Q4 2017 Earnings Call

Company Participants

- Carsten Stolz, Chief Financial Officer
- Gert De Winter, Group Chief Executive Officer
- Marc Kaiser, Head-Corporate Communications & Investor Relations
- Matthias Henny, Head-Asset Management

Other Participants

- Daniel Bischof, Analyst
- Iain Pearce, Analyst
- Jonny Urwin, Analyst
- Michael Huttner, Analyst
- Peter D. Eliot, Analyst
- René Locher, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, good morning. Welcome to the Bâloise Group Annual Results 2017 Analyst Conference Call. I am Alice, the Chorus Call operator. I would like to remind you that all participants will be in listen-only mode and the conference is being recorded. After the presentation, there will be a Q&A session. The conference must not be recorded for publication or broadcast.

At this time, it's my pleasure to hand over to Marc Kaiser, Head of Corporate Communications & Investor Relations. Please go ahead, sir.

Marc Kaiser {BIO 15056036 <GO>}

Good morning, everybody, and welcome from my side to this analyst call in the course of our full-year results 2017. It's a pleasure to have you all on the phone. We do it as we do it usually. We would like to give you first overview of the results, a quick one, and then have enough time to discuss results. With me is Gert De Winter, CEO; Carsten Stolz, CFO; and Matthias Henny, CIO; who will gladly take up your questions.

I would now like to hand over to Gert.

Gert De Winter {BIO 19720616 <GO>}

Thank you, Marc. Everybody, also a very good morning from my side. In order to have the required time for questions and answers, I will be very brief and actually present our results in a nutshell. One, we are very pleased, of course, with the 2017 results we have achieved, the second highest result in the last decade. We are growing strongly in our target segments, so clearly almost 3% in Non-Life and in the modern life products with over 14%. We have achieved a very healthy margin in our improving Life business and actually confirm a very high level of probably in our Non-Life business.

We're only one year down the road in our new Simply Safe strategy and in the meantime the three targets we have put forward to being one of the best employers reaching CHF 2 billion of cash into the holding and acquiring 1 million additional clients, we are well on track with over CHF 400 million of cash with almost 120,000 new customers and in the top 25 of the best employers.

We have a strong balance sheet asset. We have been able to generate over CHF 400 million cash and that is why we proposed to the General Assembly end of April to increase our dividend substantially up to CHF 5.60.

That's I would say the highlights of the results in a nutshell. And I would be glad to open up for questions-and-answers.

Q&A

Operator

We will now begin the question and answer session. Our first question comes from Mr. Peter Eliot from Kepler Cheuvreux. Please go ahead sir.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Thank you very much. Three questions please. The first one was on the cash that you mentioned. I was wondering if you could just talk through the drivers of that higher remittance ratio, whether there's any one-offs there at all, because I guess when I looked at your cash radar, you've got headroom under all of the, sort of four metrics that you show there. So, I'm just wondering if you could perhaps mention the constraints there going forward.

Secondly, you disposed a very strong solvency ratio. I guess we've all seen your chart in previous Investor Days and stuff where you've shown the sort of the volatility. So, I'm wondering, perhaps if you could also just mention how volatile that ratio has been over the last 12 months or whether you now feel like you're in a much more comfortable position.

And then, finally, just on the Life result, if I compare slides 23 and 24 with the equivalent ones from the half-year presentation, it looks like you've done virtually no reserving in H2, but you've still strengthened the reserves and brought them down by an additional 5 basis points in the second half of the year. Just wonder if you could just explain what was happening there. Thank you very much.

A - Carsten Stolz {BIO 6055047 <GO>}

Right. Thanks for your question. So, with regards to your first question – and I will talk to slide 9 if you want to have this in front of you. The strong cash remittance that we have seen in 2017 that you see on the left-hand side is based on the continued strong cash remittance from the Non-Life business. It has been strong in the last few years and was always the main contributor to cash remittance for the Holding prior to setting this new target. And you see that that this holds true also for 2017.

