announcement. And you also talked about increasing external challenges. Which are these challenges and that you're going to see for next year? And how does this have an impact on Allianz next year? Then just a question on the interest situation, you said that in P&C, the combined ratio should go down by 0.2percentage points in order to balance out for the lower capital investment result. What needs to be done? And the second question is related to the Life Insurance. How are you going to react? Will there be other products that are planned and how will they look like?

A - Giulio Terzariol {BIO 17125489 <GO>}

(Interpreted) Thank you very much, Mr. (Fleming,) for your question. For the outlook and the statement in our press release, that the challenges have increased considerably. There are major challenges, as we said, that relates to the interest development and that the interest is so low. Obviously, that will have consequences. And of course, we cannot (counter steer) against these consequences. But of course, there's more headwind that will not make any difference for our outlook. And forecast for 2021. But it's just recognizing the environment. The environment has become a bit more difficult, as you already said. And as you repeated. And we do know we have to become better and have a 20percentage point combined ratio certainly in order to counter steer against the interest development. So I don't think this is really giving us a great -- a greater reason for concern. But sometimes you just have to work a bit harder when it comes to P&C and how to improve and how do we get the 20 basis point improvement in combined ratio and working closely on the cost topic. And so we believe we can still improve in the years to come. And since we know that, generally, in the commercial insurance, we also can become better. And we can improve that as well. And also, I would say, AGCS at more than 100% combined ratio. And I don't think we are going to have a company that is running above 100% combined ratio. So that's why I'm quite confident that in the years to come, the combined ratio of AGCS will be below 100%, which will be a driver for the improvement for the next years. And where, as you said, this year, of course, our next year will also place a burden on our business. In Life Insurance. So what we're doing in order to react on the interest situation. We have different levers in different countries. In

Germany, definitely, we're going to take measures. But in general, in Germany, we are seeing a very sustainable portfolio. That means the effect of -- the degree of effect -- measures taken is less what we have to do in France. In France, we definitely have to see which new products need to be launched onto the market. And in Italy, we are quite well positioned already. And in -- we've made a lot on fixed annuity life insurances. And we changed a lot. Then beyond the U.S., interests are still relatively high. So the situation is not as tense as it is in some other countries in Europe. And in Asia, we are facing completely different conditions. So if you look at the situation, yes, there are a few countries where we do see some special challenges. But I would not say, I mean, that the entire portfolio is endangered by this interest development. So the challenges facing -- the countries facing challenges are particularly the France, definitely the French, (inaudible). And I'm sure you read, the local regulator is a bit in concern. So France, the situation is a bit more difficult than in other country. But if everyone is facing the same conditions where the regulator says that we have to think differently. And mostly, we will have always good solutions for that. So that's why they are positive. It would be different. If all of a sudden, we would be the only one who would pursue a different philosophy. And for all other peers, the regulator would say, it's fine with them. So that is not the case. So in general, this movement should help us. Thank you very much.

Operator

(Interpreted) Our next question from Alexander Huebner from Reuters.

Q - Alexander Huebner {BIO 15063318 <GO>}

(Interpreted) I have 2 questions only. I'm not sure how I should assess the forecast because since summer you said that you're going to land at the upper high end in the call back then, now you're writing -- you say upper half. That means you have a strengthened confidence? Or are you taking back your forecast? Or are you more careful to what you said before? And if so, why is that the case? And the solvency ratio hasn't decreased considerably. Could you give us an outlook of whether the trend is going to continue for the year-end and also for next year or whether it goes back down into -- back to the positive direction?

