Y 2019 Earnings Call

Company Participants

- Antonio Cano, Chief Operating Officer
- Bart De Smet, Chief Executive Officer
- Christophe Boizard, Chief Financial Officer
- Emmanuel Van Grimbergen, Chief Risk Officer
- Hans De Cuyper, Chief Executive Officer Belgium
- Unidentified Speaker

Other Participants

- Albert Ploegh
- Ashik Musaddi
- Bart Jooris
- Benoit Petrarque
- David Barma
- Farooq Hanif
- Fulin Liang
- Jason Kalamboussis
- Robin van den Broek
- Vikram Gandhi
- William Hawkins

Presentation

Operator

Ladies and gentlemen, welcome to the Ageas Conference Call for the Full-Year Results of 2019. I am pleased to present Mr.Bart De Smet, Chief Executive Officer; Mr.Christophe Boizard, Chief Financial Officer. For the first part of this call, let me remind you that all participants will remain on a listen-only mode. And afterwards there will be a question-and-answer session. Please also note that this conference is being recorded.

I would like now to hand over to Mr.Bart De Smet, CEO; and Mr.Christophe Boizard, CFO. Gentlemen, please go ahead.

Bart De Smet {BIO 16272635 <GO>}

Good morning, ladies and gentlemen. Thank you all for dailing in to this conference call, and for being with us for the presentation of the results of Ageas for the full year 2019. I'm joined in the room by Christophe Boizard, our CFO; Manu Van Grimbergen, our Chief Risk Officer; Filip Coremans, Chief Development Officer; Antonio Cano, Chief Operating Officer; and Hans De Cuyper, the CEO of Ageas Insurance.

We are happy to report our highest full-year results ever, despite a challenging environment marked by low interest rates in our Life business and high claims inflation affecting the Non-Life market in UK, we achieved a record Group result of EUR979 million. This strong result, which was driven by a solid operating performance also benefited from a high level of capital gains and by exceptional elements such as the retroactive change in the tax regime in China.

In the UK, the Ogden rate review partly compensated restructuring costs and above average large losses. On the commercial front, we enjoyed a very dynamic year with a double-digit growth of 11% scope-on-scope, when excluding the diversted activity in Luxembourg and the recently acquired Non-Life entity in India.

As you know, 2019 was the first year of our new strategic plan, Connect21. And with five out of the six targets achieved, Connect21 is off to a good start. The sixth target, the Unit-Linked margin is still slightly below our ambition level but improving.

In 2019, we also modernized our capital structure through our offer to purchase the FRESH securities, giving debt investors an opportunity to exit these instruments stemming from the past. In conjunction with this offer, we successfully issued a EUR750 million subordinated debt. This was the second time we issued debt instruments at the holding level this year, since our rating was upgraded to an A level, and each time the instruments were multiple times oversubscribed.

In line with our commitments towards our shareholders, we also announced this year a new share buyback, the ninth consecutive one for Ageas for a total amount of EUR200 million. And finally, given the record results reported this year, combined with our high solvency, the Board will propose to increase the dividend to an all-time high of EUR2.65, which represents 20% increase compared to the EUR2.2 paid last year.

To conclude, and before heading over to Christophe, I would like to mention the commitments we make to all our stakeholders. This year, we confirmed our ambition to create sustainable value by signing the United Nations PRI principles. We also adopted a new Corporate Governance Charter with increased focus on sustainability, ESG matters and ethical requirements.

Ladies and gentlemen, I will now hand over to Christophe for more details on the results.

Christophe Boizard {BIO 15390084 <GO>}

Thank you, Bart. And good morning, ladies and gentlemen. As mentioned by Bart, and as you can see on Slide 7, we enjoyed a record result this year, and a solid fourth quarter, despite the negative impact from the revaluation of the RPN(i).

Although the full-year, the RPN(i) had no impact as the EUR106 million positive evaluation recorded in the first nine months was offset in the fourth quarter by a negative evaluation, which, by coincidence,was of the exact same amount.

As usual, I will give you now some more comments per segment.

Slide 8. In Belgium, we achieved a strong fourth quarter, supported by a solid operating performance in both our Life and Non-Life businesses. As previously announced, the results also benefited from a high level of capital gains, thanks to real estate transactions. In Life, we ended the year with both the Guaranteed and Unit-Linked operating margins were in line with our group targets.

In Non-Life, we also delivered a solid operating performance, although down compared to the excellent but non-sustainable performance reported last year. Higher claims in Accident & Health and in Motor were indeed observed this year.Our pro-forma combined ratio, excluding the impact of internal reinsurance stood nevertheless, at a solid 95.2% for the full year.

On the commercial front, the growth path continued this quarter with Life inflows up in both Guaranteed and Unit-Linked product, and Non-Life inflows increasing across all product lines. Over the full-year, the inflows growth totaled 8%.

In the UK, Slide 9. Our net results suffered this quarter from high claim inflation in Motor, which is a phenomenon observed across all the UK market, and also from a higher than average number of large losses. The strong operating performance recorded in household, would only partially mitigate the adverse claims experienced in Motor.

Overall, the full year, the pro-forma combined ratio stood at 98.7%, reflecting the challenging Motor market. The inflows which had been declining in the first nine months of the year, following the strategic decision to exit underperforming schemes, have stabilized in the fourth quarter. Direct sales, through the aggregator platforms continued to increase steadily.

In Continental Europe, Slide 10. We recorded this quarter a strong result in both Life and Non-Life. Please keep in mind that the 2018 results included the contribution from Luxembourg, divested at the end of that year. Scope-on-scope, our result in Continental Europe has increased by a 16% over the year, with an excellent Non-Life performance both in Portugal and in Turkey, offsetting a lower Life result in a low interest rate environment.

Despite the Q2 reserves strengthening in the Life business of Portugal, the full year Guaranteed operating margin stood at 90 bps, in line with our target range. Excluding the reserves strengthening, the margin would have amounted to 129 bps, above the strong level recorded last year. The Unit-Linked margin also, although improving in the fourth quarter, remained affected by low volumes.

In the Non-Life, the full-year pro-forma combined ratio stood at 91.2% well below the group target, thanks to a continued excellent operating performance, especially in Health. Non-Life inflows continued their strong growth with sales up in all product lines. In Life, inflows decreased in Portugal with a low yield environment and we are currently in a transition phase with the launch of new products better suited to the low interest rates

In Asia, Slide 11, we recorded an exceptionally high results this year, thanks to a solid operating performance in Life and a high level of capital gains, totaling EUR127 million over the year. See Slide 22. This was made possible by the high level of impairments recognized in 2018 followed by a quick recovery of the equity markets in Q1 of this year.

