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# Q1 2019 Earnings Call

## Company Participants

- Francois de Varenne, Chief Executive Officer of SCOR Global Investments
- Ian Kelly, Investor Relations
- Jean-Paul Conoscente, Chief Executive Officer of SCOR Global P&C
- Laurent Rousseau, Deputy Chief Executive Officer of SCOR Global P&C
- Mark Kociancic, Chief Financial Officer of SCOR
- Paolo De Martin, Chief Executive Officer of SCOR Global Life

## Other Participants

- Andrew Ritchie
- Frank Kopfinger
- Jonny Urwin
- Kamran Hossain
- Michael Haddad
- Michael Haid
- Sami Taipalus
- Thomas Fossard
- Vikram Gandhi
- Vinit Malhotra

## Presentation

### Operator

Good day, ladies and gentlemen and welcome to the SCOR Group First Quarter 2019 Results Conference Call. Today's call is being recorded. There will be an opportunity to ask questions after the presentation. To provide all participants an opportunity to place the question, please kindly limit your number of questions placed to two questions. At this time, I would now like to hand the call over to Mr.Ian Kelly, Head of Investor Relations. Please go ahead, sir.

### Ian Kelly {BIO 19976646 <GO>}

Good morning, everybody and welcome to the SCOR Group 2019 first quarter results call. Because the SCOR Group Annual General Meeting is taking place this morning, we do have limited time and we'll be completing the call by 9:50 AM. As a result, when we get to the Q&A section, in fact, if you could just please limit yourself to one question each initially, and should we have time, please reconnect to ask further questions. But of

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course, after the AGM, the IR team will be available to deal with any further questions you may have. So let's move to Slide 2. Can I please ask you to consider the disclaimer, which indicates that the financial results for the first quarter 2019 included in the presentation are unaudited.

With this, I would like to give the floor to Mark Kociancic, Chief Financial Officer of the SCOR Group, who is joined on this call by COMEX members, Jean-Paul Conoscente, Laurent Rousseau, Paolo De Martin, Brona Magee, Franacois de Varenne and Frieder Knupling. Thank you. Mark?

## Mark Kociancic {BIO 17852409 <GO>}

Thank you, Ian. And good morning everyone. Denis sends his regrets today as he is unable to join us due to the scoreboard in AGM obligations, so let's begin. SCOR delivers a strong start to the year 2019. Once again, we've demonstrated our value creation capability by successfully combining profitable growth, good technical profitability and strong solvency. SCOR wrote approximately EUR 4 billion of gross written premium in the first quarter. This represents a 2% increase over Q1, 2018 at constant foreign exchange rates, or approximately 5.7% at current exchange rates. This strong growth was driven by both business engines. The growth in P&C is excellent. It stands at 16.1% at current FX on the back of disciplined renewals. With improved profitability and price increases SCOR Global P&C continues to expand its franchise in the US, the largest P&C market in the world where we have a unique position to gain market share. At the April renewal, SCOR Global P&C grew gross written premium by 9.6% at constant FX to EUR 548 million, while benefiting from broadly improving market conditions. On the Life side, the growth stands at negative 1.1% at current FX and this is due to the renewal of a financial solutions deal less fee income under deposit accounting with no impact on profitability. Had these been renewed, premium growth would have stood at positive 2.5%.

Overall, SCOR delivers strong profitability in Q1. The P&C net combined ratio stands strong at 94.6% with a nat cat ratio of 6.5%. The normalized net combined ratio stands at 95.1% in line with the Vision in Action assumptions of 95%, 96%. Life technical margin reached 7.2%. And finally, SCOR Global Investments delivered a return on invested assets of 2.8% driven by an income yield of 2.7%. Overall, SCOR's net income for Q1 stands at EUR 131 million, translating into a return on equity of 9% above the Vision in Action target.

In addition, SCOR's solvency position remains very strong at 219% at the end of Q1 and in the upper end of the optimal range of the solvency scale. SCOR continues to provide an attractive remuneration policy to its shareholders with a dividend of EUR 1.75 per share, which will be proposed at the AGM later on this morning.

