Q1 2021 Earnings Call

Company Participants

- Barbara Plucnar Jensen, Group Chief Financial Officer, Member of the Executive Board
- Gianandrea Roberti, Head of Investor Relations
- Johan Kirstein Brammer, Group Chief Commercial Officer, Member of the Executive Board
- Morten Hubbe, Group Chief Executive Officer, Member of the Executive Board

Other Participants

- Alexander Evans
- Analyst
- Asbjorn Mork
- Daryl Goh
- Jakob Brink
- John Dillon
- Mads Thinggaard
- Per Gronborg
- Youdish Chicooree

Presentation

Gianandrea Roberti {BIO 6786731 <GO>}

Good morning, everybody. My name is Gianandrea Roberti, I'm the Head of Investor Relations of Tryg. We published our Q1 results earlier on this morning and I have here with me Morten Hubbe, Group CEO; Barbara Plucnar Jensen, CFO; and Johan Kirstein Brammer, Group CCO.

Morten, over to you.

Morten Hubbe {BIO 7481116 <GO>}

Thank you, Gian, and welcome from my side as well. We will start on Slide 3, where we show the financial highlights of Q1. We clearly see a large positive swing with an increase of DKK1.4 billion in the pre-tax results, reflecting of course very, very different capital markets year-on-year. Technical result is up almost 12% driven by good underlying improvements Alka synergies and lower weather and large claims. Underlying claims improved 80 basis points, while flattened private lines, it improved strongly in commercial and corporate lines, where improvements are more needed.

Investment income benefits from good returns on equities in Q1, but do bear in mind that in this Q1, DKK156 million positive is related to FX derivative contract that is actually related to the RSA deal and has little to do with the ongoing business. Solvency is reported at 899, not very meaningful, but of course, including the rights issue and more appropriate 180 adjusted for the rights issue.

On Slide 4, we show a new method of measuring customer satisfaction. The advantage is that the new method includes both touch points, like for instance calling or going online to buying insurance in a single touch point as well as now a full process for instance a claims handling from A to Z that could cover multiple touch points and multiple touch channels. The internal benefit is clear that we will get much more data, many more data points and it will give us much more nuance to constantly improve our future customer satisfaction.

We're very pleased that the overall customer satisfaction improves from 83% to 84%, but actually underlying there is a lot of variation. We see for instance that there's an 82% satisfaction on online claims, compared to for instance a 93% satisfaction when a customer calls our customer service in private. And all of that, variation will give us a lot of data to create a lot of further improvements, which typically helps the retention rates and helps earnings.

On Slide 5, which show the composition of the technical result. Group technical result improves, as I said almost 12% to DKK751 million, positively impacted by improved underlying claims ratio in Alka synergies. It should be noted of course that the economic activity in society was lower year-on-year, which has improved claims frequency in several products.

Private lines and commercial SME performed very well in the quarter, whereas the corporate segment was impacted by an increase in large chains of roughly 10 percentage points year-on-year and also a lower level of one-off gains. But on the positive side, we've seen improved underlying claims ratio on corporate due to both the price increases and the reductions in insurance exposure and in particularly, we see this improvement in corporate Norway, but also in corporate Denmark and Sweden.

On Slide 6, we give a helicopter view of the COVID-19 impacts. This Q1 total impact from COVID-19 was positive due to mainly a much lower level of travel claims. We've seen a somewhat higher number of motor claims year-on-year, but bear in mind the high growth in the number of cars insured which means that all in all the figures represent a slight drop in frequency on motor.

Over to you, Johan.

Johan Kirstein Brammer {BIO 18640275 <GO>}

Thanks, Morten. And on Page 7, we are showing an updated timetable of the RSA transaction and it is essentially a re-run our previous timelines. I should add though that in Q1, we closed one of the largest rights issues in many years and successfully issued a new

Tier 1 loan. We have already obtained approvals from different authorities, including antitrust approvals in Denmark, Sweden and Norway and we continue to expect the acquisition to close in Q2 2021.

Turning to Page 8, we show that the synergies from Alka continue to be delivered according to plan and in Q1 DKK28 million was achieved in synergies bringing us to a total of DKK204 million. In this slide, we detailed the synergies split between claims, costs and revenues according to plan. We're still confident that we will achieve the promised synergies related to the Alka acquisition amounting to DKK300 million in 2021.

We also believe that we've learned a lot from the Alka acquisition and we will be able to replicate these learnings in the RSA acquisition. It gives us additional comfort around the announced synergies of DKK900 million in 2024.

And with that, back to you Morten.

Morten Hubbe {BIO 7481116 <GO>}

Thank you, Johan. And on Slide 9, we continue with the development in shareholders' remuneration. For the first quarter of this year, we are paying a dividend of DKK1.07 per share, giving a total amount of DKK700 million. The quarterly dividend will be flat for the coming three quarters, even if 2021 is an unusual year, both considering the equity accounting that will start in the second half of the year of the acquired assets while we wait for the demerger, but also the bookings of restructuring and transaction-related costs.

As mentioned previously, our pro forma technical result will roughly double by 2024 from the 2019 and 2020 base and the dividend trajectory will follow that part of roughly doubling, making Tryg a strong dividend stock also in the future.

Back to you, Johan.

Johan Kirstein Brammer {BIO 18640275 <GO>}

Thank you, Morten. And that brings us into our next section, premiums and portfolio. And on Page 11, we illustrate that for Q1, top line growth was 6.2% driven by growth in all segments. Private lines is the most profitable area and therefore, we are very satisfied with the growth in this segment of 7.8%. Commercial had a growth of 5.3%, which was a combination of organic growth in Denmark and for Norway, it was driven by price increases for especially larger customers.

Corporate showed a positive growth of 3.8% and was impacted by profitability initiatives in all countries. In general, it's important to stress that growth is not key in the corporate business. What matters here is improvement in profitability across all countries. Sweden showed a growth of 1.2% driven primarily by price adjustments and organic growth.

Turning to Page 12, we illustrate that adjusting prices in accordance with claims inflation is very important and a key focus area and we therefore, closely monitor the development in average pricing. Profitability improvement is a combination of claims initiatives and price adjustments. The average price development shown is also impacted by a change in a large partner agreements. In Q2 2020, we did see a drop in the average price for house in Norway, which was ascribed to a reduction in prices for a very big partner agreement. There's also impacts to development in Q1 2021, and therefore, we see a low average to increase in price for house in Norway.

Turning to Page 13, we also turn to our customers. Customer focus is extremely important and customers view of Tryg is best monitored through the retention rates. For private Denmark, we've seen as expected a drop in the retention rate as a consequence of a drop in the Nordea portfolio. We are satisfied that we have a net positive impact when looking at the Nordea and Danske Bank portfolio due to very strong sales to Danske Bank customers, but the new sale does not impact the retention level.

