Q1 2019 Earnings Call

Company Participants

- Gianandrea Roberti, Investor Relations Officer
- Johan Kirstein Brammer, Group CCO
- Morten Hubbe, Group CEO

Other Participants

- Analyst
- Asbjorn Mork
- Jakob Brink
- Jonny Urwin
- Kevin Ryan
- Mads Thinggaard
- Per Gronborg
- Phil Ross
- Youdish Chicooree

Presentation

Gianandrea Roberti {BIO 6786731 <GO>}

Good morning, everybody. This is Gianandrea Roberti, I'm Head of Investor Relations of Tryg. We publish our Q1 Results early around this morning. I have here with me, Morten Hubbe, Group CEO to discuss and present the figures. Over to you Morten.

Morten Hubbe {BIO 7481116 <GO>}

Good morning, and thank you, Gian. And we start off on Slide 3, where we reported technical result of 626 million against 563 year-on-year. Clearly, the result was positively impacted by the inclusion of Alka for the first time and the first delivery of synergies from that case. But then again negatively impacted by higher than normal level of large claims, but then positively again from whether claims being a bit below normal. More importantly, we see a continuation of the trend of underlying claims improvement, some 50 basis points both on the group level and in the private business. Clearly, a large swing factor in the investment result 353 million for the first quarter, very positive and we might want to booked that for all the quarters in the future, but clearly impacted by the global equity markets up 11% and a general quarter also were all risk classes are up year-on-year. Dividends per share for the first quarter of DKK1.7 in line with our aim of continuously increasing dividends and compared to 1.65 year-on-year. And a solvency of 168 for the quarter.

And if we turn to Slide 4, pleased to see that our positive trend on customer satisfaction TMPS continues. And of course, that one of the positive drivers of that is that improves our retention rate, which is the most the strongest way possible of improving the top-line and the bottom-line at the same time. You also see on this slide that the number of products per customer increase and that also supports loyalty. I'm pleased to see again a payment of membership bonus from TryghedsGruppen of 8%, now for the first time also to the customer in Alka so now all-in-all, 1.3 million customers in Denmark received the membership bonus.

On Slide 5, we show the split of the technical result, clearly, generally positively, impacted by Alka and improves in online claims and negatively impacted by the larger claims. And you see that reflected in the split between private, commercial and corporate, a very strong development in private lines, but then again we see in commercial and corporate that the large claims reduce the technical result. Sweden continue to increase the results and we see a positive result driven in the Swedish business.

On slide 6, we have shown a new slide, where we just summarize to opposite rather volatile elements in this quarter. One is large claims and the other is of course, investment returns. Look at the large claims graph. We see a 181 million large claims in the quarter up a 137 million a year-on-year. That is largely stochastic and of course we monitor closely if there are any patterns should be reflected there and how to handle that in terms of price increases, but bear in mind, that we stick to our normalize guidance of large claims for the year of 550 million . Look at the investment income, we continue with an unchanged low-risk investment strategy. But of course in Q1, virtually all our asset classes are up, and 353 million for the quarter is unusually high investment income.

On slide 7, we elaborate on Alka. Of course, the first full quarter of including Alka and all figures and delivering the first 21 million of the synergies from the Alka integration and bear in mind, that we are promised 75 million for the full-year 2019. In the beginning here, we see the roughly half of the synergies is cost synergies, for instance headcount reductions, development function reductions, sponsorship football league, etcetera reductions, much in line with our expectations. And then bear in mind that the biggest longer-term synergies area is in claims, that has started well, we've been going through 700 contracts having a very clear and concise plan of using the combined muscle on claims procurement. We've started out mainly in motor insurance, where TryghedsGruppen's some 8% cheaper than Alka, that is starting to pull through and you'll see more of that during the year, and then 1 of April, we continue on with property and as the next big area. We've very clear and confident in our ability to achieve the 2021 synergies targets of 300 million.

If we look to Slide 8. We elaborate on the payout dividend of DKK1.7 per share, a 3% growth year-on-year and as usual we aim to pay a flat quarterly dividend throughout the year. And of course, our ROE target at 21% post-tax continues to install discipline in our carrying out of the business. And our very high focus on shareholder remuneration. We will continue that focus on capital repatriation and we're pleased to see that 2019 will be the eighth-year in a row with an increased dividend.

And we move on to slide 10, where we elaborate on the growth composition. Of course, the growth is rather high in the quarter excluding Alka some 6% with growth in most areas, bear in mind that the largest growth is seen in the private lines business, which is of course our most profitable business line area and our least capital consuming business area. Bear in mind that underlying in private, we still have positive drivers in Denmark from FDM for instance from the new product coverages in Norway the new partnerships with NITO and the impact from (inaudible) and OBOS pick -- pulls up the growth higher than usual. So although this current growth in private lines would be nice to continue into perpetuity that is probably not what you should put into your spread sheet. We're very pleased that the most profitable area is the area that grows the most . And bear in mind that commercial growth was also held by Alka, and excluding Alka, we see a growth or some 5% unnaturally high because actually premiums and commercial in Q1 '18 was unusually low.

And then, you see a low growth in corporate lines very intentional, this is our least profitable business segment, and if you dig beneath corporate, we see a positive growth in corporate Denmark and in negative growth in both corporate Norway and corporate Sweden, where the main focus is to increase prices and enhance our profitability, which is not at its satisfactory level in neither corporate Norway, nor-corporate Sweden. Then we see a growth in the private line Sweden, which is not impacted by acquisitions, where we see a reasonable growth, but from a small business segment.

