S1 2020 Earnings Call

Company Participants

- Carsten Stolz, Head of Finance, Chief Financial Officer
- Gert De Winter, President of the Corporate Executive Committee of the Bloise Group, Group Chief Executive Officer
- Markus Holtz, Head of Investor Relations
- Matthias Henny, Head of Corporate Division Asset Management

Other Participants

- Fulin Liang
- Jonny Urwin
- Kevin Ryan
- Peter Eliot
- Rene Locher
- Simon Fossmeier
- Thomas Fossard

Presentation

Operator

Ladies and gentlemen, welcome to the Half-Year Results 2020 Analyst Conference Call.

I am Alice, the Chorus Call operator.

I would like to remind you that all participants will be in listen-only mode, and the conference is being recorded. The presentation will be followed by a Q&A session. (Operator Instructions) The conference must not be recorded for publication or broadcast.

At this time, it's my pleasure to hand over to Markus Holtz, Head of Investor Relations. Please go ahead, sir.

Markus Holtz {BIO 20240672 <GO>}

Good morning, and welcome to Bloise Q&A call on our half year results 2020.

In our call today, we have our CEO, Gert Winter; our CFO, Carsten Stolz; and our CIO, Matthias Henny.

So now I'd like to hand over to Gert. He will give you a short overview of our results before we open for Q&A.

Gert De Winter {BIO 19720616 <GO>}

Thank you very much, Markus. And ladies and gentlemen, also a very warm welcome from my side, and very good morning.

It is clear that this half year has shown what insurance is all about, providing protection and security in extraordinary difficult times. Indeed, Bloise have protected and sheltered thousands of customers against great financial damage and losses. And hereby, we have always put the health of our clients, our partners and our employees as the very first priority. I'm also very proud that Bloise could, again, prove to its shareholders to be financially resilient company even in challenging times as demonstrated by our half year results with very solid underlying results.

Despite the lockdowns in all our markets, we have shown a very good strong growth rate in non-life of over 10% in local currencies, thanks to our acquisitions in Belgium, but also due to a strong organic growth of over 4% in local currency across all countries. The high quality of our non-life portfolio is again crystal clear as shown by the excellent net combined ratio of 91%. This combined ratio fully includes the total net COVID-19 claims, which we expect to be CHF63 million. For Germany, we are pleased to present further evidence for the sustainability of our turnaround strategy with a combined ratio of 93%.

Our life business proved to be solid and very resilient. The EBIT improved to CHF131 million, and the interest rate margin remained stable at 107 basis points. In the first six months of the year, the net income was CHF178 million. This is lower compared to half year results 2019, but mainly because of the positive one-off tax effect that we had in half year 2019, which amounted to CHF128 million. The remainder of the delta is linked to the already mentioned COVID-19 claims and the turbulences we saw on the capital markets.

We remain very confident for the remaining months of the year and expect again a robust cash generation. We are fully on track to achieve our strategic targets. And we are looking forward to welcoming you at the Investors Day in October. We are fully ready to present Bloise's next ambitious strategic journey.

That was in short the summary of the first semester of 2020, and I would like to open now for questions.

Questions And Answers

Operator

(Question And Answer)

We will now begin the question-and-session. (Operator Instructions) The first question comes from the line of Jonny Urwin with UBS. Please go ahead.

Q - Jonny Urwin {BIO 17445508 <GO>}

Good morning. Hope everybody is well. Thanks for taking my questions. Two for me, please. So firstly, on the CHF200 million, gross claims for COVID-19. That's quite a big number relative to the size of your book albeit the reinsurance program is clearly being effective in managing the net loss. I wondered if you could just give us a breakdown that CHF200 million gross claims? And perhaps, what's the level of IBNR in that estimate? And was there any pushback from the reinsurers?

And then secondly, just on the P&C underlying loss ratio. I think the improvement was 30 basis points year-over-year. I wondered if you could please give us a feel for the underlying loss ratio development, where we should adjust for the COVID-19 driven frequency benefit as well, which I suspect that's what's clearly benefiting Luxembourg in particular. Thank you.