Excluding Nordea, the retention rate was almost unchanged, but slightly impacted by the high inflow of new customer for the last few years, which always have a higher churn in the first few years. In Norway, we are very satisfied that we continue to see high retention even with high growth levels in the last few years. And for commercial, we saw a flat development for both Norway and Denmark.

And with that, over to you Barbara.

Barbara Plucnar Jensen {BIO 17487867 <GO>}

Thank you very much, Johan. Let's have a look at the underlying claims ratio development on Slide 15, where you should remember that this is excluding the impact of the COVID-19 claims.

The group underlying claims ratio improved by 80 bps compared to the same quarter last year, while private was unchanged. Price adjustments and the claims excellence program including claims synergies related to Alka are the main drivers behind the improvement, but also a rebalancing of the portfolio towards more private business supports the overall improvement for the group.

The growth in the private business has been very strong for many quarters now and as expected, a strong growth with a modest negative -- will have a modest negative impact on the underlying claims ratio as new customers in general have a frequency, which is approximately 3% higher than the portfolio in general. We are very satisfied that the initiatives in both commercial, but especially in corporate Norway, supports the improved underlying claims ratio development and also the Danish and Swedish corporate book demonstrate a strengthening profitability due to price increases that Johan just mentioned.

Please turn to Slide 16. Here we have updated the slide to provide the most recent development in our core markets. The Nordic countries, especially Denmark and Norway continues to do comparatively well during COVID-19 compared to more large European countries. Lockdown and restrictions in the societies have been very different around Europe, so situations are difficult to compare. Hopefully, the acceleration of vaccination programs and the gradual reopening of societies will stabilize the situation. And to give you some insights, so far 10% have started the vaccination program in Denmark and 4% are now fully covered. It's slightly more Norway where almost 6% are done with the two vaccines.

Please turn to Slide 17 for the financial impact on our business. In Q1 '21, the total impact from COVID-19 was a positive of DKK77 million primarily related to travel insurance with a positive impact of DKK54 million as very few people were traveling and hence needed to use their ordinary travel insurance. Lower motor frequencies also had a positive impact albeit smaller. The comparable quarter last year was when COVID-19 broke out and therefore, a very high amount of travel claims were recorded driving the overall very negative impact.

On Slide 18, we go through the details on the large and weather claims as well as the run-offs. In Q1 '21, the level of large claims was similar to Q1 '20, but both quarters were slightly below a normalized level of around DKK140 million. Weather claims were almost 15% higher in the first quarter '21 compared to the same quarter last year with weather claims of DKK130 million, primarily due to frost in both Denmark and Norway.

In Norway, it was the coldest weather in January in the last 10 years and the very cold weather led to a higher level of claims related to program [ph] grains. The discounting impact was slightly lower in Q1 '21, compared to the same period last year due to the lower interest rate level. The run-off was somewhat lower with 4.3% this quarter compared to 6.4% in Q1 '20 and hence in line with a communication of run-off between 3% to 5%.

On Slide 19, you can see that the expense ratio for Q1 was 14.1%, which is flat compared to the same period last year. There's a strong focus on continuously finding efficiencies, including a more efficient distribution, which to a large degree contribute to finance the IT investments. In this quarter, there was a slightly higher number of employees to support the higher business volumes, as well as an increase in analytical competencies.

Please turn to Slide 21. At the end of the first quarter, Tryg had total investments of approximately DKK43 billion. This overview illustrates the usual split between the match portfolio of just below DKK31 billion and the free portfolio of around DKK12 billion, but overall the investment approach is unchanged.

If you then turn to Slide 22, you have more details on the actual investment results in Q1. A positive result of DKK343 million benefiting from good returns on equities and narrowing Nordic covered bond spreads. Tryg's equity portfolio was up approximately 8% in Q1 '21 versus a minus of 20% in the first quarter of '20, a very large difference that drive almost 50% of the difference in the normal investment result in the quarter. More generally, the free portfolio was impacted by good returns from equities as well as properties, while increasing rates in the quarter hit the fixed income returns. The match portfolio gained from narrowing covered bond spreads.

Furthermore, as Morten also mentioned, in this quarter Tryg reports a one-off gain of DKK156 million related to a derivative contract -- a deal contingent forward, which we have entered related to the acquisition of RSA. I'm sure you're all aware that the very large difference versus comparable quarters in 2020 is driven by the outbreak of COVID-19 and the huge impact it had on the macroeconomic and financial markets in 2020.

On Slide 23, you can see that Tryg reported an unusually high solvency ratio of 899 at the end of Q1, boosted by the recently completed rights issue of DKK37 billion, which will be used to finance our part of the acquisition of RSA. Adjusted for the rights issue, we have a more meaningful solvency ratio at 180 at the end of Q1. Own funds were as usual impacted by profits and dividends and of course by the aforementioned rights issue. The SCR was approximately DKK300 million higher driven by an increase in the market risk charge following the positive developments in the capital market in the quarter.

It's important to note that we expect the solvency ratio to be between 170 and 180 at the end of Q2. This is based on an assumption that the acquisition is finally approved in Q2 and this also means that we expect the SCR to be at DKK9.8 billion at that time. Finally, please note that we continue to expect a solvency ratio above 170 per year in '21 as we have previously disclosed.

Please turn to Slide 24. Historically, we have shown Tryg's capacity in terms of additional Tier 1 and Tier 2 instruments. Q1 is seen as a transitional quarter, meaning that the rights issue has been concluded but the acquisition has not yet closed and hence does not yet impact our balance sheet. Therefore, as per Q1, the current capacity clearly is only temporary. We do expect to utilize most of our capacity based on expected own funds and SCR at the end of Q2, taking into consideration the timeline for the closing of the deal.

On Slide 25, we have shown you the main SCR components as in previous quarters. The main point is that the increase in the SCR is driven by an increase in the market risk following the positive equity markets development in the quarter. Looking at the overall SCR is probably not a surprise that the non-life is the biggest charge. When looking at the market risk, you can see that equities and spread risk are the ones with the higher capital charge.

On Slide 26, we show the historical development of the solvency ratio. It's important to highlight the predictability of the solvency ratio as own funds primarily are a function of profits and dividends, while the SCR is expected to be broadly stable by large movements in the capital markets that we have experienced in recent times.

On Slide 27, you can see that the sensitivities are largely unchanged. Again, please note the starting point of 899 issued to be impacted by the right issue and likely to be isolated Q1 impact, assuming again that the acquisition closes in Q2. The main sensitivity relates to spread risk and is unchanged due to the fact that Tryg holds a large amount of Nordic covered bonds.

With this, I will hand over to Morten to give you an updated outlook.

