Q2 2020 Earnings Call

Company Participants

- Helge Leiro Baastad, Chief Executive Officer
- Jostein Amdal, Executive Vice President, Chief Financial Officer
- Mitra Hagen Negard, Head of Investor Relations

Other Participants

- Alexander Evans
- Blair Stewart
- Derald Goh
- Hakon Astrup
- Jan Erik Gjerland
- Johan Strom
- Jonathan Denham
- Jonny Urwin
- Philip Ross
- Steven Haywood
- Vegard Toverud
- Youdish Chicooree

Presentation

Operator

Good day, and welcome to the Gjensidige Q2 2020 Results Presentation. Today's conference is being recorded. At this time, I would like to turn the conference over to Ms.Mitra Hagen Negard, Head of IR. Please go ahead, ma'am.

Mitra Hagen Negard {BIO 3974076 <GO>}

Thank you. Good morning, everyone, and welcome to the second quarter presentation of Gjensidige. My name is Mitra Negard, and I'm Head of Investor Relations.

As always, we will start with our CEO, Helge Leiro Baastad, who will go through the highlights of the quarter; followed by our CFO, Jostein Amdal, who will go through the numbers in further detail. And we will have plenty of time for Q&A towards the end. Helge, please.

Helge Leiro Baastad {BIO 5865247 <GO>}

Thank you, Mitra. Good morning and welcome, everyone. I hope you are healthy and well. Since our last earnings call, the pandemic situation has improved in our region. In other parts of the world, the development is worsening, making the path out of the pandemic uncertain and global economic implications still difficult to predict. However, there seems to be some optimism on the economic recovery, at least compared with what many expected a few months ago. Gjensidige has continued to manage well through the pandemic.

Let's turn to Page 2 for some comments on our record high second quarter result. We generated a profit before tax of NOK2,477 million, of which NOK1,344 million in underwriting result. This is the highest underwriting result we have ever delivered for a quarter when adjusting for run-offs.

The record results reflect an 11.2% increase in earned premiums and a very healthy combined ratio 80.1%. Large losses were more or less in line with our long-run expectations and run-off gains were slightly higher than the planned releases.

The underlying frequency loss ratio at 64.8% was very good, and our cost discipline remains strong. The pandemic had a slightly positive impact on our results this quarter, primarily due to less driving. The activity picked up towards the end of the second quarter though. And going forward, we expect increase in the economic and domestic leisure activities to bring claims levels back to a more normal pattern.

We generated a financial result of NOK1,159 million, reflecting a recovery in the financial markets after the significant turmoil in the first quarter. Annualized return on equity year-to-date was 11.1%, reflecting the weak financial result in the first quarter. Jostein will work with more detailed comments on the results for the quarter.

Then turning to Page 3. The pandemic has so far had a limited impact on our non-life business. We continued to maintain strong operations in the second quarter, despite the extraordinary situation. Our employees have put in strong efforts to continue providing excellent customer service and maintaining critical corporate functions through this extraordinary situation.

Although many aspects of our everyday life are returning to normal, we are still taking necessary precautions to contain the virus. As we gradually return to our way of work before the pandemic, we are very conscious of taking with us the valuable learnings through this period. The pandemic has struck hard on many societies, creating challenges for many companies and high unemployment. We are very conscious about overall in our customers' lives and have put in place additional measures this quarter to help reduce the pressure.

We have recognized the need for flexibility and good advice. In order to meet these new circumstances, we have stepped up our advisory role in the dialogue with our customers, helping them assess and adjust coverage to the new situation. For our private customers, we have introduced several measures such as adding new mileage intervals from motor insurance and lower mileage limits for certain vehicles.

We have expanded sports insurance to also apply to self-training related to the sport coverage by the insurance. We have also expanded travel insurance in Norway to cover domestic use of rental cars.

Realizing the burden of worries in these uncertain times, we offer our self-help online program to all private customers in Norway through our partner, BRAVE. It now has more than 2,000 active users.

A few words about our operations. We continue to put through necessary price increases in Norway for both segments during the second quarter. At the same time, retention has remained high and new sales have been strong, generating increased business volumes. This is a strong vote of confidence from our customers, particularly in these extraordinary circumstances, confirming the strength in our brand.

We will continue to put through price increases for both the segments for private, in line with claims of inflation for all products, except property where we need to go beyond this to regain satisfactory profitability. We also see further need for price increases in the commercial segment, and we will continue to address the relevant portfolios, particularly large corporates.

Our operations outside Norway generated mixed results. We are very satisfied with the underlying profit development in Denmark and the Baltics. Lower activity because of the pandemic also contributed to the results in these markets.

However, high large losses, typically of random in nature, impacted the results, particularly in Denmark and Sweden, this quarter, in addition to COVID-19-related travel insurance losses being recorded as large losses.

Implementation of our core IT system in Denmark is progressing according to plan. We will include the first products during the fourth quarter. This is one of several important initiatives to further improve profitability of our operations outside Norway.

So over to Slide 4. It is very encouraging to see that our customer service and sustainability efforts are valued and highly recognized. We rank number one among all insurance companies in Norway in the Annual Norwegian Customer Survey carried out by the Norwegian Business School. And we are very proud to rank among top 9 across all sectors in the same survey. These results are supported by our own customer service. Our second quarter review showed satisfaction on sales and service among our Norwegian retail customers climbing to the highest level in two years. And our defined contribution pension product has once again achieved top ranking in a survey conducted by the pension adviser, Gabler.

On sustainability, we ranked number 6 among 149 Norwegian companies in the Annual Norwegian Sustainability parameter. None of this would be possible without competent, committed and engaged employees.

The score in our latest survey measuring employee engagement climbed further from an already high level. Over score is among the top 10% in the financial sector. The feedback also confirms strong employee satisfaction with Gjensidige's handling of the pandemic. With factors such as access to information, high sense of security, good operative environment and high work efficiency.

Then turning to Page 5. A few words about our new initiatives on sustainability. We have made several new initiatives this quarter on our path to deliver on the Gjensidige sustainability goals.

We strongly believe in encouraging our customers to make sustainable choices to this, and we have recently expanded the settlement terms for commercial and apartment buildings in Norway. We add 5% to the settlement if the building gets a BREEAM certification when rebuilt.