Our Life results also benefited from the positive evolution of the discount rate curve and from the retroactive tax change in China. Due to an evolving product mix, the tax benefit relating to 2019, which was booked in the second half of the year, was for a significant lower amount than the retroactive one recorded in the first half of the year.

The Non-Life result was impacted in the fourth quarter by the impairment of a debt security in India. The strong sales momentum continued this quarter with double-digit growth recorded in both Life and Non-Life segments.

The Reinsurance segment, now on Slide 12. So reinsurance had a positive result this quarter as the adverse claim experience in Belgium and in the UK was more than fully offset by a positive reserve review done by reinsurance.

As you can see Slide 13 on the bottom right, the total liquid assets increased to EUR2.2 billion, following the EUR750 million Tier 1 debt issuance of December. This amount does not take into account. The tender of the FRESH which generated a cash out of EUR513 million in January of 2020, so beginning of this year.

Our Group Solvency II ratio on Slide 15, which stood at a high 217%, also benefited from the debt issuance of December, which had 18 percentage points positive impact, while the expected 12 percentage point negative impact from the tender of the FRESH will only be taken into account in Q1. Our Group pro-forma solvency ratio after the impact of the FRESH would nevertheless remain at a strong 205%, well above our target.

As you can see on Slide 16, 59 and 60, our operations generated this quarter, a solid level of free capital generation amounting to EUR130 million in line with our quarterly guidance. The strong operations free capital generation coming from Belgium and Continental Europe, compensated the impact of the adverse claim experience in the UK.

Over the year, operational free capital generation totaled EUR521 million, including EUR98 million of dividend upstream from the non-European non-consolidated participation. It was mainly impacted by the large losses and the claim inflation in the UK. That's the end of my speech.

And this is the end of my presentation.

Questions And Answers

Operator

Question And Answer

Ladies and gentlemen, this concludes the introduction and we now open the call for the question. May I ask you to limit yourself to three question. The Q&A session will then follow. We have the first question from Ashik Musaddi. Sir, please go ahead.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Morning Chris. I have a few questions, if you can help me. First of all, would be around your cash balance and M&A bandwidth. I mean how should we think about the visibility of any potential M&A? It feel like based on the Bloomberg news flow that you are looking for cash there but that didn't happen. So how should we think about M&A bandwidth? Any how much you can do? Is there any file at the moment which is open or visible, any thoughts on that? And the reason why I'm asking about M&A is clearly you're sitting with a lot of cash and you still have a lot of debt leverage, thanks to the way you have handled the FRESH securities. It has been pretty amazing in terms of boosting the bandwidth on leverage and capital, but that also means that unless you do those things, it's hard for you to really increase the cash flow in the business materially in the near future. So that means, the payout growth looks a bit -- the dividend growth looks a bit tough going forward in lack of M&A. So that's one question. Secondly, could you just give us some fresh thoughts about Asian clean earnings now? The reason I'm asking is interest rates in China has gone down marginally again? I mean you gave a clear guidance of EUR325 million to EUR350 million at the third quarter results, but any fresh thoughts on that? And in addition, in case you think any impact from the coronavirus or anything? And lastly is how do you see the future of UK? I mean UK is struggling at the moment. You tried to restore it. But again, because of the price inflation, the claims inflation, it's still going backwards. So what -- how do you see the future of UK going forward? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. Ashik, thanks. I'll take the first two questions and then I'll hand over to Antonio for the third one. So after all the operations we have made and if you look to the cash position taking into account that we are still an amount to be reserved for the settlement and another one that has been, let's say, spent in January to compensate the tendered FRESHes, you could see that we have a kind of a headroom capacity of EUR1.3 billion. Our M&A policy did not really change. So the criteria, be it strategic or financial, are still the ones that we announced in the past Investor Day in 2000 end of 2018. I think looking to 2019, we indeed, missed, if you can use that word, a number of potential opportunities that might fit in our strategy. And the reasons are not necessarily only financial, it is also sometimes a matter of conditions we put in reps and warranties. So it's also sometimes maybe not sufficiently fitting to our strategic expectations. And so we continue to screen opportunities, but we'll keep our discipline in this area. It is clear that we and -- you cannot -- we cannot comment on potential running files, but be assured that we are not just sitting on our back not looking to opportunities. The second point with respect to the question on Asia, so I think we don't see a real reason to change the guidance, I would say, in a normal situation. As you surely have seen in the guote in the press release, we indicated that with respect to the coronavirus, we don't expect a specific high impact directly in terms of insured people that die or in the context of medical and expenses so on. The only that is still uncertain and very difficult to qualify/quantify is that we it will depend on the duration of the crisis and the indirect impact that might come from economic slowdown, volatility of financial markets and changes in interest rates is, course something that in all transparency we say that could influence the commercial activity and the results in 2020. But we follow the situation very closely. And I cannot give more information on that.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. That's very clear. Thank you.

A - Antonio Cano {BIO 16483724 <GO>}

Good morning. Antonio here for the U.K. So maybe maybe I'll take a bit longer than normal, also anticipating surely follow-up questions on the UK. I think the two negatives on our UK results as Christophe was also already alluding to is the attritional claims inflation, which is indeed a market phenomenon that we see in Q3 and Q4 accelerating to 8%. That is our view. Our response to that has been to already during Q4 increasing our prices within that range. But obviously, it will take 12 months before those rate increases will flow through in the earned premiums. I think this is a market phenomenon. I hear and read that the market is also starting to increase prices, but I've said that before and then the proof-poof otherwise, so the ABI and confuse.com talked about rate increases around 3% to 4%. We are slightly north of that. And we see that also having an impact on reducing new business particularly in Q4 in motor, because I think we're slightly ahead of the pack in terms of rate increases. So that's a bit the attritional inflation story, which, again, is something that most market players are confronted with. What we have, which is peculiar to us, and I already commented on that in Q1, Q2 is that we have a slightly higher number of large losses and slightly higher is eight to nine more large losses during the quarter, which have -- and more than we expect and historically have seen, which obviously has a big impact on our results as our retention level is relatively high compared to most of our peers, which stands at GBP3 million. Now, having said that, it is also true and we are realizing that very clearly that we tend to be rather prudent in the way we reserve for these large losses. But we are certainly not under reserving and you see also that reflected in the fact that also in Q4, our previous year's releases on claims, which is mainly motor, has been, again, rather high, it was about 9% on the quarter, which for fourth quarter is high. So these are mainly releases on claims booked in previous years and most of them are also large losses. So we have this effect that we tend to be rather conservative and high in the way we reserve for new large losses. And we see that afterwards, there are significant releases on these case reserves. So that is what we would expect going forward, that this higher level of large losses we've seen during this year will also lead to a higher level than expected of previous year's releases in '20 and '21. The other actions that we're doing behind -- besides the rating actions, we're still reducing expenses and that will continue. During Q4, we also had a slight increase in the total restructuring costs. So we expect expenses to further come down, combined with rating actions. And then we expect also the level of large claims to come down again to what we have seen historically plus previous years' leases going forward. Having said all that, it is still a very tough market. We have the FCA pricing review that will be forthcoming. We'll see what that will bring, it could slightly change the dynamics. So looking forward to 2020, there is quite some uncertainty on the market. Sorry for take a bit longer than normal, but I guess, I've already answered a lot of the questions that you already written down. Happy to comment on those items.

