Q2 2015 Earnings Call

Company Participants

- Lars Møller, Director-Investor Relations
- Morten Hübbe, Group Chief Executive Officer
- Tor Magne Lønnum, Group Chief Financial Officer

Other Participants

- Christian Hede, Analyst
- Gianandrea Roberti, Analyst
- In-Yong Hwang, Analyst
- Jakob Brink, Analyst
- Niccolo C. Dalla Palma, Analyst
- Per Grønborg, Analyst

MANAGEMENT DISCUSSION SECTION

Lars Møller

Good morning, everyone. This is Lars Møller, Head of IR at Tryg. We're here to present our Q2 and Half-Year Figures. And with me today, I have our CEO, Morten Hübbe, with me; and our CFO, Tor Lønnum, with me. And with this short introduction, over to you, Morten.

Morten Hübbe

Thank you, Lars. And I will start with the highlights on slide three, where we, of course, continue to focus on the areas announced on the Capital Markets Day. As expected, the run rate of the efficiency program will be DKK 150 million this year. I expect it to grow to DKK 225 million next year and DKK 375 million in 2017. So far this year, numbers of employees is down 104 people.

We are working on In4mo and Nordic road assistance as two of the main drivers of claims improvements at the moment, and we're working on IT sourcing and change of organization in Commercial as two of the main drivers of cost improvement at the moment. The customer targets are progressing well. Our satisfaction on number of products per customer is increasing. And retention rates is increasing in both Denmark and Sweden whilst slightly declining in Norway.

There are some areas in the portfolio where the current price development is slightly lower than planned. And with the potential upwards trend in the Danish economy, we see it's quite important to secure enough price adjustments to balance out a potential increase in inflation. And we do have some focus on smaller bolt-on acquisitions to improve earnings and support the top line in the business.

Now, if we continue to slide four in the financial highlights. Now, despite a drop of DKK 350 million in investments year-on-year, we deliver a return on equity of 22% and our first ever semi-annual dividend of DKK 2.5 per share, equivalent to some 40% of the expected full year dividend. And really, we see that as a strength and a sign of the robustness of our business model that despite turbulence in the financial markets, we can deliver a high ROE and a strong dividend. Combined ratio at an attractive level of 82%, a small improvement of some 2% in the second quarter results before the one-offs in the second quarter of last year mainly related to pension viabilities in Norway.

The top line drops 1.4% in local currency. Now, sales and retention rates developed according to plan. But we do see an issue with price reduction in motor and that is the main driver of the top line drop, where we should remind you that that is more than offset by reduced claims, and we see, particularly in Danish motor, some 16% reduction in expected claims cost in the last three years. We do also see a few large accounts in Corporate that has reduced the top line. And as I mentioned, some areas where we do need to secure that continuous price development balances out inflation.

If we turn into slide number five with the customer highlights, we show a strong development in customer satisfaction and, as I mentioned, an increase in retention rates with both Denmark and Sweden. And we also see an increase in the number of customers with three products or more. And I guess it was fair to say that we currently see that retention rates are increasing for customers with three products or more while it's declining for customers with only one product emphasizing, I think, that our strategy here is right. We're quite satisfied with this development, but I think it's fair to say that if you look at the business areas below, there's more variation than the quite strong improvement in the headlines indicate.

We continue to drive a lot of focus on price-differentiated products, both to improve selection and margins but also to improve our competitive position. We're now three months into the implementation of the new merger product in Denmark, and we do see that the sale of the new product results in slightly higher pricing than the old product, but it's still a small proportion of the total Nordea portfolio.

We are adding now a new small product, what we call change of ownership on car insurance, where we are the first company in Denmark to provide this new product. Clearly, it's a small product, but it's also an example of a slightly increased focus on introducing smaller, new add-on products to enhance the customer experience and also to add the number of products per customer.

And, finally, you may have seen that we've now received a conditional approval of the membership bonus in Denmark from the authorities, and the final adjustments and approvals will take place expected in the representatives meeting in August.

And over to you, Tor.

Tor Magne Lønnum

Thank you, Morten. Good morning, everyone. If we turn to slide number seven and just do a bit more deep diving on the premium side, as I'm sure you've all seen the positive momentum in top line turned slightly negative in Q2. And I think, we continue to see a relatively stable and good development in Private. But as Morten mentioned, there is some price pressure applied. If you look into sort of the Commercial portfolio, you see that there is some competitive pressure in the portfolio, and I'll get back to that.