Morten Hubbe {BIO 7481116 <GO>}

Thank you, Barbara. And on Slide 28, we update our 2021 outlook. We still unchanged expect the technical result between DKK3.3 billion and DKK3.7 billion, while we've updated the investment result following a strong first quarter. Regarding transaction costs, it's important to note that approximately DKK700 million of the DKK1.6 billion to be booked on the balance sheet have been booked in Q1 against shareholders' equity and we still expect the full transaction to close in the second quarter and we will start equity accounting from that point and until the demerger where actual consolidation can begin.

Then, of course, as always we finish off on Slide 29 with our favorite quote from John D. Rockefeller.

And with that, we are ready to take your questions.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) And our first question comes from the line of Alexander Evans from Credit Suisse. Please go ahead. Your line is open.

Q - Alexander Evans {BIO 19956412 <GO>}

Hi, everyone. Alex Evans from Credit Suisse. Thanks for taking my questions. If I just start on private lines, so that the slowdown in underlying improvement there. I mean, how should we think about this relative to the previous guidance? Because, obviously that was 50 bps and I don't know you said it's sort of below 50 bps. But you still got strong premium growth fast. So I mean, should we expect a deterioration to come relatively soon?

And then secondly, just on the Alka synergies, DKK28 million in the quarter, that's a little bit below the sort of the run rate that we should expect given guidance. Is that a reflection of the strong performance in 2019 and 2020 or is it perhaps expected to come through a little bit later this year?

And then just premium growth in corporate has -- to have a positive trend in the last couple of quarters. I'm just interested to hear what are sort of the main drivers here and perhaps are you seeing less customer churn in Norway, or is it sort of a further increasing in pricing? Thank you.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Hi Alex, thank you very much for your questions. If I will start answering the question you had on the underlying claims ratio, it is correct that it is the first time that we report a flat development for the private. But I would also say that what you have seen over the last 12, 15 months is actually a move from 0.5 to 0.4 and in the last quarter, it was 0.2, which is a very natural consequence of the high growth that we have experienced in the private segment for a very long time now.

Bear in mind that new customers use their you can say insurances in more frequent and usually we say that it has an impact of 3% more than the ordinary portfolio over time. So this is more or less an expected development. So that is basically what we are seeing at this point in time. We don't guide on future development, but bear in mind, this is in natural consequence of the very high growth.

A - Morten Hubbe {BIO 7481116 <GO>}

And then if I elaborate, you asked about the premium growth in corporate, you're right that it is fairly positive this quarter, but I don't think that this means that we should expect sort of generally stable growth in the corporate segment. And if we look beneath the country about numbers, there's actually quite a lot of variation. So if we see the Danish corporate lines, for instance, we see a growth this quarter of minus 4%. So at the moment, we see a mixture of higher exceptions in the corporate Norway, which leads to higher corporate growth reflecting the price growth, but actually still reduction in total exposure and then that the actual -- the total growth in corporate Denmark including the price increases is actually negative. So as a starting point, the price increases will pull up the growth and then the lapse will pull down the growth and our own expectations is still that the net of this will be slightly more volatile than retail and we are expecting it to be slightly negative.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

Yes. And maybe I should answer your question regarding the Alka synergies whether they're sort of a little bit below what we should expect. I think the way to look at the Alka synergies that we finished, we were supposed to finish in 2020, but synergies are of 150, we were a bit ahead of time at that time and ended up at a DKK176 million. We still expect to finish the year with full runway synergies of DKK300 million and we don't see any delays or any risk around that number.

A - Morten Hubbe {BIO 7481116 <GO>}

And I guess, at the same time, we see that the performance of core Alka from an organic point of view, which is equally interesting is clearly higher than expected. So all-in-all, Alka is delivering very strongly.

Q - Alexander Evans {BIO 19956412 <GO>}

Okay. Thank you very much, everyone.

Operator

Thank you. Our next question comes from the line of Mads Thinggaard from ABG. Please go ahead. Your line is open.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Yes. Mads from ABG here. And thanks for taking my questions. I have kind of two questions here. And going -- the one -- the first is going back to the, I mean, underlying claims and the acceleration you have overall driven helped by the price increases with 80 basis points drop in total underlying claims year-over-year. Is that kind of a new runway we should expect throughout 2021 and that should contain some effects that we have seen from some of your peers on house insurance claims going up due to people staying at home and detecting water damages. Is that an effect that is also part of this underlying drop that we see here in Q1 of 80 basis points?

And then secondly going through to your guidance and the COVID-19 claims, especially on travel DKK54 million here in Q1. Is -- are those claims part of your guidance and I mean, just the -- I mean, would you -- what is your expectations for Q2? I guess travel claims could be quite good in Q2 as well. Is that something to take into considerations for your technical result guidance for 2021? Thanks.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Hi, Mads. Well, again, thank you for the relevant questions. If we start in the first camp of underlying claims development, I would say that we are absolutely positive about the development that we have seen in the corporate segment delivering the strong development. It is also supported by a positive development in the commercial segment. But I think it's too early to say that this is going to be the new normal. I think obviously we are very focused on the profitability initiatives and we're happy to see as we also showed in our presentation that the acceptance rate is relatively strong, but it's too early to say whether that will be a continued level.

Regarding the effect from house insurance claims, I would say that, that is not something that has given us any positive impact in this quarter on the contrary. We see that in particular in Norway, we have seen quite a lot of insurance claims not to water, but related to frost in this particular quarter. So I would say we're very happy that we end here in Q1, but I think it's too early to say that this will be a new normal.

A - Morten Hubbe {BIO 7481116 <GO>}

I guess, we could add that when we look at the corporate business then not only underlying is important, actually also the exposure to large claims is important. We saw again in Q1 single very large claim out of corporate Denmark in the international portfolio, Danish company, with factories in other countries. And that's a fairly good example of exposure where the large claim risk is too high. And that's why in corporate, it's both price increases, it is massaging the underlying downwards. We're pleased to see that happening at the moment. But we further need to reduce the large claim exposure, because that creates too much volatility in the corporate segment.

And then you also asked about COVID-19 and travel in the coming quarters. We saw that travel was positive DKK54 million in Q1, a normal Q1 would have 40,000 travel claims and in Q1 last year, it was 80,000 and Q1 this year, it was 12,000 and I guess now everyone is quite anxious to start traveling again. So being very clear on the predictability of this is not very easy. So there's some degree of uncertainty to that.