Then we continue on slide 11, on average prices were of course is trying to stay ahead of the curve and adjusting prices in accordance with claim inflation is extremely important and profitability improvement of course stemmed from a combination of claims initiatives and price adjustments.

And then, we continued on slide 12, elaborating on customer retention and you see a very, very healthy development in both Denmark and Norway, and in both Private lines and commercial. And that is by far the soundest way of improving earnings in an insurance company, and in all areas we'd see an improved retention rates in Q1 compared to the same quarter last year. We know of course, that in Denmark the customer bonus scheme helps this development. It also means that we are particularly pleased to see that we improving the retention development also in the Norwegian business, which is not helped by the customer bonus gain.

Further on, on slide 14, we open up the claims section and as mentioned we saw in Q1, a continuation of the improved continued underlying claims, we see that on the group level there's a 50 basis points improvement, and then the private lines there's a 50 basis points improvements.

We noticed that some of you have tried to calculate your own underlying numbers, which is of course, an interest in exercise, but perhaps you should stick through the calculations that we make. We have in this slide adjusted the columns for all the periods to include Alka to make things comparable. If we see price adjustments and claims excellence, those are the main drivers of improving underlying year-on-year, but also we do have a clear intention of rebalancing and leaning the portfolio more and more towards a retail, and of course, Alka helps re-balancing the portfolio more to so as private lines. We expect the underlying claims ratio improvements to continue in '19 and in 2020.

On Slide15, we elaborate further large claims and whether claims, as mentioned Q1 was quite benign in terms of whether claims development and somewhat lower compared to Q1 year-on-year and much lower than a normal Q1, where we would normally expect 100 million more in whether claims. But then as mentioned, 181 million large claims, a 137 million higher year-on-year, we do see some trend in fish farming and a couple of other lines in the corporate segment, in Norway and generally we monitor very closely the trends and signals to pick-up to adjust both on exposure and on price development. And then you see similar to last year that the run-off result was at a quite high level of around 7.1%.

On slide 16, we'll elaborate on the cost ratio, 14% is much in line with our guidance of keeping the cost ratio at around 14, it seems like a nothing is moving but actually underlying there's a huge amount of moving parts with a dynamic that we improve efficiency on one hand to support and finance investments in IT and digital solutions on the other hand. You do notice an increase in the number of headcounts, when we do knew IT solutions, new robotic solutions, new AI solutions we do recruit more staff to support these areas and also we hired more employees in Alka expecting that some of the physical integration will lead some employees to leave the company.

And over to you Johan.

Johan Kirstein Brammer {BIO 18640275 <GO>}

Thanks a lot Morten. On slide 18, you can see the split of investments between the match in the free portfolio there's nothing really new on that, and most of the asset classes in the free portfolio are exactly the same as shown previously.

So if you move on , on the next slide, you can see the investment return for the first quarter, I think Morten, summarize it well before we made 353 million on the total investment return, which is a multiple of the normalized amount. So, I guess just pay attention not to extrapolate too much from that number. And especially in the free portfolio nearly all asset classes part from equities produced very, very strong returns.

Moving on to the Solvency position, we are produce -- we are reporting an a Solvency ratio 168, it was 165 but yearend, we're pleased with the development, actually the development that's more or less driven by the spread between our net profit -- the net result and the dividend that we're paying. In a quarter, where the SCR, it's mostly flat. You may see that there's a couple of big components in the SCR the market risk capital charge has gone up, simply driven by the so-called dampener, that are just upwards after equity markets move upwards quite a bit in the quarter and then we did an annual update of the parameters of the model which help mitigating a bit to the higher capital charge. So 168 at the end of the quarter, and I guess the next slide shows very little news our Tier 1 and Tier 2 capacity. It's more or less fully utilized after a couple of relatively recent transaction.

And we mentioned before that to forecast our solvency ratio really should be mostly functional of net profits and dividends. So it's relatively open and should be model somewhat easily. And the last slide, that I will comment on its own the sensitivity also this one are broadly unchanged, the biggest sensitivities to spread risk which shouldn't come as any surprise considering that are our biggest asset class by far its Nordic covered-bonds. Over to you Morten.

Morten Hubbe {BIO 7481116 <GO>}

Thank you, Johan. And on slide 23, we just reiterate our financial targets for 2020. We target a technical result of 3.3 billion and expense ratio of 14% roughly combined ratio as or below 86%, and ROE post-tax at or above 21%. Bear in mind that 3.3 billion and technical result target is our highest technical result target ever and we're not guiding for anything higher than that. And also bear in mind that in the cost ratio target of 14% there is efficiency pulling down the number and then there is investment in IT and digital pulling up the number, so we are not guiding for a cost ratio in 2020 significantly below the 14.0%.

And then finally, we just summarize with our favorite quote on slide 24. from John D Rockefeller on dividends and we're pleased to have been able to increase our quarterly dividend per share to DKK1.7, when increase of some 3%.

And with that, we will turn to your questions.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions). Our first question comes from the line of Youdish Chicooree of Autonomous Research. Please go ahead. Your line is open.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Hi, good morning everyone. I've got two questions, please. Firstly, could you just provide us an update on pricing and claims trend, in Denmark and Norway? And secondly, it's in relation to your guidance on the underlying loss ratio. I think we have seen a steady improvement of around 40 basis points to 50 basis points in the past year. And considering you're still sticking with you run of guidance of three to five range by next year, with the magnitude of improvement accelerate from here? Thank you.