We have seen a much stronger cash remittance coming from the Life segment, and that is due to several factors. One is the increased profitability of the segment as such. You'll see that the EBIT on the Life segment has picked up by 35%. We saw the profitability of the underlying Life segment has gone up.

The second element that plays a role here is that in line with the development of the solvency position, the increased solvency position on a Group level comprising all business segments also holds true for the Life segment and therefore giving us more leeway to actively manage the capital position on Life. So those are the two main drivers that's enabled us from a Group perspective to remit more cash coming out of the Life segment.

Now, with regards to your second question on solvency, I would like to draw your attention to the slide 11. That is exactly the same slide that we've shown in half-year. We have now indicated that at midpoint we have a solvency position of well beyond 200%. And if you look at the lower left-hand side of the mosaic here, that even under stress conditions we remain well above our internal risk buffer threshold of 140%.

So the solvency position has been and continues to be in a very strong position. Still, as you know, there is some discussions around models, especially in Switzerland going on. So, some volatility might come from there, but we are very confident on this level. And as you've seen in the cash radar, the solvency part of the equation is not a constraint.

The – your first question with regards to Life. Indeed, we have had less reserving needs in the Life book in comparison to last year, most of which has already been done in the first half. So, your observation is in that context, correct. What we had to do is mainly to add some reserves due to the regulation in Germany of the so-called [Foreign Language] (00:08:31) – I don't know exactly the – that exact English translation, but its interest rates and additional reserving need due to German regulation because of the interest rate level. And this development, as you have seen this on page 23, mainly also was one of the key contributors to the improved Life contribution from an EBIT perspective.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Okay. Can I just follow-up quickly on the first question on the Life division in particular. It sounds like you're guiding to stronger earnings going forward. In the past, you've sort of said more than CHF 200 million. Is it fair to say that the – you're now more positive than that, that you're going to start to increase it a little bit?

And sorry, very nerdy, but just looking at the embedded value report, it looks like the Life division there only reported a paying of (00:09:30) CHF 28 million dividend. So, I was just wondering what the difference was. Thank you.

A - Gert De Winter {BIO 19720616 <GO>}

Correct. So, with regard to the CHF 200 million, that guidance has been made in an environment that was different to where we are now. And so, I wouldn't put too much emphasis on this lower level threshold guidance that has been given in the context of the Investor Day. The interest rate environment has started to be a little bit more positive. In general, our positioning with regard to interest rate has been and continues to be positioning for rising interest rates. I remind you that we are running with an asset and liability mismatch of between one year and two years, which is favorable if interest rates on continued basis would rise and that would then obviously contribute to higher underlying Life earnings.

And so with regards to your second question on the embedded value report, I think I have to look this one up and I would suggest that we pick this up between you and the IR team later on if that's fine for you.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Yeah. Of course. Thank you very much.

A - Gert De Winter {BIO 19720616 <GO>}

Good.

Operator

Our next question comes from Daniel Bischof, Baader Helvea. Please go ahead.

Q - Daniel Bischof {BIO 17407166 <GO>}

Yeah. Good morning. A couple of questions from my side. First on Germany, could you explain a bit more in detail which conclusion you have drawn from claims for you in Germany? Are there any specific elements of mention? Is it again the natural lines business? And also, how do you look at the 96% to 98% combined ratio target which should be achieved in one or two years?

And then a couple of things on the Life side. So, first, I'm interested to understand the drivers behind the significant improvement in the new business margin in Belgium. And then on the risk result side, I think in the past you mentioned that the Group profit is CHF 240 million profit. Is that still a valid number? It seems that there you had a negative one-off in 2017.

And then, just a last point. On Friday, you will be keen to hear more about the progress. I mean, number of customers in year one was around 15,000. You mentioned it. But, I mean, it's the first renewals round. What were your main takeaways from this and also how cheap or expensive was it to get these customers, I mean, from a marketing point of view? These are my questions. Thanks.