But on the other hand the numbers are not really large enough to move the needle materially compared to the total expected technical result for the year. So -- but we'll see in the coming quarters, I think the summer will be interesting how many people will travel and how many people have to cancel their travel or be called back again, that is a little bit of a wild card for the summer, but the numbers are not really that large.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

And if I can add also, because I think mostly Alka [ph] will be still reluctant to book the travels, so compared to last year with this year, where most people had already booked their summer holidays that's probably not the case for this year. But we'll have to see Mads, I think all of us are pretty eager to get out there and see other parts of the world. So --

Q - Mads Thinggaard {BIO 15369662 <GO>}

Yes, sure, and thanks. And just to be shown on how you see this kinds, I mean, DKK100 million expected increase on the technical result than you would be expected to change the guidance, is that correct?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Sorry, you're asking on the DKK100 million where --

Q - Mads Thinggaard {BIO 15369662 <GO>}

I mean, just to get, I mean when would you change the guidance. Is that more function of time or is it just, I mean, assuming DKK100 million higher technical result for 2021, then you would raise the guidance or when --

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

I think obviously when we have comfort that it's material enough, then we will reconsider the guidance, but as a starting point, yes, we are ahead at this quarter, but as Morten was saying, there's a large volatility related to large claims and we simply don't know yet what will impact the score [ph] for the rest of the year.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

And then honestly Mads, as we said last quarter as well, we see one year and full-year guidance as an event only for this year and then after our Capital Markets Day and we will also move returns to having three year targets as opposed to sort of very precise one year guidance and we're not particularly fan of one year guidance to be honest. So we look forward to that disappearing again.

Q - Mads Thinggaard {BIO 15369662 <GO>}

Okay, understood. Thanks.

Operator

Thank you. Next question comes from the line of Asbjorn Mork from Danske Bank. Please go ahead. Your line is open.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Hi, good morning. It's Asbjorn Mork from Danske Bank here. Couple of questions from my side. First, going back to the underlying claims ratio for 2021, Barbara, you said that the 80 basis points is not what we should expect as a run rate going forward, but why isn't that the case if I look at the synergies from Alka alone and on the good old truck before RSA acquisition that I guess is 60, 70 basis points on your underlying claims ratio, the synergies from that alone. And then I guess 10 basis points in underlying wouldn't be unrealistic to assume. So why shouldn't 80 basis points be what we should expect for the 2021 versus 2020?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

I think, as a starting point, the 0.8 is somewhat above what we have seen in previous quarters and in particular, the fact that it stems from the corporate and commercial business. Obviously, you're right around the other contribution and we are very aware of that, but it's also coming down to how sustainable do we anticipate the development that we have seen in particular in this quarter in the commercial and corporate space.

A - Morten Hubbe {BIO 7481116 <GO>}

And I would add Asbjorn that, there's always a lot of moving parts underneath and if we look at for instance, the composition of private lines underlying, we see an improved underlying and private line Denmark, but we actually see a slight deterioration in private lines Norway, where particularly the house products in Norway is worse than anticipated. And some of that can be explained with weather and some of it can be explained with some changes and claims behavior.

But we do see a slight deterioration in private lines Norway. So that's why predicting precisely from quarter-to-quarter, it is a little bit tricky with that many moving parts. But we have a high ambition for underlying to continue to improve. I guess we're just trying to signal that. It is not precise enough for us to say that 80 basis points is the precise number every quarter and we would like to see that we get our hands around improving the underlying in private lines Norway again.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Okay. But that actually leads me to another question because on Norway, you say that or you state that house insurance prices down 0.3% year-over-year, but then if I look at the development on the slide, on the prices, it's mainly actually due to the fact that Q1 -- sorry, Q2 last year had a price drop. And I guess if you look sort of year-over-year trends, they will start to turn quite benign in the next couple of quarters. So wouldn't that sort of solve this issue for Norway?

A - Morten Hubbe {BIO 7481116 <GO>}

It will help the issue, but I think it points to two issues, I think it points to one that sometimes the agreement with a partner on pricing is reflective of historical performance. Then we change a price like, we did with this one major partner Norway, but actually, while we do that and there's an upwards trend on claims on house. So it's in a sense the risk of a little bit stop go that we would use likely in a period where the claims actually increased in house Norway, of course, that's not meaningful. So I think we need to try to capture that in a more up-to-date manner and what sort of less stop-go.

And then I think also that the underlying claims trends in house Norway is slightly more than that and we need to make sure that we handle that well, which of course, we are all on board doing and we will handle that. So a little bit of timing and a little bit of house claims in Norway that we need to handle and those are important.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Okay. That's clear. Then on the commercial and corporate, we're looking at premium development here. And then especially the comment you had Morten on the expect -- the 4% negative growth through corporate premiums in Denmark in Q1. Is there any impact from the customer bonus from your owners being able to 5%? Does that have any impact in terms of the acceptance that we see from the corporate and I guess to some commercial space for accepting price hikes?

A - Morten Hubbe {BIO 7481116 <GO>}

No, actually I think that's a good question and we were ourselves a little bit uncertain as to how that would play out. We were quite confident that private and SME customers wouldn't react and a little bit unsure in the corporate segment and also a little bit unsure in the broker channel particularly. But I think, our communication has been very good. We've had good dialogues with the brokers. We had good dialogue with the corporate customers and we've had virtually no negative reaction. So that we actually saw that a lot of the customers said given that this is a year with a very sizable, I will say Scandinavia transaction, that is very positive that there was a bonus paid anyway and virtually no negative reactions to the 5%.

Q - Asbjorn Mork {BIO 17028219 <GO>}

Okay. Fair enough. Then on Sweden, normally I guess we don't talk too much about Sweden, but I guess that will change quite soon, but if we look at the premium growth in Q1, 1.2% so clearly the one of the areas you're not growing in and your statements, private adjustments and partner agreements. So what is not delivering at the moment in Sweden? I guess it's a little bit becoming a big point now that we only take (inaudible). So what is it that, that you believe will change fundamentally from I guess, already from Q3?

A - Morten Hubbe {BIO 7481116 <GO>}

So I think we will hopefully talk a lot more about Sweden going forward and also a very different Sweden business. As you may recall if we go back one year, we saw that the combined range when Sweden was too high. We saw in Q1 last year that we were sort of very close to 100% in combined ratio and we are significantly better in Q1 this year. We saw for instance last year that pricing on Norje, Sweden was not high enough compared to the claims development. And therefore, we've had a task to increase prices very significantly in the motor segment in Sweden and also to reduce some of the exposure in motor in Sweden.

And what we see is that we almost doubled our insurance technical results compared to first quarter last year. So the focus had not been on growth. It has been on price increases and as a result of that, we've seen more of a customer lapse. And I guess you can see that also when we move into the corporate segment where are we in general are increasing prices quite significantly, but actually Sweden take the highest goal and our change of prices in corporate Sweden and Q1 on average was 21% increase.

