Q1 2020 Earnings Call

Company Participants

- Daniel Sundahl, Head of Investor Relations
- Lars Loddesol, CFO
- Odd Arild Grefstad, CEO
- Unidentified Speaker, Unknown

Other Participants

- Blair Stewart, Analyst
- Matti Ahokas, Analyst
- Peter Eliot, Analyst
- Thomas Svendsen, Analyst
- Unidentified Participant, Analyst

Presentation

Daniel Sundahl {BIO 20548519 <GO>}

Good morning ladies and gentlemen, welcome to Storebrand's First Quarter Result presentation. My name is Daniel Sundahl, I am Head of the Investor Relations.

In a slightly different format than usual, today's presentation will be hailed in English. As usual, CEO Odd Arild Grefstad will go through the most important developments in the quarter, followed by Lars Loddesol, our CFO, who will dig deeper down in to the numbers.

The presentation can be followed either via webcast, of if you have preregistered, via phone.

Let me remind you that at the end of the presentation we will hold a Q&A session, where if you're following by webcast, please provide your question in the provided for. And if you're following by -- over the phone, please follow the instructions from the operator place your question.

With that, I give the word to our CEO, Odd Arild Grefstad.

Odd Arild Grefstad {BIO 5483351 <GO>}

Thank you Daniel and good morning everyone. First quarter 2020 is a very special quarter. We are all affected by the COVID-19 situation and this also leads to a somewhat different presentation also around first quarter results.

Despite the economic turbulence, Storebrand reports very strong growth in the business. Premiums in uniting grew 19 percent to above 5 billion for the first time due to strong transfer balance both in Norway and Sweden, as well as strong underlying growth in our business.

Assets under management is quite flat in the first quarter, but grew with 14% from last year. The group results is minus 334 million, mainly due credit spread binding in the company portfolios and strengthening of the disability reserves.

And just to clarify some elements regarding the disability insurance coverage. In order to receive disability payments, you have to be declared permanent work disabled by a doctor and the Norwegian Labour and Welfare Administration, NAV. Disability payments provides a secure income for those who have permanently reduced earning capacity due to illness or injury.

Earlier experience from the Financial Crisis has shown increased unemployment rates, which in turn has lead to increased disability rates. Positive tax affects brings the result of the tax up to a positive result of 264 million. Lars will, of course, revert to both the resource [ph], the financial results and the tax affects later in the presentation.

Finally, there regulatory solvency margin was 172% at the end of first quarter 2020. The ratio with all transitional rules was calculated 255%.

The current situation caused by the COVID-19 disease is changing our society fundamentally. The common fight to slow down the spreading of the virus is putting our collective will, discipline and responsibility to the test.

As Storebrand, our first priority has been to safeguard our employees and to do whatever we can to reduce the spread of the virus. Secondly, we have strengthened our dialogue with our customers and assured that we can help both our retail and corporate customers with all our resources.

Storebrand has been fully operational with close to normal productivity during this crisis. This has been possible due to a very high level of the intellisation [ph] in the business and the ability and agility of our employees in the group.

Storebrand is financially solid. The liquidity is robust and there is no refinancing needs in 2020. We are, of course, affected by the economic downturn, but it is satisfying to see that our risk management systems work very well also in this special situation.

From a strong financial starting point, we are now facing increased uncertainty. We have continued working with our center of base forecasting for both business and capital. And I'm pleased to see that Storebrand's earnings and solvency position will be satisfying in all our scenarios.

At the same time, we continue to grow our core operations in savings and insurance, and we actively look for new opportunities in form of partnerships and acquisitions. In the quarter, we have entered into a partnership with a Fintech bank, we have also entered into agreement with the largest house owner association in Norway, Huseinerne [ph] (inaudible), for distribution of banking and insurance solutions for their members.

Then let's move to capital allocation in the light of COVID-19. The Board of Storebrand ASA has decided to withdraw the proposed dividend for the financial year of 2019 for the annual general meeting. The Board has recognized the pronounced expectation from Norwegian FSA and EIOPA to suspend dividends until the great uncertainty about the economic development has been reduced. However, the Board maintains that the company's liquidity, solidity and recent prognosis stand alone, support and honor a dividend for 2019. The General -- Annual General Meeting will be held at 17th of June, 2020.