A - Morten Hubbe {BIO 7481116 <GO>}

Good morning to you. I think generally in pricing the general trend we see is quite stable in the retail segment. We see that we're carrying out the price increases and most area of around 3% as planned, we see that in most areas the claims inflation is slightly lower than that, then we have as reported in a number of quarters been worried about some of the frequency trends in motor handling that, and some of the average repair cost and in electrical vehicles and Norway is trying to capture that. But all in all, I would say that the biggest price trend changes actually still comes from corporate and corporate Norway, bear in mind that we talked about last year in the spring, that we had increased prices in corporate Norway by a bit more than 7%, we increase the -- we decided to push the envelope even harder than that, and we've increased prices in corporate Norway 1 of January in Q1 by more than 11%, which is a very substantial number but to be honest, we think that trend needs to continue for a couple of years in order to get to a attractive level of earnings in the portfolio.

And then we see an a quarter like this quarter that vast majority of our large claims, isn't corporate and in the bigger commercial accounts and clearly earnings and corporate is not satisfactory. So we need to continue to work, both on the exposure side of corporate and also on the average pricing side of corporate. So that is where the main change will be also for the next couple of years, I think from an underlying claims development point of view. The 40 to 50 basis points that we've seen is the trend that we expect to continue to see. And that will then as we see it gradually improved our claims experience. And then we will see how -- how our runoff development develops, there's no change signals there, but also as we have communicated a number of times, run-off is probably something you should see in the more longer-term -- with a more longer-term classes and that the development awards 3% to 5% area is a gradual development and not a shop deadline with a shop date.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Okay, understood, very clear, thank you.

Operator

Thank you. And our next question comes from the line of Asbjorn Mork of Danske Bank. Please go ahead. Your line is open.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Yes, good morning from my side. A couple of questions, if I start with Denmark, Morten you said that organically you're growing 5% in Q1, and you also said that -- that is not something we should extrapolate on considering Q1 '18. Could you just maybe elaborate a bit on what is actually the true underlying -- Q2 underlying growth in Denmark and where is that I mean are you taking market share? Is Denmark turning more benign what -- how do you see the general growth for Denmark right now? Thanks

A - Morten Hubbe {BIO 7481116 <GO>}

Good Morning, Asbjorn. I think that the Danish growth is also underlying strong at the moment, I think there are a number of factors impacting that growth that we cannot just assume continues. It's quite clear that Denmark is getting a lot of support from the membership bonus and extrapolating or figuring out, how does that develop longer term is of course difficult exercise. Then you see all time high for instance in the private lines, Denmark retention rates, which is something we're continuing to work on, but also something that you cannot just assume continues upwards.

And then it's quite clear that our Danish business is supported both buying the new partnership agreements like FDM for instance, which is organic, but it gives us excess to a new group of members and therefore a high growth and it is quite clear that a number of our new products is supporting growth well and on your question on stealing market shares or not. Take the new personal line packages, where we have combined classic accident insurance now with health insurance for private individuals and dental insurance, which no one else in the market has done. That product alone in Denmark has sold 9,000 policies in the month of March.

And you can add to that the children's health insurance that the sale of cyber insurance, et cetera. So what that actually proves is that without stealing market share from the others, we are going to actually grow the market, and as far as we can see the more we grow the private market that is the healthiest part of our book and the more we grow the customer brought us [ph] if you will, instead of trying to steal the market share from the others.

Then we are growing and enhancing both the top-line and the bottom line without sort of pushing the market. So I think that private lines actually both in Denmark and Norway is clearly growing above guidance at the moment. We actually, see you that trend will continue to grow above guidance. I think that commercial lines is also growing above guidance, but it's perhaps less sustainable than in private lines. We still see that OBOS helps commercial in Norway, Alka helps commercial in Denmark and then the big dark horse is how much will corporate lines pull down the average, you see around very small growth in corporate in this quarter. But actually the growth in corporate Norway is minus 4.4% in the quarter. The question is how was that number develop?

So if Corporate lines decline less, then actually the group growth will be well above guidance, but we need to be willing to let the corporate book shrink, to reach the profitability levels we want to achieve in corporate. And that is a far more important topic on target than the actual top- line growth. So, hopefully that gives you some new answer on your question.

Q - Asbjorn Mork {BIO 17028219 <GO>}

It does -- but does that mean that basically first you don't see yourself taking market shares at the moment, at least not material market shares in Denmark? And secondly, I guess your profitability on the new private customers that you get and the growth to get here, I guess that is all things equal higher than the corporate growth that you might lose. And now your growth is clearly higher than you expected a couple of quarters ago. And you reiterate the 3.3 billion technical profits guidance for 2020. So my point is rather that, are you not growing -- are you not making profits when you grow at the moment or are you just cautious on your generate guidance for 2020?