If you look into the corporate side, I define it as more of a normal volatility. We have mentioned that we had some one-offs in the same quarter last year. We have also lost a couple of large corporates. But as I said, I would describe it more as a normal volatility. If you look into Sweden, we actually see a significant positive development in terms of revenue in that portfolio.

If we move on to slide number eight, I'd say – and focusing on the retention level, clearly, there is a strong retention level in Denmark, both in Private and Commercial. Of course, we think, over time, and getting back to the point that Morten had related to the dividend model, that is on the margin, something that we think will contribute, of course, going a bit forward in time. But at least, it should be, on the balance, a positive thing.

As I mentioned, if you look into the Norwegian retention, both in Private and Commercial, you see some downward trend in terms of retention. And I think, it's two things that I'd highlight. One is the competitive pressure that we mentioned earlier. But also, the fact that we have made a significant change in distribution setup in Commercial that have had some impact on the retention level there, which is something that we, of course, consider will be more temporarily, although probably for a few quarters to come as well.

If we move on to slide number nine, you can see that in terms of Denmark, we had average prices in motor dropping by 2.3% and house dropping by 0.8%. The development is, of course, driven by portfolio mix, and I think we have mentioned that before. There's no doubt, as Morten, mentioned that profitability in motor continues to develop favorably due to reduced risk. There is also the improved average premium that Morten mentioned in terms of the new sales for the new product. But it's also fair to say that we do see – it will become necessary to do selective price measures in order to compensate for inflation going forward.

If we look in to Norway, we see that we still have positive average prices, but it's slightly – the positive trend is slightly reduced this quarter. In terms of motor, we see that we have continued improved profitability, same as we see in Denmark. In terms of the housing product, clearly there is improvement in terms of portfolio mix, but the same applies here that I mentioned for Denmark. Clearly, we will have to do price increases as well in order to maintain profitability in the product.

If we move to slide number 10, you can see that there is a continued small improvement in technical result, actually reaching DKK 825 million this quarter. And, of course, the last year was impacted by the DKK 135 million one-off related to the pension scheme and the IT transition.

If you look at how the profitability is spread, it's a solid profitability in Private and Commercial. Corporate is, to a certain extent, impacted by large claims. And as I'm sure you've seen, we have a relatively high run-off in Sweden this quarter.

If we move to slide number 11, you can see that we have an improved combined ratio in the quarter. And, of course, it's supported by a positive underlying claims ratio that I will get back to.

Moving on to slide number 12, the efficiency program, as you all know, is running at the slightly lower rate here in the beginning of the period. And the accumulated savings for the year is at DKK 73 million and DKK 38 million this quarter.

In terms of the key drivers, as Morten mentioned, clearly there is the IT infrastructure that we have talked about earlier, and of course has an impact this quarter. But also the rightsizing in terms of the commercial and looking into sort of the simplification of the commercial distribution model. In terms of the savings at the claims side, it's really important that we see, and I think we have mentioned this before, but we do see effects now from utilizing the fixed price list for housing claims in Denmark, which seems to be moving in the right direction, and is something that I would absolutely highlight there.

If we move to slide number 13, we continue to have a positive development in costs. You see that the number of FTEs is down by 50 since – or slightly more than 50 since the last quarter, so a positive development in that respect. You can also see that the nominal cost are down in all business areas, which we are of course very pleased with.

If we move on to slide number 15, there is, as I mentioned, an overall underlying improvement in claims ratio by 0.5%, so dropping slightly below 70%. There is no doubt that the quarter is impacted by the drop in interest rates, and that actually has an impact of 0.5 percentage points on when you adjust to the underlying calculation this quarter. There is an underlying improvement in Private and Corporate, whereas small increase in Commercial and slightly higher in Sweden. I've highlighted the two latter are a bit more volatile due to the size and due to sort of the impact of other claims in the portfolio.

If you move to slide number 16, and I think Morten has highlighted already, we have a significant claim in Corporate related to a large production facility. This is something that is outside the Danish space, but a normal part of our Corporate portfolio. The claim is clearly covered by our reinsurance program but, of course, distorts the gross figures quite significantly.