The Capital Markets Day originally scheduled for 9th of June, 2020, in London will be postponed to the fourth quarter 2020. Just to remind you, we continue with our -- with full strength [ph] with our two-fold strategy. We actively manage the balance sheets and risk in the guaranteed products that are in long-term runoff. In the quarter, solvency is 172%. We also maintain strong cost control and are committed to flat nominal costs.

We have taken primitive measures to build a robust plan for various economic scenarios and have already implemented cost reductions. And I am confident that we will meet nominal flat costs adjusted for acquired new business, performance fees and currency affects in 2020.

On the other side, we well positioned for capital light growth within savings through our leading position in occupational pension in Norway and Sweden, and well as in the individual markets for savings and insurance and our asset management.

We recognize strong growth within uniting, both measured by premiums and reserves. We have underlying strong growth both in Norway and Sweden and I will revert to that shortly.

Asset management solidifies its position as a leading Norwegian asset manager, despite the market turmoil, asset under management decreased only by 2 billion to knock 829 billion in the quarter and increased with 14% from the same quarter last year. Strong sales from Cubera, our private equity arm as well as currency FX [ph] explains the positive development.

Overall growth in the insurance premiums is 13% on annual basis. Well above the Storebrand's target of 5%. This is mainly due to increased sales of the PMC [ph] insurance as well as health insurance. The growth in our core pension premiums have been very strong in the quarter. This slide is a very good illustration of the stickiness of our corporate defined [ph] benefit pension both in Norway and Sweden also in the turbulent quarter.

It also illustrates the competitive position both in Norway and Sweden leading to a net inflow of more than 3 billion for the quarter. This slide also reflects the strong underlying shift in the business mix with much higher premiums inflow compared to claims and pension payouts in the growing unit linked products. As you see, 7 billion in the quarter in net flow positive for Unitlink [ph].

It also shows that the quarantined products are in long term runoff but claims typically is higher than premium income. And with that overview I will like to give the word to our CFO, Lars Loddesol.

Lars Loddesol {BIO 3969188 <GO>}

Thank you, Doyle [ph] and good morning to you all. The group result before ammonization [ph] tax is minus 334 million, more than 1 billion below plan. The rest of the deviation can be attributed to two factors, reserves [ph] strengthening in light of the macro economic situation in Norway and weak financial returns in almost all portfolios following the financial turmoil in the end of the quarter.

That said, underlying business progressed well with new customers and growth in targeted areas. Around 350 million of the result shortfall can be attributed to weak insurance results and reserve strengthening and around 700 million can be attributed to weaker the normalized financial returns. It is important to notice however, that the weak financial results are primarily related to mark to market in the almost 50 billion of different company portfolios.

Almost all the investments are in higher quality credit bonds and the mark to market losses lead to higher yields going forward. Furthermore, a significant part of the losses has already been recuperated so far in the second quarter.

Due to strong tax gains of 717 million in the quarter earnings per share ended at 82 era [ph]. I will revert to the tax issue shortly. Storebrand has one of the most stable regulatory (inaudible) positions amongst our peers in Europe. Regulatory solvency remains strong at 172% and solvency without transitional capital is 155% even after the significant interest rate fall, equity market and credit spread widening since the beginning of the year. This confirms the robustness of the business even in turbulent financial markets, more on this shortly.

The strong customer buffers built over the last several years are mostly impact despite financial turmoil. We do not usually comment on our financing and cash liquidity position. In these challenging times I would like to emphasize a couple of points. At the holding company level we have 3.95 billion in cash reserves to meet a total of 800 million in maturities this year.

All of our subsidiaries are thoroughly [ph] financed with no material maturities this year or in the next 12 months, which means that we have strong and liquid cash position and no refinancing needs in the group in 2020. More details from this is including in the appendix to this presentation.

We show an expanded move into analysis [ph] this time as the market swings have led to significant movements up and down. The regulatory solvency of Storebrand is robust considering the large market swings we have seen. This is partly due to our risk management and partly due to the counter cyclical measures in the solvency [ph] framework.