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

Thank you. Let me pick up a part of the questions. So if we look at the CHF200 million gross claims, the majority of it is actually due to the closing of the gastronomic sector in Switzerland and partially also in Germany. So, that's the biggest, I would say, part of the close to CHF200 million gross claims is the closing of this branch, forced closing by the governments of this gastronomic branch.

If you look at the reinsurance, indeed, we have activite reinsurance and that was covered, and that's why actually the net result amounts to CHF63 million approximately. What is also clear is that we have actually booked all the claims of COVID-19 on the first half-year in the half year results, so that's included.

On the other part of the questions, I'll hand over to Carsten.

A - Carsten Stolz {BIO 6055047 <GO>}

Yeah. Thank you, Gert. So with regard to what we have accounted for in the first half, we have accounted the full expected gross claims coming from COVID-19, and that includes also the best estimate on IBNRs.

With regards to the underlying combined ratio and your question of positive contributions from lower frequencies, well, they are included in the underlying loss ratio as calculated. It will remain to be seen what it means for the full year because we have seen lower frequencies especially in Belgium, Germany, but we also see now rebound of frequencies because people avoid public transportation, which especially in motor reports lead to a rebound in frequency or normalization if you want. So they are reflected in the underlying loss ratio in the first half of the year. Pretty difficult to spell it out that's why we haven't given it a price tag that they are included.

Q - Jonny Urwin {BIO 17445508 <GO>}

Thank you. And just going back to the IBNR point. I mean what -- where are we at the moment? Is it roughly 50-50 paid claims to IBNR? Or is it a different ratio? And then on the reinsurance, what was that kind of clear-cut coverage? Or were there any more difficult conversations with the reinsurer?

A - Carsten Stolz {BIO 6055047 <GO>}

Yes. Okay. So, if you want to have a rough split, but don't quote me on the numbers, but the rough split is probably 50-50. So, we have already paid quite an amount, as Gert said in the introduction, because time was also of the essence, because for the affected companies in the real economy these things turn out pretty quickly into a liquidity crisis. And there, we wanted to play our role as well. So, that means that we have paid out already quite a bit of these claims.

The second thing is that it's short tail -- business interruption is a short tail line of business, so we can also pay out. So, if you want to have a rough split, we have 50-50 through on the basis of what we know so far. Just to remind you, we are still in Wave 1 of corona. So, we are in a loosened lockdown situation.

Now to your point, with regard to reinsurance, in general, there is congruence between primary insurance terms and conditions and the reinsurance, because that needs to be congruent. Otherwise, we have coverage gaps. And that was the case in our case. So that also explains why we have this effect coming from the CHF 200 million, down to the CHF 63 million. And obviously, the discussions with the reinsurers go on, which is to be expected. We are in an intense dialogue with them. But the situation from our perspective looks like it is and as we already have communicated earlier this year. So that hasn't changed.

Q - Jonny Urwin {BIO 17445508 <GO>}

Thanks guys.

Operator

The next question comes from Peter Eliot with Kepler Cheuvreux. Please go ahead.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much. So, I guess the first question the difficult pressure, but obvious topic of what visibility you can share with us on what you expect in terms of the H2 for life. I mean, just whether you can sort of share any thoughts on what risks there might be of reserve strengthening or what the risks to that are to your level of confidence, that would be great. That's the first question.

The second question, I was wondering if you could talk a bit more about the organic non-life growth you're seeing. Because, I mean, there are some quite impressive numbers. I mean the 9.8% growth in Belgium on organic basis seems very impressive. So I was just wondering if you could share any extra sort of details there. And I'd be keen to understand exactly how that translates at a group level as well. I think you mentioned 4% in your intro there. I mean I discussed with IR, but you quoted 7.3% for the group, which I was struggling to reconcile a little bit given that Switzerland was sort of 1.4%. But yeah, I mean any words around the organic growth you're seeing and where and how you're seeing it would be great.

