Y 2021 Earnings Call

Company Participants

- Barbara Plucnar Jensen, Group Chief Financial Officer
- Gianandrea Roberti, Head of Investor Relations
- Johan Kirstein Brammer, Group Chief Commercial Officer
- Morten Hubbe, Group Chief Executive Officer

Other Participants

- Asbjorn Morks
- Jakob Brink
- Jan Erik Gjerland
- Martin Birk
- Per Gronborg
- Tryfonas Spyrou
- Will Hardcastle

Presentation

Gianandrea Roberti {BIO 6786731 <GO>}

Good morning, everybody. My name is Gianandrea Roberti. I am Head of Investor Relations at Tryg.

We published our full year results earlier this morning. And I have here with me Morten Hubbe, our Group CEO; Barbara Plucnar Jensen, our Group CFO; and Johan Kirstein Brammer, our Group CCO.

With these few words, over to you, Morten.

Morten Hubbe {BIO 7481116 <GO>}

Thank you, Gian. And we'll start on Slide 3 with our financial highlight, where we reported Q3 full pre-tax result just below DKK1.6 billion, actually up 30% year-on-year, of course, including Trygg-Hansa and Codan Norway. And we're very pleased to report the highest ever Q4 technical result of DKK826 million for the quarter for Tryg Classic alone, and that of course contributes to the highest ever full year technical result of DKK3.7 billion.

Investment income of DKK941 million for Q4, which, of course, includes RSA Scandi result for the quarter. Combined ratio of 86.2 driving the technical result of DKK826 million with good growth, improved underlying claims, Alka synergies as the key drivers. Underlying claims improved 80 basis points for the group while being flat for private in line with recent trends. As I mentioned, total investment income of DKK941 million bear in mind that you need to split it into two as we also do in the P&L, where DKK373 million is more classic investment result from Tryg with equities and properties contributing well. And then DKK568 million net profit contribution from RSA Scandinavia. As you know, this is the equity accounting methodology that you've now seen for a couple of quarters, and we will of course return to the strong operating performance in Trygg-Hansa and Codan Norway.

Finally, big surprise, we will be paying a dividend per share of DKK1.07 for Q4, bringing the total full year to DKK4.28 per share, and a solvency ratio of 188, slightly higher than expected; and we, of course, maintain our first year '22 guidance of a solvency of 195 to 205.

On Slide 4, we elaborate on customer highlights; as you've seen in previous quarters, we have implemented in 2021 a new method, which measures both touch points like for instance, buying insurance on the phone and the full process, for instance, claims handling, which could cover many contact points. We're very pleased to see improvements from 84 to 85 and driven by and mainly an improved telephone contact measurement in commercial Denmark and improved process measurement in claims Denmark and claims Norway.

If we move on to Slide 5, we show the highest ever Q4 technical results in Tryg Classic, and as I mentioned, also for the full year. And for the quarter, the technical result of DKK826 million, up 6% from DKK780 million year-on-year, positively driven by higher premium income and lower underlying claims and negatively impacted by lower run-off gains and no positive COVID-19 impact, which is clearly different from the year before. Private continues to improve through higher volumes and help from higher run-off gains, but then also slightly lower weather claims. Commercial improves the underlying profitability, but reported a lower result year-on-year. We see a lower level of runoff gains and a higher level of large claims pulling downwards.

In corporate, we'll continue to improve the underlying claims. And at the same time, the reported numbers are helped by much lower large claims year-on-year. Sweden continue to improve the underlying claims as well, really positive. But we do see that much lower runoff levels leads to a lower technical results.

On Slide 6, for the last time we show Alka synergies, very pleased that we end up by the DKK333 million, which is 10% higher than our target of DKK300 million, which is really positive. Synergies is, of course, very important and was a very important part the rationale for the Alka transaction. And we are very happy to see that we've over-performed on all areas in the synergies and also that gives good comfort in the RSA transaction and the synergies planned there.

On Slide 7, we show the Q4 financial performance for Codan Norway and Trygg-Hansa, very pleased to see a strong reported growth of 5% in Trygg-Hansa. Actually that has been adjusted, because as you may remember in Q4 2020, so not '21, but Q4 2020, there was a DKK180 million debt write-off in Trygg-Hansa and we've adjusted for that when calculated growth of 5%, whereas in Codan Norway, we saw limited growth. If we dig further into the Trygg-Hansa growth, there was a strong new business growth in personal lines, and particularly, in motor, where Trygg-Hansa has the underweight historically. And in the SME commercial lines, we see that retention is up, but also new business in motor is developing positively.

Look at the technical results, Trygg-Hansa for the quarter was DKK5.08 million with a combined ratio of 78.8%, and Codan Norway improved significantly to technical result of DKK44 million with a combined ratio of 84.2%, but bear in mind, held by the absence of larger claims. Overall, Trygg-Hansa and Codan Norway benefits from a robust investment result of DKK218 million with risky assets performing well in Q4, particularly REITs, which is real estate.

If we look at Slide 8, as you know, RSA Scandi has only been in our accounts for seven months in '21. And we use this equity accounting methodology, where we see a net profit being reported as a separate line investment. And we will, of course, change this April 1, '22 expectedly after de-merger, which means that in Q2 results for the first time, we'll see through consolidation and we will leave the equity accounting concept.

Now seven months is a little bit of a strange timing to report, so we thought it'd be helpful on this Slide 8 to show 12 months full year '21 results for Codan Norway and Trygg-Hansa, but bear in mind, we only owned it for seven months. For the full year, Trygg-Hansa delivers just over DKK2 billion of technical results with a combined ratio of 78.8%. And bear in mind that includes the single weather event in Gavle of DKK149 million and then Codan Norway delivers a DKK163 million technical results for the full year with a combined ratio of 85.5% with a strong improvement to the year before. So, all-in-all, close to DKK2 billion technical result for the full 12 months for the new family members in Sweden and Norway, and I think off to a very good starting point; and that thing is a segue to synergies, Johan.

Johan Kirstein Brammer {BIO 18640275 <GO>}

Thank you so much, Morten. And let's dive straight into synergies on Page 9.

So, for 2021, we report synergies of DKK63 million, and these are unsurprisingly to many of you on the call, mainly cost related in line with the experience from the Alka transaction. In general, there is a positive impact from natural attrition, savings from not being part of the RSA group, and reduced marketing spend. We have together with Trygg-Hansa and Codan Norway in working hard on the synergy part so far as this is a very critical part of the rationale behind the RSA transaction. And we are pleased to emphasize that we feel very comfortable that we we'll deliver the promise synergies according to the targets we have already laid out.