The solvency drop of 19 percentage points on the left hand side here due to the fallen interest rates is countered by the 17 percentage points in transitionals on the right hand side of this picture. The 20 percentage points fall caused by credit spread widening is matched by 19 percentage points in volatility adjustments. And the 13 percentage points fall from equity markets is partly offset by reduced equity stress.

All these counter cyclical factors are part of the standard model under the solvency framework. The other elements in the movement include a reduction in the UFR as of January 1st. Risk management in terms of reduced equity exposure and reduced capital requirements in the bank.

First quarter earnings are positive and finally we set aside [ph] capital for normal dividends for 2020. This is our standard picture on solvency margin and sensitivities. The regulatory solvency remains stable in all scenarios. We have included an additional sensitivity on rating migration this time. The sensitivity is based on two scenarios where 25% or 50% respectively over the bonds we hold are notched [ph] down one rating rate.

The financial crisis in 2008, 2009 was somewhere in between these two scenarios. And as you can see the impact on the solvency of the group is limited even with such a big rate [ph] in migration. Seeing administration income is up 11% over the first quarter 2019. Adjusted for currency movements primarily the strengthen of the Swedish kroner, the growth is 7%. The insurance result (inaudible) premiums less claims ended at minus 71 million after significant reserve strengthening.

The operational cost is impacted by a stronger Swedish kroner [ph] and acquired businesses but is on track to delivered unpublished cost ambitions. The tax gain of 717 million is comprised by three main factors. The negative operating result gives a positive effect of 113 million. Our Swedish loans and the SPP [ph] currency hedge gives a loss in the first quarter due to a 13% strengthening of the Swedish kroner to Norwegian kroner in the quarter.

This mark to market loss is tax deductible under Norwegian tax rules whilst the increase in the value of SPP is not taxed. As the Swedish Norwegian kroner has moved the other way so far in 20 - in the second quarter, we expect the effect to be partly reserved in the coming quarter. The affect was 253 million in these results.

Finally, we are (inaudible) a tax gain of 356 million related to the tax receipt for 2019. As you may recall the tax authorities and Storebrand have a difference of opinion on how to interpret the transitional rules in 2019. The tax gain we now book is the result of new information and interpretation of the transition rules.

And we have based the estimate on the tax authority interpretation. If we went [ph] forward with our interpretation, the possible tax gain from these changes will increase by approximately 600 million. The box on the top here is the same as on the previous page.

The bottom table shows the same numbers split into our four business areas. Savings, loan guarantees did show a result of 276 million in the quarter. Insurance shows a negative result of 268 million brought down by weak results and reserve strengthening to address expectations of a weaker economic environment and anticipate an increase in disability.

Guaranteed generates a result of 95 million in the first quarter; hurt by financial returns and reserve strengthening. Other results primarily contain the return of some 30 billion in company capital from Storebrand ASA, Storebrand Life and SPP. The credit spread widening in March, it's [ph] results hard and gives a result of minus 437 million. Of which most are unrealized losses in the company portfolios.

The credit contraction in March has been partly reversed in April. And most of the losses have now been recovered. We have included this picture looking at value creation, including performance fees. In the IFRS results we have included 11 million in cost related to performance bonuses to portfolio managers. Excluding this cost would have improve the result to 265 million.

Including 59 million in earned but not booked performance fees, the result would have been 313 million. Performance fees are booked at year end. The absolute end relative returns from skog and grabol [ph] and def and grabol [ph] are particularly good this quarter achieving 4% to 5% above benchmark return.

Moving over to savings, fee and administration incoming savings is up 16% in the quarter, 11% when adjusted for the strengthening of the Swedish kroner. The top line in asset management and banking are both up by more than 20% compared to the first quarter last year.

The operational costs – sorry – the operational cost increase is the result of the transition in the overall business with more resources focused on the savings growth area. The negative financial result comes from spread widening in the company portfolios in Storebrand assets management and Storebrand bank as well as an increase of 28 million in general mobile based long loss provisions in the bank caused by a weaker macroeconomic environment.

This picture includes the performance fees and how they would impact the results in savings if they were booked quarterly as described on the group level a moment ago. Here is a visual representation of the most important drivers behind the results. Following the equity market fall, the reserves in unit link [ph] are down by 10 billion or 4% in the quarter. They're up by 19 billion or 10% from last year. Premiums are sharpening up after many quarters with lower growth.