BREEAM is a sustainability assessment method that is used to master plan projects, infrastructure and buildings. We have entered into a two-year partnership with a renowned annual ZERO Conference, giving the opportunity to share knowledge on the consequences of climate change. ZERO is an NGO dedicated to developing and promoting solutions to address climate risks and opportunities.

The initiative will strengthen our ability to cooperate with our suppliers, partners and municipalities in finding risk-reducing solutions. We have ambitions to become climate neutral for our internal operations and have fast tracked our time line to 2020. We will achieve this through less travel and lower energy consumption, in addition to compensating our emissions through carbon oxides. The latter is an important contribution to reducing emissions globally and creating sustainable development benefits for communities in developing countries.

We have decided to become a signatory to the UN Principles for Responsible Investments and the UN Environmental Principles Finance Initiative. Principles for Sustainable Insurance to support the initiatives and provide increased transparency of our insurance and investment activities.

Finally, Gjensidige side has been including in the FTSE4Good index, confirming our strong environmental, social and governance practices.

And with that, I will leave the word to Jostein to present the Q2 results in more detail.

Jostein Amdal {BIO 19939645 <GO>}

Thank you, Helge, and good morning, everybody. I'll start on Page 7. We delivered a profit before tax of NOK2,477 million in the second quarter, significantly higher than the same quarter last year. The financial result from our investment portfolio was the main driver of this increase, reflecting the sharp rebound in the financial markets in the second quarter.

The underwriting result was also up year-on-year, reaching the highest quarterly level ever in our history when adjusting for one-offs. Effective pricing measures as well as very strong renewals and portfolio growth reflecting our strong competitiveness were the main drivers.

We also had a slightly positive impact from the pandemic situation due to lower activity. This was partly offset by higher travel insurance claims recognized in the corporate center. Large losses were considerably higher than the same quarter of last year. The private segment was the main driver of the increase in the insurance result.

Turning to Page 8. Earned premiums were up 11.2% or 7.6% adjusted for currency effects. In the private segment, earned premiums rose by almost 5%, mainly due to price increases for motor and property insurance as well as accident and health insurance. Adjusted for the transfer of our portfolio to segment Denmark, the growth was 5.7%. Our competitiveness remained strong through the quarter and number of customers increased.

Earned premiums for the Commercial segment drove 11.1%, thanks to effective pricing measures, solid renewals and portfolio growth. All the main product lines recorded higher earned premiums. Earned premiums in Denmark were up 8.3% in local currency and 3.9% adjusted for the discontinuation of a quota share reinsurance contract and transfer of the portfolio from the private segment. The increase was mainly due to portfolio growth in the commercial lines, partly offset by lower premiums for travel insurance due to the travel restrictions.

Earned premiums for our Swedish operations were up 2.4% in local currency, reflecting price and volume growth in the commercial lines, partly offset by lower volumes in the private lines.

For the Baltics, we reported a decrease of 5.3% in local currency. This reflects lower volume for both motor and travel insurance due to the pandemic restrictions as well as the fierce competition for motor insurance.

Turning over to Page 9. The loss ratio for the second quarter rose 1.2 percentage points to 65.6%. Large losses were in line with our expectations for our quarterly average, although considerably higher than the same quarter last year. The increase included COVID-related travel insurance claims of NOK72 million as well as other large claims in the Danish and Swedish segments. Runoff gains were somewhat lower than last year, although slightly higher than the planned release.

The underlying frequency loss ratio improved by 3 percentage points to a very healthy 64.8% due to effective pricing measures and lower claims because of the pandemic. But also bear in mind, there are always randomizations in frequency developments from quarter-to-quarter in insurance. As restrictions were lifted, life in our part of the world has returned more to normality. This is evident among others in more driving, which started picking up towards the end of the second quarter.

Moving into the second half of 2020, we expect increase in economic activity and domestic leisure activities, the result in above-average claims for motor and leisure boats and possibly less travel insurance claims during the summer vacation months of July and half of August. We expect normal claims patterns for all lines of business after this period.

In terms of segments, I'm particularly pleased with the improvement in Private in Denmark this quarter. Profitability for the commercial segment is good, but there is further improvement potential, which we will seek to attain among others by continuing to raise prices where necessary.

In Sweden, the underlying frequency loss ratio was in line with the same quarter of last year. The pandemic had a negative impact with higher claims related to payment protection insurance, partly offset by lower motor claims.

The Baltics showed 7 percentage points improvement in the underlying frequency loss ratio, mainly due to the pandemic, with lower claims for the motor and health insurance lines. We will continue our efforts on improving operations, particularly in Sweden and the Baltics, with a close focus on cost efficiency.

Now let's turn to Page 10. We recorded NOK981 million in operating expenses in the quarter, corresponding to our cost ratio of 14.5% and 13.9% excluding the Baltics. The cost ratio for our combined Norwegian business was at a very good level, down 0.7 percentage points to 11.5%.

Denmark recorded a good cost ratio with a stable underlying cost base. The restructuring of our Swedish business drove IT, marketing and commission costs resulting in a higher cost ratio. The cost ratio in the Baltics benefited from lower sales commissions as sales were hit by the pandemic. But we also saw positive results from our ongoing cost savings initiatives.

We will continue our focus on simplification of processes, automation of internal operations and further digitalization in all our markets and we expect further efficiency gains across the entire organization.

A few comments on our pension operation on Slide 11. The pre-tax profit came to NOK34 million, down year-on-year due to higher operating expenses. A shortened depreciation timeframe for IT investments and higher headcounts in response to the growth in business volume drove the increase in operating expenses. Good returns on real estate investments and the recovery of the financial markets generated higher financial income on the pension portfolios.

Our pension operations managed NOK37 billion in assets at the end of the quarter. This is on par with the level at the year-end 2019, with a loss of one large account and a negative development in the financial markets in the first quarter, offset by growth in our customer base and the reversal in the financial markets during the second quarter. Annualized return on equity came to 11.2%. The solvency margin at the end of the second quarter was 148%.

The ratio of shared customers with our general insurance business is high. As of the end of the second quarter, 66% of the customers in our pension business were general insurance customers as well.

Moving onto the investment portfolio on Page 12. After market plunged in the first quarter, global financial markets took a significant positive turn in the second quarter. We risked our portfolio somewhat during the quarter and generated a return of almost NOK1.2 billion, corresponding to 1.9%.