So I think, we're actually very pleased that profitability is improving in our own Swedish book and we have expected a lower Swedish growth and then in the autumn, we'll start debating the new and much bigger Swedish business and how we manage both strong earnings and gradually to improve and increase also the Tryg growth in Sweden with more innovation and more new products. That's probably more than a quarter. It will take a while, but that's a more important long-term journey.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

And Morten, if I could just add one thing that the focus on pricing and the customer lapse that comes as a consequence of that. There are actually commercial activities offsetting that also in the personal lines business. So our Swedish Moderna business has very strong niche brands, Bil sport, MC and Atlantica and they are actually doing very well in the time of corona where people are spending more time on their boats and on their special costs. So our niche brands in the Moderna business are doing very well offsetting some of the price initiatives that are creating customer lapses.

Q - Asbjorn Mork {BIO 17028219 <GO>}

All right. Thanks. And then final question from my side on the retention. You mentioned that your retention would have been 91.1 excluding the Nordea, the lost customers from Nordea. Is it fair to assume that, that difference the 89.9 you have in the 91.1, 1.2 percentage points. If I sort of do the backwards calculation, it means that taking one out of eight customers that leave you to Denmark, meaning that it doesn't seem to be that big of a trend to your private portfolios. Is that a fair math?

A - Morten Hubbe {BIO 7481116 <GO>}

I don't think we've published that number, but it sounds like you're basically just calculating backwards out of the total lapse, how much is that different? So I think that sounds roughly right. So I guess it's -- I agree with you that fundamentally it's not a big driver. But of course, it's different for the short period where we had both Nordea and Danske selling for us and no lapse. So now we have a very strong Danske selling for us. We're now up to 35,000 new customers with Danske, which is really strong.

And of course, you cannot see that in the lapse ratio, you can only see the Nordea customer leaving, but you're right that it is not a major challenge, but of course it does have a net-net impact to retention rate and that's why we try to specify that so that we can follow it. Another impact is of course that there are some customers who take out their travel insurance. We also see that the sale of new travel insurance is down 35% compared to last year. We know that it will pick up again, but it does have some impact both on the lapse ratio and it also has some impact on the new sales that new sales of travel is 35% lower and there is some lapse of existing customers on travel as well.

Q - Asbjorn Mork {BIO 17028219 <GO>}

All right. Thanks a lot. That's all from my side.

Operator

Thank you. Our next question comes from the line of Youdish Chicooree from Autonomous Research. Please go ahead. Your line is open. You can go ahead, your line is open, Youdish. Let's go to the next question. So the next question comes from the line of Jakob Brink from Nordea. Please go ahead. Your line is open.

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you, and good morning. I actually would like to start on something which is not specifically related to the quarter of the transaction. But looking around in the Nordics, it seems like inflation is picking up, especially on everything that has to do with building materials and getting things done. Is that something you're experiencing? I'm thinking it's been quite a while since we've seen this level of inflation. Is this something you've seen in the repair costs and how you preparing for that, is it possible to price up in advance? And what exactly is going on? Thank you.

A - Morten Hubbe {BIO 7481116 <GO>}

I think that's a very good question, Jakob. I think, traditionally and historically, we made sort of fairly high level macro assumptions on what would be repair cost inflation. And I think, 2, 2.5 years ago or so, it became quite clear that, that was simply through macro way of looking at it. And since then we are on a monthly basis monitoring typically with our procurement staff, who monitors every single repair and every single repair contract and see is the mix between the underlying inflation in craftsman salary, the underlying inflation in actual material, and then typically the reduction of inflation that happens because of our contracts and the deals we get in that and then they use those trends to try to get ahead of the curve as much as humanly possible and feed that back to our pricing people, straight away on a very continuous basis instead of sort of macro once per year.

I think in that we've been worried about the salary costs for several years. So we've been trying very hard to get ahead of the curve on that both with the pricing and also with the contracts pushing the procurement contracts harder. And then we are seeing in several areas and we've seen that for a while actually that also the materials have been increasing in price. So yes, we do see it. While I don't think it's a very new phenomenon, I think we've actually been working on that for more than a year, methodology wise more than two years, but also adjusting the prices ongoing and trying to get ahead of the curve. So very much a focus area, but not a new focus area for this quarter.

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you. Just one small follow-up. Do you have any sort of lag time? Is there any contracts to which the craftsmen have sort of signed that they will keep doing whatever kind of repairs for this net amount for let's say half a year or is it just instantly changing when prices are changing?

A - Morten Hubbe {BIO 7481116 <GO>}

Well, typically, we can change it quite fast. There are contracts that are longer. There are for instance, fixed price contracts for various smaller repairs that run the risk that you're pointing to, but honestly we're a big buyer and if we see major changes with all our suppliers that we need to renegotiate and then we renegotiate. So typically that is manageable there. There is some lapse but I wouldn't say that the lapse is large enough to meaningfully disturb our capture of inflation.

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you. And then the second question in a bit more detail, but Barbara you mentioned, DKK9.8 billion SCR in Q2. I guess that's correct. But the -- that's up DKK400 million since last time we -- you gave us an update. And you mentioned that this is coming from market risk, but looking at the sort of progression of your equity portfolio times 39%, 40% equity rate, which it is right now, that doesn't really give me that big of a number. So where's it coming from?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Basically, I think what is missing in your calculations is the DKK400 million that we were up at year end compared to the original DKK9.4 billion that we had at the time of the 2.7 announcement, because at that time we had seen also a -- you can say, additional charge of DKK400 million in that time frame. So basically agree to the DKK300 million that we just talked about related to this quarter, but I think what you're missing out is the DKK400 million that we had increased at year end compared to the 2.7 announcement.

Q - Jakob Brink {BIO 20303720 <GO>}

That actually mean compared to the updated number but okay, I guess we can take that later. And the dividend of DKK1.07, I guess that I have one sort of unclarity left here on going forward. So DKK1.07 for every quarter this year. Going forward, how to use -- or what do you think in relation to ordinary and extraordinary dividends? Is it the same as we've seen historically? And the payout ratio will that be based on reported net profit or where we start looking more at adjusted profit given the larger amortizations or yes, there's some clarity here would be nice. Thank you.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

If I start by commenting, you can say the trajectory that we see ahead of us. Obviously, the DKK1.07 is what we expect, as Morten explained to be the dividends in all quarters this year. 2021 is a transitional year where you will have a lot of one-off items impacting the financial performance. So it is not to be seen as the base for the future. Taking into account that we expect to be in a more normal future state in 2022 that is where we see a return to more normal dividend considerations. And obviously, as Morten was saying is basically if you look at 2024 when doubling or expecting to double the technical result that should also double the dividend capacity that we have. So that is that you can say it's something that I think is -- it's fairly well iterated.