Our largest DB client has changed their plan to a hybrid defined contribution plan. And we have won several new clients with Posten, the Norwegian Postal system, being the biggest one. Also, the Swedish business continues its strong growth. Total assets in our management are up 13% from 12 months ago and almost in tact [ph] in the quarter. This is explained by new sales and the weaker kroner [ph].

The bank lending volumes and margins are stable. The insurance results are weak. The P&C business is hit by travel insurance claims and some large fires. The group life and workers comp business have weak underlining results in addition to significant reserve strengthening.

The cost increase is larger due to sales [ph] provisions within the – sorry – sales [ph] provision within the growing P&C business. We do not have any deferred acquisition cost in our Norwegian business. Overall, around 300 million in reserve strengthening can be attributed to the COVID situation.

And a forward looking view on the impact for the Norwegian economy and an anticipated increase in disability claims. In our scenario based approach we have estimated an increase in disability across all products with disability cover.

We plan price increases in all risk products that may be impacted by the evolving situation. With strength and security reserves and planned re-pricing, we feel confident that the insurance results will return to normal in the coming quarters. This pictures [ph] shows the significant jump in the combined ratio.

We manage the business for a longer term combine ratio of 90% to 92%. It is encouraging to see the very significant increase in portfolio premiums where P&C and health insurance both have strong profitable growth.

In guaranteed pension, the fee administration income is down and in line with the long term runoff of this business. Strength and disability results hit this business with some 50 million in the quarter. And the strengthening cuts across all the Norwegian product lines.

There is interim negative profit split in certain product lines. But this may very well be neutralized later this year as the profit split is only finalized at year end. Guaranteed reserves are up by 9 billion in the quarter; due to a 13% strengthening of the Swedish kroner to Norwegian kroner.

There's also an increase in pay to poses [ph] due to a conversion from define benefit for our last large define benefit client. Burford [ph] capital has strengthened in the quarter. The improvement from (inaudible) has been larger than the reduction cost by the fall in equity values. In normal quarters, the guaranteed reserves are as a percentage of total pension reserves decreased by 1 percentage point per quarter.

With effects from the equity market fall as well as the strong currency movements in (inaudible), there's a temporary setback this quarter. The other segment holds the company portfolios of the life company's and the holding company. Some 30 billion in company portfolios had a negative return in the quarter.

The largest portfolio of Storebrand Life had a negative 1.25% return in the quarter. Much of which has been already reversed so far in the second quarter. To sum up the quarter, strong underlining business operations with good growth in targeted areas.

Significant reserve strengthening to protect insurance results in an economic downturn. Significant negative, but unrealized financial results, due to financial market turmoil. And finally a strong balance sheet and a stable regulatory solvency. And with that, I leave the word back to you Daniel.

Daniel Sundahl {BIO 20548519 <GO>}

Thank you Lars. We will know take questions and answers. And as I don't see any questions from the webcast yet. We will move to questions for people following us on phone. We will know move to questions for people following us over the conference call, and we'll give the word to start with [ph] to the operator.

Questions And Answers

Operator

Thank you, good morning. Ladies and gentlemen, (Operator Instructions). We already have a couple of questions through, and the first one is from Matti Ahokas from Danske Bank. Please go ahead, your line is now open.

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes, good morning. A couple of questions from my side [ph] please. Firstly on the dividend decision, I totally understand that these are very kind of turbulent times and very few financial companies are paying dividends. But is the reason that you talk [ph] the 2019 dividends a consequence of your discussions with the regulator that you don't believe that basically anyone will be allowed to pay it, because as you say, the (inaudible) is extremely stable, most of [ph] the mark to market losses have, as you say, come back in, in Q2.

So I'm a bit kind of puzzled that why adopt [ph] the dividend decision altogether instead of maybe kind of giving it to the board and paying it later. And as a follow up on that, does this mean that the dividend for 2019 is kind of forgot forever, or will that be somehow taken into account potentially in the 2020 dividend proposal? That will be my first question, thanks.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yes, hello, Matti I'll try to answer that. First of all, as I said in my presentation, the final solutions [ph] are strong, the board has recognized most the final (inaudible) position and also looking forward and the rest of the [ph] generation going forward and standalone that calls for a normal dividend in 2019.