A - Gert De Winter {BIO 19720616 <GO>}

Good. Let me first pick up the question on Germany. So, what we have seen in the second half in especially November and December is that we have had a number of large claims in a part of the portfolio that we completely were underwriting. So, it's a liability portfolio. Beginning of 2017, we already actually cancelled the majority of these contracts. And without these bigger claims in this liability portfolio, the combined ratio in Germany would have been below 100.

At the Investor Day, we have announced our five-year strategy to take Germany back into profit. And, of course, we stick to that and we are clearly progressing as we have changed substantially the content or the portfolio – the Non-Life portfolio away from the industrial risks down by approximately 25% and growth in the retail business in Non-Life by almost 20% over the last two years. So, we are progressing. And with regard to the 96%, 98% combined ratio, we are very convinced that we will reach this in the middle term.

I would leave the questions on Life for Carsten perhaps.

A - Carsten Stolz {BIO 6055047 <GO>}

Yes. Thank you. So, your first question was on the true drivers of the improvement of the new business margin in Belgium. And there were a couple of drivers behind that. The first one was that we have provided lower guarantees in new business in line with the underwriting strategy for Life business in general. Secondly, there have been operational improvements in the Belgium operations. And thirdly, the business was operating in an environment with a slightly increased interest rate. So these three drivers were contributing – were the main contributor to the improved business margin in Belgium.

And your second question on the Life business part was your question of the risk results. The risk results has benefited in 2016 from positive one-offs. There has been one negative one-off in 2017. So, for the time being, we stick to the guidance that the risk results shall lay somewhere between CHF 200 million and CHF 250 million as we said before.

A - Gert De Winter {BIO 19720616 <GO>}

Maybe I should then pick up the question on Friday. As you said, we have announced that we have won or acquired over 15,000 new customers in 2017 with Friday. The changing season in – or the car changing season in Germany is always the period November-December, so the heat will come up by the end of this year. We are still continuing to win on a monthly basis new customers at the rate we were expecting.

In terms of how do we acquire these customers, you could say it's a mix of – on one side, almost half of it is direct that goes by the direct channel, online, mobile, and so forth; the other half comes via partners and one bigger aggregate, the (00:15:57). The marketing costs that we have planned in 2016 are slightly – the actuals are slightly below what we had planned for. So, it's completely in line with the plan.

Q - Daniel Bischof {BIO 17407166 <GO>}

Okay. Thank you very much.

Operator

The next question comes from Jonny Urwin, UBS. Please go ahead.

Q - Jonny Urwin {BIO 17445508 <GO>}

Hi there. Good morning. Thanks for taking my questions. Just three for me. So, firstly, just on the cash remittances, I remember from the Investor Day that you guys mentioned the CHF 2 billion cash remittance target would most likely be delivered a bit back-end loaded, but this doesn't seem to be the case actually. You're tracking in line already. So, does this mean that you're getting out more cash from perhaps the Life unit and also from Germany than you expected at this stage? That's the first question.

Secondly, on Germany, so, obviously, these liability issues have recurred. You cancelled a lot of policies in 2017. I believe there are some more to be cancelled in 2018. Do you think we'll see an end to these German issues in 2018? Are we closer to the turnaround being achieved?

And finally, on M&A, can you give us an update on markets and lines that you'd be interested in bolstering? I know you reported Generali Belgium (00:17:29) but that seems to have gone quiet. And just in terms of the financial capacity for M&A, I remember you issued the hybrid in 2017. So, I guess you've got capacity if something interesting comes along. Thank you.

A - Carsten Stolz {BIO 6055047 <GO>}

Okay. So, I take – I'll answer your question on cash remittance. We are very happy with what we have achieved in 2017. And to be honest, it's also a reward of many things that you cannot see from the outside. We have worked internally a lot on gearing and managing the fungible parts of capital in an active manner. And so, the – if I can talk to these figures today, and I do it also as a representative of all the internal teams who have worked on this. And that's, on a sideline, is important to me to mention that because it's much, much more than just a graph on PowerPoint.

But apart from this, and coming back to the substance of your question, yes, we have gone quicker than we initially expected. The bigger contribution from Life and the ability to release capital from Life dividend payments to the Holding has significantly contributed to that. And therefore, we are well on track with regard to delivering these CHF 2 billion that we have promised on the Investor Day.

