

Q2 2018 Earnings Call

Company Participants

- Lars Thykier, Chief Financial Officer & Member of the Management Board
- Steffen Peter Anker Heegaard, Group Communications and IR Director

Other Participants

- Asbjørn Nicholas Mørk, Analyst
- Jakob Brink, Analyst
- Jonny Urwin, Analyst
- Mads Thinggaard, Analyst
- Per Grønborg, Analyst
- Philip Ross, Analyst
- Steven Haywood, Analyst
- Vinit Malhotra, Analyst
- Wajahat Rizvi, Analyst
- Youdish Chicooree, Analyst

MANAGEMENT DISCUSSION SECTION

Lars Thykier {BIO 16427122 <GO>}

Good afternoon, everybody, and good morning to the U.S.A., and thank you for joining us in this conference call. With me is Steffen Heegaard, Group's Communications and IR Director. We're hosting this conference, because earlier today we published our half year report for H1 2018. We are now ready to answer your questions. Please ask one at a time. Operator, may we have the first question?

Q&A

Operator

Thank you. And our first question comes from the line of Asbjørn Mørk from Danske Bank. Please go ahead. Your line is now open.

Q - Asbjørn Nicholas Mørk

Yes. Good afternoon. A couple of questions from my side, first on the fire claims, the DKK 65 million that you mentioned in the first half of this year versus first half of last year. If you could just quantify the impact in Q2 versus Q2 last year on actual fire claims and maybe if you include fire - large claims - sorry - how much of that is fire related? Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

I think that the difference are to begin an outlay (00:01:14). Last year, we had very little fire claims. This year, we had very high fire claims. This means that the difference between last year and this year is quite big. I'd say that we are being able to be precise. I expect this Q2 to be around DKK 110 million worse on fires than Q2 2017.

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

And as you can see now, our report, the underlying claims ratio compared to Q2 2017, it deteriorated by 5.1 percentage point which amounts to this DKK 110 million. So this difference can be totally explained by the development in fire claims. And as we have explained early on, large scale claims and fire claims will fluctuate from quarter-to-quarter and from month-to-month. And just to give you an example, the majority of these fire claims in Q2 2018 actually took place in April, whereas May was normal and June was better than normal. So, it will go up and down and therefore we see no reason for changing our guidance and looking into the future concerning large scale claims and fire claims.

Q - Asbjørn Nicholas Mørk

Okay. So, does this DKK 110 million, does that also include the amount of large claims that are fire-related?

A - Lars Thykier {BIO 16427122 <GO>}

Yes.

Q - Asbjørn Nicholas Mørk

Okay. Thank you. And then, Steffen, as you mentioned the 5.1 percentage point deterioration from Q2 last year to Q2 this year, if I look at the report, you're also stating that the majority of this is also explained by changes to, you say, (00:03:17) theft, mortality, AES, et cetera, et cetera. So it seems like you've had other headwinds year-over-year. So could I argue that it - could I argue that the true underlying section is actually slightly better if we adjust for this versus Q2 last year?

A - Lars Thykier {BIO 16427122 <GO>}

We have had some tailwinds as well. We have had a good, good claims result on third-party - the third-party liability, and we have had good claims ratio on different smaller lines like (00:03:57) conversion liability and so on, and we have had DKK 25 million from (00:04:09) as well. So that's been pro and cons. I think that most of the other things we have had in the quarter they are more or less even each other out.

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

So the underlying development is actually going on as expected.

Q - Asbjørn Nicholas Mørk

Okay. Because I think I mean I guess weather is excluded from the underlying. But, okay, I get your point.

A - Lars Thykier {BIO 16427122 <GO>}

Yeah. Sorry.

Q - Asbjørn Nicholas Mørk

No. No worries. It's okay. And then, Steffen, you mentioned June being very good in terms of fire claims, some of your peers have said that there's been also an increased awareness on the fire risk. Does this mean that we shouldn't be too worried about July which, of course, until now it looks very dry?