Q - Ashik Musaddi {BIO 15847584 <GO>}

But [ph] it's really very clear and many thanks for the detailed answer. Thanks a lot.

Operator

Thank you. We have the next question from Albert Ploegh from ING. Sir, please go ahead.

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes. Good morning, all. Thanks for taking my questions as well. The first question is maybe a bit more forward-looking guidance if possible on the cash up-streaming from the units last year, the EUR632 million. Normally, you upstreamed earnings from the Belgium, let's say, the following year. So could it be -- yes, will it be the same or could it be even higher than EUR426 million? And what expect also for the UK in terms of remittances given the aforementioned trends that we just discussed? And anything you can maybe highlight for Asia in terms of expectations would be helpful. The second question is on the free capital generation on Slide 60. Yes, the total number for the quarter was still EUR130 million. But, of course, the UK was impacted by the claims. But in central or in Europe, Continental Europe was a big benefit from the SCR move. Can you quantify that a bit, which is shift away from savings? Yes. And I know it's difficult to say, but is this an one-off kind of or is it more a trend that could continue even into 2020? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. Albert, for the first question is what you can -- I think we explained in the past that upstream from the operating entities is somewhere linked to the position they have with respect to our target solvency levels for each of these entities. So you can expect for Belgium, like we had in the previous years, taking into account their strong solvency level that 100% of the profit will be upstreamed. In the UK, where the situation in terms of solvency strongly improved, we will expect 100% of the result in a combination of dividend, but also repayment of an internal loan. Continental Europe will be in line with the previous years. And then the last part is the Asian Continent. So we don't see reasons why dividends from Malaysia and Thailand would be diverging from what we received in the previous years. And with respect to China in principle, if the -- that's important to mention that the dividend upstream is based not on our IFRS results but on the local accounting. We, of course, as you know, Taiping Group is a listed entity. So we cannot anticipate or communicate about the intentions. But we can expect if you look also to the nine-month results that with a similar payout to AGS last year that the dividend that we might expect from the Chinese joint venture would be higher than last year. So no real indications that there would be a negative impact in terms of dividend upstream. That also reminds me to, a part of the question of Ashik that I did not fully answer with respect to the dividend, which is in any case that it's a ever high with EUR2.65 and what going forward. So I think we have this clear promise of distributing 50% of the net result of the group, eliminating non-cash elements like movements on the RPN(i) and also the cap gain that will be recorded on the FRESH operation. And so that's a hard promise. And nest to that I can always repeat, the previously expressed ambition of the board to keep dividends stable or increasing. So that's not a clear, hard promise, but that's in any case an intention. So that's a bit the story of the dividends.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay. Maybe one follow-up before moving to the capital generation. So yes, I mean, so last year -- or this year dividend's EUR490 million compared to last year's remittance, EUR632 million. Yes, it sounds like you're still pointing towards higher overall remittances. But in relation to the holding cost as well, I mean the gap is still not huge. So in relation to growing the dividend, how should we see that? And that was also related to my question, then are you becoming dependent on basically distributing more than 100% of earnings on Belgium? Or you're still comfortable that you can grow the dividends by growing outside Belgium the cash flows basically?

A - Bart De Smet {BIO 16272635 <GO>}

No. We remain fully comfortable that with the current dividend upstream policy to cover with that amount the dividend that we pay to shareholders and to cover the corporate center costs.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay. Thank you.

Operator

Thank you. We have--

A - Emmanuel Van Grimbergen {BIO 18010465 <GO>}

Yes. So I think we still have to answer the second question of Albert. Yes, so good morning Albert. Emmanuel speaking. So I will take the question on the SCR for Continental Europe. Indeed, so you -- if you remember in Q4 2018, then we had quite a material increase in the SCR for Continental Europe, due to a big -- new business, increase in savings products in Portugal. And then we had -- and that's a mechanic calculation. You have an additional operational risk because the increase was extremely material. Over 2019, we are, yes, shifting from that type of product. We're moving more to a Unit-Linked product now. We have also mentioned that we are launching new products, which means that the exceptional costs in operational risk by the end of 2018 is now going away. So the answer to your question, there is a small part due to the shift in product mix, but there is a material part, because of the reducing operational risk that we had in Q4 2018. Moving forward, the shift in product mix is certainly much less capital intensive. But we cannot exclude, of course, that we will also do some re-risking moving forward as we did in Q2 for Continental Europe.

Q - Albert Ploegh {BIO 3151309 <GO>}

Okay. Thank you for the explanation.

Operator

Thank you. We have the next question from William Hawkins from KBW. Sir, please go ahead.

Q - William Hawkins {BIO 17918548 <GO>}

Thank you very much. Hi, guys. I guess, sticking with that last point, back on Slide 60. Can you just remind us your expectation for the Belgian SCR evolution? You've had another year of small releases. I was wondering, are you expecting that releases are sustainable from your Belgian operation at around about this EUR27 million level? Or at some point, you're going to start adding to the SCR, if Belgium sort of returns to growth, so if you could comment on that? Could you comment a little bit more about what happened with regards to the Asian tax impact on your earnings in the fourth quarter? Because at least against my expectations, I thought there is going to be an impact of Asian tax. The amount by which you missed in the fourth quarter was exactly the amount of what I thought the Asian tax benefit was going to be. And whilst you seem to have explained that it's kind of business mix, the shift to annual products, I would have thought you guys would have already known about that business mix shift because it's part of a long-term trend. So I'm just a little bit confused about -- I'm still a bit confused about why the Asian profit was so weak in the fourth quarter? And then lastly, pretty nerdy point, but you did make a reference to the strong reinsurance results after a reserve review in the fourth quarter. And I guess as a comment that I'd like you to respond to, it seems to be slightly strange particularly given the UK headwinds, but also given what you said about Belgium that you're then deciding that your reserves in reinsurance are in some way in surplus. I would have thought you'd be taking a more cautious stance if the underlying entities are facing some headwinds. Thank you.