So, with regard to Germany and M&A...

A - Gert De Winter {BIO 19720616 <GO>}

Yes.

A - Carsten Stolz {BIO 6055047 <GO>}

...I'll hand over to Gert.

A - Gert De Winter {BIO 19720616 <GO>}

Thank you, Carsten. In terms of Germany, if you look at the strategy we announced at the Investors Day in October 2016, it was clearly that we are working on shifting the Non-Life portfolio away from the bigger industrial risks into the more profitable retail and SME business. And that is exactly what we have done; we have also, in 2017, as you mentioned, we have actually – we have canceled for about CHF 14 million of contracts. And despite this, the sanitization round or this completely re-underwriting round, we have still grown. And that is thanks to the growth – high growth of about 17% in the retail business.

The liability portfolio is of course a long tail portfolio. That means that although we have canceled in 2017 the 75% of this portfolio and we will cancel by the end of 2018 the rest, it's still long tail, so it has – it implies some volatility in there. However, as said, we are convinced that we will deliver against what we have promised on the Investors Day, and we will achieve this 96%, 98% combined ratio range in the midterm.

On M&A, maybe two things on M&A. One, we keep – we are always – and that's always been the strategy, we are interested in opportunities that come along in our four countries, and we always actively look at them. Two criteria are decisive. One is, of course, the business case and the other one is the cultural fit with our Group. So, we continue to look on opportunities that come along.

Alternatively, and I think that's also very important to mention, besides the classical M&A transactions, you have the alternative business models in which we are clearly investing with a lot of digital initiatives for operations with startups, collaboration with partners, building new ecosystems, MOVU, FRIDAY, Mobly. So, we have – beside the classical M&A, where we are always interested in, we are heavily investing and successfully so in these alternative business models.

In terms of the hybrid, I'll hand over back – hand over to Carsten again.

A - Carsten Stolz {BIO 6055047 <GO>}

So your question was around the financial – financing capacity that we have. And I think I can say that we have full financing capacity for financing ideas that might come up, as Gert said, be it classical M&A or is it adding optionality for the digital investments. So we have the full spectrum of financing instruments at our hand ranging from cash transactions through senior bonds, through hybrid transactions, all the way through equity if required. So, financing will not be a boundary for value-generating business ideas.

Q - Jonny Urwin {BIO 17445508 <GO>}

Thank you very much.

Operator

The next question comes from Michael Huttner, JPMorgan. Please go ahead.

Q - Michael Huttner {BIO 1556863 <GO>}

Thank you very much. And I apologize if some of these questions were asked. I came on the call a little bit late. I think I have four. The first one is the German claim, fees, liability, large claims, are they in the 2.6% large claims ratio? The second, on the topic of one-offs, should we expect something more? I think I read this morning, Germany cleanup; should we expect something similar for your remaining two small countries, which are Slovakia and Chechnya?

On the deal capacity, I'm not sure if you answered, but now your solvency is like strong or even stronger than some of the reinsurers I follow. Can you maybe give a figure what would be an ideal range or the level of excess capital you regard overall? Then on the – my last question is on the Life side. In the past you've said that if interest rates rise, you would be able to release some of the reserves which have been put aside for low-interest-rate risk. And I just wondered if you can discuss that a little bit and also say if such reserve releases would count as cash. Thank you.

A - Carsten Stolz {BIO 6055047 <GO>}

So with regard to your first question, those claims that under our definition are large claims which are claims above CHF 3 million, are taken into consideration in these large claims load that you see on the slide. There have been other claims that are below this threshold and they are not taken out. So it's a question of how you define large claims which is above CHF 3 million in our case. If you would exclude the effect that Gert alluded to earlier on the call, then the overall combined ratio of Germany would have been below CHF 100 million.