A - Lars Thykier {BIO 16427122 <GO>}

I think that's too early to say. But it may be right that we haven't seen any of this wheat burning damages in June at all. It was early on. Maybe there is higher awareness. At least I think there's a higher awareness now where it is discussed in television all the time and in the papers and you were not allowed to open fire in the free land.

Q - Asbjørn Nicholas Mørk

Okay. Okay. Thank you. And then on the competitive environment, I think you were out stating, I just saw on my screens at least that competition at the moment is not the worst that you've seen. Could you maybe elaborate a bit on that?

A - Lars Thykier {BIO 16427122 <GO>}

I think that was only part of the statement I made. I said that I think that we are fighting hard but there has been - from time to time we can feel the campaigns from our competitors more than we can right now. So I think the environment is harsh, but it is not as harsh as it can be.

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

And as you can see where we had premiums growth in the first half of this year in non-life of 2.2 percentage point, but the underlying growth rate is actually a bit higher, as we - as the termination of the distribution agreement with Sydbank concerning illness and accident on the non-life side had a negative impact of 0.3 percentage points. So we have a nice momentum with an intro of customers within private lines, the agricultural lines and the SME market and we can see that the churn rate is record low.

A - Lars Thykier {BIO 16427122 <GO>}

Yes.

Q - Asbjørn Nicholas Mørk

When talking about the premiums growth, is there any specific products where you're seeing a bigger or more solid growth than other products?

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A - Lars Thykier {BIO 16427122 <GO>}

It is in general, but we have launched a new children's insurance - accident insurance which sells well, and the changes in the market for change of ownership insurance means that we are growing in this line as well.

Q - Asbjørn Nicholas Mørk

Okay. And then final question on your motor insurance, you've seen a premium development there?

A - Lars Thykier {BIO 16427122 <GO>}

The premium we have - the (00:07:27) premium is stable from last year.

Q - Asbjørn Nicholas Mørk

Okay. Thanks. That's all from my side. Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

Welcome.

Operator

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

Q - Mads Thinggaard {BIO 15369662 <GO>}

Yeah. Hi. This is Mads from ABG. Thank you for taking my question. The first one is - I mean also on the premium growth, you mentioned that the 2.2 percentage point in non-life year-to-date, you're still guiding for just positive premium growth. Could you be a bit more, I mean, specific here, what are you really expecting? Is that kind of a reason for you holding back on the premium growth guidance for 2018?

A - Lars Thykier {BIO 16427122 <GO>}

It's a matter of policy and I think the policy about stating growth more precisely has changed with the new board of directors we have.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. Okay. So...

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

But we are not less positive now than compared to when we released the Q1 result.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Bloomberg Transcript

No. No. No. Okay. Okay. Thanks. Understood. Then returning to the fires, you were talking a bit about wheat burnings and not being that much at least yet. But I mean could you remind us what - I mean if you look at kind of the agricultural insurance I guess that's where you kind of cover the, I mean, wheat burning and crops burning, what is your market share there in that area?

A - Lars Thykier {BIO 16427122 <GO>}

It depends on whether you're counting numbers of farmers or premium. If we are talking number of farmers, we think that we are probably between 40% and 50%. If we're talking premium, it is more like a 30%.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. 14% to 15% and...

A - Lars Thykier {BIO 16427122 <GO>}

No, 40% to 50%.

Q - Mads Thinggaard {BIO 15369662 <GO>}

40%, okay, in market share, in numbers?

A - Lars Thykier {BIO 16427122 <GO>}

In number of farmers.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. Okay. Okay. Okay.

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

You see we are not that exposed to the more industrialized, big farms but very heavily exposed to the lower end of the agricultural market.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay. Now, I heard I think your - I mean your main competitor in Denmark when they released the Q2 report, it was like they had this thesis about I mean large claims and weather claims in Q3 that were kind of I mean if it's still dry - we still have the dry conditions of the drought and then I mean - then we could have more fires. But then, also less damage from cloudburst and rain. Do you agree on that statement or does it really actually increase, I mean the casualties or the damage that could come from a cloudburst if the dry conditions continue?