And then allow a third question. Unless your AAA exposure has fallen a little bit from 38% to 34% across H, was wondering if you could just say what's happened there and also how exposed you might be to any ratings migration. I don't know if you've done any sensitivities on your SST that you can share with us. That would be great.

Great. Thank you very much.

A - Carsten Stolz {BIO 6055047 <GO>}

So. Thank you, for your questions, Peter. I would like to take the point on reserving in life. First of all, we've been very pleased that the life segment has proven its resilience in the marketing situations that we have been in the first half. The reserving need have been smaller than in the previous year, which means -- which contributed also to the life segment results as we reported it.

Obviously, there are reserving mechanisms that still lead to further reserve strengthenings. For example, the -- since -- reserving mechanism in Germany. But we had less need to reserve in the first half of this year. And that overall contributed to the strong EBIT in life. So life has proven very resilient in these market conditions and has contributed to the EBIT performance of the whole group in the first half.

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

Let me pick up the question about the non-life organic growth. What we have seen and this is clearly our target segment, is that we are very pleased with the growth in non-life. Of course, there are the two acquisitions in Belgium, which have played a role, but also from an organic point of view with all the markets have proven quite a strong growth in non-life. I think indeed you're referring to the 7%. And I think there was a typo unfortunately, it's close to 4%. And if you look at the different markets in Switzerland, it's 1.4%, as you mentioned; Germany is 2.3% local currency plus 2.3%; Luxembourg 5.2%.

I think in all the markets you see very good relationships with the progress we work with. So very strong position there. You see also the own agents performing very well. We have the top three product strategy in Germany. So all of that contributes to a very strong, as said, inorganic growth with Fidea and Athora in Belgium with a non-life position, top 40 now, in Belgium. But of course, all the other markets also very strong organic growth in our target segments in local currency.

(Multiple Speakers)

Q - Peter Eliot {BIO 7556214 <GO>}

Sorry, can I follow up very quickly? Just I mean, are you -- I mean I guess as you mentioned, Belgium in particular was strong and you mentioned the broker relationships. But I mean, is that something that we might expect to continue I mean obviously, the M&A has kind of affected that master numbers a little bit, but are you able to comment on the outlook at all?

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

What we have seen over the last couple of years is a couple of trends. Belgium and Luxembourg in non-life have always grown clearly over the market average growth. So that's really a tendency. If you talk particularly for Belgium with the acquisition of primarily Athora, we have a very strong or we have acquired a very strong position in the south of Belgium. And you need to be top three place for the brokers in order to be -- really relevant. So I think there is upside in there. And in Germany, also, we have proven a shift away from the industrial business into retail and SME business with a very strong growth. So, in order to compensate, let me say, a 5% part on a industrial coverage, you need a lot of private clients and SME clients, and we've grown very strongly. And if you see also in Switzerland, we are actually over 1% growth, which is also very strong in a very stable and separated market. So overall, I think the trend in terms of non-life growth looks very good.

Q - Peter Eliot {BIO 7556214 <GO>}

That's great. Thank you.

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

And I'll take the third question regarding the AAA growth of the fixed-income portfolio. We've always had a very conservative fixed income portfolio and still do have a conservative portfolio. As part of our strategy to have more emphasis on asset classes with high and stable current income we have decided to move more to corporate bonds. And actually we took the opportunity in late March, early April to invest CHF1.5 billion of bonds into corporate bonds and capture very high credit spreads. So that was the reason why AAA decreased by 4 percentage points and A and BBB increased correspondingly.

Q - Peter Eliot {BIO 7556214 <GO>}

It's great. Thank you very much.

Operator

The next question comes from the line of Kevin Ryan with Bloomberg. Please go ahead.