With that, moving to Page 10 on shareholders remuneration, Tryg is, as Morten said, paying DKK1.07 dividend per share in Q4, DKK4.28 for the full year. And a couple of months ago at our Capital Market Day, we did publish a relatively precise guidance in terms of shareholders returns for the next three years. We aim to pay between DKK12 billion to DKK14 billion in ordinary dividends between 2022 and 2024 and adding to that a buyback of approximately DKK5 billion starting in first half 2022 following the FSA approval. We aim very clearly to remain a dividend stock and the full consolidation of RSA figures, the synergies development, and the booking of nearly all transaction and restructuring cost in 2022 will drive our earnings substantially higher, and therefore, boosting our dividend capacity in the next three years. So, after 2021 and 2022 with some turbulence in the P&L, things are soon stabilizing and our commitment to a strong dividend development is as firm as always.

With that, we're turning to the next section on premiums and portfolio, looking into Slide 12. So, top line growth for Q4 was reported 2.6% and 5.1% adjusted for the bonus premium rebates driven by growth in all private and commercial segments. In the next slide, we will in more detail describe the bonus and premium rebates.

Private being the most profitable area and therefore we are very satisfied with the growth in this segment of reported 3.1% and 7.3% adjusted for bonus premium rebates. Commercial had a growth of 5.1%, which was a combination of organic growth in Denmark. And in Norway was driven by price increases for especially larger commercial customers.

COVID on the other hand showed a negative growth of 2.5% and was impacted by profitability initiatives across countries. In general, please bear in mind, growth is not the key in the corporate business. What matters here is improvement in the profitability across all countries. Sweden showed a growth of 1.5% impacted by price adjustments and good development for its bank distribution with Danske Bank.

That brings us to the bonus and premium rebates on Page 13. Tryg's premium growth was significantly impacted by bonus and premium rebates in Q4, and overall, for the full year 2021 due to strong profitability across partner agreements. Many of our partner agreements have a profit sharing mechanism and strong performance drives higher profit sharing, which accounting-wise is deducted in the premiums. As you know, Tryg has a strong focus on partner agreements as these are, in general, characterized by a high retention and therefore low expense ratio, making it possible for us to offer products at competitive prices.

I will revert to that on the next slide. From 2023 and onwards, as part of the IFRS 17 implementation, the bonus and premiums rebates will no longer impact the premiums, but be part of the claims, which in our view makes it much more sense and will make our premium growth more stable going forward.

Turning to Page 14 on our partnership agreements; as mentioned, Tryg has a strong focus on profitable partner agreements and we have many years of experience in this area both in Denmark and in Norway. And we're satisfied with the many partner agreements we've worked with for many years, and due to our strong partner setup, we have also recently been able to attract new partners from competitors. As mentioned at our Capital Market day in November, partner agreements are in general characterized by strong leads coming from the partners with effective hit rates, with attractive risk profiles, many products per customer, a high customer lifetime and therefore an associated low expense ratio.

The commercial metrics are therefore inherently different from those of our direct business, which allows us to have both different product features and different pricing for our partnership customers. But looking at across our partnership agreements, we of course, see different levels of performance both in size and profitability as we do with our direct customer. But as a whole and I think this is the important key here, the partner portfolio has a combined ratio around 85 close to that of the rest of the private portfolio.

Turning to Page 15 on pricing; adjusting crisis in accordance with inflation is critical and therefore we monitor the development very closely, especially these days. In periods with high inflation in the prices of materials, Tryg has been able to mitigate this through strong procurement agreements. We now begin to see some inflation impact, especially for house and building, and therefore, we will continue to adjust prices to mitigate this going forward.

Turning to Page 16 on customer retention, customer focus is extremely important and customers' view of Tryg is best monitored through the retention rate. For private Denmark, we experienced in the past few quarters as expected a slight drop in the retention rate as a consequence of the drop in the Nordea portfolio. We are however satisfied that we have a net positive impact when looking at the Nordea and Danske Bank portfolios due to very strong sales to Danske Bank customers and we are also satisfied that for this Q4, we're seeing the retention rate improving with 0.6 percentage points.

In Norway, we are happy to continue to see a high level of retention, even with the high growth for the past two years. And for commercial, we saw an improved development for Denmark with 0.2 percentage points and an improvement for Norway even in a period, where we have been working very much with price adjustments.

And with that, I will pass it over to you, Barbara.

Barbara Plucnar Jensen {BIO 17487867 <GO>}

Thank you very much, Johan.

For the details on claims and expenses, please turn to Slide 18. For Q4, Tryg reported an improvement in the underlying claims ratio of 80 basis points for the group, while the private segment was flat. This is in line with the previous quarters in 2021. The improvement in group underlying claims ratio was primarily driven by profitability initiatives in the commercial, and in particular, the corporate segment, and we saw a higher reported claims ratio for commercial compared to the same period previous year due to a higher level of large claims in this segment.

As previously mentioned, the strong growth in the private segment is impacting the underlying claims ratio as new business is not as profitable as what you could call old business. The claims ratio for the new business is approximately 3% higher than the claims ratio for existing business primarily, because the new customers tend to make more frequent claims under their insurance policies during the first couple of years. For the group, we expect the improving trend to continue in 2022.

Please turn to Slide 19. The two charts show the large and weather claims experienced in the quarter. The large claims were higher than normal while weather claims were below a normal Q4. At the bottom, you can see the development in the discount rate of Tryg's liabilities and the runoff results. The discounting rate of our liabilities move upwards to 0.7% compared to 0.2% last year following a general increase in the market-based interest rates. With respect to the run-off, the result was 3.8% for Q4 and 4% for the full year 2021, both somewhat lower than last year.

On Slide 20, you can see that the expense ratio continues to be stable. The expense ratio for the fourth quarter was 14% in line with the same period last year. In general, we believe that an expense ratio around 14% is strong and a very important competitive advantage. The effort goes into continuously to identify improvement related to a more efficient distribution, which to a large degree, finance the IT investments. During Q4, we saw a slightly higher number of employees, primarily driven by the higher business volume, investments in IT and IT and digitalization, and continued expansion for the credit and surety business.

In the following section, we'll take you through our investments, our capital, and our new targets. So, please turn to Slide 22.