All asset classes contributed positively, reflecting lower interest rates and lowering credit spreads in combination with strong equity markets. The commercial real estate market in Norway continued to hold up well. At the end of the quarter, the total investment portfolio amounted to NOK63 billion. The match portfolio yielded 0.9% return, excluding changes in the value of the portfolio valued at the amortized cost.

The portfolio amounted to NOK36.6 billion at the end of the quarter. Bonds at amortized costs had a positive return of 0.9%. This portfolio's running yield at the end of the quarter as well as the reinvestment rate for the quarter was 3.4%. And unrealized excess values amounted to approximately NOK1.1 billion.

The free portfolio yielded a return of 3.2% in the quarter. At the end of the quarter, this portfolio amounted to approximately NOK26 billion. The quality of assets in the portfolios is good. We have a solid fixed income portfolio with a large majority having an investment-grade rating. We have a good share of property investments mainly in CBD offices in the Oslo area and then negligible vacancies in the portfolio.

Looking at our capital position on Page 13. Our capital position is extremely strong, with a solvency ratio of 283% at the end of the quarter. This is far above the upper end of our target range of 150% to 200%, which is what we deem necessary to run the business with a sufficient buffer for volatility.

This, combined with a weak financial result in the quarter -- first quarter, implies that we do not expect to meet our ROE target of above 20% this year. The reported solvency margin is 280% -- 283%, assuming a formulaic dividend of 80% on the first half result. If we do not assume dividends for 2020, the solvency margin comes to 295% at the end of Q2. And if we maintains the dividend proposed of NOK7.25 per share, the solvency margin would have been 247%. And if we had maintained the initial dividend proposal made by the Board back in January, the margin, as of now, would have been at 221%, still well above the upper end of our target range. It's not in our interest to retain this level of capital. We have noted the different regulatory views on this in Europe, and we will follow the situation closely. It's still our Board's intention is to distribute dividends to shareholders as soon as the situation allows.

Turning to Page 14. Capital generation is strong and the reported solvency margin increased to 283%, up 14 percentage points from the end of the first quarter. Solvency II earnings and the returns on the free portfolio generated NOK2.5 billion in available capital, including NOK0.9 billion increase in the fair value adjustment of assets. Thus, further increasing our dividend capacity.

The capital requirement is more or less unchanged from the last quarter, although there are several underlying changes, which drive the capital requirement in different directions. Market risk increased because of higher exposure to equities and high-yield bonds. The underwriting risk decreased following changes in currency rates and improvements made in the calculation of lapse risk. Counterparty risk is also down this quarter.

Finally, a few words on the latest development of our operational targets on Slide 15. We can report mixed progress on the operational targets this quarter, with some of the metrics affected by the pandemic situation. Both customer satisfaction and retention in Norway remain very high. The retention level outside Norway is slightly down this quarter, primarily driven by temporary market contraction due to the pandemic in the Baltics.

Sales effectiveness based on the running 12 months is currently at 6.6% compared with our baseline year 2017. The decrease this quarter is mainly driven by what we expect to be temporary lower sales in some markets and some increase in distribution costs, both as a result of the ongoing pandemic.

The share of automated tariffs continued to increase. We stand at around 48% currently, and we continue to include more product lines going forward, in addition to further refining tariffs already included.

On the claims landing side, we have now reached our target on digital claims reporting. The share of claims handled fully automatically were slightly down compared to Q1 and due to less travel claims in general and more manual handling of COVID-related claims. We have reduced claims costs further, most recently, reduction related to insurance fraud and process automation. We are currently well positioned of reaching our target of reducing it by NOK500 million in 2022. And in terms of our CO2 intensity, we'll continue to develop our framework and to continuously reduce the carbon footprint of our claims process.

I'll then hand the word back to Helge.

Helge Leiro Baastad {BIO 5865247 <GO>}

Thank you, Jostein. To sum up, on Page 16, we have delivered a very solid quarterly result, thanks to the quality of our operations and strong competitiveness. Naturally with the societies opening up and activities gradually returning to normal, combined with the high share of domestic vacations, it is prudent to expect above average claims for motor and leisure boats in July and August, whereas we might see less travel insurance claims than normal.

After the summer holidays, we expect normal claims pattern for all lines of business, but we are aware that changes in the development of the pandemic situation might take us by surprise again. We appreciate the turnaround in the financial markets and are pleased with the returns on our investment portfolio. Our risk appetite remains unchanged and balanced, and the high asset quality will help us through any potential further turmoil.

Gjensidige has a very strong solvency position, significantly above our Board's target range for solvency margin and what is needed to run our business in a prudent manner. It's our Board's intention to distribute dividends to shareholders as soon as the situation allows.

Our financial targets remain unchanged. As a reminder, given the negative return on the investment portfolio for the first quarter of 2020 and the solvency ratio being significantly above what is needed, the group's return on equity target is not expected to be achieved for the 2020 fiscal year.

And with that, we will open the Q&A session. Thank you.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) We will now take our first question from Alexander Evans from Credit Suisse. Please, go ahead.

Q - Alexander Evans {BIO 19956412 <GO>}

Hi, Helge. Hi, Jostein. Hi, Mitra. Thanks for taking my question. And just, firstly, on motor and property, I think you mentioned about the need to continue the price increases there. What is your sort of level of expectations of claims inflations there at the moment? And have those changed at all recently?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

To comment -- if we have to comment on the motor portfolio in Norway, we expect claims inflation to remain stable at around 3% to 4%. Yeah. You also asked for property, and that's the same as it has been for several quarters. We expect around 4%, going forward, but volatile.

Q - Alexander Evans {BIO 19956412 <GO>}

Okay. So, it's just a continuation of pricing. And then, just maybe quickly on the dividend --

A - Mitra Hagen Negard {BIO 3974076 <GO>}

Just to add something, Alex.

Q - Alexander Evans {BIO 19956412 <GO>}

Yeah.

A - Mitra Hagen Negard {BIO 3974076 <GO>}

Just to add something on the pricing. The 4% that Helge mentioned, that is the expected claims inflation, and we will be pricing significantly above that, going forward.

Q - Alexander Evans {BIO 19956412 <GO>}

On property?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

On property.

A - Mitra Hagen Negard {BIO 3974076 <GO>}

On property.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

In line with claims inflations for motor insurance. Yeah.