Q - Michael Huttner {BIO 1556863 <GO>}

Understand, but I was trying to see – you showed a picture, both in country and at Group level. In the Group level, you show this large claims figure which doesn't seem to have changed. So, my question is really the one-off – and regardless of the one-off which we're seeing in Germany, so that also adjusts rates in your large claims ratio which you published. And so I didn't understand your question – your answer, because you said something about CHF 3 million, and I don't know if the claims in Germany were above or below CHF 3 million. I don't have that data.

A - Carsten Stolz {BIO 6055047 <GO>}

You cannot make this assessment in writing (00:25:28), but there were claims in this – in these claims that were above CHF 3 million, so they are taken into consideration than others who have been below. So part of the issue was, take (00:25:42) – which Germany set out (00:25:43) would also be reflected then in the last claims load.

Q - Michael Huttner {BIO 1556863 <GO>}

Okay. Thank you.

A - Carsten Stolz {BIO 6055047 <GO>}

Then your second question was...

Q - Michael Huttner {BIO 1556863 <GO>}

Slovakia and Chechnya.

A - Carsten Stolz {BIO 6055047 <GO>}

Yeah, with regard to the one-offs. The one-offs that have taken place in 2017 were one-offs in relation to streamlining the German business and lead-entity structure. So, it was intended strategic moves by exiting businesses that we wanted to exit for example (00:26:24). And these yields have been done in 2017 and that created these one-off effects that are accounting effects, not fresh (00:26:36) effects.

So, in comparison to other things that you alluded to like Chechnya and Slovakia, on a much, much smaller level – and I wouldn't expect similar effects as we've seen with (00:26:57) and others that we've seen in 2017. So, the short answer is I wouldn't expect similar one-offs coming from this transaction.

Q - Michael Huttner {BIO 1556863 <GO>}

Okay.

A - Carsten Stolz {BIO 6055047 <GO>}

Then your third question was with regard to deal capacity or financing capacity and excess capital position. I mean, our calibration and the way we use the blue color is that we say that everything that is above 140 is in line with what we consider to be a solid risk buffer on a Group level

We already talked about putting volatility in these numbers, so I'm certainly cautious on it. But with the current structure of the strength of the balance sheet, I feel comfortable and I think deal financing shouldn't be an issue from that perspective because it firstly starts with the attractiveness of the deal and debt financing follows.

And on Life, with regard to reserve releases in Life, I mean, we've seen now a slight pickup in interest rates for the first time since long. So it will take some time until this is all digested, and then at some stage it might reverse or starting to reverse. But, I mean, these are not directly cash effects. So with regards to distributing solvency capital, we still need to go back into the tangible perspective on capital, and that brings us back to the cash radar. And once this higher solvency position translates into a stronger balance sheet and this translates into a higher cash remittance capacity, then the cycle will work. But overall, the environment that we are starting to be in is a good environment for the Life business.

Q - Michael Huttner {BIO 1556863 <GO>}

And may I just add, remember you said on the cash flow that the very good number you'd achieved in 2017, the CHF 416 million, partly reflected – well, it reflected lots of work, and you said, thank you and really well done. Should we consider some of that to be kind of special work so that – somebody else earlier said well, cash flow, is it going to be J-curve and at the moment it looks straight line. But maybe, do we have a very strong start and could we have a small dip because some of these one-offs have already been done?

A - Carsten Stolz {BIO 6055047 <GO>}

Certainly, the remittance in Life was strong in 2017, but I don't see any reason why this shouldn't be repeatable at the moment.

Q - Michael Huttner {BIO 1556863 <GO>}

Lovely. Fantastic. Thank you so much.

Operator

The next question comes from Iain Pearce, Berenberg. Please go ahead.

Q - Iain Pearce {BIO 19522835 <GO>}

Hi. Good morning, everyone. Just two quick ones from me. The first one just on the German claims. I understand, the sort of FX (00:30:27) claims development was in relation to book of business that had been re-underwritten or was in the process of being re-underwritten? Was under the impression that this sort of re-underwriting process had largely been completed, so can I just get some clarification on if you still have books of business in Germany that needs to be re-underwritten and if there will be any impact from that going forward?