Q - Kevin Ryan {BIO 1814771 <GO>}

Hi, it's Kevin Ryan from Bloomberg Intelligence. Thank you for taking my questions. I just have two. First one is you are still very focused on hitting your 2021 targets, which I thought was very bullish given the current outlook. And I was just wondering if you could offer any more insight into how you're going to increase customer numbers customer numbers and also the cash for remittance to the center.

And the second question is sort of related, and that is given the COVID-19 payout, is there any thought on your side to alter policy coverage to not cover pandemics going forward? Thank you.

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

We are very, very confident that we actually will reach the three targets, strategic targets we have set by the end of 2021. Specifically, if we focus on the cash part and the customer part, by the end of 2019 we had won over half a million net new customers. So given the target end of 2021 to achieve the 1 million, we're well on track. We have seen despite the lookdowns, again, an increase of over 100,000 customers in the first half year. So, we are very well on track there; so, no issue. This is net new customers and also excluding inorganic growth. So this is really new customers.

On the cash side, we remain very, very confident that we will be able to achieve the CHF 2 million -- the CHF 2 billion, sorry, cash remittance that we have stated by the end of next year. We're well on our way. And we also expect a solid cash generation in 2020. Okay, earnings have been affected in the first half, but cash generation is based on operational strength of our underlying core business. So that's one point.

Coming back on the policy coverage, what we have done in the first semester is although the discussion, of course, on epidemic and the pandemic coverage for the clients, who had an epidemic coverage, we have paid -- we have played a role as a responsible insurer, and we have actually paid them in order to cover them for a big financial losses; that's one. Secondly, in the meantime, we have actually, because an epidemic coverage is only meant to cover local epidemic coverage and not the pandemic, not a pandamic, because a pandamic is -- goes against the solidarity principle of an insurance business in which a lot of people pay for the few who have damage in a pandemic, everybody is hit at the same moment very harshly, and the same time, everywhere. So, that's why we have actually formulated the coverages in a clearer way in order to exclude the pandemic going forward.

Q - Kevin Ryan {BIO 1814771 <GO>}

Thank you.

Operator

The next question comes from the line of Fulin Liang from Morgan Stanley. Please go ahead.

Q - Fulin Liang {BIO 21126177 <GO>}

Hello. Can you hear me?

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

Yes.

Q - Fulin Liang {BIO 21126177 <GO>}

Hi. Thank you. I have just a question on the -- can you give us an update of your latest SST-ratio estimates? So, that's the first question. And then secondly, if I look at your life results, I think despite your -- so, you have slight decrease in the cost results, saving results, stuff like that, but then you have a larger reduction in the policyholder participation. So, I wonder why that policyholders participation is actually the reduction there is actually larger than the reduction in the other components of the life results. Is this because you have more discretion in -- besides how much you share with the policyholder? So, that's the second question.

And the last question is, I know that you disclosed your non-life. So you mentioned that the -- a lot of the growth claim from COVID-19 is from the short-term business. But just wonder that actually do you may -- do you think you actually make enough reserves in your long-tail business for the future, potential future actually elevated claim as well. Thank you.

A - Carsten Stolz {BIO 6055047 <GO>}

Yeah. Thank you very much for the -- for your questions. I would start with your first question on the SST view with regards to our balance sheet. So we currently estimate that we are still in a bandwidth around 180%, maybe a little bit lower than that. We do full calculations of the SST once a year. And SST for us is not an instrument with regard to managing our balance sheet. We have a very strong and solid balance sheet and continue to do so.

What has moved SST or impacted SST where that we have seen the market recoveries since March. We have partially used some market opportunities in asset management with regard to investing, for example, into corporate bonds, and the volatility is reflected in the models as well. But we do think that we are currently still in this area and even if we would have a combined market shock of 100 basis points downwards from interest rates and minus 50% on shares, we were still in the blue zone of 140%. So that all is around SST. SST is not a boundary condition with regards to the way we manage especially not with regards to generating and remitting cash. And in that sense, we are fully on track to achieve the 2021 simply safe goal.