In this slide, we show the split of our invested assets, which currently add up to approximately DKK43 billion. The match portfolio is backing our insurance reserves and is around DKK30 billion while the free portfolio, the capital of the company is approximately DKK13 billion. The asset mix of the free portfolio is broadly unchanged, so not much new to report here. Please also note that the investment assets described here are for Tryg Classic or Tryg standalone. The investments that -- the investment assets related to RSA do not go into our portfolio yet, however, this will be the case at the time of demerger.

On Slide 23, you can see more details on the standalone investment results. For Q4, Tryg reported a standalone investment result of DKK373 million driven by a very robust return on the free portfolio primarily benefiting from strong equity markets as well as good returns and property assets. The match portfolio also produced a small positive results, primarily driven by a tighter spread between the discounting curve in euros and the assets invested in Danish kroner. In general, Q4 was really strong and we would like to highlight that a total investment result of DKK373 million in a quarter is approximately the double of what we expect in a normal year. And it is really important not to extrapolate expectations on this particular quarter.

On Slide 24, we take a look at the solvency position. Tryg is reporting a year end solvency ratio of 188, up from 179 at the end of Q3. The upwards move is driven by a strong organic capital generation with net profits, almost doubling the dividend in a more or less flat to SCR.

Looking at the SCR, you would see two diverging moves, Tryg's standalone SCR is driven up by a higher market risk following a strong capital markets trend in Q4. And at the same time, Codan's SCR is down due to some technicalities in Codan's model. At our recent CMD, we guided a solvency ratio in the range between 195 and 205 at the end of the half year '22. The higher than previously expected SCR for Tryg and the lower Codan SCR at the end of Q4, does not impact this guidance. We maintain the 195 to 205 guidance, which already includes the intended DKK5 billion share buyback. And we see it as a strong starting point for the new group to drive further shareholder return.

On Slide 25, you can see the current Tier 1 and Tier 2 capacity. There's not much new in this slide. But Tier 1 capacities linked to the overall level of the core equity Tier 1, which is ultimately driven by profits and dividends. As mentioned in the last bullet on the slide, it is important to remember that the year-end SCR of DKK9.9 billion will be approximately DKK1 billion lower when we close the sale of Codan and Denmark, hence you should consider the current Tier 2 capacity to be extraordinary. Tryg has no plans to issue further debt.

Slide 26 shows the updated, as per end of Q4 buildup of our solvency capital requirements split into different categories. Please remember that we only use our internal model for the insurance risk; all else is on the standard formula. Additionally, we are showing the split of the market risk charge between the different asset classes. Like shown before, equities continue to attract the highest capital charge.

In Slide 27, we show the historical development of our solvency ratio. It's quite clear that adjusting for transaction events like the acquisition of Alka and recently RSA Scandinavia, the development of the solvency ratio is very stable. In a normal year, our own funds primarily move due to the development of net profits and dividends while the solvency capital requirement moves very little driven by the growth of the business. As mentioned on Slide 24, we end the year at a solvency ratio of 188 and repeat the guidance for the first half of '22 in the range between 195 and 205, including the impact of the share buyback.

An updated snapshot of the solvency ratio sensitivities can be found on Page 28. And you will notice that there is not a lot of changes on this slide. The sensitivities to the solvency ratio are broadly unchanged. And as covered bonds are largest as it lasts by far, it's not a surprise that the biggest sensitivity relates to this particular spread rate. 2021 was an eventful year and we expect '22 to also be quite exciting.

On Page 29, we have summarized a few important reminders about what to expect. The starting point is getting to demerger of Trygg-Hansa in Sweden and Codan in Norway, from Codan in Denmark after which we will be able to fully consolidate the results of Trygg-Hansa and Codan Norway into the Tryg numbers. This is expected as Morten mentioned before to be the case from 1st of April '22. You should also note that we have booked slightly less transaction and integration costs in '22 compared to what we originally anticipated. The difference will flow into '22, where we expect to book the vast majority of the remaining part. The remaining part is approximately DKK1.3 billion and we'll come back with more precise comments on this topic during 2022. And regarding our new financial targets for '24, we publish these at our CMD in London in November.

Morten, can you remind us what we're targeting?

Morten Hubbe {BIO 7481116 <GO>}

Yes. Of course. On Slide 30, we repeat all of our targets as given in the -- at the CMD. And for 2024, I'll now go through all of them and I'll just repeat our extremely important and ambitious technical result target of DKK7 billion to DKK7.4 billion by 2024 and then our target to payout DKK17 billion to DKK19 billion to be send back to our shareholders, split between ordinary dividends and the expected and announced buybacks. So, that will be an important and I think interesting journey. And of course, we finish off with our favorite quotes on Slide 31 from John D. Rockefeller, who I hope will be pleased with our planned increase in dividends and payouts going forward.

I think with that, we'll turn to your question.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) Our first question comes from the line of Asbjorn Morks of Danske Bank. Please go ahead. Your line is open.

Q - Asbjorn Morks

Thank you, and good morning. A couple of questions from my side. First on the -- on the premium rebates and the private portfolio that you have. A couple of questions really, but I mean considering the growth you had the last couple of years from partnerships, it seems like we have sort of reached the maximum on how profitable these agreements can be without you having to sort of reimburse your client base and I can see you're expecting underlying claims ratio improvements in private going into 2022.

So just wondering, is this on a net basis? Is this as good as it gets for a relatively big part of your private portfolio or how will this actually develop in 2022 if you do actually show improvements in those areas of your business? That was the first question.

A - Morten Hubbe {BIO 7481116 <GO>}

Maybe I can start by commenting on that, Asbjorn. I don't think we'll ever reach a point where we believe that it is as good as it gets. Our view is that we continuously work to improve the underlying claims ratio for all of our portfolios, including private. And then, of course, depending on the growth that can have an impact due to the new customer profile as Barbara expects.

So no, we will not stop working on improving the underlying claims in private, but we'll have a continued focus on improving that. Of course, the delta on the premium rebates is a little bit larger than we thought, and perhaps the split between the quarters could have been better because the Q1 or Q4 impact in Denmark is a little bit on the high side, but it has also been slightly unusual, for instance, some of the partner agreement has a higher component of travel. So, when travel is lower because of COVID with that 60% lower travel claims, that hits particularly partner -- particular partner agreements more than other lines. So there are various nuances as to why the premium rebates is higher for Q4. Ideally, we would have split it better, but we'll continue to improve underlying claims and some of that will be shared with partners.