A - Emmanuel Van Grimbergen {BIO 18010465 <GO>}

So okay. So I'll take your first question on Belgium for the SCR. But the first thing that I would like to remind, let's not forget that we are talking about the movement of, if I'm on Slide 60, movement of EUR27 million out of a total SCR, I think I need to check now off the top of my mind of probably close to EUR3 billion. So that's always put everything in the context. Now, looking at Belgium, there are couple of things that are playing here, but we had to also still quite some Unit-Linked product sold in 2019. We had also, for instance, in the fourth quarter, we have sold real estate -- part of the real estate portfolio. And thirdly, and it is something that we already also commented, we have what we call some type of projects that are yearly products, where you have, at the end of the year, you have the quite increase in your SCR, but then over the year, you have release of this SCR because those projects are yearly projects that are mainly as projects and government compensation projects.

Q - William Hawkins {BIO 17918548 <GO>}

Thank you. I'm sorry, may I just come back. I totally appreciate your point that this is a small number. I'm just wondering in the future, do you think it's a small number that remains a reduction in SCR? Or do you think the normal picture is for the SCR to be going up?

A - Christophe Boizard {BIO 15390084 <GO>}

We did. This is Christophe. So when you take Belgium, what you can see is that there is still growth in Belgium and you can see that we have increasing technical reserves. We have good sales. So the minus EUR27 million as Manu explained, it's a small difference, but I would not extrapolate this. I think it would be normal to have a small increase, but a small one, along with the growth of the business, which is still there is Beligum.

Q - William Hawkins {BIO 17918548 <GO>}

Fantastic. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. On the second question with respect to Asia. Again, I have to repeat that, that we are somewhat limited in the detailed information we can give due to the fact that China Taiping has not published its year results yet. But you can say in two big elements that make that -- we believe that you might have somewhat over-estimated the results we realized in Q4. First of all, the fourth quarter in China is -- because, mainly due to China, is traditionally lower in terms of profits. Main reason being that sales is mostly coming down, because sales Ageas prepared at the start of the year campaign. But the two main elements are on one side, one you referred to that indeed the tax benefit was lower than what you might have expected and lower than the year before, mainly due to a different product mix and much more say regular premium, which is in the -- towards the future more positive than single premiums. So it's a lower another less business mix -- less new business and more in renewal mode, that's one reason. Second reason is that there has been claims review relate to the critical illness product, a product that is reviewed by the industry together with the regulators. So those two elements. So less benefit from the tax and claims review and critical illness make this miss between consensus in our results of something like EUR20 million.

Q - William Hawkins {BIO 17918548 <GO>}

Thank you.

Operator

Thank you. We have --

A - Antonio Cano {BIO 16483724 <GO>}

No, no, sorry, there was still a third question on -- the nerdy question from William, I think it was on the reinsurance good results. So actually in Q4, what we did is we start to look at our reinsurance book, which is now quite sizeable, so our internal reinsurance book on a portfolio basis. Actually during the year, we were, you could say, a bit prudent, a bit lumpy in the way we reserved. And now we're actually looking at the combination of those three portfolios, and we saw that the diversification benefits part of them can be captured. So we are certainly not being less conservative in our reinsurance book than in the ceding companies. It is just actually, the first time we start to look at this portfolio in a combined way.

Q - William Hawkins {BIO 17918548 <GO>}

Thanks you.

Operator

Thank you. We have the next question from David Barma from Exane. Sir, please go ahead.

Q - David Barma {BIO 19957338 <GO>}

Yes. Good morning. My first question is a follow up on Belgian capital, and could you maybe run us through in a bit more detail on the movements in the capital in Q4 and, especially, the own funds generation. And maybe also could you give us some color on whether it's the individual savings part of your business that's driving that in the quarter? Or maybe coming from a bit more now from the group protection side? Or any color there would be very helpful. Secondly on Asia, so you -- I appreciate you mentioned that you don't expect any direct impact from the virus in China. I thought Taiping had quite a big exposure to protection. So could you maybe remind us a little bit the type of protection products or long-term care like products that you sell there, and why they wouldn't see any impact in the current environment? And lastly, on the UK, where you've talked about pricing and actions on cost of distribution, etcetera. Your expectations were for top-line to start going back again, and by the end of the year -- or stabilizing by the end of the year and growing into 2020. Is that still valid? Thank you.

A - Emmanuel Van Grimbergen {BIO 18010465 <GO>}

Okay, I'll take the question on the Own Fund generation in Belgium. Indeed, Q4 was a strong quarter. But again, I would like to make a little bit also the same remark that I prefer to look on a yearly basis. And when I look on a yearly basis, the Own Fund generation of Belgium are at a level of EUR578 million, which is looking at the time value, the new business that has been generated. Also still a good Non-Life year, which is in line with our expectation from an own funds generation perspective. Of course, on a quarterly basis, you have much more seasonality and volatility there. But on a yearly basis, I think they are completely in line with expectations.

A - Hans De Cuyper {BIO 17991990 <GO>}

Maybe if I can add. On the year, I think, first of all, on the own funds, remember that in the beginning of the year, the sub-debt was replaced by an on-lent within the group at a lower level, so that had a minor impact on the own funds over the full-year. On the SCR in Q4, worth mentioning is on the one hand the symmetric adjustment in the equity part, which went up a little bit in the equity side. And also in our new strategic asset allocation, we have increased the real estate part and that is also affecting a little bit the SCR. But these movements are not -- in numbers are not very big.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. The second question on the protection products we have in China, you have, of course, the classical debt protection, be it on short-term debt coverage or, let's say, long-term debt coverage. Then next to that we have also critical illness. So to give a figure of comparison. On a yearly basis, China has something like 9 to 10 million people dying. So what we see today the number of cases where people died after the infection of the virus is, let's say, is marginal compared to that figure. On top of that, it appears to be more older people, which in most cases are not insured. So in the critical illness product, which is the second one we have with something like 5 million customers. This was not covered until last week. Now, there is a kind of a limit cover that is provided. But where the overall impact and that was the reason why we say that the direct impact is not expected to be of high importance and that assures us that is more than under control.

Q - David Barma {BIO 19957338 <GO>}

UK guidance?

A - Antonio Cano {BIO 16483724 <GO>}

Yes, on the guidance on the UK. Indeed, we've seen in Q4 a stabilization of the premium was particularly true for household that was growing. Motor quarter-on-quarter Q4 was slightly down, whereas in Q3 we saw an uptick. I already mentioned the reason for that is that we had rating actions that have led to us selling less new policies. So going forward, we expect to gradually continue to grow the business, but always in a disciplined way in terms of pricing.

Q - David Barma {BIO 19957338 <GO>}

Thank you.