Now the second question with regard to the life result. That has been mainly due to lower policyholder participation, which has its reference point on local GAAP. And they are -- the splitting of the savings result with the policy holder has been much less than the half year before, which explains the reduction of the policyholder participation as you rightfully mentioned.

And then on the third question, if I got it right you asked that COVID-19, what are the impacts on long-tail business? And does that affect long-tail business reserving? The reserving is according to unchanged reserving policies and everything that affects reserving including IBNR of COVID is reflected in the half-year results 2020. That's the best estimate as we speak.

Q - Fulin Liang {BIO 21126177 <GO>}

Okay. Thank you. That's great.

Operator

The next question comes from Simon Fossmeier from Vontobel. Please go ahead.

Q - Simon Fossmeier

Good morning. I hope everyone's healthy. Just two quick questions. The first is on investments. Could you tell us what kind of hedges you have in place, if any, just to help us frame our thinking on investment income for the second half of the year? And then maybe a more strategic question. Once this crisis is over if it ever will be, what do you think will be the potential structural changes of the insurance industry other than the acceleration of the digitalization? Do you see any fundamental changes for the industry? Thank you.

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

Okay, I'll start with the first question regarding the hedges that we have in place. We have -- for many years, we've always had a put option strategy where we hedge the equity exposure with put options, which are 80% to 20% out of the money with duration of roughly one year. And we also put this in place late 2019 for the current year. And you see the effects in the investment result overview, where part of the impact of the correction of the equity market have been offset through the effects of the put options.

Let me try to look into the glass ball and into the future to some extent, which is always difficult to predict of course. I think what you certainly see and you mentioned it already is a clear acceleration of the whole digitalization. That's clear. That will also be in the sales part. We have also during the lockdowns used a lot of digital means to communicate and advise our clients. So that's certainly an acceleration.

On the own operations of course, we will never go back to a situation, which was there in terms of working. In February, it will be a very balanced hybrid model between working physically together, which is required in order to maintain the contact and the social contacts with the colleagues and to maintain the strong culture of Bloise. However, it will be a mix of mobile home, digital and physical, that's the second point.

If you look at the trends that will probably also accelerate, we see actually two insurance models popping up. One is based on, let's call it the more standard solutions, where you see clearly acceleration even further into digital solutions. On the other hand, you see the business model, where for complex solutions or for things that are very important in life, in light of a family or in light of company, be it liability be helped, be buying home and so forth. The personal contact is absolutely required. We will not outsource that to robotics. So it's a combination of standard needs, which will be more digital, and more complex and important needs, which will be human, so digital and human combined in the most optimal way.

Another thing that we see is that insurers will be more and more part of a solution, a solution for mobility, a solution for home, a solution for health, for financial services and so forth. And that's why we absolutely invest heavily and importantly in ecosystems like home and mobility, because the solutions -- the insurance solutions will be part of a broader solution that covers the needs of our clients' private and companies. So, this is a bit of trends we see. And yes, overall, clearly, an acceleration of the structural changes not only in the insurance industry, but in the industry. And we will be very pleased to tell more about it at our Investor Day end of October.

Q - Simon Fossmeier

Yeah. That's great. Thank you.

Operator

The next question comes from Thomas Fossard from HSBC. Please go ahead.

Q - Thomas Fossard {BIO 1941215 <GO>}

Yes. Good morning, everyone. Three questions on my side. First one would be related to Germany. So it's now a couple of semester where you're producing pretty strong combined and you successfully repositioned the book. So, just was wondering what the next happening to the story of the German business now. Should we expect you now to a bit less focused on profitability and push a bit more on the volume side? And what should we expect on that front? Bearing in mind that you still have this combined ratio guidance of 96%, 98%.