But as we have seen, also for the other players in the lower region [ph] markets, that dividend has been postponed and that is very much due to the fact that we have seen both strong messages from our original [ph] regulator and from EIOPA and has an overall view from the board on the situation, they have decided to position the dividend for 2019. Of course the board likes to revert to normal dividend as soon as possible and if there is an opening to do some share buybacks or dividends, of course they will look into that situation if normalization happens.

When we go to 2020, I think it's fair to say that we are back on a normal dividend path, as we have stated in our dividend policy with normal dividends, and you can also see it from the insolvency (inaudible) this quarter that we already have set aside for a normal dividend in 2020. And of course, additional dividends or share buyback as we have stated will then happen when we revert to a situation where we are above 180% [ph] insolvency.

Q - Matti Ahokas {BIO 2037723 <GO>}

Great, thanks. And I had a question on the new [ph] insurance business. Obviously now you begin strengthening the reserves quite significantly. How does it look now? Should we expect that we will see further reserve strengthening if the kind of economy stays at these levels, or what are the kind of assumptions behind the kind of current reserve strengthening that you've taken?

Does that include that as some kind of expectations that certainly [ph], they're in one [ph] situation, or would improving in no way or something like that? So what's the outlook for the insurance group of [ph] reserves going forward? Thanks.

A - Lars Loddesol {BIO 3969188 <GO>}

Thank you Matti, this is Lars. What we've done now with the reserve strengthening that we've done, now we've made an anticipation for the economic environment and development in the regional [ph] economy for this year. At the same time, we implement price increases for all of the relevant products.

There is up to one year time lag on this, so with the -- as I've said also, with the reserve strengthening and the security reserves that we've now set aside, combined with the price increases we do [ph], we're confident that the insurance result will return to normalized over the next several quarters. So with this, we do not expect to take any further reserve strengthening after this very significant strengthening in the first quarter due to the changed economic environment that we see in Norway and in the world.

Q - Matti Ahokas {BIO 2037723 <GO>}

Right, good, thanks.

Operator

Next question comes from Mohammed Ashik [ph] from JP Morgan. Please go ahead, your line is now open.

Q - Unidentified Participant

Thank you and good morning, Lars, good morning Odd Arild [ph]. So just [ph] one question I have at the moment, how should we think about the (inaudible) volume in (inaudible) on the spread [ph] you make in the Norwegian book [ph] of business? Now [ph], what I'm wondering is [ph], if I look at your supplementary [ph] information, (inaudible) expected your time [ph] around 60 (inaudible) that the unbalanced [ph].

And again, look at (inaudible), whereas (inaudible) have gone down by more than 100 basis points for Norwegian (inaudible). So does it mean that there are lot of [ph] duration mismatch [ph] impact that is now falling [ph] onto a certain pipe [ph] (inaudible). How should we think about that? That's one question I have at this point, thank you.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

It's quite difficult to hear what you were saying, Ashik [ph], so I'm going not sure -- (inaudible) did you catch it? I see you were looking into some numbers. I'm not sure which product you were referring to, Ashik [ph]. Can you repeat which product...

Q - Unidentified Participant

(inaudible).

A - Odd Arild Grefstad {BIO 5483351 <GO>}

The line is really cracking up here. So is it -- can you do anything with the phone on your end to try and repeat the question.

A - Unidentified Speaker

This is (inaudible). I can hear Mohammed Ashik [ph] coming through pretty good in through the room over the phone. So if we can just ask the technician in the room to ask if they can help you, that way [ph] (inaudible) the question.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

OK, let's try again.

Q - Unidentified Participant

This is clearer by chance?

A - Unidentified Speaker

This is better.

Q - Unidentified Participant

OK, so -- I mean my question is (inaudible). In Bali [ph] you haven’t [ph] stated or what the (inaudible) guarantee. Right, 3.9% is expected return, (inaudible) guarantee, 3.3% in the paid [ph] policy. Now that was same number as it was in [ph] 2019 and it's the same number now as first quarter of '20 as well. (inaudible) interest rates have gone down by more than 100 basis point in Norway, I mean, shouldn’t expected return be coming down, or are you (inaudible) duration covered (inaudible) cash flows covered, that's the reason why it is not coming down? Any color [ph] on that would be great.