Operator

Thank you. We have the next question from Vikram Gandhi from Societe Generale. Sir, please go ahead. Sir? Okay. We have the next question from Farooq Hanif from Credit Suisse. Sir, please go ahead.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, everybody. Thanks very much. Just want to return on coronavirus. One of the things that's being reported is clearly a massive slow down in agent activity for obvious reasons. Could you -- do you have any sort of guidance on what's happening in your JV? And could this actually -- if there is a slowdown in agent geas activity and new business, could this actually be good under the local Chinese GAAP for earnings? That's question one. Secondly, could you talk about your Unit-Linked margin being below target and you mentioned volume being one factor. Do you think this will now recover with your bigger push on volume in Belgium and in Portugal? And lastly, in your direct business in the UK, it is clearly getting greater prominence over here. Are you finding that, that business is materially more profitable? Just to know how you feel about that. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

So on the first question, Farooq, it's one of the points we referred to and the quote in the press release that the commercial activity might be impacted, that's all. So what we see is that, of course, the mobility of agents to go outside and visit customers is not as evident as it was before . So this is partly compensated by more online contacts and so on. Taiping Life already published the figures for the month of January, where you see that the total inflows came down with 10%. I think this is also the moment where we see that the important book of renewal business that we built up in the past is giving the benefits. So this renewal book continues to grow. And okay, it's too early, as I said, to make a final qualification or quantification of situation because a lot will depend on the period in which the crisis will be under control.

If -- what we saw in previous years is that most of the sales were realized in the first nine months of the year with then a very slow down in Q4. If this crisis is within some months more under control, we might expect an opposite movement, so a much stronger second half of the year. Also, maybe counting a bit on what we already see today that this crisis has strongly increased the attention to -- for and the appetite of Chinese citizens to buy insurance. So again, impacting sales at this moment in any case. What it will be going forward is, I think, we have to wait still one or two months to have a clearer view on that.

And unit-linked margin, I will hand over to Hans and Antonio, but important to mention is that we are at 28 basis points, where the target is 30 to 40, but if you look to the country figures, Belgium is at 40 basis points so at high end of our target, but it's more Portugal, where we have still some stress on -- or issues to come to the margin that we expect to realize, but Hans maybe you can share.

A - Hans De Cuyper {BIO 17991990 <GO>}

Yes for Belgium issue as Bart said is a very stable at 40 basis points. Remember that the years before 2018, they were always in the range 30 to 38. I think two main reasons; first in Q4 was relatively good, because this was nice volume growth, but without specific investments in commercial campaign like cash back, which often impacts one quarter, but which we are able to bring up to the required margin over the full year. So, Q4 was a normal quarter, second is that unit-linked is always a mix between the structured closed-end funds and the open-ended.

But today in low-yield environment it is extremely difficult to structure these closed end guaranteed products, which typically have a lower margin. So, this is more of the recurring open-ended unit-linked, where margins are slightly higher. So, those -- combination of those two helped us to sustain the level of 40 basis points.

A - Antonio Cano {BIO 16483724 <GO>}

Yes, maybe a very short on Portugal, so, in Portugal, it is indeed about increasing volumes that helped to restore the margin. We saw actually in Q4 over16 basis points margin in unit-linked for Continental Europe, which is essentially Portugal. And there the volume growth is partly because higher push towards the bank for those -- for that type of product and also the introduction of new products that are actually kind of a blended product with a guaranteed component and a unit-linked component. So we -- the short answer is yes, more volumes.

And then the question on the direct business in the UK, difficult to make a general statement here. What is sure is that the nature of the margin is different. For those familiar with the UK, the direct business or the pure direct players on aggregators get also quite a bit of their margin from so called ancillary services. So, installment fees, claim handling fees, all types of fees. That source of margin is less presence in the broker or intermediated channel because it's actually the intermediator that provides those services. So the composition of the margin is different. I would say provided you have the right scale inherently there should not be a large difference although if we look historically to pure players in a direct or intermediated markets, the pure direct players have enjoyed higher margins. Is that because of their size or the business model itself, it will be a combination of both. But it's definitely not less profitable than the intermediated market.

Q - Farooq Hanif {BIO 4780978 <GO>}

Can I just return very quickly. I mean I've noticed Ageas is brand appearing a lot more -- I mean, are you expecting this to become a significantly larger part of your business quite quickly in 2020?

A - Antonio Cano {BIO 16483724 <GO>}

I'm happy you saw our brand appearing often. As I said earlier, we don't want to ramp up this massively, so the growth will be gradual. But obviously in the pure direct aggregator channel, we're starting from a very low base. So, yes, we have high double-digit growth from a very low base.

I don't think that in '20 or '21, say 50% of our business would already be sourced through for the aggregator channel, but it will continue to increase. Big question mark is how fast will that happen, if the FCA review on which -- there are various opinions out there would that favor the direct aggregated market or not.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay, that's really clear. Thank you very much.

Operator

Thank you. We have next question from Vikram Gandhi from Societe Generale. Sir, please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hello. Can you hear me?

A - Bart De Smet {BIO 16272635 <GO>}

Yes, we hear you.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay, great. So, good morning, everyone. I've got three questions. Firstly, going back to the UK and I'll rephrase the question slightly given the discussions that have already happened. Can you share, if your view around the UK operations has changed at all? I mean I remember the discussion perhaps a couple of years ago when you described how being present in the UK was contributing to the learning of the group and hence it made sense to be present there. So my question really is has anything changed in management's view point since then? That's question one.

Secondly, given that there were some negative impacts from falling interest rates in Belgium and Portugal on the Guaranteed Life business last year and yields have fallen back again this year, how likely is it that the margins may actually end up at the lower end of your target range. Also, there was some noise from adverse mortality in Belgium in second quarter last year. So, how has that aspect developed since then?

And the last question is, any thoughts you can share with respect to the operational FCG going forward would be really helpful. Would you still want to stick to your rather stringent view of loading the SCR change by 1.75 times? Or would you consider being more lenient with the way you view your OFCG?

A - Antonio Cano {BIO 16483724 <GO>}

Thanks. So, on the UK, our view has not fundamentally changed. First of all, UK business should earn its cost of capital and we're not there yet, obviously. The fact that we indeed are learning in the UK because of the nature of the markets and being as competitive as it is, is just a nice icing on the cake. Let's be clear, we're not in the UK just to learn, we're also in teh UK to make a decent return.

A - Unidentified Speaker

I think on your second question for Belgium, indeed, interest rates have been falling since the middle of last year and remaining low in the course of this year. I can already announce that very shortly we will do another reduction of the guaranteed rates and that is fully in line with the market. So I would not expect significant competitive damage on that because we are -- we keep on being aligned with the market. And that confirms our policy. As you know, we are transparent on our asset liability matching profile. We are confident that we can continue that principle including securing the margin in the matching going forward. So, in that sense, I have no concerns. Also, I think, be aware that we still have room in profit sharing and to intervene if we really have to. Profit-sharing levels we have given have been attractive to support our growth, but we definitely still have room to intervene if we need to. So I'm not too worried there. The capital gains, of course, always coming from equities and real estate. But there, we are lining up, as we always do, the current year and we have adequate unrealized capital gains at the moment.