The second question would be related to the impairments. So, in H1, you had a -- some impairments on equities both in non-life and life, little on -- so far on the fixed income portfolio. Could you shed some light on how this may shape up for second half of the year? And if -- especially on the equity side due to the market rebound, impairments are more or less 100% behind us or there will be still some duration mechanism, which may still trigger some additional impairments? And what's your view regarding the quality of the book and potentially seeing, I would say, more impairments on your fixed income securities coming in, in H2?

And also on the life business, actually less need for reserve strengthening in H1. Nevertheless, your intent to put it ensures that there are reserves to be taken in H2. So in a nutshell, if we were to stay at the current interest rate level by the end of the year, would your savings investment margin remain broadly comparable to H1? Or is there a specific movement to expect in H2? Thank you.

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

Well, let me first jump in with Germany. Actually, if you look at Germany, we define the strategy moving forward in 2016 and we are implementing it in a disciplined way. If you look at the life book, we are only actually selling capital-light products, be it biometric products or funds, so unit-linked related product. So the new business is almost 100% modern life products and a new business margin.

If you look at the non-life part, which you mentioned explicitly, indeed we have moved away from the industrial risks where we only have small parts of bigger insurance contracts into the more profitable private and SME business. And you've seen us growing despite the strong re-underwriting of the book of business. In the industry business, we have been able to grow in Germany. We have, as you said, also proven this track record over the last couple of semesters. We still stick to our guidance of 96%,98%. We need some additional proof, but we will certainly revisit the guidance of the combined ratio if we -- going forward.

What is, of course, to be expected from Germany after the turnaround, which is in a very good on track, is that Germany will contribute more from an earnings, from a cash point of view. So, not only from a growth point of view, but also from an earnings and a cash point of view.

A - Matthias Henny {BIO 17600048 <GO>}

Gert, then I'll comment on the impairments. So, the impairments on the equity side, of course, this highly depends on the first development of the capital markets in the second-half. As you rightly pointed out, equity markets have further recovered since half-year. And if there is no specific volatility, we would not expect any special effects on this side.

Coming to the fixed-income impairment, the CHF17 million that we have shown in the first-half come from senior secured loans where we had to take some impairments, given the credit quality of the portfolio. Just to put this into perspective, the CHF17 million reflects roughly 1% of our senior secured loan portfolio. And we don't expect any further development there given that the markets are stable for the coming future.

Regarding the remaining bond portfolio as I've mentioned before, we have a very conservative portfolio with a high credit quality, and we don't experience any default or any bonds, which could have such a scenario in the near future. Therefore also, no impairments have been made there and if the situation stays stable, there is also no further impairment to be expected on this front.

A - Carsten Stolz {BIO 6055047 <GO>}

So, I'm happy to answer the third question with regard to the reserving situation in life and where we stand and where it could go for year-end. For each and every market, where we are active, there are different reserving methodologies, but the important thing for us is looking at it from an asset and liability management standpoint. That's why we look quite a lot at how the interest rate margin is developing. And in that context, we have done continuously reserve strengthenings on the right hand side of the balance sheet in connection with what's happening on the left hand side meaning on the asset side.

So when we come to year end, we will have to look at the then prevailing interest rate situation and take decisions with regard to reserve strengthening. But it's obviously true that when things stay stable, then these -- the need for further reserve strengthening goes down as well. But what's important for us is the resilience of the interest rate margin in the end. And that's why we actively and continuously have done reserve strengthenings in the past in order to get average guarantees down.

Q - Thomas Fossard {BIO 1941215 <GO>}

Thank you.

Operator

The next question comes from the line of Rene Locher with MainFirst. Please go ahead.

Q - Rene Locher {BIO 1921075 <GO>}

Yes. Good morning. Can you hear me?

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

Yes, Rene.

Q - Rene Locher {BIO 1921075 <GO>}

Yes. Hi. Good morning, all. And so just a few follow-up questions. So the first one is on Slide 13 to the business mix. And then it might be perhaps a little bit a naive question, but I just checked, in Switzerland new car registration decreased by 31% in H1 '20 and well, given that you have your non-life portfolio is 30%, 33% more, do you know, I'm a bit surprised to see that Switzerland non-life grew by 1.4%. So, just wondering. And then in this context, a quick word on FRIDAY. I mean on one side, we have digitalization in Berlin-based company. On the other side, it might also be that Germany, you see less new car registration. So that's the first question.