Q - Asbjorn Morks

But business, so I mean, if I look at the slide 13, you do emphasize quite a lot on the difference between the growth as reported in the -- and the underlying growth excluding this. But isn't so that if you didn't have this, we would have higher premiums, but then we would have a worse combined ratio. So I guess the net profit impact would be the same, right. So if we look at the adjusting for IFRS-17, I guess we just get higher premiums, but with a deteriorated combined ratio.

A - Morten Hubbe {BIO 7481116 <GO>}

So you're right that with IFRS-17, it will no longer be deducted from the premiums. It will be shown on the claims. It will not result in a worst combined ratio, it will be solved in the same combined ratio as today. But you're right that the expense if you will of that profit sharing will be shown on the claims. So it won't actually change the bottom line. It won't change the technical results, but it will give less of -- it will improve the visibility of the actual growth traction. Because today the model means that when there are stronger bottom line, it deteriorates the top line growth, which is quite counterintuitive with it. But you're completely right, it won't change the technical result.

Q - Asbjorn Morks

But isn't so with the partnerships, quite a lot of them that you have right now. I guess, if your profitability improves further, you will just have to pass that to your -- back to the clients. Will you be able to retain some of it?

A - Morten Hubbe {BIO 7481116 <GO>}

Well, it -- there is a variety of models of sharing. Some of the sharing is a proportional sharing. So, that means that a lot of improvement would be kept by us, some of it would flow to the partner. Some profit-sharing agreements are picked to a particular combined ratio. Then there is more of the impact that we mentioned. In some partnership agreements, we choose to turnaround and use the higher than expected profit to invest in new products, on new digital solution which drives new growth and new results.

So there's a variety on that Asbjorn. So, it's not -- it's not as simple as you put it and there's a number of the partnership agreements where stronger profitability would lead to stronger technical results for us as well. And then of course, the volume that goes into it will improve our technical results as well. So, it is a little bit of a mixed bag because the sharing methodology there's a great variety of that.

Q - Asbjorn Morks

Okay, fair enough. Then if I may go to Slide number 7 on your newly acquired assets. I'm struggling a bit to read whether I think this is good data or maybe slightly disappointing data, but if I look at the growth in the Swedish business. Of course, very strong, reported 5.7, if we adjust for the one-offs, but then I guess you also have some FX tailwinds that at least the growth at 3.5-ish% in the period, which I guess is okay, but then the combined ratio deteriorated 3 percentage points in Trygg-Hansa year-over-year. And you do write that there's a COVID-19 and there's run-off, but could you just elaborate a bit on the underlying claims ratio trends for Trygg-Hansa, if you have that data available at this time?

And I guess the same for the Norwegian business growing premiums by 19%, but what I calculate as 8% FX tailwinds. Of course, still good growth, but the 50 percentage points combined ratio improvement, I guess, you're also saying large claims had an impact, but how do you see the underlying development, if we just put this on that business as well?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yeah, I think for the Norwegian business you pointed to some of the biggest areas of impact to the lack of large claims that's been driving a substantial part of the development this year. The underlying it's slightly improved, but it's not a massive development there in 2021.

For Trygg-Hansa, bear in mind that obviously there was also the large weather claim back in Q3. And as you point out there, there was higher run-offs for 2020, that sort of supported the very strong results in Q4. And obviously, they also benefited from COVID in 2020 compared to '21. So it's a mix of different things where I would say, Trygg-Hansa probably looked a little bit too strong in 2020, whereas Codan Norway, probably is a little bit on the strong side in '21.

A - Morten Hubbe {BIO 7481116 <GO>}

I think it's fair to say Asbjorn, that many competitors, including RSA has chosen historically to take the COVID impact more or less straight into the P&L, which of course has flatter 2020. And then it's a negative year-on-year comparison into the later parts, particularly '21. And as you know, in fact, we've chosen to be slightly more on the conservative side and be slightly less keen to take every single impact into to the P&L, but there is that difference when you compare '20 to '21.

Q - Asbjorn Morks

But I guess the conclusion varies quite a bit on how -- if the underlying combined ratio is slightly improving or is it deteriorating somewhere between 0% and 3%. I fully acknowledge what you're saying. And also fully acknowledge that you might not have the full insights into COVID-19, et cetera. But do you have any feel on whether the underlying claims ratio in Trygg-Hansa is actually stable to improving?

A - Morten Hubbe {BIO 7481116 <GO>}

We're seeing more and more underlying data we have a direct access to everything from 1 of April, but we're seeing more and more underlying data on each of the product lines and the overall assessment is that it is extremely stable and the control is extremely strong. So I think when we look at the totality, the two acquired entities in Sweden, and Norway makes almost DKK2.2 billion for the full year in technical result. And I think we see that as extremely strong and something that we can then further improve with the synergies plan.

And then also bear in mind that actually when we look at particularly the quarterly numbers, historically RSA didn't even report quarterly numbers. So I would probably wait a little bit into '22 before I try to find detailed nuances and the differences on quarterly numbers from the acquired entities. And also, it will be after 1 of April where we have full data access to everything.

Q - Asbjorn Morks

Okay, fair enough. The final question if I may on Alka, you reported the 333 million of total synergies, and I believe they were 279 at Q3. So you realized an additional 54 million in Q4. We're just wondering what drove this. It sounds like a pretty big number for a single quarter and why should we -- why should this stop 1 of January this year? Should there be further improvements in Alka going forward on synergies.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yeah. I think what you should take from Morten's comment, that this is the last quarter of Alka synergies is just stating the fact that we would not report specifically on this going forward. Bear in mind, we put out two-year target back in 2018. And those are the ones we have been following up on. And obviously, it is also becoming more and more difficult to sort of split out Alka specific synergies to what is going on in the rest of Private. So you can say it's the last quarter that we will report specifically, but obviously like with the rest of the business we will continue to work on improving and strengthening the business going forward. If you --

A - Morten Hubbe {BIO 7481116 <GO>}

And I guess it's fair to say and you can comment on the synergy for the quarter, but it's fair to say Asbjorn, that whether you look at the underlying profitability development in Alka or you look at the synergies development in Alka, they both tell a very strong story, and of course, that story doesn't end 1 of January '22, and we are very pleased that that performance flows into the continued improved performance going forward for the total private business of Tryg.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

And then if you look at Slide 6, Asbjorn you can see where the DKK54 million stems from. So DKK29 million is by using the procurement agreements we have when sorting the claims for Alka customers. 12 -- DKK12 million stems from cost benefits related to staff functions, and then the remaining DKK13 million are revenue synergies that comes from cross-selling to Alka customers, when we also use the Tryg agent model on the customers of Alka.