As I'm sure you've already seen, the weather claims continue to be at a low level this quarter. There is some uptick in run-off releases but perhaps slightly less than what you would have expected. To that, I'd only highlight the fact that there will be some movements between the quarters, i.e. normal volatility.

If we move on to slide number 18, as Morten mentioned, significant drop in the investment results this period, turned actually negative to DKK 84 million, a total drop of almost DKK 350 million. As you can see, we've had some positive performance in the free portfolio, particularly on equities. Then I guess the other thing that I'd highlight is the fact that the match portfolio has a negative development this quarter. And it's fair to say that it's, in particular, sort of the fact that the pressure on the Danish kroner that is sort of the most important driver in that respect. And I'm sure you will remember that we had a relatively positive effect on the match portfolio in Q1, so I'd argue that it's a relatively normal movement.

If we move to slide number 19, there is a stable development in capital position. That's a level that's about 50%. We will get back to the renewal of the subordinated debt in Q3. And there is no news related to the Norwegian Natural Perils Pool or the internal model application.

And I think with that, I will let you summarize, Morten?

Morten Hübbe

Thank you, Tor. And on slide 20, we, very importantly, reiterate our target for 2017. On the financial side, target for an ROE at or above 21%, for the combined ratio to be at or below 87%, and for the expense ratio to be at or below 14% in 2017.

I think it's quite positive that when we look at the second quarter, despite a lot of volatility on the financial markets and a drop of almost DKK 350 million on investments year-on-year, we're actually able to deliver a return on equity of 22%, and our first ever semi-annual dividend of DKK 2.5 per share or some 40% of what is expected to be the total dividend for the year. And that really signals the strength and the robustness of our business model.

And at the same time, we see in Q2 an improvement of all of our customer measures in the process. If we look at what we're focusing on at the moment, there's no doubt that we have a huge focus on delivering the efficiency program from DKK 150 million this year to DKK 225 million next year and DKK 375 million in 2017.

And then, of course, we continue to have a very strong focus on delivering on our price differentiated products because we see that it improves our selection, it improves our margins and it improves our competitive position while, at the same time, a slightly increased focus to secure that average prices developed in a way that balances out a potential increase in inflation, particularly in Denmark.

And with that, I think we'll hand it over to questions.

Q&A

Operator

First question comes from Mr. Jakob Brink from ABG. Please go ahead.

Q - Jakob Brink {BIO 7556154 <GO>}

Yes, please. I have three questions. The first one, could you just tell us a bit more about how it's possible to get 6% higher prices on the new car product? I guess that must be new customers or how exactly is that working?

And second question regarding the underlying improvement, I see that's 50 basis points underlying combined ratio improvement from Q2 last year, which basically equals the entire DKK 23 million efficiency program that should impact year-on-year. Last quarter was hardly anything. What's sort of the latest on how much of the efficiency program is actually coming through to the bottom line? That's the second question.

Finally, on the interim dividend, Morten, you said that it's around 40% of the full year just like you said before. Is it exactly 40% or how are you coming to this DKK 2.5? Thank you.

A - Morten Hübbe

Yeah. Hi, Jakob. Just in terms of if – related to the question about the car product, it's fair to say that – and I think we have tried to explain that earlier as well. What we've done is that we have increased the price of the TPL part of the product slightly. We have reduced the price of the CASCO coverage slightly. And then, we have introduced sort of separate covers, for instance, like if you have roadside assistance or coverage or claims from the driver, et cetera.

So the 6% higher price that we mentioned is based on the composition of the portfolio. If you do sort of a comparison directly against the same level of products sold last year. So it's in our mind the price increase on average premium really stems from the approach in terms of being more granular on the pricing and making sure that you're actually pricing separate covers, as I said, separately.

Now, in terms of the underlying and the 50 basis points, I think it's fair to say that there will be no exact sort of link between the DKK 23 million that you mentioned and the 0.5%. It will be volatilities because we are not able to be that precise. So I think our ambition, as we clearly have stated before, is that a part of the savings program will sort of come to the benefit of the shareholders and a part will come to the benefit of the customers. And we try to balance those sort of – those two parts the best we can. But there will be normal volatility and there will be normal movements in the portfolio.

Now to the interim dividend, the answer is yes. I mean that – the aim is that it should be approximately 40% of the full year and dividend and if you do the math, you'll see that that also fits relatively good with the expectation or sort of the growth that we put into the dividend from last year.