A - Morten Hubbe {BIO 7481116 <GO>}

And I guess, we will continually add up to have a view that we have an ordinary dividend following a certain trajectory also giving the acquisition and then working with extraordinary elements on top. And then of course, even when there is a sale potentially of Codan, Denmark, then there is an event where of course looking at extraordinary payout would make sense.

Q - Jakob Brink {BIO 20303720 <GO>}

And based on sort of the ordinary, will that be based on the payout ratio, which I know is only second sort of requirement. But is that based on the reported profit or adjusted profit?

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

That would be according to the adjusted profit. Bear in mind, we will have significant intangibles impacting and so that would not make a reduction.

A - Morten Hubbe {BIO 7481116 <GO>}

And I guess the predictability and the trend of the total dividend has always been more important to us than we pay out as a percent of earnings. So we have the 60% to 90% target we've all been at the upper end of that. We've also actually been higher than that. So really predictability of the total payout is more important than the actual payout ratio.

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you. That was all for me. Thanks a lot.

Operator

Thank you. Our next question comes from the line of Per Gronborg from SEB. Please go ahead. Your line is open.

Q - Per Gronborg {BIO 15910340 <GO>}

Yes. Thank you. It's Per from SEB. Two questions from my side. The first one, which is (inaudible) clarification. DKK156 million gain on the DCF contract, will that after the acquisition end up as a higher goodwill or will it end up as you're getting more equity in the deal? I'm a bit surprised you're having hits accounting on this contract.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Well, basically the way that you treat a deal contingent forward which this is, this is obviously when we entered into the transaction that was at the prime or just before the announcement of the 2.7. At that point in time, it's a fair value assessment because the -- it has to be weighted according to the -- you can say likelihood of the transaction going through.

Then at the time of the RSA AGM where the shareholders of RSA approved the deal then obviously, it changed to hedge accounting. So very good timing dynamic which somewhat changes over time and what you see during this particular quarter. So we are actually using a hedge accounting for the time from you can say the approval of the global RSA shareholders.

Q - Per Gronborg {BIO 15910340 <GO>}

But this also implies that the gains you have booked right now at DKK156 million that will end up as a higher price you're paying compared to what you originally -- when you originally did the --

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yes. That's correct. And that's also --

Q - Per Gronborg {BIO 15910340 <GO>}

So this should also -- DKK156 million higher goodwill after the deal closing.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Correct.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. Perfect. I just wanted to have those things. Then back to --

(Multiple speakers)

Then back to Asbjorn question on the 0.8% underlying improvement, whether that's sustainable. As Asbjorn also outlined the Alka should deliver some 60 basis points. My question is corporate you gave some additional information at the Copenhagen presentation after Q4 on the profit initiatives taken under corporate book, material price hikes or material probably needed to staying, how much should we expect this to leads to the underlying combined ratio this year?

And besides that you have the guarantee business, which you some years ago -- it wasn't due but the head of your guarantee business was telling us that they could run this at the sustainable combined way to at around 60%, last year you were in the high 80s is affected in that, they're too normal and watch to see a normal for the guarantee business being after last year where you suffered some larger losses.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

I think, if we start with the guarantee business Per, it's absolutely correct that you could say on a longer-term horizon, we see the combined ratio around the level of 60%. Obviously right now, we have a macroeconomic scenario where we do have an impact also on the guarantee business. Obviously, we're quite happy that we haven't seen more coming through than what we potentially had expected when the COVID-19 broke out.

So I think basically we are obviously monitoring this very closely in terms of defaults amongst the customers we have. The business model is obviously that we have really insurance in place for the majority of the exposure we have. So over time, you should not expect this to be a new level of combined. But obviously right now you have a macroeconomic scenario where you couldn't even expect that it would be around 100s, but that is not the case.

A - Morten Hubbe {BIO 7481116 <GO>}

I guess in the typical run rate, which will also be the future run rate Per of 60% which believe historical data clearly supports that is a major negative component of reinsurance, which basically means that we overpay for reinsurance in most of the normal years, which is included in those years combined ratio of 60%, which then benefits us in the macro -- the more challenged macro periods, which typically allows us to stay below 100%, but fairly higher than the 60% in those years.

So actually the real underlying combined in a typical year is actually substantially below 60%, but then we overpay for reinsurance taking the total to roughly 60%. So nothing changed there. And then of course, we continue with the gradual growth. We see now that the outside Nordics exposure is now up to some 10% and the vast majority of that is Germany. So it is still a very gradual and slow climbing up with international exposure, which is working really well, but in a gradual and slow or planned process.

I think as far as the -- our consumers use and underlying is concerned, I'm not sure, I didn't redo your math, but bear in mind that some of the synergies in Alka is claims and some of the synergies are costs and some of the synergies are revenue. So I'm not sure, if you did the math correct and only truth the component that was claims. So just to make sure, you make that distinction right, when you try to do that calculation.

Q - Per Gronborg {BIO 15910340 <GO>}

Back to the guarantee business, what I actually asked about was whether there were any, if you state that the improvement should be less than 0.8% for the full year the underlying improvement. What does that imply with the guarantee business that will continue at the - - close to 90% level combined ratio also for this year?

A - Morten Hubbe {BIO 7481116 <GO>}

Yes, we are saying that with the sort of elevate with macroeconomic risk, we expect a high -- still continued high full year combined ratio for the guarantee business. That's correct.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. What about corporate business where you have -- are taking significant pricing initiatives now for the third year in a row, what should we expect of underlying improvement for that business?

A - Morten Hubbe {BIO 7481116 <GO>}

We see very clearly a strong improvement to the underlying development in the corporate Norway business. And when you look at the smaller claims percentages alone, you can see that -- but actually still the commercial and corporate or the mid-sized claims and large claims still creates volatility. So when we look at the underlying improvements, it's actually quite strong, but then we have this stochastic elements, which is just completely different to what you see in private lines and in the SME space.

I don't think we've published an expected underlying improvement on corporate, I don't think we're going to do that either, but it's quite sizable. I think what Barbara said was mainly that it is slightly more volatile than typically what we see in the private segments. And I don't think we said that we couldn't deliver 80 basis points for the full year. I think we said that, don't expect this to be a stable new level, because it is not that stable and 0.8 is higher than what we've usually delivered.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

And it's too early to say whether that will be the new normal.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

We're not saying, we'll not get there, but too early to promise that as a stable level there.