Q - Alexander Evans {BIO 19956412 <GO>}

And -- sorry, on the dividend as well, and correct me if I'm wrong. But it's my understanding that the expectation not to pay a dividend is a guideline from the regulator. And we've seen some insurance companies go against their wishes, perhaps. And if there was be sort of no evidence of change later, is that a standard base to increase or is it (Technical Difficulty) with the regulator?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

You got the question.

A - Jostein Amdal {BIO 19939645 <GO>}

It's somewhat unclear line, Alex, but I'll try to answer what I think you asked. And the latest on the dividend regulation is that the European Systemic Risk Board issued an advice for insurance and/or financial sector companies in general not to pay even the dividends. And the Norwegian response from Ministry of Finance was to referred to a letter they sent out, I think it was 25th of March, where they said that they advised every company to look carefully at the situation, but did not specifically say that they shouldn't pay any dividend.

And as we told you in the first quarter, the Financial Services Authority, kind of specifically heavily advised us not to do anything. I mean, we follow-up on that advice during the second and the first quarter to see how the situation in the economy developed. And as we see it now, this economic situation is clearer, for Norway at least, or for Scandinavia. But we haven't had any further discussions with the FSA on this topic.

Q - Alexander Evans {BIO 19956412 <GO>}

Yes. Thanks.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

I also think we got a sign regarding economic U going forward, when you saw DNB released their figures yesterday also. So, the situation is much clearer compared to what it was in March.

Q - Alexander Evans {BIO 19956412 <GO>}

Okay. Perfect. Thank you very much.

Operator

And we'll now take our next question from Jonny Urwin from UBS. Please, go ahead.

Q - Jonny Urwin {BIO 17445508 <GO>}

Hi. Good morning. Thanks for taking my questions. I hope you guys are well. And so, two for me, please. So, firstly, I just wondered if you could please help us isolate the underlying loss ratio change year-on-year if we exclude the COVID frequency benefit. So, how much of that 3 points year-on-year improvement was driven by COVID frequency?

And then, secondly, the premium growth was strong in the quarter. The majority was driven by commercial Sweden and Denmark. Could you remind us what measures you're taking to control the, firstly, potential margin dilution from this growth and, secondly, the large loss volatility that commercial growth could bring? Obviously, large losses were elevated in the quarter? Thank you.

A - Jostein Amdal {BIO 19939645 <GO>}

Thank you, Jonny. First, if you haven't -- we haven't been very specific on the amounts to isolate COVID-19 effects from other effects. And I don't think really anyone can do that with a large degree of confidence. What we've said is that there was a slightly positive impact on the underlying frequency results in the second quarter. And by that means, it's slightly positive. It's not big, but it's positive. It's different between different segments as well.

Whereas we see more or less no effect on the commercial segment, we do see that there is a slightly positive effect from reduced, especially on the motor activity in the first two months of the second quarter in the private segments, both in Norway, Denmark, and Sweden.

And as the economic activity came to in a way more abrupt halt in the Baltics, we see a larger effect there than in the other segments. But in total, slightly positive, meaning not big. Sorry not to be more precise, but I think that reflects the status what anyone can really do because there are weather volatility and other things also affecting these numbers. So, it's a bit hard to break out the COVID-19 effects.

Q - Jonny Urwin {BIO 17445508 <GO>}

Great. Thanks.

A - Jostein Amdal {BIO 19939645 <GO>}

And the second question was on growth. We do see -- I mean, as I told you on -- in my presentation, we do see a 5.7% growth in earned premiums in the private segments in Norway, I mean, just for this one portfolio moved to the Danish segment, which I think 5.7% isn't bad.

And if we look at the other segments, it's correct that we do see a higher growth in commercial at 11%. But that reflects growth at a very high margin in my view. We have managed to get through quite high price increases in the last two January renewals. And it's a combination of price and volume growth for the commercial segment.

If the -- we do have a lower combined ratio in Norway than outside of Norway. So, if you grow more outside of Norway than within Norway, the average combined ratio will increase, obviously. But as long as we meet the profit targets for each segment, I think these deals will still be value-enhancing for Gjensidige.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Just to add a short comment on the private segment in Norway. While commercial and Denmark is both price and volume-driven, the growth, it's mainly price-driven in the private segment. But during the quarter, we see increased competitiveness and also increased volume growth. So, we end the quarter with stronger volume day-after-day compared to the beginning of the quarter. So, it's partly volume-driven also for private, but it's mainly price-driven.

Q - Jonny Urwin {BIO 17445508 <GO>}

Thanks very much.

Operator

We will now move to our next question from Jon Denham from Morgan Stanley. Please, go ahead.

Q - Jonathan Denham {BIO 19972914 <GO>}

Good morning. Thank you for taking my questions. Firstly, what do you expect the financial impact could be the termination of the agreement with the four mutual fire mutual?

And then, secondly, you mentioned higher claims in Sweden to do with payment protection insurance. Just wondering what you thought and just that how it will develop in this line, going forward? Thanks.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

I can just give you some comments regarding the fire mutuals. This is our history. Gjensidige, it was several hundred fire mutuals, and the majority of them merged, created an integrated mutual group back in '99. And, today, we remain 11 renewed multi-year contracts with 11 fire mutuals. And the premium for these 11 fire mutuals, where we are -- continue to cooperate with is NOK1.2 billion. That's the total premium, of which around NOK200 million is fire premium, 16%.

The mutual fire insurers are agents for us in specific regions all over Norway in addition to underwrite by themselves at higher policy. The fire premium is a very limited share of the total premium. So, Gjensidige underwrites the rest of the policy.

So, the four mutuals terminating, the total premium of these four is NOK650 million, of which 15% is fire coverage. So, what we are doing now, this termination is from 1st of January, 2021. So, we are in the process of establishing internal distribution setups for private and commercial customers in the affected regions. We are setting up branches alone and together with Nordea.

And it's important to also remember that a significant part of this portfolio in the fire mutuals is agricultural business, where we are in a very strong position. And so, we are really -- we think we will continue with strong presence in these areas. And it's a limited -- we will be limited affected.