Going to Page 6, the SCOR Group has seen strong book value growth over the first quarter with shareholders' equity increasing by 7.7% to EUR 6.3 billion, supported by the net income of EUR 131 million recorded in Q1. This corresponds to a book value of EUR 33.64 per share. Financial leverage stands at 25.9%, diminishing by 1.6 percentage points compared to the position at December 31, 2018 and broadly in line with Vision in Action assumptions.

Let's move to page 7, SCOR generated operating cash flows of EUR117 million during the quarter. SCOR Global P&C's cash flows reflect the claim payments from 2018 cat events and SCOR Global Life provides strong cash flow in line with expectations. Overall, the total liquidity of the Group is excellent and stands at more than EUR 1.4 billion at the end of March 2019.

Now, let me hand over to Jean-Paul who will give you more details on the P&C results.

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## Jean-Paul Conoscente {BIO 20770277 <GO>}

Thank you Mark. So the first quarter 2019 has been characterized by excellent growth and profitability despite some notable ;oss from 2018 cat events. As Mark said, we grew this quarter at 12.8% at constant rate of exchange on the back of strong growth in the second half of 2018 and as well as the good renewal we had at January 1 2019. We expected the premium growth over the rest of the year to normalize and finish in the upper part of the 5% to 8% range that we had provided with Vision and Action. On profitability, thanks to a strong underlying performance, our combined ratio is at 94.6%, below our 95% to 96& target, In spite of the 6.5 points of cat. About two-third of this cat impact comes from developments of 2018 losses, the largest being the Japanese Typhoons Jebi and Trami, for a total of 3.8 points of cat. This was -- the new loss system that's come from market revisions based on information we see from Japanese seasons that we received in Q1, we estimate the market loss to move from USD 7 billion to about USD 11 billion and this is due to the unusual number of claims as well as the unusual average payment per claim.

One point to note is that any further development in JV will have very limited impact on SCOR, as most of the additional losses will be seeded to our retro session on JV. Without these Japanese cat loss developments, our Q1 combined ratio would have been slightly below 91%, better than Q1 2018. That 81.1%, the attrition plus commission ratio remains very robust. It's only 0.8 points below the 2018 Q1 ratio, which had a very low level of manmade losses, whereas this quarter is more to a normal level. On a normalized basis, our combined ratio stands at 95.1%, within the lower part of the range of 95% to 96%. Looking now at the April 1 renewals, we had another successful renewal with gross reinsurance premium up almost 10%. Overall, the market remains disciplined with the improving market conditions on loss affected contracts.

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In Japan, in particular, we saw price increases of mid '20s for loss affected cat XOL programs and on earthquake contracts more flat to slightly up. The US contracts, which represent about 20% of the renewals, we had secured significant primary insurance rate increases into single-digits to a double-digit figure, depending on the lines of business. Proportional of reinsurance conditions are improving as well, as the reinsurance benefit from market improvements. There were very few loss affected US Cat programs up for renewal in April, so price increases on cat XOL business were in single digit, but we expect a very different outcome for the June, July renewals with many of the loss affected programs coming up for renewal.

Building on our client focus strategy, we grew our portfolio by 28% with premium weighted risk adjustment rate increases for this US portfolio of slightly less than 6%. US and Japanese cat XOL represent a little less than 30% of the premium up for renewal.

The rest of the renewals were very -- much more muted since most of the programs were not loss affected. So, the overall premium -weighted risk adjusted price increases resulted in 1.6% of this renewal.

On this, I'll turn over to Paolo for the Life presentation.

## Paolo De Martin {BIO 15930577 <GO>}

Thank you Jean-Paul. At SCOR Global Life, we had a very good start of the year with our franchise continuing to expand profitably and globally. From a headline number perspective, we have recorded gross written premiums of EUR 2.3 billion in Q1 2019, a slight decrease of 1.1% at current exchange rate or 5% at constant exchange rates compared to prior year. This variation is largely driven by certain financial solution deals, which had been renewed as fee business rather than as premiums in Q1, 2019. The impact of this is very simple. On these deals, we're now recording similar amount of profits, and no headline premiums.