On the mortality, indeed, mortality margins have been lower. This is a mix of two effects. On the one hand, there were a few one off effects. Again, 2000 -- and the second one is also some recurring. The recurring is more that 2019, I would say is more a normal year while 2018 was a very positive year on mortality claims. On the other hand, and we are working actively on it that as you see that the risk pricing pressure on mortality in the

Belgian market. Margins historically have been very high, and you see that they are coming down a little bit, but no major concern for our overall margin going forward. But it's a mix of one off and some recurring elements going forward.

A - Bart De Smet {BIO 16272635 <GO>}

That was for Belgium. If you look to Portugal, and Slide 10, you can see that operating margin for the guaranteed business was 90 basis points, but negatively impacted by 29 basis points reserve strengthening we did. So correcting for that it would have been 119 basis points. And the Portuguese activity we have taken already in 2019 measures to bring down the guaranteed trade to very low levels, close to 0, also reviewed the way we compensate the bank to stimulate more unit-linked in line with what Antonio said. So there also of course, we have a high proportion of mortality -- profitable mortality in Portugal. And the whole, together, makes that we don't see a reason to doubt on the capacity to be in that 85 to 95 range that we have put forward in Connect21. Christophe

A - Christophe Boizard {BIO 15390084 <GO>}

On the free capital generation, first on the method itself, I think we have reached some kind of steady state, so there is no major change and we are happy with the definitions where they are. But this is on a reduced scope. This is Solvency II scope. My ambition, but it is more on the longer term would be to improve the disclosure on Asia. So far, we give a dividend, which comes on top of the operating free capital generation of the Solvency II scope, but it would be better to get enough confidence to be able to issue free capital generation coming from the JVs. But as I said, it is more on the longer term. Obviously, the goal here is to show that there is creation of free capital out of Asia. We are confronted with something mature/stable in Europe. But what I expect, what I would like to do is to show the creation of free capital out of Asia, but as I said longer-term.

Now one word to conclude on the guidance. So you know that our guidance is set at EUR 130 million per quarter without the incoming dividend from Asia, meaning EUR 520 million. At this stage, we maintain the guidance as it is. So, no change of the guidance itself.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Thank you.

Operator

Thank you. We have the next question from Fulin Liang from Morgan Stanley. Sir, please go ahead.

Q - Fulin Liang {BIO 21126177 <GO>}

Hi. I have two questions, please. The first one is you just mentioned that you don't want to change your guidance including the guidance for Asia business, but actually I've seen quite a few like obvious drags in your 2020 Asian results. The first one is the discount. I think China is going to come down. And the second one is I've seen some like combined ratio drag from your India business just required. And the last one is from -- looks like your

-- if I strip out the capital gains of your Asian Life business, your 4Q '19 is substantially like weaker than 4Q '18, suggesting somewhat fundamental weaker profitability of the business. So, despite all these three like drags to your Asia like profit, plus put aside the coronavirus impact, you're still like keeping your Asia guidance unchanged. Is there anything actually obviously positive apart from the -- like the intrinsic growth of the business itself? Is there anything positive we actually kind of missed there? So, that's my first question.

And then second question is you mentioned a couple of times that the 30% remittance from China based on their statutory results. Just wonder, is that something you actually agreed on a year-on-year basis? Or is this is a long-term agreement? I'm just wondering whether this cash remittance will be changed because of the -- or could they be changed because of the China business potentially need some investments to cope with the virus situation? Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. First of all, I think with respect to the fees, looking to evolution of interest rates. So it's which indeed reality that, that will come down. I think it's also something we already somehow indicated in Q3, but okay, they're also compensating measures are possible thinking about the volatility adjust for and so on where Taiping is far from being at the highest level of the possibilities. The second element combined ratio in India, I would say, we just entered into the joint venture in the course of this year and one of the objectives is to, together with the local partner, to come to a better profitability of the company. So that's something where we should more see an upside than a downside.

And then with respect to the one-offs, you have one-offs indeed in terms of financial markets. So more last year impairments; this year, capital gains. We also have this review, what I said, claims review of critical illness. Also, this kind of reviews can go in both directions. So, very difficult to go on into the details of every of these aspects, but we don't see a reason to go back from the guidance we gave of this EUR 300 million to EUR 350 million for the Asian activities, which of course that (inaudible) said that once like a certain financial crisis or an impact that we cannot quantify today of this coronavirus might have for one year an impact on the result. But going forward, the main reason for our belief in this range of results is also the fact that the portfolio is continuously growing and mainly based on renewal premiums that have a rather positive impact on profitability. So it's the growth of the underlying business that is the motor of our expectation.

With respect to the dividend payment, this is of course a matter amongst the shareholders. And it's something, where we don't disclose what has been -- what has -- what is contractually agreed and how we deal with that. But okay, we somewhere expect that with respect to past year, there will be a dividend upstream.

Q - Fulin Liang {BIO 21126177 <GO>}

Okay. Thank you.

Operator

Thank you. We have teh next question from Benoit Petrarque from Kepler Cheuvreux. Sir, please go ahead.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Yes, good morning. Three questions on my side. So, the first one was again on China. Could you update us on the sensitivity of the Chinese rate curve based on the current level? So what will be the drag on earnings next year?

Second one is on the difference -- well, the various terms we have seen in Belgium and UK in Q1, I think AG guided for EUR 40 million negative impact after the first storm. It was before reinsurance. Would be useful to get an update on kind of storm impact in Q1 and also maybe comment on whether this is higher than last year or not so far in the quarter. And last one was on the competitive environment IN non-life in Belgium. Do you see it moving? Got impression that some of the banks have been a bit more aggressive recently. But just wanted to get your view on the general competitive environment and market share in Non-Life in Belgium. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

So, on the first question, we stay away from forward-looking sensitivities for the reason that I just gave, that there are also compensating elements and that is too volatile at this moment. The only thing we can say that with respect to 2019, the impact was around EUR 50 million positive where it was something like EUR 12 million the year before.

A - Hans De Cuyper {BIO 17991990 <GO>}

Okay. Your questions for Belgium. First, the storms. Indeed, last week and -- the first week with Kiara storm, we spoke about EUR 40 to EUR 45 million. With storm of Dennis this weekend, we are moving up to 60 million. So, if I bring back that to the numbers, that means that we are also reaching our retention in the reinsurance. And so that, we hope, in the results, it will come down. I'm not sure the wind will come down, but in the results, the effect should start coming down because we start benefiting from Reinsurance. If I make then the link with previous years that means that we can expect more or less the same in our results as the year before where also, as you remember, very early in the year, we fully consumed the retention. And then we had a lot more stable results in for the rest of the year, we also had stable weather. So very much in line with last year.