Q - Jonathan Denham {BIO 19972914 <GO>}

So, you're saying kind of NOK90 million loss premium and then some higher expenses?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. The fire, it's a part of a product, it's not the product. And as I said, it's around NOK90 million, yes. So, it's hard to take out that part of a product and to continue alone with that coverage. So, of course, we will fight with the fire mutuals. They have strong people and Friends will take over as a partner. But the brand is very big. The Night Watchman and the NCD brand is very strong in these areas. Our relationship with agricultural customers, it's very strong. And we will use lots of resources to defend ourselves in these areas. So, we are rather calm regarding the situation actually.

A - Jostein Amdal {BIO 19939645 <GO>}

Your second question was on the PPI in Sweden. It's a very small nominal amount we're talking about. Remember that the Swedish premium volume is approximately NOK400 million per quarter. So, it's not large. But there is a negative impact for that product due to the increased unemployment. And we're taking necessary measures to -- sort of the terms of that product is somewhat tricky now than they were half a year ago. And that's a very limited downside in our view in that product for us in Sweden.

Q - Jonathan Denham {BIO 19972914 <GO>}

Great. Thank you.

Operator

And we'll now move to our next question from Blair Stewart from Bank of America. Please, go ahead.

Q - Blair Stewart {BIO 4191309 <GO>}

Hi. Good morning, all. Hope you're all well. I've got two questions. First one, just on COVID. You said there was no impact on the commercial side. I'm just slightly surprised by that, given that I would have thought there was less exposure and less activity in the quarter. And I know that the Nordic region has not had the level of restrictions that a lot of those in the others have had. But I would have thought there'd be some effect. I just wonder if you could clarify what's been going on there? Is it completely normal?

And, secondly, on the dividend. I appreciate the comments around the economic situation becoming clearer and that you've not had any further discussions with the FSA. I would have thought, given it's important, you would have been quite keen to have those discussions with the FSA sooner rather than later. So, when -- if you're able to comment, when are you planning to have discussions with the FSA? And is it still your intention? I think you mentioned earlier this year that you would hope to pay the missing FY '19 dividend by the end of this year. Is that still your intention, if you're able to do so? Thank you.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Hi. Good morning, Blair. To the latter, and Jostein will give you some flavor on the COVID-19. After this day, we will have some nice days in the Norwegian rain, summer holiday. And directly after that, we will meet with the FSA. Jostein?

A - Jostein Amdal {BIO 19939645 <GO>}

Yeah. On the --

Q - Blair Stewart {BIO 4191309 <GO>}

And is it still your intent -- if I may, is it still your intention to pay that dividend by the end of the year?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Absolutely. Absolutely. I think I was clear, Jostein was clear. We will team up with -- have a meeting with FSA directly after the summer holiday, and our intention is very clear.

Q - Blair Stewart {BIO 4191309 <GO>}

And just thinking -- sorry to interrupt again, Jostein. Just thinking about the logistics of that, would that then mean that you would pay a special dividend in respect to the FY '19 dividend because that was canceled? How -- what would the mechanics of that be if and when you're able to pay it?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Blair, I think we will come back to the mechanics and timing. What's absolutely clear now, we want -- our ambition is to pay out dividend. And we will meet with FSA directly after a relatively short summer holiday and maybe come then back with timing and more details.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. Thank you.

A - Jostein Amdal {BIO 19939645 <GO>}

On the commercial COVID-19 question, I mean, there are pluses and minus if you go through different products. And the point about commercial is that these plus or minuses more or less cancel each other out.

We do see some positive effect also on the commercial motor book. But on the other hand, there are some negative impacts we've estimated on the disability group life products in the commercial book. These are more or less equal in size. So, it's a negligible impact on the commercial net underwriting results.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. Great. Thank you very much. Enjoy the holiday.

Operator

We will now take our next question from Erik Jan from ABG. Please, go ahead.

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

Hi. Good morning. Jan Erik from ABG. On the competition side, could you elaborate a little bit on the competition in Norway, both on private and commercial, as well as in the rest of the Nordic countries where you have portfolios? It seems like your price increases are flowing through and your retention is very high. So, just curious to understand where the competition is heading these days?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. Just to start with private Norway. I think it was commented also after first quarter, the main competition is intense. It's relatively strong. As I commented, we have increased our competitiveness during the quarter and it's positive volume development also during the quarter.

The main competitors is in follow, it's number one Tryg. And then, it's If and Fremtind, number two and three. The small ones, Jan Erik, we do not actually see them -- sorry, Storebrand is also in this second basket of competitors. So, it's number one Tryg, and then it's If and Fremtind and Storebrand, quite equal actually. And besides that, we do not see the small ones at all.

In the commercial segment, it's number one Tryg, now If and Tryg and Fremtind somewhat, but not so much yet. And as you know, for the municipality segment, it's KLP and Protector. So, competitors seems to be implementing flat price increases across the board when it comes to the commercial segment. And we have managed during second quarter to combine both strong renewals and volume growth in the commercial segment. So, it seems like the competitors are increasing prices also above normal for the commercial segment.

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

Perfect. Thank you. And on the -- in the Nordics?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. In Denmark, the market leader Tryg and then it's Top and Codan, the main -- that's the main competitors in the commercial processes. In the private segment, it's number one Tryg -- and its Alka actually and the mutual company GF and Alm. Brand.

Fierce competition in the private lines also in Denmark. In Sweden, we have a very small position. It's Trygg-Hansa, LF and If. It's the main competitors in the Swedish. We were competing with in Sweden, first and for most, Tryg, LF and If.

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

Is there any increase in tension in the competition? Or is it like the same as you have seen in the half year on year? Or is there any changes that you have seen in behavior?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

No. Actually --

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

Either in Norway or even in Nordic?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

No. I think what surprised us a bit is that it seems like some of the players need to increase prices in the commercial segment, and we have been quite early. So, we managed to combine price increases and volume growth and new customers in the commercial segment. We still do that after almost two years with the same recipe.

In the private segment, it's relatively stable. We expected maybe to see Fremtind more aggressive, and it hasn't been like that first half. So, it's quite stable from first quarter to second quarter. And Tryg has been the major competitor in this first half of 2020, relatively stability on the competition side in private.

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

Just on the large losses in Denmark and Sweden, you said it was more randomly. Is -- how -- what type of business is it? Is it fire? Or Is it large losses? Or could you just elaborate a little bit what it is?

A - Jostein Amdal {BIO 19939645 <GO>}

Yeah, these are mainly fire. It's -- I mean, we don't see a specific pattern or anything here. It is random. It will continue to be. That's the nature of large losses.