Q - Asbjorn Morks

Yeah. I was just wondering, three years after you acquired the company, that you're still able to realize quite that many synergies on a quarterly basis. So there was more -- but it sounds like that there's more to come going into 2022. So that was basically I guess --

A - Morten Hubbe {BIO 7481116 <GO>}

But I think that, Asbjorn that that three years is a natural time horizon for peak of synergies in an acquisition, but I think in any well-run company would target that you can continue to improve the acquired business also after the three years. And of course, we intend to do that. So that is exactly our focus.

Q - Asbjorn Morks

But is that part of your 2024 target?

(Technical Difficulty)

Operator

Thank you. Our next question goes to the line of Will Hardcastle at UBS. Please go ahead. Your line is open.

Q - Will Hardcastle {BIO 22230376 <GO>}

Okay, great. Thanks. Two questions if I may. First one is, you're experiencing this two-pronged underlying margin development. You've got the Private flat, the group improving, implying major commercial and corporate improvement. I think your Private underlying growth has been about 7%. It certainly was in Q4, it might be something slightly different for the full year, I guess. But at what level of premium growth should we expect the private lines to help contribute to the margin improvement below that 7% perhaps.

Second one is, we've had the higher net earnings that's boosted the Solvency II ratio. I know you touched on a couple of SCR adjustments there as well. But I'm surprised you haven't suggested that you could now exceed that 195% to 205% at the half-year. Is it fair to say you've moved up to the upper end even within that? Or was this perhaps just a timing benefit? Thanks.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yeah. Well, let me start with the guidance on the half-year solvency. As you point out, some of it is a timing impact and some of the things that you saw for Q4, will move the other way when we start looking at the opening balance and all the other moving parts that you will see in particular in the second quarter of the year. So this does not change the range and we don't point to a specific part of the range, because there are still quite a few moving parts in the coming quarters.

A - Morten Hubbe {BIO 7481116 <GO>}

I think on your question on the link between growth and underlying claims for private lines. If we look at Private lines in Q2 and for the full year, the growth was 8.3% before bonus and premium rebates, which is quite high. And I think with such a high growth, we're sort of just juggling on the balance of the flat underlying development.

So, typically the growth would need to be slightly lower than that to have a positive development in the underlying claims in Private. But what we're working on every day is to secure a balance where we both have a rather large growth in private and we improved the underlying claims at the same time. And of course, what you can take away is that without this higher than usual growth, underlying claims is developing really well in Private lines. But of course, we're ambitious people, so we want to achieve both. So we want to achieve the high growth and we want to achieve improved underlying claims as well. And that is exactly what we're working on. So, let's see if we're not able to strike both, but of course, 8.3% growth is a high number.

Q - Will Hardcastle {BIO 22230376 <GO>}

That's great. I guess the return on capital is highly attractive and is there a trade-off here that the marginal return on capital makes it actually better to grow top line at this point and keep margin? Or is it still a fairly balanced trade-off between margin and growth?

A - Morten Hubbe {BIO 7481116 <GO>}

Well I think as Barbara explained, I think if you look at a very macro level, I think we're really pleased to see that after total growth, it is predominantly driven by Private and SME where returns on capital is extremely strong and then we actually see negative contribution from corporate lines, where return on capital is not as it should be. It is improving, but of course, is not as high as it should be. And then, as Barbara mentioned, typically these 3 percentage points higher claims for new customers, typically last for a couple of years and that's why we see that those customers were then sort of fairly few years starts to contribute to the higher earnings again. So I think if you look at the lifetime capital return, a logic of that, that is extremely strong. So we have zero doubts that creates a lot of shareholder value, but of course, it does impact the underlying claims short-term.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

And if I may add to that, obviously, I would be a little bit worried if we show the growth rates that we experience in private and commercial in the corporate segment for exactly the reasons that -- that Morten pointed out.

Q - Will Hardcastle {BIO 22230376 <GO>}

That's really helpful. Thanks.

Operator

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

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you very much. Just coming back to the questions, I'm underlining Trygg-Hansa if I may. Barbara, I think you said that in Trygg-Hansa, 2020 was a bit too strong while Codan Norway has been a bit too strong in 2021. Is it possible to maybe give a bit more detail also regarding the Gyda weather-related claims in Q3? Should we adjust for the whole of that or has been weather claims in Q1, Q2, Q4 been better than normal in 2021? Just to get a sense of the sort of run rate of weather and large claims and run-off claims in Trygg-Hansa, please.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Of course, and I fully appreciate your question Jakob. To start with, what I said was that the combined ratio was somewhat stronger than what you would anticipate in Trygg-Hansa in '20 compared to '21. As we said, we don't have all the full details on the underlying claims ratio, but what we can see is as was also said before a stable to slightly improving trend through '21.

And when it comes to the guidance on large weather claims, et cetera, et cetera, we are reviewing that and will have far more details after the demerger where first of all, we can also align what they qualify as being large and weather claims because there are some nuances in the way that we categorize it between Tryg and RSA. Hence, we will give you a lot more guidance on that when we have the details. It's just too early days now because we don't have the granularity of the details that we would like to in order to give you any meaningful guidance.

A - Morten Hubbe {BIO 7481116 <GO>}

And also, Jakob, we are, of course, in 2022, including Trygg-Hansa and Codan Norway in our reinsurance program. So it's not only recalibrating expectation on large claims or weather claims and using the same definition to make it apples and apples. In fact, we're also making sure that we receive in the same reinsurance light, which has created good synergies that's positive, but it does mean that there is some data modeling going on. And you will have that in advance of having to report Q2 '22, which will be the full consolidated deck. So we'll make sure we will give you ample data on that beforehand, but that modeling is going on and there are definition differences. So, I don't think we should jump into the nuances of that now, unfortunately.

Q - Jakob Brink {BIO 20303720 <GO>}

No, it's fine, thank you. But then just one, one small extra detail. So the synergies that you have already realized in Trygg-Hansa, the DKK63 million. How's that book? Is that booked in Trygg standalone or is that part of the profit in Trygg-Hansa for the second half of the year?

A - Morten Hubbe {BIO 7481116 <GO>}

That is all -- all those synergies realized DKK63 million in 2021 are being booked within the Trygg-Hansa perimeter. So, it doesn't fall in group.