A - Unidentified Speaker

Thank you, Ashik [ph], this is (inaudible). I think the main reason here is that there is a very large allocation to (inaudible) amortized costs. So the expected return doesn't really change all that much since the return is based on the historical book values here.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And if I may, I'd also [ph] Ashik [ph], that even though the interest rate level for the risk free rate have gone down significantly, we've been able to generate reasonable good investments in this market with increased credit spreads, so that we've been able to continue to invest at the both [ph] interest rate guaranteed levels, even in this quarter or around 3% this quarter. And as you know, we have a very, very large ultimate [ph] year to bond [ph] portfolio, yielding above the guarantee, which will keep us floating with a reasonable return in this portfolio for many years to come.

Q - Unidentified Participant

OK, that's very clear. Thank you for this.

Operator

Ladies and gentlemen, (Operator Instruction). The next question comes from Blair Stuart [ph] from BOSA [ph]. Please go ahead [ph], line is now open.

Q - Unidentified Participant

Thank you very much, good morning, Lars and Odd Arild [ph], (inaudible), Daniel. A few questions. Matti asked the ones I really wanted to ask and there were good answers, so thank you. Just on the solvency and the 180 carrier [ph] level, would that still be applicable as a trigger for excessive dividends or buybacks, even if you had the extent of transitionals that you have today, first question.

Secondly, on the reserve strengthening Lars, can you give some context as to what percentage of -- what's the percentage result strengthening as a percentage of the opening reserves themselves, just to get an idea of the context, and what percentage price increases have you implemented? And finally, just on your credit quality, I see that you've got very low exposures to oil and gas, could you perhaps comment on exposure to sectors like airlines, leisure, and retail? Thank you.

A - Unidentified Speaker

Well, let's -- let me start up here, Sildari [ph], about the excess solvency situation 180. Of course, when you have a large discrepancy between the underlying solvency and the solvency in transitionals rules, we have to look closer into that situation and the board have to make a view on the actual situation. We have stated that it is the regular solvency, and that is the basis for normal dividends.

Of course, that view of being overcapitalized and needs to take a more thorough review into both the underlying solvency and the solvency with transitionals before we start doing share buybacks based on that.

A - Lars Loddesol {BIO 3969188 <GO>}

Moving over.

Q - Unidentified Participant

Makes sense, thank you.

A - Lars Loddesol {BIO 3969188 <GO>}

Moving over to reserve strengthening, I don't have a percentage number, but you're very well aware that when you register in this instance, like a disability, you have to set aside for how much you will expect to pay out for that, and that is based on salary, the insurance policy, and how likely it is to that person to get well again and get back into the work force. So, you have to set aside for known cases, RBNS, and then you have incurred cases, but that have not yet been registered, that you set aside for, and then there's a security reserve.

And when you see a downfall in the economic environment like we see now, we know historically that has led to disability increase over time. So you set aside for the existing contracts with an increased margin for the uncertainty on those contracts. Then for future contracts and future coverage, you increase prices to match your view on the finance -- on the economic situation going forward.

Which means that we are making price increases in the order from around 10% to, in some cases, up to 100% on different contracts in order to generate higher premiums to meet expected higher payouts in the future. So I cannot give an exact sentence term of a point in terms of the reserve strengthening over the existing reserves now.

And the reserves are of different nature, as I said RBNS, IBNS, and security reserves, but we've done a very significant strengthening now, and we're confident that this will give us neutral profitability or cost of profitability on existing contracts for this year. And the price increases should ensure profitability on contracts from next year onwards. I know those contracts are priced annually, yes.

Q - Unidentified Participant

Thank you.

A - Unidentified Speaker

I could just jump into your third question Lar [ph], we don't really have, over a corporate bonds exposure, to start with that. Most is, as you see, in financials, 31%. And then, as you said, very little exposure to oil and gas in the portfolio's with the roughly percent.

And then when it comes to airlines, leisure, and retail, it's fair to say very little in airlines and leisure, some exposure towards retail with some shopping walls [ph] in the real estate portfolio's and those [ph] kind of things, but no -- there's no un-proportional exposure to any of these sectors, rather the opposite.