And then secondly, just on the SST, will there be any difference? Are you expecting your SST ratio to look any different once you start implementing the standard model for the Group Life business in Switzerland? Thanks.

A - Gert De Winter {BIO 19720616 <GO>}

Well, let me pick up the question on Germany. I think re-underwriting is of course a continuous thing. So, we are continuously evaluating our portfolio and re-underwriting and canceling contracts when we think it's required. Of course, we started when we announced it at the Investor Day in 2016, it was a clear shift away from the industrial risks into the private and the SME business, and we are still doing that.

This liability portfolio we've been talking about that has generated unfortunately the 2017 bigger plans (00:31:31) has been canceled in beginning of 2017 for almost 75%, and we will completely go out of this portfolio in 2018. But re-underwriting is of course a continuous business and it never stops.

A - Carsten Stolz {BIO 6055047 <GO>}

So, your second question with regards to SST and the effect of moving to standard model, for the time being, we do not see any substantial impact coming from that because apart from modeling, the second element of the equation is calibration of this model and FINMA is actively working on these calibrations of the models as well. And in that context, they also look into the European context. So, I wouldn't say that that this will be a big issue for us, also because our starting point is well beyond 200%. But the final outcome is not there yet, but it's not a problem that keeps you awake at night honestly, not at all.

Q - Iain Pearce {BIO 19522835 <GO>}

Okay. Cool. That's great. Thank you.

Operator

We have a follow-up question from Mr. Peter Eliot with Kepler. Please go ahead.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Thank you very much. So just one final clarification – I mean two final clarifications on Germany. Are you able to say what the reserve movements were? So, what the (00:33:15) impact was from Germany? And secondly, I mean, I guess if I look at that 108% combined ratio, I guess there are sort of three impacts in there; so the bad weather, the runoff (00:33:32) portfolio still dragging and then these additional large claims at this (00:33:38) period. Are you able to sort of quantify (00:33:42) how we flip it out? Thank you so much.

A - Gert De Winter {BIO 19720616 <GO>}

Go ahead, Carsten.

A - Carsten Stolz {BIO 6055047 <GO>}

So, the line was not very good at least on our end. Could you just repeat the first one? I got that you wanted to have some clarification on reserve movements, but the voice was cut at some stage.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Sorry. The first part was just in terms of what the runoff – what the prior reserve of (00:34:20) were in respect to Germany?

A - Carsten Stolz {BIO 6055047 <GO>}

Okay. So, by and large, it was because the claims that occurred have been claims from prior underwriting years. It has an impact – or had an impact on the German prior-year loss development. I cannot say the figure as of now directly but it was impacted, of course. So, overall, the impact was negative because it was, to some extent large claims from prior underwriting years.

A - Gert De Winter {BIO 19720616 <GO>}

And your second question was with regard to the impact of the three components on the 108% combined ratio. I think we haven't disclosed specific impacts on bad weather runoff and for your large other claims. The only thing that I can reiterate is, if we would have taken, especially the mentioned large claims out of it that Germany would have been – be below 100%. And that's why we are going forward. We just reiterate our confidence that in the strategic cycle, Germany will be able to deliver 96% to 98% combined ratio.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Okay. Thanks very much.

Operator

The next question will come from René Locher from MainFirst. Please go ahead.

Q - René Locher

Yes, and good morning, everybody. I would like to start just asking on slide 9, the cash radar. We have now obviously CHF 415 million and you have – that's roughly CHF 8.60 per share, if I got the right share count and was paid out CHF 5.60 out (00:36:21) to shareholders. So, there's still CHF 3 per share remaining at the Holding level. And I remember that you were kind of guiding that you have an extra dividend cash at the Holding level. So, I was just wondering if you could give us a number, how much of extra cash you have currently at the Holding level?

And then just – and we have the CIO on the corner. Still wondering whether if you could give us a little bit an idea if there's something which, like you seen, like sleepless nights (00:37:00), like when I look at slide 29, so the current yield is at 2.3%, and the reinvestment yield is 2.1%. So, perhaps a little bit of a outlook going into 2018-2019. Thank you.