Second question in Non-Life. Well, as you can see, we have been gaining slightly market share in the Non-Life market. For the second year in a row, we are growing just before -- just above the market, which is approximately at 3.4. If you will take the Non-Life part impact on performance there, well, our combined ratio, we think is much more in line with what we would call normal. Christophe in his speech already said that 2018 in that, respect, was extraordinary good, slightly higher current year in motor workman's compensation, better results in fire. But we also see that in the corporate market, there I think the competition is weakening a little bit and we see some market -- some rate increases across the Board in the corporate segment, which is a more difficult segment in the Belgian market.

A - Emmanuel Van Grimbergen {BIO 18010465 <GO>}

One adjustment is -- it's not an adjustment, clarification is the figures that Hans gave are of course, 100% Ageas. So, for Ageas, if it's EUR 60 million gross, you should count something like EUR 30 million net.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Well, Thank you. And in the UK, any impact so far?

A - Emmanuel Van Grimbergen {BIO 18010465 <GO>}

Yes. So the UK showED both storms. And IN UK was mainly the flood that had an impact. We estimate today the combination of those two storms, and actually, Dennis was a bit more heavier than Kiara, somewhere between GBP 20 million and GBP 30 million pretax pre-reinsurance. But it's still early days. GBP 20 to GBP30 million, yeah, for the two combined.

Operator

Thank you. We have the last question from Robin van den Broek from Mediobanca. Sir, please go ahead.

Q - Robin van den Broek {BIO 17002948 <GO>}

Yes. Good morning, everybody. Yes, sorry to come back on the right environment in Asia again. But I just want to understand how this volatility adjuster works. Because if I look at the current level of rates in China, I would expect the average to drop down by more than 30 basis points. I think you currently apply volatility adjuster of 25 basis points. You can see that your account and might be lenient to increase that spread a little bit for volatility discounting. But it seems to me that more than doubling that spread that is in place today might be a bit aggressive to assume. And I think in the pre earnings calls over the last quarters, you've been guiding a per basis point impact of roughly EUR 3 million to EUR 5 million. So this could add up to a quite significant number, if you're not able to move that spread. So just wondering if you could just give your thoughts on how you can manage this impact in 2020. And again, I do appreciate that this is just a one-off element and that at the underlying dynamics within the business are going well.

Second question is more on the free capital generation run rate that you've reiterated. I was just wondering, because if I got your 2019 numbers, then your SCR release although it's a small number, it does add EUR 30 million to the run rate. And the sounds of it you want to grow your volumes better in Belgium and Portugal, which at lower rates might also lead to more SCR strain. So, just wondering, if you could comment on, yes, the forward-looking breakdown of that EUR 520, should we expect on -- generation to be closer to EUR 550 million , EUR 600 million with a drag basically from SCR? Yes, that's basically it. Thank you.

A - Emmanuel Van Grimbergen {BIO 18010465 <GO>}

Okay, I'll take the first question on the volatility adjuster. So, just want to avoid any confusion. So in Europe, we have the volatility adjuster, which is prescribed by EIOPA and there is really a sort of mathematical formula behind it and that's every quarter is updated by the regulator. And we, as an insurance entity, we have to apply that one.

In Asia, it does not work in that way. So it's a file that you that every insurance company has to submit to the Chinese regulator and you have to justify why you want to use a certain level of, they call it, illiquidity premium. And it is true that we are using 25 basis points illiquidity premium in China, which is compared to all the peers that we -- that are on the market, which is a very low amount. So there, if we want to change it or if our company in China want to change it, they have to submit a file to the regulator with the justification and then the regulators approve or doesn't approve. But again, keep in mind, we are very, very prudent compared to the peers in the Chinese market.

A - Christophe Boizard {BIO 15390084 <GO>}

So on the -- I will answer on the FCG question. So indeed, we reaffirm the guidance at EUR 520 million. Please keep in mind that this year, which is a mix, we are below the guidance. We heavily suffered from the UK contribution, which was much lower than expected. We consider that this is a temporary effect. When you have claims inflation, when you have exceptional high claim, you take actions to restore the profitability. So, my expectation is that the UK will come back next year and that we will be able to meet the guidance. So, it's the reason why we confirm. There is really the absence of the UK in the contribution to the FCG.

Then it is true that sometimes we have some contribution from release in this year, but that's not really the case this year. If I look at Slide 60, the effect is extremely small. At the end of the day, the result and the future performance on free capital generation will depend on the interest rates. If they stay , very, very low, we will have maybe to reconsider. But at this stage, we think that we can maintain the guidance as it was announced at EUR 520 million.

Q - Robin van den Broek {BIO 17002948 <GO>}

Okay, thank you. Maybe coming back on this volatility adjuster. Just can you disclose where pEers sit compared to your 25 basis points? And just to be very clear, it seems that what you've been saying on Asia guidance that this does not include indirect impacts like this. Can you just confirm that by a simple yes or no? Thank you.

A - Emmanuel Van Grimbergen {BIO 18010465 <GO>}

Well, I hope you will appreciate that I will not comment too much on this. But okay, I can only reinforce the fact that, okay, we know that most of the peers are, again, much higher than the 25 basis points that we are using in China.

Q - Robin van den Broek {BIO 17002948 <GO>}

And whether this is included in the EUR 300 to EUR 350 million for Asia? I think you said indirect impacts are not considered for that guidance?

A - Bart De Smet {BIO 16272635 <GO>}

No. When we say EUR 300 million to EUR 350 million guidance for Asia, it's what we expect as a run rate for the net profit of that region. What we -- when we refer to let's say exceptional circumstances, something like we had in 2018 now with a big decrease of the equity markets, with impairments, but where you've seen that in the year after this year is, to a large extent compensated. And also referring to exceptional circumstances, it could be the overall impact, it would be very high of the consequences of the coronavirus. But where, again, at this moment, we are cautious. We look at it, we -- but we cannot quantify. I have no idea at this moment the total impact would be. And like we also said if there is, for instance, a negative impact from (the fire), it might be compensated by the VA. So again, leading more to the guidance of the EUR 300 million, EUR 350 million that we pronounced.

Q - Robin van den Broek {BIO 17002948 <GO>}

Okay. That's Clear. Thank you.

Operator

Thank you. We have the next question from Jason Kalamboussis from KBC Securities. Sir, please go ahead.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Yes, hi. Some quick ones. Asia, just so that I'm clear,on the fourth quarter, it was about EUR15 million the impact of the interest rates positive; that's one. The other thing is on Asia. If you look at it, coming back to a question that was asked earlier, if you look year-on-year the progression that every quarter and you strip out all the one offs and all the realized gains, you actually have had a growth that is if you take the average over nine months, for example, it was zero. So, it is important to understand, was there any element of the critical illness that we have to take into account? So, fully aware that '18 was a very strong year, how should we look at it at the underlying going forward in terms of growth and especially knowing that your top line and the inflows are showing every quarter a phenomenal growth?