On Appendix page 26, you will find detailed numbers and I'm happy to address this in the Q&A Excluding these deals, we have grown by 2.5% at constant exchange rates, driven by the expansion of the franchise in Asia Pacific Protection, US Financial Solutions and Longevity. Overall, we consider this premium growth as being in line with the Vision in Action assumptions of 5% to 6% over the cycle. This translates, for 2019 in an expected normalized growth rate of 2% to 4%, and each of our business is difficult to contain to calendar year, so we look at growth over the 3 -year period. Yearly growth rates can fluctuate due to timing of business occurrence between years. On the profitability side, the net technical result stands at EUR 152 million. The profitability continues to be strong and technical result from the in-force portfolio remains well in line with expectations and the new business underwriting continues to exceed the Group ROE target. Our technical margin stands at 7.2% for the quarter. The renewal of the financial solution deals as fee deals is adding 40 basis points to this metric. As mentioned at the beginning of my presentation, on these deals, we're now recording similar amounts of profit on lower headline premiums. I will now hand it over to Francois for details on our investment performance.

## Francois de Varenne {BIO 7447858 <GO>}

Thank you, Paolo. Moving on to Slide 12, SCOR's total investment portfolio reached EUR 27.8 billion at the end of March with an invested asset portfolio of EUR 19.6 billion compared to EUR 19.1 billion at the end of December 2018. The positioning of the investment portfolio is in line with this Vision in Action target asset allocation. Liquidity stands at 6% of the invested assets in line with the target level defined for the strategic plan. The share of corporate bond in the invested asset portfolio is relatively stable at 48%, close to the maximum of 50% defined for the plan. And the duration of the fixed income portfolio is stable at 4.3 years.

Our fixed income portfolio remains a very high quality with an average rating of A plus and highly liquid. Indeed at the end of March, expected financial cash flows from the fixed income portfolio over the next 2 years stand at EUR 5.8 billion, providing strong financial

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flexibility and allowing SCOR to seize the investment opportunities. SCOR Global investments delivered a strong 2.8% return on invested asset in Q1, which is supported by a solid income yield of 2.7%, continuously increasing since 2016, highlighting the relevance of the portfolio re-balancing implemented since the launch of Vision in Action. This income yield includes 20 basis points of positive one-off during the quarter. Our theoretical reinvestment yield stands at 2.5% at the end of March, down compared to the end of December level, reflecting primarily, the global decrease in interest rate and the spread compression of the other past quarter. Under our current market condition, we expect an income yield for full year of 2019 at 2.5%. This will translate to an annualized return on invested assets in the 2.7%-3.0% range for full year 2019.

With this, I will hand it over to Ian, for the conclusion of this presentation.

## Jean-Paul Conoscente {BIO 20770277 <GO>}

Thank you Francois. On Page 13, you will find the next scheduled event, starting on July 25 with the Q2, 2019 results, and of course our Investor Day on September 4, here in Paris, as well as the upcoming conferences which we are planning to attend during 2019.

With this, we can start 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 Kamran Hossain of RBC, please go ahead.

## Q - Kamran Hossain {BIO 17666412 <GO>}

Alright, good morning everyone. Just one question on the, I guess, the loss environment in Q1. Clearly a lot of the headlines were driven by the Jebi and Trami when you combine it. Could you maybe comment about I guess the man-made loss expense you saw in the quarter. I mean, it feels with a normalized combined, which has improved a bit quarter on quarter and feels little below and that some has caused last year, that this might have got better, but any commentary around that would be very helpful. Thank you.

## A - Paolo De Martin {BIO 15930577 <GO>}

Yes. The man made losses in the first quarter, there was no outstanding loss, the largest is a liability claim for EUR12 million. The other losses are losses below EUR 10 million, but there has been a number of them. So the overall aggregate amounts to -- what we see on a normal basis, it was slightly below EUR 100 million.

## Q - Kamran Hossain {BIO 17666412 <GO>}

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That's brilliant. Thank you.

## Operator

Were going to now move to our next question from Vinit Malhotra from Mediobanca, please go ahead.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes. Hi there. Good morning. So just my one question would be on the -- for Francois, on the investment income, the 2.7% you rightly just said, has 20 bps of one- off, but if I could just suggest, I mean there has been several quarters with these one off, how should we think of -- are these one off truly one offs are they difficult to predict. And is there a reason why we should be more bullish on the investment income and the ordinary sides and equally, is -- I noticed realized gains were also quite low. Is there a change from the past where there was a bit more active strategy versus ordinary income. Can you just comment on these topics please? Thank you.