A - Carsten Stolz {BIO 6055047 <GO>}

So, I'll cover the – your first question referring to the cash radar on slide 9 and your observation that you've broken down to a per share level. Just as a reminder, the dividend is decided with an up-only perspective. So, we move the dividend if we consider it to be a sustainable move. The CHF 415 million that has been remitted to the Holding, a gross figure, so we have to cover some Holding costs from that. We have to also cover the interest rate payments that – for the outstanding senior bonds that are on a Holding level. So, some of the cash remitted on a gross basis serves for serving this, and I think that's the key drivers.

If you look at the observation that you've made with regards to how much cash we would like to have on the Holding, we guided in the past to 1 to 2 dividends that we would like to have the flexibility buffer in the Holding. But we already talked about having optionality for digital (00:38:48) initiatives and/or M&A. So we want to retain some financing flexibilities, both in times of – in terms of volume and timing, and that's how we design it.

But I think we are clearly in a blue sky and at least if I look outside the window the environment is a concern, by the weather outside. So, that's the considerations we have. But your observations with regard to the relation between cash per share and dividend per share are absolutely relevant, absolutely. For the (00:39:31) Life if CIO, I'll hand it over to Matthias who is wide awake.

A - Matthias Henny {BIO 17600048 <GO>}

Good. Good. Thank you. Looking at page 29, I mean, we're very happy that we could achieve reinvestment yields of 2.1% given the low interest rate environment that we're still in. It's not too far below the 2.3% on the existing books.

I think it's been driven to a large extent by our significant real estate investment that we did in last year. So, if we are looking to 2018, 2019, that number might look a little bit lower. On the other hand, we have higher yield now the fixed income area. So, I would say it gives a balanced picture, so more or less, I would expect a lot of change going forward.

Q - René Locher

Okay. Thank you.

Operator

We have another follow-up question from Mr. Huttner from JPMorgan. Please go ahead.

Q - Michael Huttner {BIO 1556863 <GO>}

Thank you very much for this opportunity. So just two playback (00:40:45) questions. The first one, I think Peter asked about the different fields (00:40:51) the difference between the MCV cash we see and the CHF 138 million that we see in your lovely cash radar. And you said you will deal with it offline. If you could deal with it offline in a way that we can all see that would be lovely, because it is of interest. And then the other thing is just to check; I think the wording you used for Germany is to say that if you hadn't had large claims, then the combined ratio would have been below 100%.

So a very rough math – and I know there's reinsurance and stuff – I'm calculating that this would be – effectively, it's equivalent to CHF 70 million from large claims. Is that about the right figure? And is the way to think about these large claims that indeed they were mostly reflecting these canceled portfolios or industrial risks which you no longer have rather than being weather, which obviously is a continuing exposure? Thank you.

A - Carsten Stolz {BIO 6055047 <GO>}

So, your remark with regard to the MCV cash and cash on the cash radar, we make this in the way you suggested. So we've addressed it before. We see each other on the sell-side lunches or we do it in the context of the sell-side lunches if that's fine for you.

Q - Michael Huttner {BIO 1556863 <GO>}

Thank you. And Germany?

A - Gert De Winter {BIO 19720616 <GO>}

And Germany, actually if you look at the large claims situation, so the majority comes from this particular liability portfolio and we have some additional large claims in car and in accident. So those are the two main sources. But the number that you put forward is indeed – in terms of the range is correct.

Q - Michael Huttner {BIO 1556863 <GO>}

Okay. Thank you so much. Thank you.

Operator

This was the last question for today.

A - Marc Kaiser {BIO 15056036 <GO>}

If there are no more questions, then I would like to thank you again for the open discussion. And again, as I said at the very beginning we are very pleased with the results that we have achieved and looking forward on continuing on our successful Simply Safe strategy track.

Thank you very much and have a nice day.

Operator

Ladies and gentlemen, the conference is now over.

Thank you for choosing Chorus Call and thank you for participating in the conference. You may now disconnect your lines. Goodbye.