Q - Unidentified Participant

Okay. Just one fast, quick, further question, if I may. The lane act them [ph] in the -- in slide 20 for the DBC based segment, that was negative in the quarter, I think you addressed that Lars, but I didn't quite hear what you said. Why was that negative, particularly in Q1?

A - Lars Loddesol {BIO 3969188 <GO>}

This was mainly due to the reserve strengthening for disability, which also hits the result in the fine benefits.

Q - Unidentified Participant

Okay, got it. Thank you.

Operator

(Operator Instructions). The next question is from Peter Elliott [ph] from Tepper Shevire [ph]. Please go ahead, your line is now open.

Q - Unidentified Participant

Thanks very much, and good morning all from me. I wanted to ask history [ph] also on the reinvestment opportunities, but I guess -- I mean, but the one, yes, credit spends [ph] have come back in a bit, but I guess the Norwegian interest rates or at least the swap rate has not really recovered. So I'm just wondering if you could comment on reinvestment conditions as they are today, what opportunities that gives you?

And if the conditions were to stay as they were today, how easy is it for you to keep reinvesting to meet your guarantee business? That would be first question, thanks very much. Second question, on the tax. You went into 2019, you basically said that on the 2018 tax returns, you had possible upside of 1 billion. If your interpretation was accepted or won, and there was also a knock-on effect in 2015 as a plus 0.8 if you won, minus 0.6 if you lost.

So overall, you're looking at potentially 1.8 billion upside, and 0.6 billion downside. I was interested in how that has changed now with this. It sounded like it was possibly even additional upside, but I'm not clear whether the changes you recognized have eaten it [ph] as a little bit. So perhaps you could just clarify how those numbers have changed with this disclosure, that would be great.

And then my final question was on the disability aspect, you mentioned that people have to be permanently work disabled to claim, I'm just wondering if there's any potential for clawback in the future if -- or recovering some of that reserve increase if people do such come back to work or if the permanent element of that is less than your expecting at this point and time. Thanks Lars.

A - Lars Loddesol {BIO 3969188 <GO>}

Thanks Peter, if we start with the reinvestments, we were quick when this crisis erupted to look for buying opportunities, and we've made a reasonable amount of purchases of good bonds from the middle of March and up until today. And you're quite right that currently credits prints [ph] have gone in and these predit [ph] not gone up, so it's more challenging to find good investment opportunities as of now.

But we did frontload our investments during this period, so we are on track to do the necessary investments for this year so far.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And also, just to clarify, that the reinvestments we do now is to cover up for interest rate guarantees several years ahead in the future. Also, very important to note that, with the buffers we have today, we can have a 0% return for several years without impacting shareholders' results because of the buffer capital we have.

A - Lars Loddesol {BIO 3969188 <GO>}

And on your next question, if we win all of the disputes with the tax authorities, the maximum upside [ph] is NOK2.8 billion and has increased by NOK600 million with this last change, whilst, if we lose all of the -- or the two [ph] outstanding cases with the tax authorities, the maximum loss is NOK1.8 billion, which has not changed with the latest tax income that we book now.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And if I'll comment on the recovery rate on the disability product, you're absolutely right. There is some recovery in these products and that is, of course, a part of the calculation. But that has also been impacted when we do the calculation. Now, we're in negative situations, we see less recovery rates than we do in normal situation. So that is also taken into account when we had done this calculation of the reserving [ph] in the first quarter.

Q - Unidentified Participant

That's great. Thanks very much.

Operator

(Operator Instructions) Next question comes from Thomas Svendsen from Nordea Markets. Please go ahead, your line is open.

Q - Thomas Svendsen {BIO 6070863 <GO>}

Yes, good morning. Two questions for the savings area. First of all, the asset management result there, it seems a bit higher than the level you reported in Q1, Q2, and Q3. Can you comment on that? Is this our new sustainable level?

Also, question number two on the retail banking, it's sharply down q-over-q and I guess this is due to loan loss increases. Do you expect it to return to normal results in the coming quarters or if this is our new level, you think, in this year? Thank you.

A - Lars Loddesol {BIO 3969188 <GO>}

Thank you, Thomas. On the asset management business, that is developing according to plan. They did have weaker returns on the Company portfolio in the asset management business. So they were -- the Company portfolio, they were also negatively hurt by short-term mark-to-market losses. So all else equal, it should have been a little higher.