Q - Jakob Brink {BIO 20303720 <GO>}

So, it's in the Trygg-Hansa you said. Sorry, just missed it.

A - Morten Hubbe {BIO 7481116 <GO>}

It's in the Trygg-Hansa figures.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay. So actually, the 78.6% combined ratio is also boosted by that DKK60 million, okay.

A - Morten Hubbe {BIO 7481116 <GO>}

Yes. It is slightly boosted by that, and I think we need to take it into the bigger picture where we are comparing a year of 2020 with 2021 with a lot more run-off in 2020 and a lot more COVID impact in 2020. So it is a mixed bag of pluses and minuses, but the synergies are captured in the 2021 figures.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay. Thank you. And then just small details on figures, so one of them are pre-tax, the other one is after-tax, but you have -- was it 568 million was the after-tax result of Trygg-Hansa, Codan Norway, Codan Denmark in the results or in the quarter. And then yes, you also told there was a slightly less 60 million less was with the technical profit in Trygg-Hansa and Codan Norway. Could use -- the residual, could you give us the split between how much is investment income in Trygg-Hansa, Codan Norway, and how and how much is Codan Denmark?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

I can't give you the split between the three countries on the investment results. I can give you the total investment result that goes into our numbers, which is DKK280 million for the fourth quarter of 2021. But unfortunately, I can't give you the split related to the three different countries.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay. Fair enough. Last question, the 5 billion buyback in connection with Q3 I believe it was, you said that there was a lot of moving parts back and forth. And if they came out on the negative side, you could pay -- do the 5 billion buyback. But if some of them then turned out more positive, I guess, you could pay out more than 5 billion. Have you come any closer to knowing if 5 is the number or if there could potentially be more?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yeah, I think it's a very good assumption that the 5 billion is what we plan for. As we also state, we are quite mindful of having a good outset on our solvency ratio going forward. And bear in mind when we launched the share buyback, we will have the immediate impact of the full size of the share buyback. So not only taking into account you can say the opening balance and how that looks, we're also are quite focused on making sure that we have a good outset for, you can say the journey that were on in the combined company going forward.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay. Very clear. Thanks a lot.

Operator

Thank you. Our next question comes from the line of Martin Birk of Carnegie. Please go ahead. Your line is open.

Q - Martin Birk {BIO 19920552 <GO>}

Thank you. A couple of questions from my side. First one, maybe coming back to Asbjorn's question on synergies. So recent quarter strength has been an 80 bps improvement in underlying claims ratio assuming that Alka synergies will continue to be realized in the coming years. Should we add those 80 basis points to the synergies from RSA going forward? Or how should we think about underlying claims ratio development? That would be my first question.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

I think as a starting point, synergies going forward that we will report on a quarterly basis will be related to RSA. We have a base, you can say the whole business case, when doing the acquisition on the business that we have acquired, the potential is to combine that with the remaining-type business. So therefore the synergies that we will report will be specifically related to the RSA assets.

When looking at Alka, I think as we said before, they now sort of move into the ordinary way that we run our business, continuously looking at improvements and efficiency. So that will go into, you can say, the overall improvements that you will see for the private segments going forward. So, you will not have the specific insights on the Alka, and it will not go into the RSA numbers. But as Morten said, obviously that is part of the overall financial targets for the group running into '24.

A - Morten Hubbe {BIO 7481116 <GO>}

I guess it's also implicit in your question, Martin, will we continue to chase the underlying claims ratio improvement in Tryg Forsikring, of course, we will. And as you see at the moment, we are improving that net-net mainly in commercial and corporate and we'll continue to do that, and then of course, we'll see an improvement in Trygg-Hansa and then we'll see a negative as we start to grow the business more. So, we'll see both impacts. But what is driving the improvement underlying today is of course, Tryg Forsikring and we'll continue to drive that also as we start to implement the synergies of what we have acquired.

Q - Martin Birk {BIO 19920552 <GO>}

Okay. Very clear. Then maybe moving on to -- moving on to the Codan and Denmark sale. Our brands got their competition approval push to Phase 2. As far as I recall when you were in Phase 2 with Alka back in, it took 185 days to solve, which pushed your timeline quite a bit. If this timeline is also pushed equally as much, are you guys able to commence the share buyback in H1?

A - Morten Hubbe {BIO 7481116 <GO>}

I think that's a good question. We're following the news as closely as you are. And I think first of all, we are not part of and preview to the dialogue with the DCCA around this. That being said, we are not surprised that this approval is going into Phase 2 where they have 90 days to approve the transaction. We're not surprised, it is a transaction of a certain size.

That being said, I would be hesitant to compare it to the approval process we went through with the Alka transaction, all situations are different. This is quite a different scenario, I would say. And you're right in saying that potentially this could be delayed. It could possibly delay the closing of the deal. It could possibly delay the buyback slightly.

That being said, I think, I would lean on advanced communication to the market, saying they still expect the transaction to close in the spring, which would -- should allow us time to close the deal and initiate the buyback as we expected. But you're right, these things are, and can be a little bit unpredictable. I must say though, we find a lot of comfort in the fact that (Inaudible) has undertaken what we call a hell or high water clause, meaning they are required to undertake any remedies required to make the transaction go through. So, as for the content, we are quite comfortable. Could the timing be a little bit delayed? Possibly. We don't expect so, but it could be.

Q - Martin Birk {BIO 19920552 <GO>}

Okay. So just to be --

A - Morten Hubbe {BIO 7481116 <GO>}

--most important that we fundamentally know that this will go through, and then we worked enough for processes like this to see that weather timing is one or two months more or less, you just have to live with that. But fundamentally it doesn't change the fundamentals of what you're doing and that's the most important.

Q - Martin Birk {BIO 19920552 <GO>}

Okay, maybe just a quick follow-up on that. The first one being, so basically what you're saying is that you need the money in your account before you can commit to share buyback. And then second, let's assume in a complete unlikely event that competition authorities they say no to this, what is happening then?

A - Morten Hubbe {BIO 7481116 <GO>}

Let's just take the second part of your question first. The event that they say no is an unlikely not going to happen event. So what will happen most likely in these situations is that the authorities will come back and explain what concerns they have and what remedies could possibly repair these concerns. That is the scenario that we're looking into. The scenario where there's a blank no, is not a scenario on our slate at all, whatsoever.