## A - Francois de Varenne {BIO 7447858 <GO>}

Yes. So, on the income yield and the 20 bps of one-off, during this quarter those one off are coming mostly from dividends on private equity funds, real estate funds and infrastructure funds, so it's a positive news. So that's dividend that we expect, but it's always difficult to predict the timing when the fund give the dividend back to the investor. So it could be recurring, but it's difficult to predict. So that's why we still normalize the income yield for the full year 2019 at 2.5%. In terms of program of realization of capital gain for 2019 you should expect, in the second part of the year some contribution from the real estate portfolio. We started the sell process of a few mature assets, and that will be sold by end of the year, so you should expect contribution in Q3 or Q4 this year.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Alright, thank you.

## A - Paolo De Martin {BIO 15930577 <GO>}

Okay, thanks, if we can move to the next call.

## Operator

The next question comes from Vikram Gandhi of Societe Generale.

## Q - Vikram Gandhi {BIO 18019785 <GO>}

Hello, hi. Morning everybody. The one question from me would be, can you just give us a feel on the rate increases for April renewals. I mean would you say the figures in general to SCOR as well as the industry as somewhat disappointing given the sever loss seen on the typhoon losses?



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## A - Paolo De Martin {BIO 15930577 <GO>}

Yes. So that's really a fragmented market, so it kind of depends on the segment you're talking about, and the way that segment in everyone's portfolio. So for the Japanese cat XOL programs, the rate increase, on average, is about 15%, well that's what we're saying 20% to 27%, 28% on the wind exposed layers and flat to slightly up on earthquake exposed layers. On the rest of the Japanese programs, these are earth quake quota shares and other lines of business. The rates were flat or slightly up. So the weighted average of that really depends on the makeup of the portfolio.

For the US, the cat XOL renewals were, I'd say, 2% to 3%, because they were not loss affected programs. On the other lines of business, it was really primary rates driving the rate increases with slight improvements on the terms and conditions for reinsurers. And then for the rest, India for SCOR is a big portfolio, about the same size overall then to Japan. And there are those two large portfolios, one is property, one is agriculture. Property, we saw a slight price improvements, for agriculture, we saw slight price decreases and also large uncertainties around the longevity of this team as it stands today. So, for those three main markets, we grew in Japan 15%, we grew our portfolio in the US 20 some-percent, and we shrunk our portfolio in India about 6%. So if you look at the projections going forward. The June, July renewals are really dominated by the US. The US overall increases without contribution from the cat XOLs had an average price increase around 6%. We expect the US cat programs that are loss affected to renew at double-digit rate increases. So the overall premium weight adjusted for the June, July renewals should be high single-digit, low double digits overall.

## A - Laurent Rousseau {BIO 19524847 <GO>}

And maybe if I may add, it's Laurent Rousseau here speaking for the -- on the rate changes, there is quite a contrast between the large commercial lines and some of the more standard lines of business on the insurance side and for SCOR Business Solutions, when we look at and single risk insurance, our rate increase was actually, on average, close to double digits. And those are led really by energy globally and property in the US where we see rates really reacting. And that's a function of first claims activity in the past 12 months or so. And second, a real change in risk appetite from some of the very large leaders in the market, and that displacement is creating some pretty interesting rate changes on the primary side.

## Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay. Now, that's very helpful gentlemen, thank you very much.

## Operator

Thanks Vikram, if we can move to next question. The next question comes from Andrew Ritchie of Autonomous.

## Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi there. Not to leave him out, I've got a question for Paolo, just on the, I wondered if you could give us a bit more color on the biometric experience in the book, in the life book in

Q1? I'm thinking on an IFRS basis, but also on the S II basis. If there was any kind of change in assumptions or anything, just general color on the underlying biometric to the mortality experience particularly in the US? Thanks.