A - Lars Thykier {BIO 16427122 <GO>}

I think this is a little hard to answer if we have a damp quarter, and we have cloudbursts at the same time, then we will not have fires. But, it is very dry and we do have some

cloudbursts with a lot of lightnings that maybe increase the risk actually in my view.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Yeah. Okay. Thanks. Understood. That was my questions. Thanks.

Operator

Thank you. Our next question comes from the line of Youdish Chicooree from Autonomous Research. Please go ahead. Your line is open.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Good afternoon, everyone. I've got two questions please. The first one is just a clarification on the fire losses. I think you gave us the indications on the movement quarter - this quarter versus last year. But I'm curious to find out how the losses compare to what you normally expect for like - for a six-month period? And then, secondly on just on motor claims trends, I was just wondering whether you're seeing an acceleration of physical damage cost there because I think in your commentary, you're saying the improvements on the liabilities side are this time not fully compensating what you're seeing on the physical damage side? Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

Yeah. What's the first one? I'll answer the last one first while I try to recollect what the first one was.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Okay.

A - Lars Thykier {BIO 16427122 <GO>}

It is true that we've had steep increase in (00:12:14). We have had increase in frequency on the motor comprehensive and on top of this, we've had a single very big trade of DKK 6 million which means that the total motor profitability has been a little lower than last year. Your question about fire and compared to normal fire in the Q2 is around DKK 80 million worse than we expected it to be.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Okay. So, sorry, DKK 80 million in the second quarter but what about the half year?

A - Lars Thykier {BIO 16427122 <GO>}

Around DKK 65 million, I'd say.

Q - Youdish Chicooree {BIO 17430923 <GO>}

All right, Thykier. Cool. Thank you very much.

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A - Lars Thykier {BIO 16427122 <GO>}

And please, this is not the exact

Q - Youdish Chicooree {BIO 17430923 <GO>}

Exactly. I know. I know. I know.

A - Lars Thykier {BIO 16427122 <GO>}

...than the cost we make.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Yeah.

A - Lars Thykier {BIO 16427122 <GO>}

But the first quarter was a little better than we expected to be and second quarter was much worse.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Okay. Great. Thank you very much.

Operator

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

Q - Jonny Urwin {BIO 17445508 <GO>}

Thanks and good afternoon. Just three quick ones from me please. So that's a helpful comment you just gave us around motor claims inflation. I just wonder where is claims inflation tracking across the book overall please at the moment. And has that changed versus the prior quarter?

And following up on that, where are you pricing versus claims inflation at the moment, are you ahead in line or behind? And because now if you stayed ahead of the curve given the heightening of most frequency? And then finally, I guess is there any more underlying improvements come in the attritional loss ratio from re-underwriting actions or have we now stabilized? Now, you've made some pretty good progress in underlying in the last few quarters, but today, we're seeing a bit of deterioration, will it be (00:14:09) - that's attributed to fires. I'd just be keen to understand your sort of expectations from here? Thank you.

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

Claims inflation.

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A - Lars Thykier {BIO 16427122 <GO>}

Yeah. Go ahead.

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

Okay. Well, concerning your question about claims inflation. We continue to believe that the claims inflation we see in Demark will be covered up by the automatic price indexation we have. And so we have had no reason to increase prices in the market. We've seen that some of our peers have increased prices a bit and that is probably part of the reason why we've had an inflow of customers during the first half of this year.

Okay. Concerning your third question about the underlying improvement, you're right that we can say that if you adjust for the development with fire insurance the underlying claims development in Q2 is at the same level. And we continue to invest in being more effective. And just as an illustration, we have a - we are 13% less employed in September compared to one-and-a-half year ago in September, and we'll continue down this road also by outsourcing some of our routine-based projects and continue to digitalize and automize our business. So, we hope to see that the underlying improvement being more effective will continue into the future.

Q - Jonny Urwin {BIO 17445508 <GO>}

Thanks. Thanks very much. So, I guess the claims inflation is still covered up by the pricing indexation, but have claims inflation accelerated at all versus Q1? It sounds like it might have done just driven by motor.

A - Lars Thykier {BIO 16427122 <GO>}

If we look at motor, we don't really see this claims inflation. Development in-house what we see is that the savings we make disappears in growing prices meaning that we stay very much at the same level in spite of the savings we make. We have a lack of craftsmen in Denmark now. So, we may see a pressure on this kind of claims.