A - Giulio Terzariol {BIO 17125489 <GO>}

(Interpreted) Yes. Thank you for this question. We never said that we're going to land at the upper end in the Second Quarter, we just said we are at midpoint. Actually, we have revised the forecast upwards relative to what we have said in the Second Quarter. So I don't know where you think where we have said that. But that -- anyway, that is not the case anyway. So we came from midpoint to the upper half. And the reason, obviously, is now we have more security and assurance in three months later on the forecast for year-end. But there will -- it will not be revised downwards, definitely not. When it comes to solvency ratio, actually, the interest increased in the past few weeks, the bond was at minus 25 basis points. And I felt comfortable with that. So -- but if you think of minus 25. So you rather think it's good that I felt very uncomfortable translating that into a solvency ratio. Nowadays our solvency ratio would be 200 or 5 or even more. And you need to stay cool. Interests are going up and down and including the bond. And that is moving 10 basis points, plus and minus 10, it was minus 34 yesterday. And now it's minus 25 yesterday. So we just have to wait what the interest will do. But as you can see, we are highly interested. And we are keeping a close watch on the interest development on a daily basis. But also solvency ratio based on Solvency II shows a certain volatility. And this volatility has to be accepted. And -- but one should not be too much worried about this volatility. You just have to change your thinking as compared to what we thought in 2 or three years ago. And that's important. And that's why we have this big range, minimum comfort level is 180. But we have moved clearly above 200 because we know that we are going to go through phases where the solvency and solvency ratio is coming down. And that just needs some different thinking. Okay? Are you happy with the answer?

Operator

(Interpreted) Olaf Storbeck from Financial Times.

Q - Olaf Storbeck

(Interpreted) I have one question on 2019 (inaudible) guidance and profit guidance. And when you think of the first nine months of profit. And when you look at the other quarter, 3.3 and you're definitely above that first level.

(Unfortunately, the telephone connection to this journalist is not very stable. I'm trying my best with the translation.)

And also with Bloomberg that also reported $1 billion and that is a 4% share, the Chinese -- in the Chinese insurance that they purchased that -- there's also participation in the Chinese insurer. Can you say what the strategic rationale is about the purchase price and the timing.

A - Giulio Terzariol {BIO 17125489 <GO>}

(Interpreted) Yes, okay. Let me try and answer because you -- it wasn't that easy to understand what you said because of the line. So EUR 1.9 billion. And why we say upper half, that was the question, yes? We don't see other end or whatever? Well the topic is -- so we have been a bit more conservative. But in that question, I would also say we do expect that at AGCS, we're going to have follow-up reservation need. And there is some unrest in the market or so -- and so we are doing fine with the liability insurance. We don't have a big book in the U.S., the liability book in the U.S. is relatively small. But we should also assume that we do get some burden. And that's why our expectation was put at upper half. But not necessarily at the upper end of the planning because that is the reason because we have reported that. But also, even if you consider this potential headwind, we're quite confident that we're going to land at the upper half, which is another sign for the strength of this -- for a stable business. So the right figure is a bit less. That is Taikang and it's EUR 800 million. And that's the financial investment, basically. And so in the meanwhile, almost EUR 800 billion capital investment. So if you take EUR 0.8 billion in -- and if we invested in the Chinese insurance company with 4% participation. Actually, that is a very small share, very small participation, if you so want. Where each year, we're investing EUR 120 billion. So taking that investment under these finer conditions and get also a big investment. But it's not too big. So it's not really Taikang, this company has a high quality. And so we believe that with this investment, we can make a good yield. Plus in the future, this investment might lead to cooperations. And that's why we would call it like a strategic cooperation. Basically, it's a financial investment in a diversified portfolio. And so which is an asset which has the high-quality than others insurers in China. Plus potentially, when we get to know each other better, we might also start -- and establish some cooperations in the future.

Q - Olaf Storbeck

(Interpreted) Can you say something on the timing? When will it be closed? When this -- will this become effective?

A - Giulio Terzariol {BIO 17125489 <GO>}

(Interpreted) Within the next few weeks. So by year-end, that should be closing.

Q - Olaf Storbeck

(Interpreted) Would you be willing to maybe acquire further shares of that company, if they sell more than that?

A - Giulio Terzariol {BIO 17125489 <GO>}

(Interpreted) Not at the moment. But I can't say what is going to happen in five years. But there's no intention at the moment to buy more shares.

Operator

(Interpreted) (Operator Instructions) Now we have a question, (Frederick) (inaudible) from (inaudible) (Monitor).