## A - Paolo De Martin {BIO 15930577 <GO>}

Yeah, Biometric experience excluding the US was good, in line with expectations or I will say, even better in some areas. The US continues to show some challenge on that benefits comparable to what we have experienced in some other programs. (Technical difficulty) Sorry there was some noise in the -- just noise in the background, that was, so echoes was equaled my voice. Experienced largely during this time around for pure volatility age bracket at the relatively young ages, this was more than offset by measures that were taken to improve rates in some of the contracts as we've done in the past. So, you shouldn't expect any big variations either from IFRS 4 or Solvency 2 to probably slightly positive for the quarter.

## Q - Andrew Ritchie {BIO 18731996 <GO>}

Okay. Thank you.

## A - Paolo De Martin {BIO 15930577 <GO>}

Thanks, Andrew. If we can go to the next question please.

## Operator

And our next question comes from Frank Kopfinger of Deutsche Bank.

## Q - Frank Kopfinger {BIO 16342277 <GO>}

Yes, good morning, everybody. My question is on the EUR 200 million one-off from the SE merger. I would be interested what kept you in deploying it right now and let us wait until the September especially as obviously your current share price does not -- do not reflect of what you seem to view as a right price?

## A - Paolo De Martin {BIO 15930577 <GO>}

Yeah. Frank, as you correctly pointed out, we're waiting for Investors Day on September because we're unveiling the next strategic plan. So we're looking at this in a more long-term context of seeing where we can deploy capital accretively against our next plan. So I think taking this opportunity over the next few months to establish that is certainly beneficial to shareholders.

## Q - Frank Kopfinger {BIO 16342277 <GO>}

Okay. Thanks.

## A - Ian Kelly {BIO 19976646 <GO>}

Thank you, Frank. The next question please.



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## Operator

And our next question comes from Sami Taipalus of Goldman Sachs.

## Q - Sami Taipalus {BIO 17452234 <GO>}

Yeah. Hi. Good morning, everyone. Thanks for taking my question. Just a brief one, was there any impact from remodeling of loss exposures at the April renewals because if I remember correctly, you don't include that in your price change? I mean, I guess I was particularly thinking of Japan, where there was quite a lot of loss, now it's a well modeled exposure, but given the amount of the lost, just questioning that. Thank you.

## A - Jean-Paul Conoscente {BIO 20770277 <GO>}

Yeah. Thank you. So yes, indeed, we revised our approach for Japan. The pricing approach we use is a combination of experience and exposure, given the experience change from the 2018. losses, our expected annual loss on average increased about 3%. So that would be the effect from the remodeling for the Japanese -- the Japanese cat XOL programs. For the rest of the port there has been no significant remodeling.

## Q - Sami Taipalus {BIO 17452234 <GO>}

Okay. So at the aggregate level, is there any way of giving any stare of how much the offset would have been against the price increase on 1.6

## A - Paolo De Martin {BIO 15930577 <GO>}

Well the -- so, on the cat XOL, the price increase is about 15% currently, and then you would need to add probably another two points to that to compare it to last year.

## Q - Sami Taipalus {BIO 17452234 <GO>}

Okay. Alright, okay. Thank you.

## A - Jean-Paul Conoscente {BIO 20770277 <GO>}

Thanks Sami, if we can go to next question please.

## Operator

The next question comes from Jonny Urwin from UBS

## Q - Jonny Urwin {BIO 17445508 <GO>}

Hi there, morning. Thanks for taking my question. So, just reading the industry press, it does sound like things are starting to get better now, especially in Lloyd's and E&S. I guess just thinking at the mid-year renewals, previously when we've got glimmers of hope on pricing alternative capitals come in and flooded the market. So what are you seeing that you think that this time we are actually seeing some sustainable and incremental improvement or will alternative capital compete away? Thank you .

## A - Paolo De Martin {BIO 15930577 <GO>}

It's hard to predict what our competitors will do. But that being said, as you said, I think as price improve on the reinsurance side, it's likely that there'll be new capital coming in either in our direct form or as support to existing reinsurers. I think one of the positive benefits we see today is the improvement not just on the reinsurance side, but also on the insurance itself and there, additional capital really should have less of an effect on our reinsurance. So we feel as long as the primary market continues to improve, which it does to start making technical profit again, that would be a positive for everyone involved in the market.

## Q - Jonny Urwin {BIO 17445508 <GO>}

Thank you.