A - Morten Hubbe {BIO 7481116 <GO>}

Well, I think it's important on the market share questions to say that, we do see that we are growing slightly, slightly in the number of customers in private, but the majority of the growth comes from all products, so clearly that's more the driver. We see that new customers in private lines are by far more profitable than customers in corporate, but traditionally we can see in the numbers, the new customers have a slightly higher claims ratio in the beginning of their life as an insurance customer and that pulls down a little bit, but there's no doubt that every time we substitute some top-line from corporate to private, we're strengthening the company, we're strengthening the future earnings and therefore we're building more, if you will for efficiency [ph] into the future earnings estimates. But I wouldn't get carried away with the growth are such because it's hard to predict, how long time will we have this much support from FDM, from NITO, from OBOS and can we continue to develop new products at the pace, that we're doing currently, but it is of course very encouraging that we are able to grow our most profitable business segments, with new products to existing customers without stealing market share, and without pushing the market.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Okay, clearly understood. Then on your -- on your underlying or if you look at the large claims of course high for the group in Q1, but also you say that the vast majority is from Norway. So I guess we can conclude this very small large claims in Denmark, and then I guess it was something also to Sweden. So if you look at the underlying, which I guess you don't really disclose fully, but can you just comment a bit on where is the underlying develop thing for Denmark, Norway and Sweden on the different countryside?

A - Morten Hubbe {BIO 7481116 <GO>}

Well, I guess if you take Norway first, which is a of course, what would be the important Q1 question. We have a combined ratio 104.5 in Norway, in the first quarter of the 181 million of large claims for the group roughly a 140 of that comes from Norway. So, of course that's an important driver of understanding the development. Then we see the runoffs in Norway is roughly half of what it was in Q1 last year, so we were close to 7% on runoffs in Norway last year, we around 3.4, 3.5 this year. So all-in-all what we see is a stable slightly positive underlying claims development in Norway, slightly less positive than the group but positive. And then too many moving parts and too many large claims.

So on one hand, very satisfied that the underlying in Norway also improves. On the other hand, clearly not satisfied that the large claims are too high and working hard to make sure that we reduce the large claims exposure and more importantly, that the large claims component of the premium paid by the corporate customer particularly in Norway but also in Sweden does that increases.

If you do the math in Sweden, you come to the conclusion, that we have a strong development in private line Sweden, but we have a combined ratio of corporate Sweden, which is way above a 100 in the first quarter. So, clearly as unacceptable as corporate Norway. And that is why we see probably this more as a corporate question/large claims question, then we see it as a Norway question. And we need to make sure that price increases and corporate Sweden and Norway continue and that the large claims exposure reduces further in Norway and Sweden. And that job is clearly not done yet. We're in the process. We said goodbye to 4.4% of the Norwegian corporate book. We've said goodbye to a lot of the fish farming in Norway. We said goodbye to most of the bus customers in Norway, we've reduced the number of the liability customers in Sweden, so we're producing large claims explosion and number of areas in corporate Sweden and Norway, but it is not enough yet and the earnings is not acceptable in those two areas.

Q - Asbjorn Mork {BIO 17028219 <GO>}

But, if you look at the weaken business and your retention is basically, as you also said on the commercial side is up in Q1 and you have reprised. So I guess all things equal we should expect tailwind going through 2019 and 2020 as it looks right now, is that fair to assume?

A - Morten Hubbe {BIO 7481116 <GO>}

I think I would expect that the private lines of business in Norway continues a positive development throughout the year, actually both top-line and bottom-line and in terms of claims. I think, we will gradually start to see corporate benefit from the higher prices 7% of last year, 11% of this year. I'm not completely sure that the largest customers in commercial Norway has -- had enough price increases to be honest. So it's perfect unlikely that we need to do more price adjustments there, and that might have some negative drop of on the top-line of commercial Norway.

Q - Asbjorn Mork {BIO 17028219 <GO>}

But positive and your technical profits?

A - Morten Hubbe {BIO 7481116 <GO>}

Positive on our technical profits as we earn the price increases. Yeah.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Exactly, okay. And then a final question from my side on Alka, the 21 million of synergies for Q1 I guess if anything is slightly ahead of plan nothing material of course, but the point is rather should be expect some sort of catch up effect, I mean you guiding for 75 this year another 75 next year. But you've got the keys five months ago, and already now you have delivered 21. So, are you maybe a little bit more positive on the synergies than you were a year ago or is it just a number of -- small numbers law?

A - Morten Hubbe {BIO 7481116 <GO>}

Well I guess, it's one quarter into a three year journey. So I guess on one hand we are very positive that we've started well, we've started well both in terms of the synergies on the actual performance of the business. We start with the cost first, and then we will see more and more on claims during the year, and I'm very happy that we have this very German plan on claims requirements with a 700 contracts because that is running like a machine, but is also a machine that takes a number of quarters first to get into the market and then to earn the impact as we go through all the claims. So I wouldn't get carried away by the fact that we are a little bit ahead of the plan but of course it's reassuring with a large target like 300 that we've started really well.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Alright, that's all from my side. Thanks a lot.

Operator

Thank you. Our next question comes from the line of Mads Thinggaard of ABG Please go ahead. Your line is open.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Yeah, hi this is Mads from ABG Thank you for taking my questions. The first one would like to slide a 15 in the stacked deck where you were -- you mentioned the large claims and expected annual level 2019 of DKK550 million is that I mean including the very high large claims in Q1 or is that more kind of a normal long-term average annual level, you punch through here?

A - Morten Hubbe {BIO 7481116 <GO>}

Good morning, Mads. It's a clearly normalized long-term level that we expect. If you look at the -- it's quite clear that number is never correct, but it is the most sensible, long-term trend that we can find. So that is the answer.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. And then I was thinking about the, I mean, now you have the high investment beside Q1 and I don't know if you could kind of put a bit of light on the outlook for an extraordinary dividend in 2019 on back of this very strong start to the investment results in '19?