Q - Jonny Urwin {BIO 17445508 <GO>}

Great. Thanks. Thanks, guys. Much appreciated.

Operator

Thank you. And our next question comes from the line of Per Grønberg from SEB. Please go ahead. Your line is open.

Q - Per Grønberg

Yes. Thank you. Good afternoon. I have one single question left. Your quarter has come quite nicely back compared to where you were a couple of years ago. What is your perception? Are your market shares stable? Are you gaining market share? At the moment, it sounds mostly like you are gaining market share at the moment. What's your perception?

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A - Lars Thykier {BIO 16427122 <GO>}

That depends on where. I think we are gaining market share in most places. We are adding on in number of the customers. But there is one place at least where we are not and that is in motor. We do have growing motor portfolio, but it doesn't grow as fast as (00:18:07).

Q - Per Grønberg

How fast is your motor portfolio growing at the moment?

A - Lars Thykier {BIO 16427122 <GO>}

It has grown by less than 1% at this point in Q1 and I think the market has grown 2.6%.

Q - Per Grønberg

Okay. Okay. Thank you.

Operator

Thank you. Our next question comes from the line of Vinit Malhotra from Mediobanca. Please go ahead. Your line is open.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes. Good afternoon. Thank you very much. Just to put this underlying loss ratio question in a slightly longer perspective, I mean 2017 was quite strong compared to 2016 and now your 2Q 2018 is roughly aligned with 2Q 2016. I mean, should we be thinking of 2016 as a bit more normal level for the future and I appreciate you already said in an answer to Jonny I think that you do expect improvement, but should we treat 2017 as a one-off year or how would you think of that?

Then the second question was just a clarification on premium growth, just to get the number right. You said 2.2% is reported but underlying excluding a bank distribution agreement is 3 points or 3-point effect, if you could clarify that please?

A - Lars Thykier {BIO 16427122 <GO>}

(00:19:38)

Q - Vinit Malhotra {BIO 16184491 <GO>}

(00:19:37) it is on the motor market share. You said that you're not increasing pricing above the indexation, whereas others are. So, that should naturally give you more market share or are you doing something else about that motor portfolio that we should know? Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

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Concerning 2017, we said last year and I'd like to repeat that it was an extraordinary good fire year. We had DKK 4 million in large claims in Q1 and Q2 together. This is very unusual. We expected DKK 50 million. So, 2017 was an outlier to the bad side and 2018 has been an outlier. On contrary, 2017 was an outlier on the good side, while 2018 was an outlier on the bad side. The premium growth and premium is underlying 2.5%, if we screen out that - the illness and accident insurance we've sold via the Sydbank.

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Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay.

A - Lars Thykier {BIO 16427122 <GO>}

And we state 2.2% because that's a factual number.

Q - Vinit Malhotra {BIO 16184491 <GO>}

(00:20:59)

A - Lars Thykier {BIO 16427122 <GO>}

And we - of course, we like to grow and in a (00:21:09) pace, and we think that it is necessary to be more competitive in some of the business lines. And we don't really like to decrease prices. But by avoiding to increase prices, we can increase our capacity rates.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes. Sorry. I was asking more about motor specifically. I'm assuming that they're not - because they're not faced with as much claim inflation problems as others it's not been...

A - Lars Thykier {BIO 16427122 <GO>}

No, it's not.

Q - Vinit Malhotra {BIO 16184491 <GO>}

...not increasing pricing as much.

A - Lars Thykier {BIO 16427122 <GO>}

But the answer may be a little more complicated than this. We have cars that people own and we have cars that people lease. And when people lease the cars, it is often the leasing company that buys insurance. And they are very hard negotiators which means that they give prices that are far too low. We don't want to compete with this in this area. So, we don't expect to have the same or to increase our market share on anything very much, but we are working hard to increase our share of the owned cars. And among this, the things that we're doing is actually to be more competitive on house because if we get the house, we get typically two cars as well.