## A - Jean-Paul Conoscente {BIO 20770277 <GO>}

Thanks, Jonny. The next question please.

## Operator

The next question comes from Thomas Fossard of HSBC

## Q - Thomas Fossard {BIO 1941215 <GO>}

Yes. Good morning, everyone. Quick question for you on the P&C read, just wanted to come back on the evolution of the attritional -- net attritional loss ratio or the -- I mean, whatever you think is the best and that's a general ratio plus commission ratios. But looking at the trend Q1 '19 versus Q1 '18 or Q1 '19 versus full year. seems to be that the attritional loss ratios is deteriorating a bit. Just want to understand why this is the case as you mentioned that the man-made loss years were pretty -- I would say subdued compared to last year. And also we should have, I would say the benefit of a slightly better price increase coming through your numbers. So is this just a matter of composition of the portfolio or is there any I would say, other effect on the technical margins impacting the attritional loss ratio that we should have in mind for the upcoming quarters? Thank you.

## A - Paolo De Martin {BIO 15930577 <GO>}

Yes. So compared to Q1 2018, it was an unusually low overall quarter from a combined commission plus attritional. So comparing to Q1 2018, probably gives a view a skew view. If you view it on a normalized basis, taking you Q1, 2018 on a normalized basis with six points of cat, that would have been a 93.8% combined ratio, which is below the 95% to 96%. If you go back to the 95%- 96% range, which is our normalized view and you kick out seven points of cat, you get back to an attritional that is in the range of what we have today. And so what we've done is, despite the increase of the cat budget from six to seven from last year to this year, we've kept the attritional loss ratio pretty much the same, which is a reflection of the price improvements that we see in the primary market and therefore an overall improvement on the combined ratio.



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So going forward, we expect the 81.1% which is the sum of the commission and the attritional loss ratio to be more or less the range of which we can expect going forward on a normalized basis. And the reason why we do the sum for the low is it will have some very large contracts that have slight commissions, so as the loss ratio increases, the commission decreases and vice versa. So just looking at one and the other separately, gives a -- sometimes a wrong view and it's better to add the two together.

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## Q - Thomas Fossard {BIO 1941215 <GO>}

Does that makes sense, thank you. So no, specific change in the portfolio mix explaining, I mean, any evolution, so we should think about things being stable in the coming quarters

## A - Paolo De Martin {BIO 15930577 <GO>}

Yes. Assuming a normal man-made loss activity, we would expect the other quarters to be similar to this one.

## Q - Thomas Fossard {BIO 1941215 <GO>}

Okay, thank you. Thank you very much.

## A - Jean-Paul Conoscente {BIO 20770277 <GO>}

Thanks Thomas. Just a reminder to the people, it looks like we may have some time for additional questions, so please add yourself back to the queue if you wish to do so and we'll take the next question please.

## Operator

The next question comes from Michael Haid of Commerzebank.

## Q - Michael Haddad {BIO 21007634 <GO>}

Good morning. Just a general question on reinsurance pricing and the dynamics of this pricing, looking at your 1 April renewals, the price increases were significant in loss affected lines, so plus 15% on Japanese net cat business, which is 10% of the portfolio, of the renewed portfolio. So the other business was almost flat and I try to interpret this figures from a more longer -term perspective, it seems to me that the price sensitivity to this loss occurrence has increased over the past, I don't know 10 years or so. If there are no losses, we see significant pricing pressure. If we see losses, we see significant price increases. So my question is, has the sensitivity to this loss occurrence, has increased overtime as prices become more reactive over the past 10 years maybe due to improved modeling or increased competition.

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## A - Paolo De Martin {BIO 15930577 <GO>}

I think it's a result of a much more fragmented reinsurance market. It's very difficult today to impose price increases in a region that has not been affected by losses. I think as reinsures, we tried to do that in 2018 following the '17 losses, and had a very strong push back on regions outside of the US in And the Caribbean. And so in 2019, I think reinsures

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are taking a much more prudent approach depending on the loss performance of the treaties and this includes some of the very large global players that had the same difficulties, as we had. So I think it's a characteristic of the market, as well as, including loss affected programs that have significant price increases, a number of players that were not necessarily affected come in and want to get on the bandwagon as well and are willing to offer slightly lower prices to get part of the benefit. So this is the current market dynamic, and that explains why with losses that it's still significant, but for the reinsurance industry, it's still very manageable, that the price shift is still very segmented by just the markets affected.