A - Morten Hubbe {BIO 7481116 <GO>}

I think if we could booked a ticket to three more quarters of investments like Q1, then we will have a party at the end of the year. No, but seriously I think that the challenges of course that while we have a very high investment income Q1. The political uncertainty , globally are still very high and I think that we're still headed for could be several years of high uncertainties on investment income. So we would largely base our ordinary dividend and future extraordinary dividends on the core business and not just the development on investments. We will get back to you in due course when we come to the conclusion on future dividends, and it will be too early days to talk about this now.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay, thanks. And then just a final question from my end, you were kind of addressing the 3 to 5 percentage point one-off guidance for 2020 perhaps saying it would not necessarily be a very sharp at dead line and a getting down to that level, is that kind of -- I mean are you kind of implying at bit of new communication here. I mean, it's the 3 percentage point perhaps starting to look a bit too low or how should we interpret this?

A - Morten Hubbe {BIO 7481116 <GO>}

No. I think, we're not changing any communication and while I appreciate understanding that fully is quite difficult. What you need to bear in mind was that or is that some of our claims development take workers gotten [ph] for instance that is runoff development from claims that are almost 20 years old. So predicting and precision where -- how would they develop two years from now is completely impossible. So what we did in 2017 was to make an estimate of the three to five from year 2020 and onwards. And we have no doubt that is -- that will be the long-term trends. But it's also quite clear that given the nature and the tail length of some of these reserves, you cannot just say that by Q1, 2020 or by Q4, 2020 this will be the result. That is not the level of precision that you could expect in run-off gains. So I think, what you should expect is that we will longer-term moves towards the 3% to 5%, but there's not a mathematical precision on in which quarter that precisely will happen. So, that's more the signaling.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay, thanks a lot Morten.

Operator

Thank you. Our next question comes from the line of Kevin Ryan in Bloomberg Intelligence. Please go ahead. Your line is open.

Q - Kevin Ryan {BIO 1814771 <GO>}

Thanks very much. I just wanted -- first one to have a little point of clarification on the new private bundle products, you're selling. Should we assume that is what's driving the additional products per customer? That's question one. And if not what is driving that and what's the target product to drive that up. And sort of related to that you tell us 60% [ph] of all inquiries are now digital. Is that helping push the new product through, is that's what you're seeing, and also can you tell us whether there's going to be any more investment needed in that digital push? Many thanks.

A - Morten Hubbe {BIO 7481116 <GO>}

Thank you. Well, first of all on the additional products, it's fair to say that while it would be nice to invents in the next motor insurance. And then with the one new product, and then the average number of product goes up, that is not really what is going on. It is really more master of selling lots of new small products and lots of news small coverages. If to give you a couple of examples, so it's not one product, it's several as more than a handful, but to give you a couple of examples, we now sale for instance content insurance including an Alarm. So that's not a new product, but it adds to the average price of the content insurance and therefore it adds to the top-line and the broadness of the customer cover.

Then children's health insurance is for instance a new product, which is adding to the number of products. The new personal lines package which then also includes for instance dental insurance would be part of increasing the number of products per customer. So it is a number of smaller initiatives, but the benefit of all of them is that they make the customer relationship broader to customers we already know, who are already profitable and then also in turn it enhances the retention rate, because we clearly see the more products customers have the longer they stay with us. So there's a broad process and other one single product covering that.

When it comes to the digital development, the 60% a digital approach is now helping us get value out of our investments. It doesn't actually help the new product coverage, on the contrary when people buy online they tend to buy one or two products so generally there's a task of making sure that customers that buy one product online is then cross sold on all of the other products, but largely what people do online is to report claims, is to manage claims, and it needs to manage service. So let me give you a small example or two small examples now 20% of all claims reported. I actually handle straight through online, untouched by human hand in a few seconds. Of course that pulls down our processing cost and pulls up the customer satisfaction. Then we made a survey that a ton of the customer phone calls relate to the billing. But now we've made an online solution where you can see, your billing and explanations to that billing. And we see that in Q1 alone 70,000 customers have used the online billing functionality instead of calling us. So a lot of it has to do with less processing cost, less claims handling costs, and higher customer satisfaction and not really new product sales.

Q - Kevin Ryan {BIO 1814771 <GO>}

Great, thank you.

Operator

Thank you. Next question comes from the line of Per Gronborg of SEB Please go ahead, your line is open.

Q - Per Gronborg {BIO 15910340 <GO>}

Yes, thank you. Two topics from my side. First of all back to the large claims should states that 140 million approximately came from Norway, if I look at the Sweden the difference between segment Sweden and country Sweden is loss of 58 million, it must imply that they are also having a quite significant part of the large claims. Is it fair to assume that the large claims in Denmark in Q1 has been pretty close to zero?

A - Morten Hubbe {BIO 7481116 <GO>}

That is fair to say the large claims area and corporate Sweden is 33 million in the quarter, which leaves next to nothing to Denmark, so that is completely correct.

Q - Per Gronborg {BIO 15910340 <GO>}

If I look at your communication over the last not every quarter but many quarters, want to sit in back with the perception that the run rate of large claims must be materially higher in Norway and maybe also in Sweden compared to Denmark, if you want group level is accounting for 2.5% of its large claims, is that the divided by 1 and 1.5 in Sweden and 3 to 4 Norway, how should we look at that?