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

And it might also be part of the reason why we don't seek same inflation in motor because we are not that exposed to the leasing market as our peers. So that is part of a reason why we don't have to increase prices on motor.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yeah. All right. Thank you very much. I appreciate that.

Operator

Thank you. Our next question comes from the line of Steven Haywood from HSBC. Please go ahead. Your line is open.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you very much. Could you just confirm, you said that your prices are going up by indexation in motor, what is the indexation at the moment?

A - Lars Thykier {BIO 16427122 <GO>}

1.6 (00:23:21).

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. That's great. On the workers' compensation, you said that – sorry...

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

And just to – yeah. Sorry.

Q - Steven Haywood {BIO 15743259 <GO>}

As I said, on the workers' compensation, you said there's a change in mortality rate and high expenses, is this just one-off new level or a further change is expected going forward?

A - Lars Thykier {BIO 16427122 <GO>}

It is a new level. It is simply that we have taken into account the expected growth in longevity and that means that more of the claimants will live through this time and age, and it will stay so in the years to come.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. That's good. And then, on the Coop agreement that started in spring 2018 I believe...

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

Yeah.

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Q - Steven Haywood {BIO 15743259 <GO>}

(00:24:12) as a soft launch with motor. Can you just talk about how it's progressing, what sort of uptake of customers have been and you see this sort of driving your sort of 3% underlying premium growth even higher going forward? Thanks.

A - Lars Thykier {BIO 16427122 <GO>}

I think it is a little bit premature I'm afraid. We have made this soft launch. But we still have to - before we really go to market, we'll have to - have all products in place, all the main products in place. And we do actually have a little problems with our system that may postpone this development for a couple of months. So, you won't see anything this year from Coop.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. But it's just a temporary problem with the system rather than...

A - Lars Thykier {BIO 16427122 <GO>}

Yes.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay.

A - Lars Thykier {BIO 16427122 <GO>}

It is.

Q - Steven Haywood {BIO 15743259 <GO>}

Yeah. And then on - finally from me, sorry, on the discount curve, you say that EIOPA is looking at the Danish application of this. Can you give us any more thoughts or comments about how this might change in the future? And has it changed in the past because I see other European countries the basis points of the VA changes every quarter? Has this not happened for Danish insurers as well? Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

Oh, yes. Oh, yes. The VA is calculated every month and changes every month. What is different here is that the way the VA is calculated is questioned. Well, there's a reason why to do it. And EIOPA has made some inquiries and asked the Danish insurance industry about the feelings, about the way - different ways to do things, and especially because, the Danish VA has been higher than in most of the other countries. We are expecting the EIOPA to return within Q3. We'll suggest them - suggestion for the (00:26:24) way to make this - make up this early.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. That's excellent. Thanks very much.

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Operator

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

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you very much. So, three questions from my side. The first one is regarding the underlying combined ratios in the second half of the year. If I try to adjust for no weather claims in the first half and to some runoff gains being potentially at the same level in the second half of the year as it was in the first half year, it looks like you're assuming roughly a flat underlying combined ratio in the second half of the year from the first half. Is that correct?

A - Lars Thykier {BIO 16427122 <GO>}

I don't know.

A - Steffen Peter Anker Heegaard {BIO 1513480 <GO>}

What we have done is that we have taken into account the over normal fire claims we had in Q2 and put that into our guidance for the second half - for the whole year. Otherwise, we haven't changed anything in our guidance for the whole year. So, the guidance for the second half remains the same.

A - Lars Thykier {BIO 16427122 <GO>}

Yes.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay. So, you have not included anything relating to fires in the second half?

A - Lars Thykier {BIO 16427122 <GO>}

No.

Q - Jakob Brink {BIO 20303720 <GO>}

No. Okay. Okay. Second question just coming back to the question on the VA adjustment. So, I thought Danish FSA was talking about a 5 basis points cut, and then it should remain at that level. Is that not the case anymore?