And the last thing is just on a couple of outer things is UK if we look at your EUR 70 million to EUR 90 million guidance for 2020, how should we look at it in light of what's happening in the fourth quarter?

And finally, just with the two M&A misses that you had in 2019, does that changes actually how the aggressiveness that you want to have in nailing and getting a deal? I know you're disciplined, and that's very good for us. And also, you, at the end of the day, have the buybacks. But does it change your thinking around how you want to be on the next opportunity that comes around. Thank you.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. On the first question, when you referred to EUR 50 million positive impact in Q4, no, the EUR 50 million was for the full-year.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

No 15, 1-5.

A - Bart De Smet {BIO 16272635 <GO>}

1-5, yes. That's indeed the figure we had in. Of course, we -- as I mentioned, the elements that probably explain the difference between the consensus from the analysts and our real figures are in the area of less tax benefit on the business of this year of 2019. And the second one was what I said claims review in the critical illness product. So that are the main elements that make that we believe that the results you expected and your colleagues were higher than the ones we have made.

On the UK guidance, I think the EUR 70 million to EUR 90 million guidance we gave in the past with the impact of the attritional claims inflation, it would be more prudent for the next year to position it between EUR 60 and EUR 80 million, so it's EUR 10 million down. And when we keep the guidance overall of EUR 80 million to EUR 950 million, it means that we are quite convinced that, that EUR 10 million loss can be recovered elsewhere.

The third question, the M&A misses; again, we are indeed not extremely aggressive in M&A. The question is what the motivation would be to be aggressive or to go really beyond our criteria just because we want to do M&A. So, we have always taken this balance between returning capital or cash to shareholders if we don't see sufficient M&A deals or to go for M&As. So we will continue to not buy at any price and at any condition because we have this, let's say, this potential to do M&As.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Great. If I may just come back quickly on Asia, if I look at -- if we forget a bit about the fourth quarter and we look just at the year Q1, Q2, Q3, Q2 was up if we exclude again realized gains and the rest, but are there any reasons why the trend was probably slower year-on-year increases and that we should take more confidence that, that should be restored for 2020, of course, post virus effect?

A - Bart De Smet {BIO 16272635 <GO>}

I think first of all and that's not only for Asia and so we don't believe that it's fair in the insurance sector to compare quarter-to-quarter and there are so many exceptionals. Take the example of the real estate gains in Belgium. Sometimes it's quarter one, then it's in quarter four. So, I think we should look and we look, in any case, more at year-to-date and full-year results and quarterly results in all honesty. What we see for Asia when we look our -- look at the underlying, where we take out what is really exceptional, then we see that the Asian result is going up year-on-year with, let's say, 10%, which is a bit in line with the increase of the underlying liabilities.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Okay, very good, sir. Thank you very much.

Operator

Thank you. We have the next question from Bart Jooris from Degroof Petercam. Sir, please go ahead.

Q - Bart Jooris {BIO 3470300 <GO>}

Yes, good morning. Thank you for taking my questions. Most have been answered. So a few detailed questions, if I might. First, you have done 70% of the Forties settlement.now the last quarters, you already -- your operational cost and the general account were up because of that. Can we expect those to come down again this year? Then on the storm impacts, I appreciate the guidance on the figures, but for our models, is there a split between your direct lines in Non-Life and the internal reinsurance, could you guide on that? And then if I can just come back on that claim review in critical illness, which impacted the 4Q. Would there be some results of that in this year, too? Or is that something that is done each quarter and you will have to wait where it comes out this year?

A - Bart De Smet {BIO 16272635 <GO>}

Maybe two words on the cost of the in the D-to-D operational cost of the Fortis settlement. I'm going to be very transparent on that. The run rate of the administration of that is almost at around EUR 1.5 million a month. And of course, that will continue we believe at least in the mid of next year. And after that we should see that come down to become virtually zero at the end of the year. So, that's a component in our expenses, which is going to disappear by the end of next year materially.

Then maybe one additional insight on that is that we have provided part of these expenses actually last year to an amount of EUR 10 million at year end, which already anticipate some of these expenses until the mid of next year. So that was a double cost, which is effectively in our accounts last year, which should not be there in a recurring basis. So, the expenses on the general account are for last year inflated with that effect. By the end of next year, that should die out.

A - Antonio Cano {BIO 16483724 <GO>}

Okay. Maybe a follow-up on the storm and the reinsurance; so, the amounts that I mentioned and Hans mentioned were gross preta. For AG, Bear in mind that only 75% is retained by Ageas, the other 25% is retained by Fortis. And again, so these numbers are pre Reinsurance, so pre quota share impact. So you can take the proportion of that. The three treaty -- well, fees are close to the retention points of the real protection outward reinsurance. That was a bit what Hans was referring to, that the protection of the storm and flood for Belgium should we, again, have a few storms would trigger the external protection. So, not quota share so the LPTs of the internal insurance. I don't know if that was helpful.

Q - Bart Jooris {BIO 3470300 <GO>}

Yes. That was very helpful.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. And the last question, about the -- with the effect to the claims review critical illness. As indicated, so the critical illness product is a product that this is under review by the whole industry in China, but also by the regulator, because there have been some concerns about the weight of the coverage and also the use of those products. So you could say that the claims review that has taken place is more an anticipation to create some additional prudency. We don't expect the new products. First of all, have been already redesigned and are sold with much more, let's say, much less possibility to abuse the product. And so, we don't -- can indicate at any moment that we expect a similar review in 2020.

Q - Bart Jooris {BIO 3470300 <GO>}

Okay.

A - Bart De Smet {BIO 16272635 <GO>}

We have no reason to believe that --

Q - Bart Jooris {BIO 3470300 <GO>}

Thank you very much.

Operator

Thank you. We have no more questions. Back to you for the conclusion, please.

A - Bart De Smet {BIO 16272635 <GO>}

Okay. Ladies and gentlemen, thank you for your questions. To end the, let me summarize the main conclusions. We -- first of all, we recorded our highest result ever, thanks to a solid operating performance supported by exceptional elements. Just for your information, if you take the pure insurance result over the year, it was EUR 1,103,000,00. And for the fourth quarter, the insurance result was EUR 234 million.

We also enjoyed a strong sales momentum with a double-digit growth of 11% scope-on-scope. And finally, given our record results, the Board will propose to increase dividend to an all-time high of EUR 2.65, which represents a 20% increase compared to last year.

With this, I would like to bring this call to an end. Do not hesitate to contact our Investor Relations team should you have outstanding questions. Thank you for your time and we'd like to wish you a very nice day.

Operator

Ladies and Gentlemen, this concludes today's conference call. Thank you very much for attending. You may now disconnect your lines.