A - Morten Hubbe {BIO 7481116 <GO>}

Well, that's a very good question, Per. I think you know, we've tried to use this slide 6, to give some illustration on how large claims have looked historically. That the problem of course, insurance is paid based on huge amounts of data and empirical evidence on claims frequency, and claim severity, and in any private lines and commercial lines that works great, but the reality is that the empirical data on large claims is way too small, we've had some quarters now where Norway and Sweden is heavily overweight in the large claims, but if you go back five, six years we can see periods what Denmark was heavily overweight on the large claims. So there's another clear historical pattern if you look at it in with the longer-term classes but there is a short-term pattern where Norway and Sweden is the challenge on large claims.

And when we combine that with the fact that even the underlying claims trend in corporate Sweden and Corporate Norway is not satisfying either. So there's no -- really no doubt that Corporate Norway and Sweden is where we increase prices the most, is where we reduce exposure to large claims the most but I wouldn't jump to the conclusion that longer-term that's where we have the large claims, there's really no evidence to support that.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay, thank you for putting light on that. My second question is your top-line was quite impressive, the top-line

top on your show you have deducted the rebate, the rebates one way this quarter is very high compared to what is it normally is. How should we look at this the 150 million something that you have deducted in the rebate this quarter.

A - Morten Hubbe {BIO 7481116 <GO>}

Well, the trigger part is of course that from an accounting point of view. You have to take typically when you've got partnership agreement. So agreements with unions or bigger group of customers very often they are somehow tied to sharing some of the profits. So what actually happens is that when our private lines for instance is producing more and more profits, we share a proportion of that with the partner or the union or whomever it is, an accounting wise you have to deduct that from premiums.

And then you can debate is that really a premium question, well, it's not a classical premium question at least, but that is what is going on that we share, we don't share more of the earnings, but as earnings grow in private the -- we keep on sharing the same proportion with the partner and then the actual bonus and rebate increases somewhat. It is somewhat volatile during the quarters. And to be honest we could perhaps be a bit better at predicting that quarterly, but we're doing our best to try to make that number correct, but that is the nature of the substance of the business. So if you see that number growing is because earnings is growing.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay, but the very high level this number has basically reduced your earnings. If you say -- what I hear you say between the lines it maybe they should only have been 100, there may be a 25 then this has basically reduced your earnings this quarter because you have paid every rebate to some of your group customers this quarter, which basically maybe belongs to last year?

A - Morten Hubbe {BIO 7481116 <GO>}

But so -- that is that would clearly be part of the explanation Per. Because when you do the full-year accounts, then often you end up that the estimate you did on the profit sharing with a partner was not completely correct. So then you have to adjust that in Q1 and that happens almost all every year, either positive adjustment or negative adjustment. So that is completely correct, and that can distort the quarter-on-quarter comparison somewhat.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. Perfect, I've got a better understanding what happens. Thank you.

Operator

Thank you. Our next question comes from the line of Jakob Brink of Nordea. Please go ahead. Your line is open.

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you. I have two questions please, or actually three questions. So coming back to the what you said initially Morten, about the many times actually about the, that you're not really taking too much market share, but you're just inventing new products or selling new products to the customers. Now of course, we don't know exactly how much you're making on these new products, but looking at the growth in Norway private for example, it's up significantly year-on-year from Q4 compared to Q4, '17 to now Q1 versus Q1. So, I just find it a bit difficult to think that it's only due to new products and all of a sudden making such a big increased in underlying numbers affects adjusted and everything and also in Denmark actually. So could you maybe give us a bit more detail on how much is actually market share gains and how much is new products to the customers?

A - Morten Hubbe {BIO 7481116 <GO>}

I think to start on that question, Jakob, it's quite important that when you dig into the country specific there's a lot of difference because clearly, if you look throughout our business, private lines is the one driving the concept of more products, not commercial lines. Within private lines, Denmark is clearly ahead of Norway, so if you look at it from a private lines, Denmark point of view, I would say that we haven't put numbers on the split, but the new products driver is higher than the new customers driver.

Then if you move to private lines Norway, we are trying to catch up with the new products in Denmark, but we're clearly further behind. And in Norway there's clearly the impact that the mutual agreement, the total [ph] agreement and the OBOS agreement, is not as such inorganic, but it is new partnership agreements allowing us to tap into new membership basis, which actually means that we are growing the number of customers in private lines Norway. So, the split between new products and new customers is clearly different between Denmark private and Norway private. Again, we haven't given the split but that is to give you some ones that the country development is quite different.

Q - Jakob Brink {BIO 20303720 <GO>}

So, to reason I'm asking as, I mean the all those partnership agreements, as you said -- I mean, it is really organic growth. You're taking the customers from someone else, it's not like you've been buying a book of premiums. So, isn't there's a risk that you're growing so much more than I was just checking last year the number of policies in Norway, was up 2% for the whole market in both Morten and house and you're growing is it 9% you write in your report, is no risk that competitors will somehow strike back or

A - Morten Hubbe {BIO 7481116 <GO>}

I understand your line of questioning, Jakob. But if you do the 5, 8 year history data evaluation in Private lines Norway. What you would find is that for the majority of those years, we've lost market share in Private lines Norway. So when you compare for us, it means that just adjusting getting to a balance, where we don't lose market share in Norway, adding a little bit of new customers particularly in the Oslo and Eastern part of Norway, where need to at all an OBOS is stronger represented than we have historically been. So just getting up to a neutral and then a slight positive on the number of customers is a rather big swing from a period, where we lost customers systematically every year.