A - Lars Thykier {BIO 16427122 <GO>}

The way I understand it, EIOPA came to the Danish FSA with a suggestion. We could do it this way. And we made up how much this would cost, it would cost 5 basis points and the industry stated that if this is robust, it costs 5 basis points. Okay, introduce it. We don't need any grace period. You just introduce it and go on, but that is under the assumption that this is stable. And we have not got anything after this. So, it's just a statement from the industry side that we can live with this. But we don't know whether this is going to be

the case or not. If these 5 basis points should materialize, then it would cost us around DKK 30 million on this year's result and - before tax and around DKK 50 million on the SCR.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay. Thank you. The last question, just coming back to the leasing, so, of course it makes a lot of sense to stay out if it's a lot lower profitability. On the other hand, I've just googled now that those 35,000 leasing cars sold last year which I think is 15% of the market. So, I guess the question is of course how much this will continue to grow, but if it does continue to grow with the same growth pace as in the previous years, I guess it will be difficult to stay out of that market. Have you any considerations regarding that please?

A - Lars Thykier {BIO 16427122 <GO>}

In the first place, I have the consideration there has been changes in tax which means that leasing is not as attractive now as it was last year. But that doesn't change that you're right that this is a thing we have to consider. And of course, we must look at how to attack this market as well. It is just not nearly as attractive as cars owned by the driver.

Q - Jakob Brink {BIO 20303720 <GO>}

Could you say what is the combined ratio difference between the two segments please?

A - Lars Thykier {BIO 16427122 <GO>}

That depends very much. What we see is that the leasing company has asked for (00:30:45) for the next three years for instance. And we see that our competitors at least they count in that the claims in general will fall during the next three years. And if you count that in, you may have an expectation of a combined ratio, say, 96 or 98 or something. While, if you don't, you may have a combined ratio of about 100. While on private cars, we are talking something like 85.

Q - Jakob Brink {BIO 20303720 <GO>}

So, you said 96 to 85. Okay. Okay. Thank you very much. Very clear.

Operator

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

Q - Wajahat Rizvi {BIO 19928187 <GO>}

Hi. Just one quick question, just a clarification on underlying loss ratio please. So, if I just look - compare 2017 2Q loss ratio versus 2Q 2018, so roughly, the higher fire claims would be around 5 percentage point impact - a negative impact on 2Q number versus 2Q 2017, and that's almost all the deterioration you saw year-on-year. On top of that, the DKK 25 million from workers' compensation I think, roughly around that sort of level you said from those one-offs. So, that would imply that actually on an underlying basis, your loss ratio

improved by around 1 percentage point year-on-year. So, just two questions on that, one is, is that interpretation correct? And secondly, where are you seeing – in your portfolio, where are you seeing improvements coming from? Thank you very much.

A - Lars Thykier {BIO 16427122 <GO>}

You shouldn't count on the percentage points impairment. As I think I said early on, there has been some (00:32:40) on different smaller lines, which I don't expect to continue, that was this like (00:32:50) theft and commercial liability, and (00:33:00) and stuff like this. So, it is simply – it is – you can't do this in a quarter. I count on the underlying profitability to stay the same.

Q - Wajahat Rizvi {BIO 19928187 <GO>}

Okay.

Operator

Thank you. And our next question comes from Phil Ross from Berenberg. Please go ahead. Your line is open.

Q - Philip Ross {BIO 20618440 <GO>}

Hi there. Thank you. One point of clarification from me please. Sorry if you've already covered it. On the fire claims, obviously, the majority of those happened in the SME segment. Did you say whether they were kind of concentrated in a particular line of business, whether it was agriculture that was causing all of those claims or were they sort of across the board? Thank you.

A - Lars Thykier {BIO 16427122 <GO>}

The major part has been in the SME market and not in agriculture. Agriculture has been hit but not as hard as SME, which has been very, very hard hit. But on top of this, we have had extra maybe claims on the private lines, which is unfortunate since they are too small to trade (00:34:17).

Q - Philip Ross {BIO 20618440 <GO>}

Okay. Thank you.

Operator

Thank you. And as there are no more questions registered, I now hand back to our speakers for closing comments.

A - Lars Thykier {BIO 16427122 <GO>}

Thank you for taking the time to attend our conference. As you know, you're always welcome to call on us if you have any further questions. We will be happy to answer them. Goodbye.

FINAL

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