On Page 15, I was just wondering the expense ratio in the non-life combined ratio is down by 80 bps. Is this a one off or this sustainable level? Then on Slide 17, I mean there was a bit kind of negative surprise to see the P&L account, the losses on equities in the non-life business. So could you just remind us on your impairment rules you're following? And am I right in my assumption that this is a non-cash item?

And then last one is on Page 21, again, the split of the life EBIT. I was just looking at life, I find the CHF2 million cost result. It's a little bit above average when I'm looking back the last four, five years. So I'm wondering if there is a one off in there. Thank you.

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

Let me start answering the different questions and colleagues just jump in if I'm missing out on something.

On the first question, the business mix, it is, of course, true that in the first half year, we have seen an important reduction of the new cars being actually registered. However, what you also see in the last couple of weeks that this market has picked up again strongly. So, we need to see how it looks for the whole year. That is one.

Secondly, and you mentioned Switzerland and the car business in Switzerland. The car business in Switzerland or the overall premium volume has come down. That is clear, I think by approximately 0.5% or so. We have come down by almost half of it. So, we have actually resisted better, I would say in this declining business -- car business aspect. Again, I think it's -- we need to be careful not to draw conclusions after the first half year and really look into the whole year there.

Secondly, maybe on Friday, yes, given the fact that there have been less cars or new cars registered Friday has also grown less. We have adjusted the burn rate, so we brought the cost down in relationship with the new business. But FRIDAY has continued to grow. The premium actually at half year was around CHF17 million, which has doubled compared to 2019. And again, there we see a pickup over the last couple of weeks. Also in working very closely together, as of April, we checked 24, which is course, is almost half of the volume of Friday. So Friday is well on its way and has won 50,000 clients in 2019. And we adjusted costs, as we said, given the fact that during a couple of months, the new inscriptions or subscriptions for cars were lower.

On the cost side, if you could just Slide 19, just do quickly the questions, then I can -- for the Slide 17 or 16.

Q - Rene Locher {BIO 1921075 <GO>}

It was in the non-life combined ratio this year, 80 bps improvement. So I was wondering, is this kind of a new round rate? Or is there a one-off in there?

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

Well, this is certainly -- well, COVID-19 has had a lot of negative impact. What is certainly also the case, if you look at travel and other expenses, they have clearly come down. And we expect them to remain at a lower level than they were before. That is the case. The one-off in Germany is actually the investment we're doing in Guidewire. So, that's actually preparing for the future and preparing for the digital age. But overall, if you look at Switzerland, Belgium, Luxembourg, the costs have come down, and we of course intend to maintain them at this lower level going forward.

A - Carsten Stolz {BIO 6055047 <GO>}

I can take the, Rene, the point on the costs with regards to life and then I would hand over to Matthias Henny with regard to your question on impairment and its impact.

So when we look at the life and the sources of profit analysis that you referred to, there is -- are integrated in it now for the full -- half-year 2020, which was not the case in 2019. And we had a bit over higher overhead costs, not the least stemming from projects and integration efforts, which explains the development in the cost result on life.

Q - Rene Locher {BIO 1921075 <GO>}

Okay.

A - Carsten Stolz {BIO 6055047 <GO>}

And with regards to impairments and your reference to Slide 17, I would hand over back to Matthias.

A - Matthias Henny {BIO 17600048 <GO>}

Yes. So impairment rules are unchanged. So, for equities, bond investments, and this also includes a private equities, we have taken impairment if the market value is below book value for more than 12 months or if the market value is more than 20% below the book value. For fixed income, we only need to take an impairment if we expect to have kind of a credit event. And just to put this into context the numbers on Page 17, roughly 70% of our equity exposure is European equities in order to diversify the overall investment portfolio. And only 30% roughly is Swiss equities and European equities have lost in the first-half year more than 10%. So that's just to put it into perspective.