And what would happen on the proceeds, Barbara, maybe you'll comment on that.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yes. Obviously, the two events are linked. So, we would very much like to see the closing of the sale before we can launch the share buyback.

Q - Martin Birk {BIO 19920552 <GO>}

Okay. But what would happen in that extreme outlier scenario?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

In which scenario?

Q - Martin Birk {BIO 19920552 <GO>}

In the extreme outlier scenario that competition authorities, they say no.

A - Morten Hubbe {BIO 7481116 <GO>}

Just to be very clear, and I think and maybe partner has been very clear about this also in their perspectives around the rights issues, that they've undertaken in applications to whatever it requires, selling out any part of the new business or existing business in order to meet any concerns from the DCCA. That means that having accepted all remedies, there's no real risk that this will not go through. All remedies have been accepted under this hell or high water clause. That's why we feel very comfortable with this situation. So it's clause. It's not a matter of subject matter, it's a matter of timing and process.

Q - Martin Birk {BIO 19920552 <GO>}

(Multiple Speakers)

A - Morten Hubbe {BIO 7481116 <GO>}

If you compare it Martin to the Alka process. Yes, there was a delay, yes that's annoying. Yes there were some remedies. Were those remedies of magnitude to fundamentally change the case? Not really. So, and I would personally see this transaction as a less important transaction from a competition point of view. So, I think most likely this is more a potential timing discussion, then a real risk of any kind.

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

Just want to put that out on the question, just maybe taking one step back on the question. I think we shouldn't read too much into the fact that they're going from Phase 1 to Phase 2. This is very expected for a transaction of this magnitude, having to do whatever market research the authorities need to do to accept or even express whatever concerns they might have. This is as expected, it's not a surprise. So, I would recommend not reading too much into the fact that it's going into a Phase 2.

Q - Martin Birk {BIO 19920552 <GO>}

Okay, I guess we can take this later. Okay. Thank you.

Operator

Thank you. Our next question comes from the line of Tryfonas Spyrou of Berenberg. Please go ahead. Your line is open. Tryfonas, if you have your phone muted, you need to unmute that.

Q - Tryfonas Spyrou {BIO 21705826 <GO>}

Oh, hi. Sorry about that. Hi, morning. And I have one question, just on the discount rate going forward. So we expect the tailwinds from higher rates given a higher discount rate for reserves, particularly on the long-term lines in Denmark and Sweden. If you can perhaps remind us the sensitivity of that to earnings and I was thinking presumably this is now much higher, given the larger multiples you have in Sweden, and given you have Trygg-Hansa now. Thank you.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yes. I think when looking at the impact of rates, just bear in mind our match strategy, where you can say you -- you matched the obligations we have on the insurance liabilities, with the investments we have on the investment portfolio. So in that connection, you can say those should basically hedge the movements in the underlying rates and thereby the discount rate.

Q - Tryfonas Spyrou {BIO 21705826 <GO>}

Okay. Thank you.

A - Morten Hubbe {BIO 7481116 <GO>}

So I guess you should -- the question is do you ask about the short-term impact or the longer-term impact, because the short-term impact is of course exactly as Barbara explained, they net each other out. So there is no short-term impact. So I guess traditionally insurance companies have negative when rates go up, because then they have a negative on bonds. We don't have that. We have a neutral on day one. So that's extremely important.

And then, of course, going forward, the higher discount rate, depending on where on the curve the rates change, but net-net the higher discount rate or higher rates will resolve and higher discount rates which will result in positive on future combined ratios going forward, because, of course, the combined ratio will drop with that higher discounting.

I think you can find the report in our web page, which explains the sensitivity. But there is a sort of broad, broad signaling which is, if you have 100 basis points increase in rates, then the discounting reduces combined ratio by roughly 100 basis points as well. But it does depends on where you are on the curve. So, it is not that simple in reality, but that gives you an indication.

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

We could see, eventually, you are going to have a larger Swedish multiple, which has a long tail to that. So, we should certainly see some higher, better reserve releases, I guess, in the longer-term from higher rates from that book.

A - Morten Hubbe {BIO 7481116 <GO>}

So, of course, it would be if rates go up and the longer end of the yield curve, it's traditionally Workers' Comp in Denmark, together with for instance liability and motor liability, and then in Sweden of course empty bills even longer, and of course, children's insurance it's long duration as well. So, those would be some of the lines that would have the highest benefit typically from higher rates going into future higher discount rates. So, a neutral day one as opposed to most insurance companies which is negative day one, and then a future positive depending on where on the yield curve rates increase.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

And if I may just add a final point. We highlighted the sensitivities in our material today, but those would apply to the current investment portfolio, which does not include, you can say, the investments related to the new business. And that will obviously also be updated posts the demerger where we will bring on board not only the liabilities on the insurance side, but obviously also match the investment portfolio. So those two go hand-in-hand.

Q - Tryfonas Spyrou {BIO 21705826 <GO>}

Thank you. Very helpful.

Operator

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

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Thank you. Good morning. I have some couple of questions as well. First of all, is on the motor competition in -- it looks like there could be a strong competition in Sweden, where your Trygg-Hansa operation is. Could you explain how that has worked for you during 2021 versus 2020?

A - Morten Hubbe {BIO 7481116 <GO>}

So I guess the motor business in Sweden is slightly different to Denmark and Norway, in the sense that you have the used car market, which is quite similar to Denmark and Norway. And then you have the (Inaudible) in Sweden, where you typically buy the new car with a period of insurance and that is typically not decided car by car or rather brand by brand, and that methodology is different in Sweden than Denmark and Norway. If you look at this (Inaudible) or insuring new cars by brand in Sweden, typically that's a market where Moderna or old Swedish business was not been present and where Tryg-Hansa the acquired business has not been present either.

We've seen that Trygg-Hansa has done some more activity in that space and landed particularly one larger agreement. So, I think we'll see over time that as Trygg-Hansa does not have a monopoly on children's insurance, neither does anyone else have a monopoly on ensuring new cars in Sweden. And I don't think that will fundamentally change the market dynamics or competition. And I think it will be a very gradual slow movement, but bear in mind that the majority of cars are used cars, and that is the biggest part of the market and that hasn't really changed.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay, thank you. On the large claim side, could you elaborate a little bit why and how these large claims have happened inside the commercial and corporate? Is it sort of a one-off event, is it customers you have dismissed? Or how should we treat them? Is it because of proper weather? Or is it -- what has to happen so to speak?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

I would say if you look at the large claims in total, for the year we're actually at a lower level than you would ordinarily expect for our business. So you cannot expect a year with zero large and weather claims. And what we have seen in particular in Q4 has mostly been in the commercial space, and it has been very much ordinary course of business. So it is not something extraordinary and I would say even though we have seen more in Q4 then we expected, then it is not at any extraordinary high levels.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. And finally, then on the discount rate and annuity. How much of the interest rate increased in Sweden helped you run-off games develop positively in 2021 for Trygg-Hansa?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

To be honest, we don't have that visibility at this point in time. Again, bear in mind that we don't have the full visibility on all the line items at this point in time, because we are still, you can say a little bit in the distance from having all the details. So we won't be able to give you the precise details on this as of yet.