Q - Unidentified Participant

(Interpreted) One question, please, on AGCS. You said that you're confident that AGCS becomes materially below 100% combined ratio. How are you going to manage it, by price increases or cost reduction. And I also have one question on growth in German Lebensversicherung, German Life Insurance in the Third Quarter. Which are the products that mainly drove that growth? And on the P&C side, you talked about nat cats and weather-related losses and major nat cat losses. What was the burden and the major claims? Then I would like to know how you are doing in terms of setting up Allianz Direct.

A - Giulio Terzariol {BIO 17125489 <GO>}

(Interpreted) In AGCS, I'm very confident that we are going to get the company below 100% combined ratio within the next few years, which is a combination of all the factors you mentioned, price increases, then also refurbishment and because that is some reorganization, that is also related to each other. And we also need to work on the cost ratio. So to -- well, a company above 100% can be okay for 2 or three years. But on the long run, then the combined ratio has to become better plus AGCS figures so far have been better than the market. And also the market needs to see correcting itself. So we see a close and strong correction. And so we believe that this year, then from a -- we still have the burden from AGCS. But the next year -- or next year, we're going to see the improvement. And I do expect an improvement for 2020. But definitely, by 2021., So within the next few years, we're going to see an improvement. In life insurance we have grown, specifically in the so-called capital life tech product. And the growth rate was 40% within these products. But it's not as big. But nevertheless, it's a good growth rate that we have achieved in protection. So they're growing in those products, where we want to grow. And there was also one more question on the topics, weather-related claims and nature -- cat nat losses. Exactly when the weather-related losses or -- I mean, specifically, the losses that are big enough. But not big enough in order to be called nat cat. So that is to be differentiated. I can tell you, on the nat cats in Germany with the storm event but that wasn't part of the weather-related losses. So the event storm was nat cat. Then we had a number of weather-related losses because they were not big enough to be assigned with a name. But still nevertheless, does have a burden on our results. And these major losses, losses between EUR 5 million and EUR 50 million. So it's all about the frequency of how they are occurring. And it's not that you had a big super nat cat or what -- and that's what happened in the Third Quarter in Germany. The results for 1 quarter should not be assessed too predominantly. Of course, you can have the volatility in nat cats, I mean it's of big major losses. It's more intensive when you look at three months instead of looking at 12 months. If we would make a weekly calculation, you would probably see a huge volatility. So that way, you would always have to assess. And remember that the 3-month range is relatively short.

Now further to the development of direct revision, we launched it in Germany and also in Holland. And so we are quite happy that we're going to -- we're happy that we made the launch with Direct. And so the figures are definitely the figures from the old structure. And I can tell you the growth rate is more or less flat. And which we have expected anyway. The combined ratio is at 105%. And that's what we also expected. And the cost ratio is good only at the beginning, which is 120%. So if you believe it's just the beginning -- that we have a cost ratio of 120%, thinking of considering that we're just at the beginning. If everything runs fine, we're going to see a good development. But it's too early to make a bottom line conclusion. We just have started. Next year, that means one year from now, we can definitely talk better about the development of our direct insurance. Okay. Thank you very much.

Operator

(Interpreted) Next question comes from Markus Klausen, Dow Jones.

Q - Markus Klausen

(Interpreted) Yes, I'd like to come back to the losses from nat cat and ask whether you can say anything on the Hurricane Dorian and also on the Typhoon (Faxai). And there is a burden -- is there any burden on the Thomas Cook in solvency. And also, what about Boeing? Will there be further losses coming in? Any other claims?

A - Giulio Terzariol {BIO 17125489 <GO>}

(Interpreted) Dorian was practically not relevant. Faxai gave a burden of EUR 50 million in the quarter, which is part of our net cash in the quarter. Then Thomas Cook is per se, irrelevant for us, not only. But I would say it can be neglected. And further on Boeing, our provisions in the quarter have been increased by EUR 20 million. So that means we are slightly below EUR 100 million, not really at EUR 100 million. But we increased our reserves at Boeing.

Q - Markus Klausen

(Interpreted) EUR 50 million was (Faxai?)

A - Giulio Terzariol {BIO 17125489 <GO>}

(Interpreted) Faxai was EUR 50 million, 5-0.