Q - Rene Locher {BIO 1921075 <GO>}

All right. Fine and thanks. And right, this is a non-cash item, that's why you're still quite positive on your cash remittance?

A - Matthias Henny {BIO 17600048 <GO>}

Yes, yes.

Q - Rene Locher {BIO 1921075 <GO>}

Okay. Fine. Thank you very much.

Operator

(Operator Instructions) The next question is a follow-up from Mr.Peter Elliot with Kepler Cheuvreux. Please go ahead.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much for letting me come back. The first one, actually, was just maybe a follow up to Rene's question, just now on the life cost. I'm just -- can you just remind us sort of what is might still be to come on sort of integration or project costs? So just should we -- can we expect that to back to a normal run rate from H2? Great.

And then two further ones of my own. The other segment, I mean, if we look at your final slide, the EBIT metric, the other segment, was a bit lower than normal. I was wondering if you could just explain what was happening, what dragged that down.

And then finally, back to the -- to your investment portfolio, I mean your allocation to investment profitability has increased slightly across H1. I was just wondering if you could give us sort of an update on your views of that asset class whether we should still be expecting you to invest further. Yeah. That'd be great. Thank you.

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

Yeah. So, happy to take the first questions with regard to the life cost result. As said, there is the integration in Belgium going on of the Fidea book. That is in the midst of being integrated. And therefore since we are in a the ramp up phase of these synergies that should revert to a normal run rate. With regards to the other segment, it is largely related to the positive one off effect that we had in H1 2019 stemming from the sale of UK runoff portfolio. So, the effect is more explained by looking at last year rather than this year.

And the third question, could you please repeat the third question or I give over to Matthias?

A - Matthias Henny {BIO 17600048 <GO>}

Yes, please specify which asset class you meant.

Q - Peter Eliot {BIO 7556214 <GO>}

Sorry, investment property.

A - Matthias Henny {BIO 17600048 <GO>}

Okay. Okay. So investing property or real estate we still consider it a very interesting asset class for an insurance company because it provides a stable and high current income that we need to finance especially the liabilities in the life book. We have added roughly CHF200 million of investment properties. We are very aware that prices have risen over the last few years. So we are very specific when we look at real estate investments. And the CHF200 million mainly relates to real estate developments.

As a general remark about investment properties, we don't see any negative impact on -- coming from COVID. I think the long-term impact on the office-space still needs to be seen. But given the low interest rate environment, we still see a high demand for investment property. And given that we have a very conservative investment portfolio with roughly two-thirds in the residential area, we are pretty confident that this asset class is providing the right current income for our overall investment portfolio.

Q - Peter Eliot {BIO 7556214 <GO>}

Great. Thank you very much. If I could just maybe follow up very quickly on the -- my second question on the other, I mean, I can follow up with investor relations afterwards, but if I look back over the last four years, I think it's always been minus 20 or less negative than that. So it seems that this year is bit more negative than it has been the old run rate. Again, if you don't have any sort of immediate comments, then I'll follow up with IR aferwards, but yes.

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

I think the best way would be to follow up directly with -- through investor relations.

A - Markus Holtz {BIO 20240672 <GO>}

We will take it up, Peter.

Q - Peter Eliot {BIO 7556214 <GO>}

Of course. Thank you very much.

Operator

(Operator Instructions). Gentlemen, there are no more questions at this time. Back to you for any closing remarks.

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

Well, Thank you very much to all of you for the questions. Just want to say that we have shown resilience in extra challenging times, that we're very confident about cash generation 2020 and the simply safe goals in 2021 and we're looking forward to welcoming you at Investors Day, where we will actually give more guidance and precision on our next ambitious strategic step forward. Thank you very much and have a nice day.

Operator

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