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

Okay. Finally, then on your loss ratio, which is below 55% now in the second quarter in private Norway, we do not start to sort of take volume rather than the price increases in that area just to grab some market share at decent prices. So we do continue to sort of price in line with the changed inflation, as I said, on motor and above on the property? Which areas is --

A - Helge Leiro Baastad {BIO 5865247 <GO>}

I think --

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

-- sort of which parties are still on the product side, which is not profitable enough on the private side line?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. Jan Erik, it's the same people as always. And what we have said is profitability before market share, but what we have actually gained this first half of 2020 is market shares in Norway. We have increased market share for private clients and we have increased market shares above normal for commercial lines, and our market share is now 26%.

And I think I just said that I think we will continue to gain market shares for the next period because we see increased competitiveness in the private segment. But you also -- you had the question, what about competition, new activities? It's relatively stable. So, given that it continues with the same type of competitiveness as we see today, same type of activities from our main players, I think we will gain some market shares going forward, actually.

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

That's at least your appetite, and you have the capital to do it. So (inaudible)

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. Our appetite with profitability, stability and, if we can gain market share, that's a good bonus.

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

Very good. Thanks a lot. Have a good summer.

Operator

We will now take our next question from Johan Strom from Carnegie. Please, go ahead.

Q - Johan Strom {BIO 17541253 <GO>}

Thank you very much. Most of my questions have already been answered. But given the strong results in Denmark now, do you feel that you are on track or maybe even a little bit ahead of the plan and the target of generating NOK750 million of underwriting results outside of Norway by 2022? Is it right?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

My comment is a bit the same as the first quarter. I mean, we are on track with all the measures we are taking. And somehow -- and actually, results are maybe slightly better than we had anticipated at this point of time. If you look at the 12 month -- last 12 months, the number is NOK600 million.

A - Mitra Hagen Negard {BIO 3974076 <GO>}

NOK635 million in total.

A - Jostein Amdal {BIO 19939645 <GO>}

Yeah. NOK635 million. It is -- I mean, we said NOK750 million by 2022. But it would have been below that if you see that, for instance, in Sweden, we are -- we have no reason to be satisfied with the results as such in Sweden. So, it's a mixed picture.

And as I also mentioned on the -- in the presentation, the results in -- the combined ratio in Baltics is quite good, but we do have a negative top line growth, not due to us. I think it's the overall market which is down. But still, it shows that we're not kind of true with everything we want to do in the Baltics. And the cost ratio is still too high there.

So, there's a number of things we still need to do. But we are according to plan in terms of measures. And maybe results are running slightly ahead of us. But, yeah, I think the situation is under control towards NOK750 million.

Q - Johan Strom {BIO 17541253 <GO>}

Okay. Thank you very much.

Operator

We will now take our next question from Vegard Toverud from Pareto. Please, go ahead.

Q - Vegard Toverud {BIO 17129809 <GO>}

Yes, good morning. I have three questions, if I may. If you're meeting with FSA after the summer ends with the timeline where you decide on a dividend in Q4 but actually paid it out in 2021, how will that impact the customer dividend for 2020?

And number two, if we find a cure for COVID-19 or for some of the reasons, the situation is very much normalized next year, how long will you take to get down to your targeted 200% solvency ratio?

And number three, why do you expect normal clarence for July? Shouldn't the increased potential frequency from domestic travel be offset by lower individual travel plans?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Thank you for good questions, Vegard. Jostein is writing down now.

A - Jostein Amdal {BIO 19939645 <GO>}

On the first question on whether there will be a customer dividend in the year 2020 if we aren't able to pay out the dividend until 2021, if I understood your question correct there, Vegard. I mean, you remember that the customer dividend will be paid out by the foundation and not by us. So, it will in reality be up to them to state what they will do in that matter.

But, yeah, I think I won't foreclose what they have actually decided upon in that case. We'd still hope to payout the dividend in 2020. But that, of course, as we already stated, depends on our dialogue with the FSA.

There is nothing in our numbers, as you've seen, both in what they actually are in terms of solvency and in terms of running profitability and our own internal projections of how solvency should develop going forward, even if there is a second wave for COVID-19. And I think that shouldn't stop us from paying the 2019 dividends or even the 2020 and even more maybe. But that's -- this is a situation that we will need to follow and base our decisions up on the dialogue with them, with the FSA.

Then, on the second question, how long --

Sorry.

Q - Vegard Toverud {BIO 17129809 <GO>}

Could I just may then follow-up. It's responsible to follow up there, Jostein? Just to -- my question is really if there's any regulatory part or any part of the charter of the foundation or anything else that hinders it in a way of paying out the customer dividend based on its own capital or the expectation of the dividend in a few weeks or months into the New Year?

A - Jostein Amdal {BIO 19939645 <GO>}

No. I think that's entirely possible. It's got nothing regulatory that stops it as such. Yeah. This is a presentation situation, of course. So, it will need to be evaluated when we get there, if we get there.

Q - Vegard Toverud {BIO 17129809 <GO>}

Okay. Thank you.

A - Jostein Amdal {BIO 19939645 <GO>}

Second on how long it will take us to reach the 200%, that's guiding on the situation forward and I'll probably just drop answering it. But you have our financial targets and our stated dividend policy. And as Helge said, we want to pay out and intend to pay out for 2019 accounting year dividends, hopefully, during the second half of this year.

And as you see, we still continue to take out from like dividend of 80% of the results when we report our solvency targets for 2020 as well. So, that's a clear indication of where we think we're going. And further speculation on our future solvency margin, I'll drop I think.

On the third question, on the loss pattern, I think we said that we do expect that the increased, what you call it, I don't, maybe --

Q - Vegard Toverud {BIO 17129809 <GO>}

Leisure activities.

A - Jostein Amdal {BIO 19939645 <GO>}

Yeah, leisure activities. So, people actually stay in Norway and drive around for summer holidays. And we see a sharp increase in both sales and so on, it's something that we expect to have above our average claims, having above-average claims affecting July.

On the other hand, people won't travel abroad, I suspect, at least, but this is speculation. It will have a positive effect on the travel insurance claims. And then, we'll see where that brings us when it came to -- come to the third quarter reporting. But I think we said that we do expect above-average claims in motor and leisure boats in the -- in July and the first half of August.