## Q - Michael Haid {BIO 1971310 <GO>}

Okay, thank you very much.

## A - Paolo De Martin {BIO 15930577 <GO>}

Thank you Michael, we'll will take the next question please.

## Operator

The next question comes from Frank Kopfinger of Deutsche Bank.

## Q - Frank Kopfinger {BIO 16342277 <GO>}

Yes, thanks for taking my follow-up question. A question for Paolo on the impact of this financial solution deals, can you just walk us through on where we find the impact in your P&L as it's no longer booked as written premiums. So where would be the fee income be seen and also whether this affect your target range for the margin?

## A - Paolo De Martin {BIO 15930577 <GO>}

so you look at page 26 of the appendix. And that gives you a sense of the size of the changes. So very basically, on your models, you should remove the gross written premium and the net earned premium as listed on Page 26, and that should give you the right impact of this change by leaving -- by making no changes to the technical result line.

In terms of, in which line item in the P&L is this recognized, if you look at the DDR, the disclosures here, it is included in the technical result. In the consolidated income statement, the fee is included in the line item, other income and expenses while in the segmental information, it is shown in the line item, revenues associated with financial reinsurance contracts.

## Q - Frank Kopfinger {BIO 16342277 <GO>}

Okay, perfect. And has that an effect on your margin target?

## A - Mark Kociancic {BIO 17852409 <GO>}

What we think right now, when we look at the margin target is, what we have now 7.2%, around that margin is what we expected -- we expect to have for the remaining of the

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year, at least up to when we update our assumptions at the new strategic plan announcement in September. To remind that the technical margin for us is not a target it's really an assumption of the underlying Group target, but is not a target in itself.

## Q - Frank Kopfinger {BIO 16342277 <GO>}

Okay, perfect thank you.

## A - Paolo De Martin {BIO 15930577 <GO>}

Thanks, Frank. We'll go to next question please.

## Operator

The next question comes from Vinit Malhotra of Mediobanca.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Good morning, thanks for the chance. Just on the US Casualty piece, the sort of 41% growth in the US you've mentioned here from new business in US Casualty. Is it a change because of line repricing? Is there a change, first of all, driven by more positive view of line repricing. I'm just curious about that growth number. You did mention it was also driven by the primary rates as well, but just any more commentary on casualty. Thank you.

## A - Mark Kociancic {BIO 17852409 <GO>}

Sure. The US premium up for renewal April 1 is fairly small compared to the portfolio, it's about a EUR 100 million. So to achieve the growth, it doesn't take a lot of additional new treaties. And this renewal, we grew on to 2 new treaties; one which was a program that we had been targeting that we finally entered this year. Another one was an existing client who restructured his program from an excessive loss to a proportional treaty. And therefore, there was premium increased due to that.

Overall, we remain optimistic on the primary rate increases. The main issue as a reinsurer is really the commission level and those are starting to come down, probably not as quickly as we would like or maybe too quickly for the insurance companies, as they would like, but the trend is positive.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

They are given and US casualties unchanged.

## A - Paolo De Martin {BIO 15930577 <GO>}

Is unchanged, correct.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes, I'm just trying to guess the larger US Casualty that might not be significant (inaudible).



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## A - Paolo De Martin {BIO 15930577 <GO>}

Yes.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Thank you very much.

## A - Paolo De Martin {BIO 15930577 <GO>}

Overall, I think if there's further opportunities in June July, we might see them, but we're still very cautious. We feel the current trends are good, but we need several years of rate increases to get back to the level that we need.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay, thank you very much.

## Operator

Thank you. And as there are no further questions in the queue, I would like to hand the call back to Mr.Ian Kelly for any additional or closing remarks.

## A - Ian Kelly {BIO 19976646 <GO>}

Thank you very much everybody for attending this conference call. I know shortened a little because of the AGM. But once that is complete we will be available to discuss any further questions that you may have. So thank you very much and have a nice day.

## Operator

This will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.

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