Ladies and gentlemen. Now we take the questions from the English conference.

Operator

We will take our first question from Catrin Shi of The Insurance Insider.

Q - Catrin Shi

2 questions, if I may, on AGCS. Can you tell us how many percentage points on the AGCS combined ratio was adverse to reserve development? And how much do you anticipate for Q4? And could this go into 2020? Then the second question is on the restructuring of AGCS. Are there any particular lines of business, which you feel are underperforming and maybe exited?

A - Giulio Terzariol {BIO 17125489 <GO>}

So on AGCS, thank you for the question on AGCS. The impact from the negative runoff in Q3 was about 2.5%. So if you adjust the combined ratio for the -- of the Third Quarter for the runoff, the combination would have been close to 100%. In the sense of what we should expect for the Fourth Quarter, I expect that we're going to have a negative runoff, which is more than 2.5%. So we are going to have some additional reserves. I cannot give you a number. But I believe the combined ratio for AGCS for the Fourth Quarter is going to be higher than 110% for AGCS. I will say, this is something that we should expect. I don't expect that we're going to have additional runoff as we go into 2020 or 2021. But this statement is always relative to what new information might bring in the future. So it's very difficult to make a prediction about what could happen in 2020 or what could happen in 2021. For the time being, I can just tell you that for the Fourth Quarter, 2019, I would expect that we're going to see some negative runoff coming through the AGCS numbers. From a restructuring point of view, I would say, that there are clearly lines of business where there is more need for price changes. And for example, Marine business is very challenging. Liability, U.S., we feel pretty okay with our liability U.S. book because we have a little bit of a different profile. But still, when you read all the news coming through, you want to take even a closer look. So from that point of view, I will say, a lot of business is under review.

We -- in the sense of exiting, I will say, we have been exiting, by the way, a few lines of business like Australia D&O. But fundamentally, we think that in most cases, it's more about reunderwriting, getting price increases and exiting is most likely not going to be needed. This said, if we run the numbers. And we see that we need to exit some lines of business, we are absolutely open to do that. But I don't think it's going to be necessary to go to these extreme measures. And if this is the case, it will be in very exceptional cases. But there is no emergency. So we run the numbers. And if we had to do that, we're going to do it. Thank you.

Operator

We will take our last question from Ben Dyson of S&P Global Market Intelligence.

Q - Ben Dyson {BIO 19464362 <GO>}

I Just have a quick one on the lower-than-average contribution from runoff on the Property-Casualty side. I was just interested if you could say a little bit more about why that was? And whether you see that as continuing going forward? Or whether you expect it to return back to the sort of usual average level you would expect?

A - Giulio Terzariol {BIO 17125489 <GO>}

Yes, I would say that the differencial, say, between the 2.5 and the 3 that we might (inaudible) is driven partially by AGCS, we just discussed that. Then also, usually, we would expect to not to have a negative runoff in Spain. This is going to clearly go away next year. So these are the 2 drivers why the runoff in the Third Quarter is lower compared to what we would have as an expectation. So in 2020, with a spread that we are going to go back probably to a level of runoff of 3%., one thing anyway for you because we're always looking at the quarter, if you look at the nine months, the runoff is 2.8%. So especially in the First Quarter, I think the only thing you can look at is the First Quarter. When we go throughout the year and especially when we get into the nine months, I think the best way to look at the numbers is also to take -- to take a look at the nine months numbers, they might give you a better idea of the performance as opposed to just a quarter. But yes, to repeat the point, AGCS clearly being negative and Spain being negative for this year, the other 2 is that they will not be in our normal expectations. We don't expect companies to have a negative runoff, let's put it this way.

Operator

We will now return to the German conference for any additional or closing remarks.

A - Oliver KlÃ¼h

So ladies and gentlemen, this ends today's conference. We would like to thank you for your participation. And wish you all the great remainder of the day. Thank you, also from our side and enjoy the rest of the day. Thank you, also from Giulio Terzariol.

(Portions of this transcript that are marked (Interpreted) were spoken by an interpreter present on the live call.)