Q - Vegard Toverud {BIO 17129809 <GO>}

Yes. My thought was more if -- and when if the person has the need to be transported home, it's cheaper to do it by bus in Norway than to leave in the plane to take them home from Oslo and so forth.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. That's right.

Q - Vegard Toverud {BIO 17129809 <GO>}

Okay. Yeah.

A - Jostein Amdal {BIO 19939645 <GO>}

So there should be a positive effect on travel insurance. Yeah.

Q - Vegard Toverud {BIO 17129809 <GO>}

Thank you, and good summer.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Thank you, Vegard. Good summer.

Operator

We will now take our next question from Hakon Astrup from DNB Markets. Please, go ahead.

Q - Hakon Astrup {BIO 18861149 <GO>}

Good morning. Two questions from me, the first one on Sweden. Can you remind us of what you're doing to improve profitability here? And has the development during the first six months ready to implement any new machines? That's was my first question. And a second question is on --

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah, it's Helge. You fell out. So, we didn't actually got your first question. Can you repeat that?

Q - Hakon Astrup {BIO 18861149 <GO>}

I can. Do you hear me better now?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. Better now, yes.

Q - Hakon Astrup {BIO 18861149 <GO>}

Perfect. Okay. So, the first question is on Sweden. And can you remind us what changed you to improve profitability here and has the development during the first six months led you to implement any new measures? That was the first question.

And the second question is on the pension business. We have seen some consolidation in the space recently on the final contribution. And you reported a very lower profitability or profits in your pension business due to higher costs in this quarter. And do you feel that you have sufficient scale in your pension business? That is the second question.

A - Jostein Amdal {BIO 19939645 <GO>}

Yeah. I mean, as I already said, once -- we're not happy with the profits in Sweden. But that's also to a large extent due to a higher-than-normal impact from large claims actually. If you look at the underlying claims frequency in Sweden, it's more or less where it was last year. So, it has been somewhat more volatile.

And it being a smaller business, it is more exposed to short-term volatility. That said, cost ratios are still -- it was up and it's still too high. We do invest somewhat more now in IT and marketing spend there to -- and that's according to plan to prepare that organization to be more digital and more well known in the market and, thus, creating the room for a better competitiveness a bit further down the road. The development these 6 months hasn't particularly led us to do any changes in the strategy here.

On the pension business, we noted both KLP and Gjensidige transactions. We are far sufficient scale on our own to be profitable. I think we reported 11 point something return on equity. Now, it's not where it was in previous year. But that's more or less due to two factors. One is the negative development in the fashion markets for the first quarter. And the second is that we do have shortened the time frame for depreciation for some IT parts, plus some other costs related to this.

And this is both related to the preparations for the new pension arrangement with this your own separate pension account. The English correct term. Yes, I missed that one, just a moment. That's the pension reform in Norway in that respect, which requires some IT investments. And, also, when we change the core system, which we plan to do in the pension system, the remaining lifespan of the existing system is shorter. So, we depreciate it a bit faster. I think that's the main reasons why we have a somewhat lower profitability there than we had a year ago.

Q - Hakon Astrup {BIO 18861149 <GO>}

Perfect. That was very clear. Thank you so much.

Operator

We will now take our next question from Derald Goh from Citi. Please, go ahead.

Q - Derald Goh {BIO 20775137 <GO>}

Hi. Good morning, everyone. I've got three questions, please. The first one is just a clarification on Sweden. So, you've noted that there was a negative COVID impact. Is that entirely related to the payment protection insurance? Or is there something else?

The second question is on the higher frequency of motor and leisure boating in July and August that you mentioned. What have you seen so far? Could you help quantify maybe some of the increase in frequency that you're seeing?

And the third question is going back to the customer bonus. Is my understanding right that it's normally paid in Q2, which would mean that it hasn't been paid now and it would have been communicated to customers already. How has it been received so far? Thank you.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

The latter. That's right. It's normally paid out in connection with the AGM in the foundation in May, and it hasn't been paid out. Of course, that has been -- we have had some reactions from customers. I think we have managed to handle that in a good way. The retention is strong. And they understand that this will come on later, hopefully, this year. So, that has been communication between our organization and the corporate customers. And we have also communicated with the private customer in different kind of channels.

A - Jostein Amdal {BIO 19939645 <GO>}

Yeah. On the first question on Sweden, negative effect is the PPI solely. So, it's -- yes.

On second question, what we've seen? I mean, we are on that July 14th so far. So, I mean, what we say about July and August is our speculation based on what we've seen. We saw motor traffic or car usage pick up in the -- especially in the second half of June. We've seen all through the spring that the sale of leisure boats has been record high, which probably bodes for a lot of new people with boats. And not every one of them is as well versed in handling their boats as the old-time.

We also see rentals of camping -- mobile homes and the rental of mobile homes. That's kind of been peaked really. So, people plan to drive around somewhat in the summer in Norway at least. And we think that it probably mean that we will see some increased claims in -- during the summer holiday. But, still, it's our -- it is our speculation. So, we'll report specifically back on that when we do the third quarter results.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. Just to give you some flavor. In June, we saw actually increased frequency for leisure boats. It was a very hot June. It was sunny and nice weather. Today, I said I came in -- with car by -- along the seaside. I didn't saw any boats at all out in the seas. It is raining.

So, this depends on whether. It could be a wet and cold July and then you will not have that leisure boats frequency problem. So, it's hard for us actually to give any specific estimates based on this. I really hope some sun for my own summer holiday. But from an insurance point of view, maybe 15 degrees and cloudy and rain is good. Let's see.

Q - Derald Goh {BIO 20775137 <GO>}

Yeah. Yeah. Thank you. Thank you very much. And have a good break.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Thanks.

Operator

And we'll now move to our next question from Youdish Chicooree from Autonomous Research. Please, go ahead.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Good morning, everyone. I've just got two questions, let's say. The first one is really on the underlying loss ratio, which improved 3 percentage points in the quarter. I think in the beginning you mentioned the benefit from lower activity due to the pandemic was more positive.

So, that would imply that most improvements is mostly driven by your pricing levels. So, when we think of the trajectory ahead, should we expect -- I mean, is your target to improve it further? Because I can see that across your portfolio, on average, you're still raising prices slightly ahead of inflation. So, that's my first question.