Q - Per Gronborg {BIO 15910340 <GO>}

I'm just a bit surprised on the corporate, I guess you have some large claims. But when you look at the underlying trends, you have removed the large claims. Of course, there are probably still more volatility in the corporate business and in the other parts, justified that now we're in the third year with double-digit profitability in new initiatives and you are still not really willing to promise that we as -- that we should see clear improvement contributing to the overall group improvement from the corporate business.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

I think, that's a fair pushback Pierre. And then I think honestly, we're used to most of the underlying improvement coming from the retail segment, where you have a ton of data, you have a lot of predictability and you can see exactly what's going to happen and their corporate is just a completely different animal and really those two customers look like each other but you're right that when we exclude the larger claims, we will see the underlying improvement.

I think you probably just hear us being less bold in an area where data is a lot more tricky than in the retail segment. So, we have zero doubts that the underlying and corporate is improving because we are pushing through a price increases that is very sizable, we are reducing the large claim exposure, et cetera, but at the same time working with underlying as a concept in corporate lines is just data wise a lot more tricky than working with the same concept in retail, of course.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Just an additional fact that it's not all corporate customers that have an annual renewal. Some of the contracts are three years renewal processes, so you can say in that respect it might be that we have some customers that we adjusted for three years ago, but that was not enough so to speak. So it's important to bear in mind that it's not an annual renewal of the full corporate portfolio, but you will see this coming in gradually over time.

Q - Per Gronborg {BIO 15910340 <GO>}

But again, it's the third year in a row that you are taking these initiatives.

A - Morten Hubbe {BIO 7481116 <GO>}

Yes, absolutely.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yes, absolutely. But you can also say that we have become more bold in what we adjust for now that we did in the first year so to speak.

A - Morten Hubbe {BIO 7481116 <GO>}

So no doubt here about the trend, no doubt that it is positive, it will continue to be positive. I guess, we're just saying be cautious on the precision and the predictability that's the only thing we're saying.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yes.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. Thank you.

Operator

Thank you. Our next question comes from the line of John Dillon from Morgan Stanley. Please go ahead. Your line is open.

Q - John Dillon {BIO 4762287 <GO>}

Good morning. Thanks so much for taking my questions. Firstly, just returning to guarantee, what's your latest expectation for how the guarantee business will perform as the financial aid package is removed? I think, you're saying because high-80s call this year, and then maybe returning to the long run kind of 60% level next year or you think you can drag into 2022 as well? And then just kind of how is your exposure in reinsurance coverage for guarantee changed since it is started last year? Thanks.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Okay. Well, thank you very much for that question. I think as a starting point, obviously we see that macroeconomic expectations are turning, so you start seeing significantly more positive growth expectations for the coming years and what we were looking at just three, four months ago. But I think it's very important to bear in mind that corona is not or COVID-19 is not done. It will be a macroeconomic environment that probably will see some swings back and forth until we are all and you can say immune globally.

And that will obviously have an impact on the timing and the length of you can say, the current environment that we're in right now. Obviously, the packages have been a large support during 2020, where we have actually seen best defaults than usual in the customers that we are dealing with. But in general we see things coming back to more normal levels now and obviously, with a growth expectations that is back to prevail. We can be hopeful that, that will be the way that the world develops from here, but just don't know yet.

A - Morten Hubbe {BIO 7481116 <GO>}

And I would say on the insurance, we have a combination of risk-attaching program for the proportional and then risk occurring that it typically the access program. So that's a different period cover combination and the reinsurance. But I think, I would say overall that we've never actually had any challenges placing our guarantee reinsurance. And the simple reason is that over time the reinsurers make a substantial amount of money on our reinsurance programs. And the fact that we buy overly high amounts of reinsurance in all of the good years which allows them to have a very handsome profits means that they are much less aggressive towards us when we see the periods where macro is more challenged. So we're not worried about reinsurance on guarantee, not at all.

Q - John Dillon {BIO 4762287 <GO>}

Thank you. And you obviously had very few travel claims this quarter, what's happened to your travel policy count and premiums in Denmark and Norway?

A - Morten Hubbe {BIO 7481116 <GO>}

What we can say is that, so there's an impact on existing portfolio of travel policies and then there's an impact on new sales of travel policies. New sales of travel policies is down 35%, of course, it's a fairly small product, but still 35% does make a difference. So, we see sort of in Denmark for instance 1 million to 2 million a week less in sales of new travel insurance. We're quite confident that we'll increase again over the coming quarters, but that's where we are now. We see less lapse of the current travel customers and those people keep it, but we do see a lapse that is measurable.

Q - John Dillon {BIO 4762287 <GO>}

Brilliant. Thank you very much.

Operator

Thank you. Our next question comes from the line of (inaudible) from Berenberg. Please go ahead. Your line is open.

Q - Analyst

Hi, there. Two questions from me. You mentioned, an extraordinary dividend potential sale of Denmark further down the line and could the buyback also be in the table given the foundation with the stated their intention to increase the statement from 35% to around 50%? And the second question, are there any comment you can give us regarding the progress on the regulatory (inaudible) in U.K. if everything is going according to plan? Thank you.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yes. We can certainly give you insights on that. Regarding your questions on the dividends as we mentioned extraordinary dividends is one scenario, share buybacks is other scenario. And as you point out that would probably be more helpful with respect to the position of the foundation. So obviously we will come back with more details on that as it becomes relevant. Regarding the progress on the regulatory approvals, I think we are very comfortable with where we are right now. As mentioned, we are in place with the antitrust approvals that are needed. So both in Canada, Denmark, Sweden and Norway, we have got the approvals in place.

And what we are waiting for is, you can see the regulators approvals in a number of countries. Bear in mind, this is a global deal. So we need to have the approvals in place across the global activities of RSA today. In fact we obviously, have the dialogue with the PRA and that is also moving ahead according to plan. So for now, we are very comfortable that we should be able to see a closing within Q2.

A - Morten Hubbe {BIO 7481116 <GO>}

And then I guess the most unusual component of the structure was really antitrust in Denmark and the splitting of Codan, Denmark 50/50. So really pleased that we got that approval in place. We always felt that it should be improved -- approved. But at the same time, we also knew that the structure was a bit unusual so really happy that that's in place.

Q - Analyst

Thank you. Very helpful.

Operator

Thank you. And our last question comes from the line of Daryl Goh from Citigroup. Please go ahead. Your line is open.

Q - Daryl Goh {BIO 4258857 <GO>}

Good morning, everyone. This is Daryl from Citigroup. I hope you are well. Just few questions, please. So the first one is just around the strong growth in private. Just if I hear correctly, what are the new product areas that you've recently expanded in Q and kind of what is the outlook that I think you've referenced in the presentation where you seem to be doing really well in dental insurance any more details around the new product lines would be quite interesting? Thank you.

A - Morten Hubbe {BIO 7481116 <GO>}

Yes. Thank you to you as well. I think really we're seeing a several new areas and let me just give you a couple of examples, we saw for instance that dental insurance, which was new to Tryg has now doubled and Tryg Classic, we're selling up to 2,000 new policies a month now. We actually took that business to Alka, just by the year end and we've sold 15,000 new policies now on dental insurance in three months. So that's really very high.