Also, we saw that some of the transaction fees that were expected in the first quarter have been postponed to the second quarter. So again, this level should be sustainable and we would expect it to increase it somewhat going forward.

In terms of the retail bank there are two main elements, the return on the Company portfolios which was negative also for the bank and, as I mentioned, a purely model-based [ph] loan loss provision of NOK28 million in the quarter. We see no change in the credit quality of our portfolio. But due to the financial environment or the economic environment there has been a model-based increase in loan loss provisions. So adjusted for those two elements, you will see that both the volumes and the margins are stable in the bank and should give improved results in the coming quarters.

Q - Thomas Svendsen {BIO 6070863 <GO>}

Thank you very much.

Operator

We have another question from Blair Stewart from BofA. Please go ahead, your line is now open.

Q - Blair Stewart {BIO 4191309 <GO>}

Hi, thanks. Thanks for taking the question again, just a general question really on your thoughts around the oil price and how that's impacting your view on the economy. Clearly, the COVID stuff, hopefully, is temporary. But I wonder if you're thinking -- and part of your caution here is linked to perhaps more permanent dislocation from the oil price or do you see the two things as linked? Thank you.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yes, Blair. You are absolutely right. Of course, we see a double hit in oil these days, both due to the COVID-19 situation and the very low oil price. And it's the combination of these two scenarios unfolding. We have looked into when we are done -- the reservation [ph] we have done.

But I also want to say that, of course, Storebrand, when we look at our investments really has been in forefront of this situation, like we did when we announced our fourth quarter result by saying that all our investments in the Swedish business was already was fossil-free. And due to our sustainability investments, we have a very strong portfolio too, which offset [ph] such a situation.

A - Lars Loddesol {BIO 3969188 <GO>}

I also could add, at the last -- the significant oil price fall a few years ago, we saw a change in the work market on the southwestern coast of Norway and we saw layoffs but we also saw new businesses growing up. So currently, we see some of the -- we've already been through one oil crisis, if you want, in terms of a price fall and a change and reallocation of work resources, and particularly on the southwestern coast of Norway.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay, thanks very much, guys. All the best.

Operator

(Operator Instructions) The next question comes from Peter Eliot from Kepler Cheuvreux. Please go ahead, your line is now open.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much, just one follow-up for me. And just on the insurance division, obviously you reported very strong premium growth. I was just wondering if you could split that out, actually, into volumes and price increases. And just give us an idea whether all those price increases are sticking. Yes, I'm just wondering if you could give us any more color on the -- that is to say [ph], if that premium price would be very helpful.

A - Lars Loddesol {BIO 3969188 <GO>}

It's mostly new, the same [ph] as the price increases. There are some price increases on an ongoing basis but most of the price increases that we talked about are going to come for -- in the next six to nine months.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And in addition, Peter, if you look at the different lines of business, you will see that in P&C and Individual live the growth is coming mostly from new sales, whilst in the Health and Group life line it's more of a mix where we did some price increases, as Lars has mentioned earlier, at the beginning of the year.

Q - Peter Eliot {BIO 7556214 <GO>}

Yes, I guess it's just -- I mean, it's a very big increase in the Health Insurance line. And as you say, there wasn't that much time in the quarter to get price increases through. And I'm just wondering --

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Just a quick comment on that --

Q - Peter Eliot {BIO 7556214 <GO>}

-- if there's a big increase in business [ph] -- yes?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yes, just a quick comment on that. We have strong group in Health Insurance in isolation. That line grows strong and I think it's roughly 17% growth in premiums in that line for own [ph] account. And then in the Group life segment, we also that on Q4 that we did implement price changes. And in that line price [ph] changes is the majority of the growth but we also flag that there [ph] might be necessary with further price changes, as Lars alluded to in his presentation.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay, thank you very much.

Operator

There is no further questions coming through the phones so I will hand the call over to you again. Thank you.

A - Daniel Sundahl {BIO 20548519 <GO>}

Ladies and gentlemen, as there are no questions from the webcast either, I'd like to take this opportunity to thank you very much for listening in. Stay well and healthy and have a nice day.