And the second one is on your own partial internal model. So, I was wondering whether you had some sort of guidance on table of when you will try to get that approved. I appreciate that you have been busy with other things in the past and in this half year. But is there like a formal timetable for getting it approved? Thank you.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

As I think we said in the report, we mentioned two main drivers for the improvement in the underlying frequency loss ratio. One is our own pricing measures, which have been successful, managed to get prices -- price increases through, as is witnessed by the stable retention levels.

And the second one is the benefit from reduced economic activity on the underlying loss ratio and in that order. Please, also remember that the travel-related COVID-19 claims is booked as one event that are included in the large losses in the number that we report. We do not -- we haven't changed our targets. These are long-term financial targets, and we do not communicate in the short-term targets to the market.

On the second question on the partly internal model, there is no official timetable for that. We continuously work with FSA to get our view of what should be the -- what is the correct model true. And, yeah, I don't -- can't give really a much clearer view than that on when we should expect anything. But we are still of the view that our own model best reflects our own risk situation and continue our work to document that towards the FSA.

Q - Youdish Chicooree {BIO 17430923 <GO>}

All right. Understood. Thank you.

Operator

We will now take our next question from Erik Jan from ABG. Please, go ahead.

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

Hello. Jan Erik from ABG, once again. Yeah, just a follow-up. The customer dividend, as previously asked about, do you need to be a customer throughout this period and into later of the year to receive the customer dividend for 2019? How does that really work? If you could shed some light on that? Thank you.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

As we said, it's a bit of an unprecedented situation. But we think that it will be so that they'll need to be a customer at the foundation's AGM to get whenever that will be. Sorry in May.

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

Is the AGM taking place yet?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. (Multiple Speakers). Yeah. It was in May.

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

It was in May, okay. Because this is very difficult because if you don't want them to leave, do you then adjust a customer dividend for 2019 for some reason or not? Is that -- do you know anything about that?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

I mean, it's -- I think it is a bit of an unclear situation, the whole thing, because we should have been able to pay out the dividend as planned. But, yeah, we'll see when we can get the dividend and when the foundation pays out. It's what I can say now.

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

Okay. Perfect. Thank you.

Operator

We will now take our next question from Steven Haywood from HSBC. Please, go ahead.

Q - Steven Haywood {BIO 15743259 <GO>}

Hi. Good morning, everyone. And just a couple of quick questions. I wonder if you could tell us your market share of just leisure boats in insurance sector.

And the second question, if you can give us an indication of the -- if you see a shift into commuting to work by motor vehicles rather than on public transport and how this could potentially impact claims in the second half of the year and also potentially impact the increase in electric vehicles and hybrids being bought over the medium to long-term? Thank you.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

All difficult questions, Steven. No one really wants to answer it because it's too difficult. No, but I'll start with the leisure boats question first. I don't have the figure on the top of my head, but our market share in leisure boat, I think it's around kind of normal 20%, 25% type market share.

Leisure boats are not -- it's not a big insurance product as such. So, it's -- and we're struggling to dig into the Norwegian Association's market numbers now as we speak. But we'll try to get back to you in a short while on that one, so I don't guess too much there.

If I understand your second question more, it's whether we return to a situation where we work more from home, was that you said, in the second half or after the restrictions are lifted and the consequences of that? Was that correct? Understood?

Q - Steven Haywood {BIO 15743259 <GO>}

Yes. Essentially, the people working from home. But then I think we have to return to the office, how are they going to be commuting to the office? Is it going to be more by motor vehicles and, therefore, EVs and hybrids go up? Or is it still going to be public transport as well?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

As of now, the capacity on public transportation in Oslo, which try my best, is limited to typically half the normal capacity. And -- but also that kind of fits well with the typical capacity at the workspaces also because there are the distance requirements for -- at workplaces means that we can't be fully -- the offices can't be fully occupied either. So, in the May, it matches quite nicely at the moment.

When we get back after summer to office, we think for our sake at least that we will be, to a larger extent, we're working from offices. And that will challenge somewhat public transportation system. But it could also be that we see changes in the distance requirements on the public transportation system. So the capacity, there will also be a changed when we get back after the summer's over.

But it's a bit hard for us to speculate on how that will develop really. I don't see any specific effects on the EV, hybrid situation as such. But, I guess, it's very dependent on that they keep up the -- lower the subsidies on these kind of vehicles, I think that's probably more important than the working from home situation.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. Excellent. Thanks very much for (inaudible).

Operator

We will now take our next --

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Sorry.

Operator

Please, go ahead, sir.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yeah. Yeah. Yeah. Forget it. You go on.

Operator

We will now take our next question from Phil Ross from Mediobanca. Please, go ahead.

Q - Philip Ross {BIO 20618440 <GO>}

Hi, there. Thanks for my question. Just one left for me. On the cost ratio, it looks pretty good this quarter, where, I guess, we might have expected some increased costs from home working. And you've also talked about the balance of COVID claims being less automated, more manual.

I just wondered whether there's anything specific in your cost control that's helping you to be more efficient or to just to save money? Anything you can add or expand on that would be helpful, please. Thanks.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

On the -- please, remember that when we do have more manual handling of the claims, the claims handling costs related, that is into the loss ratio, not the cost ratio. So, you won't see it in the cost ratio figures. And -- but on the operating costs, there might be some marginal costs here and there and somewhat increased, I mean, IT-related spend and some, but that's really marginal. So, we haven't thought to disclose anything there.

It's -- and as you see from there in what's the cost ratio, we do report. It's actually developing quite nicely. So, no increased costs as such to any significance at least due to the COVID-19 so far. We have some slight increase in losses on premiums overdue in Denmark. But, again, it's a very small number in the overall picture. So, we haven't disclosed it.

Q - Philip Ross {BIO 20618440 <GO>}

Okay. Thank you.

Operator

And there are no further questions. I'd like to have the call back to our speakers for any additional or closing remarks.

A - Mitra Hagen Negard {BIO 3974076 <GO>}

Thank you. Everyone, thanks for your good questions. We'll be participating in a number of road show meetings and conferences starting from August, also this time over the phone due to the pandemic. The meetings will be held with investors in Norway, London, Helsinki, and Munich. Please, see our financial calendar on our website for more details. Thank you very much for your attention. Have a lovely summer and stay healthy.

Operator

Ladies and gentlemen, this concludes today's call. Thank you for your participation. You may now disconnect.