So I wouldn't say that, we are increasing the number of customers dramatically, I'd rather say that we came from a rather r large loss of customers, and the swing factor is quite significant. And I'm not seeing a development in a Norwegian market, where we are pushing competition anywhere. I don't think we're large enough to do that in Norway. I think the number of customers will winning in Norway is Norway EMEA large enough to have such an impact.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay. It's just a Norway as well the merger of DnB and Spare bank [ph] and one insurance is that anything to do with the high-growth that it's basically just easier to take market share now?

A - Morten Hubbe {BIO 7481116 <GO>}

No. No I would say that -- well, if you look at for instance a new partnership agreement was made with more of a natural, natural and always all the engineers in Norway, we've had that similar agreement in Denmark for a number of years, and we've built a large portfolio on several 100 million, with the engineers. So that's one example of growing with a customer segment with a partner because we now cooperates with that union that really has nothing to do with what DnB and (inaudible) Bank one is doing. I think the whole market is waiting to see how will DnB and (inaudible) banking actually impact the Norwegian market, I think consolidation generally leads to -- to more discipline. So that would be my expectation, but I haven't seen any real impact on the Norwegian market from that question yet.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay, thank you. And then final question. Gian, you mentioned in the solvency SCR walk 91 million that you used to mitigate the negatives, could you maybe give us a bit more detail on this and how much more mitigating actions do you have for -- for quarters like this?

A - Gianandrea Roberti {BIO 6786731 <GO>}

Well, I'm not sure if I can comment on more mitigating action, but this is actually a relatively normal every time at year end we take a lean in depth look at the model, as you know, we only do the partial internal model for insurance risk. So we look at all the parameters and there's always basically some smaller adjustment you need to bear in mind that we have 24 billion -- 25 billion a claims reserved and more than 20 billion of premium so just small adjustment to the parameters, can give some moving parts and in this case, it was more in the long retail part of the business. So I wouldn't mainly this age anything recurrent or anything like this on a recurring basis year ago.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay, fair enough. Thanks a lot.

Operator

Thank you. And our next question comes from the line of Jonny Urwin at UBS please go ahead. Your line is open.

Q - Jonny Urwin {BIO 17445508 <GO>}

Hi, thanks. Just two from me please. Firstly Norwegian large losses. Can you just give us a bit more color and what drive those I guess what I'm getting at is this a market issue, or is it just some bad luck on specific policies for you guys. And then secondly, retentions obviously trending well, pretty much across the book. But in Denmark specifically, how much more benefits to come from the customer bonus model, please? thank you.

A - Morten Hubbe {BIO 7481116 <GO>}

Good morning to you as well Jonny. Well, I think on the large claims one particular trend which is quite clear is that this is a largely property issue. Not the other lines, I think if we look at it last year, we had some problems with liability particularly out of Sweden but this year is largely property claims, when you didn't look within the property claims we've seen fish farming in Norway, which was a challenge in the fall but again a challenge this year, it has to do with the actual handling of the fish after the farming, where we had a large fire and then we had fires also in some of the large commercial exposures. So, if anything it is the property segment, which is the billing.

We've now reduced our exposure in fish farming and general quite dramatically. We have taken our exposure to fish farming down more than 50%, during the past six months and increasing prices more than 20% on the remaining part. So I think we've taking some quite harsh measures in that area, but we're not finished working on ensuring that the corporate property customers pay enough premium to support the large claim risk. So that is a bit of color on that. I think on the retention rates in Denmark, there is still more potential from the customer bonus. It is still only 65%, 67% of the customers that understand that they received a bonus, I think still that against those close to 90, so there should be more potential. It climbs every year, but it's still not at the level where it should end.

So there should be more potential for next two, three years on that and then I think that we retention also has to do with what you experience when you have a claim? How fast it -- is it how satisfaction -- how satisfied are you with that. It's also linked to the number of customers or number of products, because if you have more products to stay with us longer. We can see that we're improving customer satisfaction in a number of areas, but we've just implemented a new measurement system where we try to measure customer satisfaction throughout all of the contact points. And to be honest we can find lots of contact points where the customers are not satisfied and where the solutions are not good enough and for instance, we can measure some of the digital solutions where satisfaction is clearly not as high as we want it to be. So our list of customer experience areas that we would like to improve is a very long list.

So we continue to find areas which can support the customer experience, which can support the retention rate. But still predicting retention rate is extremely difficult, but I think, there's a general observation that the more we continuously work to push up satisfaction. The more we at least pushing the retention rate in the right direction. And then we cannot come --predict how competitors reacts or bad press or whatever which could impact a retention negatively, but we can make sure we have a pipeline of positive retention drivers and that is something we continuously working on.

Q - Jonny Urwin {BIO 17445508 <GO>}

Thank you. Just a quick follow-up on the large losses. I used on the property loss, they used to seeing the market (inaudible) and step away as well?

A - Morten Hubbe {BIO 7481116 <GO>}

I think we're seeing the market increase prices and rates in the corporate book in Norway. And that is very comforting to see of course, we cannot see competitors large claims that there is no sort of public data on that so unfortunately I don't have visibility on that, but we can see the competitors in corporate Norway are increasing prices as well. And if you look at the results in corporate they should because they have the same challenge as we do.

Q - Jonny Urwin {BIO 17445508 <GO>}

Got it, thank you.