Q - Jakob Brink {BIO 7556154 <GO>}

Okay. Thank you.

Operator

Our next question comes from Mr. In-Yong Hwang from Goldman Sachs. Please go ahead.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Good morning. This is In-Yong Hwang from Goldman Sachs. I have two questions, firstly on premiums. Does your premium guidance for growth in line with inflation over 2016 to 2018 still stands in light of the continuing competitive environment in Denmark?

And secondly, could you remind us on capital – if you have any expectations for the impact, if the internal model is approved? And do you have an idea of what you see as a good ratio or a buffer on the Solvency II number? Thank you very much.

A - Morten Hübbe

Well, I think if you – good morning to you as well. I think if you look at your first question, there's no doubt that the fact that we see a slightly lower price development in some areas, particularly car, but also a little bit on house but with some pressure on the expectation to grow in line with GDP next year. And that's why you may see that we have changed the wording in the reports saying that we will also include potential impact from small bolt-on to reach the GDP – or growth in line with GDP next year. So that's the main change in that signal.

And then, of course, the important signal that we see a need to slightly adjust or increase prices in areas when inflation will tick up, and that will be a driver that will be carried out during the more – the period that is just before us. The autumn and the spring, but that will mainly be impacting 2017. But a small bolt-on will be included in reaching the GDP growth for 2016.

A - Tor Magne Lønnum

In terms of the capital expectations, I guess it's fair to say that to the latter, i.e., to the buffer, there is – we have not stated a buffer level, and we will not do that going forward as well. What you've probably observed is that we have been hovering around the 50%, but we have no stated buffer target. And I think it's really important to say that we don't want to do that because we are trying to sort of keep into consideration the fact that we are trying to deliver a relatively stable cash dividend. And then one of the fluctuating parts will be the capital buffer within the business.

Now, in terms of capital expectations related to the internal model application, as I'm sure you can – you've seen on the slide you see what the capital level is based on our internal model. And, of course, we have in the previous as well been reporting what is the difference to the standard model, and there is no change in that approach, i.e. that is what we expect as an effect from the internal model application.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Okay.

Operator

Our next question comes from Gianandrea Roberti from Carnegie. Please go ahead.

Q - Gianandrea Roberti {BIO 6786731 <GO>}

Yes. Good morning from me as well. I have a couple of question as well and on something that you've already touched upon a little bit. But I think in the last six months, there's been a lot of discussion on what was going on in Moderna insurance and (25:03) driven by several things. But I think it's reassuring the statement that you're putting out especially on the fact that average prices on new sales are actually at 6%.

I mean, if I had really look at the long-term trends on this line of business, I guess it's fair to assume that there will be some sort of pressure on the top-line. But I also have a strong impression that claims will continue to fall down and proportionally more than the top-line. Is this something that you would share? That's my first question.

And the second one on the run-off, Tor, I appreciate the comment of the volatility in the quarter but indeed, I think you had a 4.9% of run-off in this quarter which is quite a bit below probably most people expectation. Is it too much to think that you have kept a little bit of fact for more adversities if there are any in the next few quarters?

And the last question is on a small bolt-on M&A. I think you mentioned a few times in this call already and I'm just wondering if you can give us some more precise indication. I mean, are we talking about the niche line of business, like the Securator acquisition of last year, or what are you looking at? Thanks a lot.

A - Morten Hübbe

Good morning to you, Gian. I think on the motor question, I think your logic is right. I think on the 6% higher new sales price on the new product, some of that goes back to the slightly higher pricing of the liability part as you mentioned, Tor. And some of it goes to the fact that we're adding new coverages to sort of fill the gap for a slightly shrinking motor product. But if you look at the margin question, which I guess is ultimately what we're all searching for, we see that just in the last three years, we actually expect that claims expense in motor is down 16%.

And with more and more safe cars and with more and more cars with better, smaller engines, et cetera, we actually expect that development to continue. So yes, there'll be more pressure or continued pressure on the top-line, but we also expect the claims to continue to fall. And I think by adding on new coverages, then hopefully we can balance out some of that.

And then I think on your last question on the smaller bolt-ons, I don't think we should be very precise on that. But if you look at the last year or so, we've done two acquisitions, one was Securator, which was a niche player on extended warranty business and another one was a pet insurance in Sweden, also a niche player. So I guess we've shown that adding smaller niches to the existing, more efficient machine is a logic that we're following, so I guess that's some indicator.