A - Morten Hubbe {BIO 7481116 <GO>}

So I guess, if each of the maybe of RSA had been legal entities, then most likely we would have had old data from July '21, but as Denmark -- sorry, as Sweden, Norway have been underneath Denmark from a legal entity point of view, then really only the full separation happens expectedly 1 April '22, and that is why all reporting of data goes through Denmark, through the old legal entity structure, and that will be changed after the 1 of April where we have the demerger expected, and we have full access to all data and we have the full country split. So, sorry for that being the reply to several questions, but that's just a structure of all the results of having to split the legal entities or split into legal entities by demerger.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Understand. And then turning on the premium rebate, you touched upon how it works. Could you tell us how many of your contracts is so-called proportional and how much is pegged through the combined ratio? And finally, maybe how many have been in the performance-related split between them if this is possible to say anything about?

A - Morten Hubbe {BIO 7481116 <GO>}

I don't think we've ever published that. I don't think we will publish that either. But what I can say is that the number of partnership agreements which is pegged through a particular combined ratio is fairly limited. So, I think I would give that overall signal.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay, thanks a lot for that.

Operator

Thank you. And we have time for one further person from the queue, that's Per Gronborg of SEB. Please go ahead. Your line is open.

Q - Per Gronborg {BIO 15910340 <GO>}

Yes, thank you. A couple of questions from my side. First back to the rebates. You stated it doesn't impact your technical result. Is it fair to say that the precise accrual of this dividend impacts your technical result by an approximately DKK100 million negative in Q4 versus the first three quarters.

A - Morten Hubbe {BIO 7481116 <GO>}

I'm not sure, I understood the question Per.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yes.

Q - Per Gronborg {BIO 15910340 <GO>}

If you -- Barbara did you understand it.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

No. I was also asking if you could please repeat.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. You have premium cost of approximately DKK400 million in the fourth quarter versus and average run rate of 300. This is something that is charged somewhere in your profit. Is it fair to say that if you had accrued your rebates correctly, then this would have been the same amount each of the -- or roughly the same amount each of the four quarters and therefore your technical result in that case would have been DKK100 million better in the fourth quarter. And of course, similar in the first three quarters.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Okay. Now I get it. Yes. Your logic absolutely applies. The one thing that I would say though is that what you should remember is also the question around periodization where also you can see that in a year like 2020 where you had COVID impact that runs into '21 and so forth, that might also impact the overall number. But as a starting point, your logic in terms of accruals, that should even it out over the course of the year.

Q - Per Gronborg {BIO 15910340 <GO>}

Yeah. But this accrual is part of that, actually also included in the prior year's result. If some of these accruals actually should have been booked as a charge already in 2020, then I will guess this would have had to -- that this is included in your prior-year result. Is that correct?

A - Morten Hubbe {BIO 7481116 <GO>}

I think you're right, but there are adjustments which go back in time and which then actually are related to claims here that are older. But I think in the current reporting regime, where you can only subtract it to current year's premium, you will get all of it in whatever instance where you realize it, where we probably have to get back to pay under IFRS-17 whether you're able to go back and post it in the right underwriting years as it might relate to a claims year which is not a current claims year, now becomes a little bit on the technical side. But I think there is an element of that because sometimes it is not only the current underwriting year's claims, it is also prior year's claims development. So, I think all-in-all, for me at least going to report this on the claims makes a lot more sense. It doesn't change the technical result impact, but it shows in a better way that this is a cost and not a top line.

Q - Per Gronborg {BIO 15910340 <GO>}

Any thoughts about improving your accrual during the year?

A - Morten Hubbe {BIO 7481116 <GO>}

I think that we would very much like for the accrual to be much more smooth, but -- and we're working on that as well. I think sometimes the decision on whether to use it for developing new products or whether to use it to develop new digital solutions or whether to pay it out to the partner as a part of profits. Sometimes, it's not easy to predict what is the result of that debate. So I think we'll probably never get to an accrual model which is fully even, but we would like it to be more even than what we saw in Q4 for private Denmark particularly.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. That gives some color on what's the chances. My final question, if I look at Commercial Q4, it looks reasonably soft both on headline and underline, the only thing you are writing in your comments is that it's due to higher level of large claims and substantial level -- lower level of prior year gains. To me it seems like both your costs are unusually high, and your claims are also running at a somewhat higher speed than we have seen previously. Is that just the ups and downs of single quarter. So how should -- what should we read into this?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yeah. I think in particular when it comes to the costs for commercial, bear in mind as we mentioned right now, we are growing the surety and credit business through Europe. So that accounts for a few more headcounts. And then obviously, as the volume of the business is also growing, that also accounts for an increased number of FTEs. So right now you can say, it's a question of adjusting to the business movements that you see. And I wouldn't put anything in particular in terms of assessing this to be the trend going forward.

A - Morten Hubbe {BIO 7481116 <GO>}

But what we do see, of course, is that growth in number of customers in Commercial, both in Denmark and in Norway is predominantly the really small commercial customers, and seldomly the medium to larger claims and commercial comes from those customers. So if anything, we're diversifying further downwards also within the commercial space as we're doing in corporate as well.

And I think, really is only in the recent couple of years that we've had this focus to grow the 0 to 5, 0 to 10 employee space in commercial in Denmark and Norway. We're very pleased to see that happening, because honestly, the returns are higher and the large claims frequency is lower.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. Thank you.

A - Gianandrea Roberti {BIO 6786731 <GO>}

This is Gianandrea, again. We just want to thank you all for all your questions. As usual, Peter and I, and Investor Relations will remain at your disposal, if you had more during the day and looking forward to speak to you in the next few days. Thanks.

A - Morten Hubbe {BIO 7481116 <GO>}

Thank you.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Thank you very much.