Operator

Thank you and our next question comes from the line of Phil Ross at Mediobanca. Please go ahead. Your line is open.

Q - Phil Ross {BIO 20618440 <GO>}

Hi, good morning, and thanks for taking my question. Just a point of clarification for me, on the composition of runoff gains this quarter. I know you gave the example, Morten of the unpredictability of workers comp runoff more, most when the medium to long term, but I wasn't sure, if you suggesting that workers comparison part of the reason for the high runoff gains in this quarter or whether it came from other sources? Thanks.

A - Morten Hubbe {BIO 7481116 <GO>}

Well, I think generally that's a lot of the runoff gains typically comes from the longer tails lines, which means that their workers comp always play a lead role, motor liability always plays the lead role, areas like health and sickness and the more longer tail lines player lead role, the role, I don't think we have published the splits of runoffs, but clearly workers comp for motor liability and those are some of the biggest areas, but that's quite -- quite classic. And then I guess liability in corporate a little bit of property, but there's no -- there's nothing new or particularly noteworthy on the trend or split of that. I think, something like a third of the runoffs comes from motor, something like a quarter comes from property , the churn from health and accident, but there's to be honest that looks much like other quarters, there's nothing really new or special on that.

Q - Phil Ross {BIO 20618440 <GO>}

Clearly, as you're saying in the actual lines of business that feels consistent?

A - Morten Hubbe {BIO 7481116 <GO>}

It's quite consistent with what we've seen previously and there's nothing really new on that as we see here.

Q - Phil Ross {BIO 20618440 <GO>}

Thanks.

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

In the investor presentation you actually have the split not in the webcast as Morten said, but in Investor presentation you have the split of the runoff by line of business.

Q - Phil Ross {BIO 20618440 <GO>}

Great, thank you.

Operator

And we have one further question coming for you that's from the line of Yung Gerald [ph] from ABG Sundal Collier. Please go ahead. Your line is open.

Q - Analyst

Yeah, good morning. (inaudible) from ABG, just two very quick follow-ups. The first one goes to large claims, have you done more mitigating effect the to prevent the large claims in Denmark than they've been able to do in Norway and Sweden or it's just that coincidence that it's higher in Norway and Sweden?

A - Morten Hubbe {BIO 7481116 <GO>}

I would love to say yes, but the reality is that we cannot say that. I think we work consistently with requirements on sprinkling the properties of large exposures we were systematically on containing or compartmentalizing the various factories, but there's really no clear evidence that has been more efficient in Denmark than in Norway and I can go back in history and find periods where Denmark was the villain, when it comes to large claims and corporate. So, no we don't see a magical cure their but there is a cure, which is to make sure that the average corporate customer pays a significant higher proportion of their premium to support large claims. So it is linked to the fact that the corporate premiums are too low, but we are as I said reducing our exposure to for instance fish farming because we see that they are over represented . We've also reduced our exposure to the bus sector in Norway and Sweden because earnings were too low. So every time we see a more structural component, we react to that by reducing exposure or increasing a prices, but is not that Denmark has the magical to you on that.

Q - Analyst

Okay, thank you. Just to find that among prices you say those slide 11, that your price on house Norway is up by 3% is this whole system more than the underlying inflation? Or how should you read that note? And finally, on the 2.2% for car or motor inflation, if you put into a different mix or car, more electric or a different type of car in the year book this year than last year?

A - Morten Hubbe {BIO 7481116 <GO>}

I think first of all that when we show Slide 11, which we've been showing consistently for a very long period of time, it has some pros and some cons, the pro is that it's transparent and it's visible the (inaudible) is that it mixes price change and exposure mix change or customer change. So for instance on average the price increases we're doing on house at the moment should be slightly higher than what we see on claims inflation, on the other hand, you would look at the number 2.2 on comp and Norway and say isn't that number slightly too low and actually the composition of that is the some of our large partner agreements in Norway falls down, the average price development on motor whereas our average direct customers pull up this average and clearly if you look at the Tesla segment, we are looking at a price increases closer to 10%. If you look at the average electrical cars, we're looking more at sort of 5% to 7% and then the usual cars lower than that, so there's a lot of variation underneath that number, but clearly direct customers pull up the average and particularly one large partner agreement pulls down the 2.2%.

Q - Analyst

Okay, so you are out of the left electrical car to your portfolio stop to the type of from the need to affect?

A - Morten Hubbe {BIO 7481116 <GO>}

Well, it's quite clear that while we have a lot of electrical cars in the portfolio and it's increasing every day. We don't have a very high weight of this sort of Tesla segment, which is the expensive electrical cars and they have a higher claims frequency and they also have a higher claims average because the garage and repair structure for instance

Tesla's is a lot more difficult to get efficient than repairing a -- if Volkswagen, which is a hybrid or an electrical or Toyota for instance. So there's a lot of difference between the two and we have more of the smaller traditional brand, electrical and hybrids and less of the Tesla's which helps our development.

Q - Analyst

Perfect, thanks a lot for your time.

Operator

Thank you. And as there are no further questions in the queue. I hand back to our speakers for the closing comments.

A - Gianandrea Roberti {BIO 6786731 <GO>}

Well, I'll just say thanks everybody for all your very good question and listening to today's call. Peter and I are around today and tomorrow for if you have more questions and just contacts as if you have more and thanks a lot.

A - Morten Hubbe {BIO 7481116 <GO>}

Thank you.