A - Tor Magne Lønnum

Yeah, and then to the final question about the run-off, Gian, I think as I said, there will be some volatility in terms of the quarters because, of course, it will be always sort of how you perceive the underlying reserve situation on the book. But I think what I'd highlight, getting back to your question is the fact that, yes, it's perhaps slightly lower than what you would have expected for the quarter, but if you look at the year-to-date figures, we are at 6.3% run-off. So of course, it's – I think it still supports the statement that we have made in terms of the fact that the run-off will be slightly higher than what you've seen in the past.

Q - Gianandrea Roberti {BIO 6786731 <GO>}

Absolutely. Thank you very much.

Operator

Our next question comes from Christian Hede from Nordea. Please go ahead.

Q - Christian Hede {BIO 18642300 <GO>}

Thank you very much. Most of my questions have been answered, but coming back to car insurance and premium developments there, there seem to be some indication that there's sort of an uptick in optimism in Denmark. We also have indications that people are now buying – obviously, they're buying more cars, but they're also buying bigger cars. So, my question is whether you can see this at all and whether that can change the picture.

And then I have a kind of a detailed question for page 13 in your slide pack, where you have this table about nominal costs. And I think, Tor, you were saying that you are happy that costs were coming down for all the business units. So, I just wanted to know how I should look at the one-off effects because, yes, if they are one-offs, I'll take them out, then you have increasing costs. So, yeah. Those are my two questions. Thank you.

A - Morten Hübbe

Well, good morning to you as well, Christian. The first question, I think you are actually right that we are expecting and seeing the beginning of an early uptick in the Danish economy. I think that you're probably also right that we will see that people will be buying slightly more cars and slightly larger cars.

Now, I think we do have to bear in mind the starting point. The starting point is that 75% of all new car sales over the last couple of years have been small cars. So, even though that 75% may drop a little bit, which could be positive, then I think in isolation, we're still looking at the next couple of years that the portfolio of older cars or bigger cars will become smaller because the 75% is still a very high number. But, clearly, there could be a slightly longer-term positive in the uptick and buying slightly larger cars.

But as we see it, currently, Christian, that the main takeaway we take from the slight uptick in Danish economy is really more on the inflation risk because it's very clear that if the economy of Denmark starts to recover a bit more, there is a good likelihood that inflation will increase as well. And I think it's very important for an insurance company not to get on the wrong foot and get caught behind the current in terms of claims inflation. And that's why we're saying, we think it's actually quite important for the entire industry to make sure that we do smaller price adjustments to make sure that we capture the potential increase in Danish inflation.

A - Tor Magne Lønnum

Then to the detailed question, Christian, that is, of course, something that we can do offline as well. But what we have tried to illustrate is really that since the nominal expenses in the same quarter last year were impacted by the one-off effects, you'll see that the 2015 figures are lower nominally than what you had excluding the one-off effects in the same quarter last year. But when that is misinterpreted, I see that perhaps we'll have to look into the way that we do the illustration. But I just try to make it relatively simple. And bear in mind that there is currency effects when you look at the nominal expenses as well. So it's not that simple as I described it but...

A - Morten Hübbe

But what you should bear in mind, Christian, is that you had a positive income last year because we reduced the pension liabilities, so that reduced the cost last year. So just bear that in mind when you're trying to do this before or after one-offs.

Q - Christian Hede {BIO 18642300 <GO>}

Okay. That's fine. And, Morten, but coming back to your inflation risk question, how you see discipline in the market because, obviously, you would like the market to do the right thing and to increase prices to be ready for the inflation risks coming. But how do you see the situation as it is now?

A - Morten Hübbe

To be honest, I think it's very early days that we're just getting out of the recessionary thoughts. And I think it's very early days for society to expect a slightly higher economic activity. And I think if we look at history, I think the tradition for our insurance industry is that you do get caught behind the curve in terms of increasing inflation. So I don't think we are yet seeing the industry trying to price in a slightly higher future inflation, but I think it's something that the industry needs to focus on in the coming period.

A - Tor Magne Lønnum

And I think, just to supplement Morten on that, I think it's really important to say that – and you've heard me say this before – but being the market leader in Denmark, having the brand position that we have, we also need to take the lead in terms of the market. So we will, at least to a certain extent, be setting the standard. And that subset (33:56) it's really important, as Morten said, that we look into where do we actually need to sort of do, call it, preemptive measures.