We also saw that when we go to Norway, it's quite normal that people have health insurance through their workplace. But then bunch of people do not have any health insurance. We've added now a new simpler slimmer version of health insurance to individuals in Norway and that is not covered by their workplace. Then we've created a number of new products with neutral the engineers in Norway, for instance, how they can increase safety in their winter cabins and summer houses and how they can monitor heat and water and things in their houses through that.

And then we created a new travel insurance where we try to take some of the things that people were not covered for in corona and make that more standard in future travel insurances. So if the travel agent goes bankrupt if the plane is delayed, we try to include now vaccines and the new travel products medical hotline when you're out traveling, et cetera. So I think we have a very good pipeline of more products. Sometimes it's just taking existing new products to all of the partner agreements and all of the countries and all the segments and sometimes it's actually adding new products. And our view is that, that is continuing and also that the claims prevention component is continuing.

So we see for instance now, it's been a while since we launched for instance, alarms in Denmark, but is really picking up and volume. So now we see that every third time we sell a constant insurance in Denmark, customers choose an alarm as well. That's the highest it has ever been. We see now that every second time we sell house insurance, people choose a rat blocker, rats are disgusting, but are actually selling it as part of insurance, it's very good. So I think we have a very strong pipeline both brought in what we have and adding new products and we see that continuing as part of growing the top-line and the bottom line more than the market.

Q - Daryl Goh {BIO 4258857 <GO>}

Great. Thank you. And just one last question for you. Just how much visibility do you have on RSA's performance in the first quarter and if any comments that you can share on that please? Thank you.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Yes, sorry, we will have to wait with that till we get the keys. So we can't provide any insight from that at this particular time.

Q - Daryl Goh {BIO 4258857 <GO>}

Okay, no problem. Thank you all.

Operator

Thank you. (Operator Instructions) Okay. So the next question comes from the line of Youdish Chicooree. Please go ahead. Your line is open.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Good morning, everyone. Hope you're all well. I'm good. Just a few questions left. The first question is really on your private segment and the growth you're already seeing at the moment. Can you help us understand how the 8% split between price increases and volume growth? And then secondly, on the corporate, it's more a clarification. I think you grew 4%, but I think in your commentary at the beginning, you mentioned that your guidance is still like a basically a premium contraction, is that correctly understood?

And then finally on the RSA acquisition, I mean, if the transaction closes by the second quarter of this year, and the demerger happens as planned in the first quarter of next year. I mean, during period do you have full operational control of the businesses? And can you start extracting or realizing synergies in that period? Those are my three questions. Thank you.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Well, thank you very much, Youdish. I think, if we look at the corporate contraction that you were asking about I think it's an absolute fair assumption in this particular quarter as mentioned. We have seen a slight growth in particular in Norway. Some of that has also been related to you can say one-off price adjustments and in Denmark as mentioned you saw a negative development of around 4%.

So I think in general you should expect that to see a flat development. We certainly don't pursue a massive growth for us, it's a focus on the profitability. And also if you look at the re-balancing of the overall portfolio of our company, what you have seen in recent years is basically that you saw a corporate and commercial being more or less equal. And now you see the commercial space being around 22% and the corporate space being around 17%, and so you see that in the overall numbers. So I think that's a trend you should expect also to continue going forward.

A - Morten Hubbe {BIO 7481116 <GO>}

When it comes to the growth and the component of price, product and customer growth, it is varying over time, if we take private lines Denmark, it is roughly a sort of 40% price 30%-30% [ph] on customer increase and product increase. I think the biggest volatility has come from private lines Norway where in 2020 there were two competitors that almost went fairly up and a lot of customers searching for a new insurer. So last year, the component of new customers was overly large in private Norway. We actually grew by 24,000 customers in private Norway and then peak our growth was 12%. If you look at the Q1 this year, we're returning to something more normal where the growth in the number of customers in private Norway is 2,200 customers in a quarter which is of course a much more sustainable level some 40% of what was last year. So that is roughly a -- that is the story, there, Youdish, if that makes sense.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Thank you very much. And then on the RSA acquisition, please.

A - Morten Hubbe {BIO 7481116 <GO>}

Yes. You asked about two things essentially, you asked about whether we're going to have operational control over our assets that we will end up within Sweden and Norway and also whether we can start meeting the synergies. And as for the operational control, we will obtain operational control over our perimeter. There are of course going to be limitations to that since we are at closing the Danish, the Swedish and the Norwegian assets are sort of linked in once candy assets so they will be limitation as to how we operate and execute our operational control, but we will have operational control.

And there will also of course the limitation as to what synergies we can start weeping, but our build-up to the DKK900 million starts with having a gradual implementation of synergies already this year and we still expect that to happen. So going back to some of the initial questions we've had around the timeline, one of the benefits of having a timeline that still stands the time -- at a test of time. We gave back at the 2.7 announcement. That means we have time to prudently actually start analyzing and planning for the execution of both the demerger, but also for the synergy harvesting. So we are in good shape here and we still believe to have sufficient operation control and to be able to execute on the synergies.

A - Johan Kirstein Brammer {BIO 18640275 <GO>}

I think the simple version is that we can do most of what we would like to do operationally and synergies wise, but there are things we cannot do. So for instance when we end up data, we cannot access. So for instance when we want to change claims procurement contracts for Sweden and Norway, we need to show that we don't have access to their Danish procurement contracts. And today they are in the same IT systems. So there are sort of work around some needs to be done to prove that we don't access any Danish data.

We can also work with hiring and firing from having the takeover in the summer. But for instance, we cannot work with the labor unions and the labor contracts until after demerger. So I think there's some degree of legal hoops there but the majority of what we want to do, we can do, but there are some legal limitations until the demerger and we know exactly what those are and we need to make sure that, that is abided by that will make our life a little bit more tricky until the demerger, but we can do most of what we want to do and that is all according to how we planned it.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

And I think that's also if you go back to the guidance we gave on the phasing trajectory, we have DKK60 million related to '21, acknowledging that would be this in between a time period where we would not be able to do all the things that we actually want to. But from '22, where we will have the full access, et cetera, et cetera, then it ramps up significant to DKK350 million from the DKK60 million in this year.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Very clear. Thank you very much.

Operator

Thank you. As we have no further questions, I'm handing back for closing remarks.

A - Gianandrea Roberti {BIO 6786731 <GO>}

This is Gianandrea again. I just say thanks a lot to all of you for very good questions. Peter and I, of course, remain around all day and beginning of next week, if you need more. Thanks.

A - Barbara Plucnar Jensen {BIO 17487867 <GO>}

Thank you.