A - Morten Hübbe

And then, I guess, it's important to say also that we're not talking about very large numbers. It's more a matter of getting the small numbers right, at the right points in time and don't get caught behind the curve.

Q - Christian Hede {BIO 18642300 <GO>}

Thank you very much.

Operator

Our next question comes from Mr. Dalla Palma from Exane BNP. Please go ahead.

Q - Niccolo C. Dalla Palma {BIO 16052945 <GO>}

Hi. Good morning, everyone. Three questions from me. The first one, just a quick clarification on the 6% higher prices, could you just clarify whether it is on the TPL part only or is this an average of TPL and CASCO or it even includes the ancillaries, just to clarify on which part it is?

Secondly, on the decreased retention and the impact on the commercial lines in Norway, whether you could comment on whether this is perhaps related to Gjensidige's policyholder dividend model actually starting to be more successful or whether this is really specific to your own distribution?

And lastly, on the negative performance of the Match portfolio, you mentioned the currency effect. If you could please explain that further. Isn't there a part related also to the fact that you used a regulatory discount rate, which on the long run, clearly moves differently to the asset side when interest rates move up? Thank you.

A - Tor Magne Lønnum

Yeah. Good morning. If we start with the last question, you're quite right. I mean, I just tried to make the explanation relatively simple. What you can say is that in Q1, you saw that the spread between European interest rates and Danish interest rates came in a lot due to the pressure on the Danish kroner, whereas in Q2, you've seen a slightly opposite movement. And that's really the most important part. And yes, of course, there is a small element in that, which relates to the fact that you're using, as you say, a regulatory interest rate, which, of course, it's not possible to match perfectly.

To the question number two in terms of retention levels in Norway on the commercial side, I think I'd try to highlight two things. It's important to say that a significant part of that development is due to our own transition of the Norwegian distribution setup. But it's also fair to say that in the last quarter and probably on the quarters to come as well, there will be some impact due to what you have seen in the Norwegian economy. So I don't think it's really a discussion about a specific player in the market. I think it's more a question about what's going on in the marketplace, and in particular, the specific issues related to our own setup.

A - Morten Hübbe

Just to give you a little bit of color on the structural changes we're doing in commercial Norway, we have moved a number of customers from Corporate to Commercial. That's one. We are moving a number of tasks from back office to the front office. That's another. We are moving a number of sales resources from own sales to franchising, which is the biggest driver we have in Private sales in Norway but a smaller driver in Commercial. And these are rather large structural changes, which means that there are areas where our service level has not been quite high enough and also that there are areas where in the transition process, the sales actually as well has been slightly lower than planned. But as Tor said, we're not seeing one particular compared to that being out of normal in terms of lapse ratio.

And then I think on your first question regarding the 6% of new car sales, it's important to say that that is the total impact. So, if we look at the total price of new car sales in the new product versus what we had on the old product, that actually is a composition of the slightly higher price on viability and the add-on products and the purchase of those. So the 6% is the sum of all of it.

Q - Niccolo C. Dalla Palma {BIO 16052945 <GO>}

Okay. Very clear. And if I may, very quickly on the follow-up also on the comment regarding potential bolt-on, is the reason for mentioning this more specifically this time that you actually see a number of opportunities out there that are available?

A - Morten Hübbe

Well, I think when you know the Nordic markets well, I think it's fair to say that there's not a large number of opportunities. So we shouldn't signal that in a wrong way. I think the main logic for mentioning it is that we see that with the slightly lower average price development, it's important to say that we stick by our expectation of GDP growth next year but the new signal is that we expect some element of small bolt-on to be part of reaching that target. And that is why we're mentioning it.

Q - Niccolo C. Dalla Palma {BIO 16052945 <GO>}

Okay. Thank you very much.

A - Tor Magne Lønnum

To follow up on that, I think we forgot to answer that relative to your question as well, Gianandrea, but just say that in terms of bolt-ons, I think we have highlighted before as well that that one of the things that we would like to achieve is a better development in terms of new or sort of growing – or products that are growing perhaps slightly on the outside of the traditional products. Of course, that will be one of the areas where we will be looking for that kind of bolt-ons.

A - Morten Hübbe

Yes, it fits really overall with the scenario where if one of the larger products be that motor is shrinking a bit in terms of size, which is not really a challenge in terms of margins because claims are falling more rapidly than the price. But, of course, when that volume shrinks a bit, we would like to add a little bit of new products that has a slightly more positive contribution to the total volume and also making sure that we take the advantages of having a more efficient total business model.

And we will do some of that organically. That's why we're adding smaller, new products, with more focus than we've done before. And then a little bit of bolt-on, but don't expect a long list because there's not such a list in the market.

Q - Niccolo C. Dalla Palma {BIO 16052945 <GO>}

Thanks.

Operator

Our next question comes from Mr. Per Grønborg from Danske Market. Please go ahead.

Q - Per Grønborg

Yes. Good morning. It's Per from Danske. Also, have got (41:21) a couple of questions from my side. You talked a lot about the competition in Denmark. What do you see the difference between (41:30) differences to the Norwegian markets? Are you starting to see any impact of the slowing Norwegian economy due to the lower oil price in Norway. That was the first question.

My second question is quite specific when we go into the investment income and the other lines which have been some DKK 70 million to DKK 80 million the last two quarters. Last year, you guided for a run rate of DKK 200 million. Is that guidance still valid going forward that the other lines will end up around DKK 200 million going forward?

And my final question is in relation with the Q1, there was some discussions about potential restructuring charges later in the year. Any update on that topic?

A - Tor Magne Lønnum

Hi Per. Good morning. If we take the last question first, we do plan for a restructuring charge in Q3 but no news really. We as I think we mentioned before, it's really important that we get that right in terms of number of FTEs and that it doesn't come as a surprise to the organization. So that's really why we have sort of been trying to plan for it. So no news really in that respect.

In terms of the investment side, there is really no news in terms of expectations, so more or less in line with what we have communicated before. Clearly, of course, what happens on the bond side is that when you've had actually a drop in the short term, and that will have an effect on the free portfolio since the duration is so short. But other than that, the expectations are more or less the same as they have been in the past.

A - Morten Hübbe

I think, on the first question, I think you're right to ask the question about macro in Norway because, I guess, we've had a couple of years where there has been a significant increase in new car sales in Norway. There has been higher and more activities to insure, together with, of course, the oil price going up and then down.

I think we're not probably the company with the strongest link to the macro question. We're not strong in this Stavanger area where they will see the biggest change in Norwegian macro. But we are starting to see that new car sales increase is coming to a lower level. We are also starting to see lower activity levels amongst our commercial customers.

So, I do think that we'll have less tailwind on commercial volumes in Norway in the coming years than in the previous years. But then, on the other hand, we are starting to see that the rather depressed economic development in Denmark is lightening a bit, and that we're starting to see slightly higher activity level.

So, to some extent, those two trends will offset each other with a negative development in Norway and a slightly more positive in Denmark. And then we'll see the timing and the volumes. But there will be some offset between the two.

Q - Per Grønborg

Who are the big insurance players in the Stavanger area?

A - Tor Magne Lønnum

Good question. I guess, it will probably the other three larger players. I don't think there's any sort of specific niche player relative to the Stavanger area actually. But you know that the reason for mentioning the other three is, of course, the fact that you have SpareBank 1 (45:33) being a relatively large savings bank in the area. So of course, there will be some insurance portfolio related to that bank. And perhaps, if that's a relatively large exposure – I'm not – it's a relatively precise question, Per. I'm not...

A - Morten Hübbe

I think we're focusing more, Per, on whether our exposure is market share normal or above normal or below normal. And our market share on that region is below normal for the full country. And maybe you should ask the others the same question, (45:56).

Q - Per Grønborg

Okay. Thank you.

Operator

We have no further questions on the line, so back to you speakers.

A - Lars Møller

And thank you very much for participating in the call this morning, and thanks to Morten and Tor here. And just to remind you that the last (46:16) that we set our plan for the road show, so we will be here around in Copenhagen today and in London next week. Then we'll be off for the summer season. Some of us are going to Greece to support the economy down there, and then we will return here in August again and join a couple of conference and road shows as well. So with this just short – sort of a short update on the road show schedule, I wish you all a nice summer holiday, and of course feel free to please give us a call during today or Monday or Tuesday as well if you have any questions but – yeah, thank you.

A - Morten Hübbe

Thank you.

A - Tor Magne Lønnum

Thank you.