Q4 2016 Earnings Call

Company Participants

- Andy Watson, Chief Executive Officer - United Kingdom
- Antonio Cano, Chief Operating Officer & Executive Director
- Bart Karel De Smet, Chief Executive Officer & Executive Director
- Christophe Boizard, Chief Financial Officer & Executive Director
- Filip André Lodewijk Coremans, Executive Director & Chief Risk Officer
- Frank Vandenborre, Group Head-Investor Relations & Corporate Performance Management

Other Participants

- Albert Ploegh, Analyst
- Arjan van Veen, Analyst
- Ashik Musaddi, Analyst
- Bart Horsten, Analyst
- Bart Jooris, Analyst
- Benoît Pétrarque, Analyst
- Farquhar C. Murray, Analyst
- Kamran Hossain, Analyst
- Matthias de Wit, Analyst
- Nadine van der Meulen, Analyst
- Steven Haywood, Analyst
- William Hawkins, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, welcome to the Ageas Conference Call for the Full Year Results 2016. I am pleased to present Mr. Bart De Smet, Chief Executive Officer; and Christophe Boizard, Chief Financial Officer.

For the first part of this call, let me remind you that all participants will remain on listen-only mode, and afterwards, there will be a question-and-answer session. Please also note that this conference is being recorded.

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

Bart Karel De Smet {BIO 16272635 <GO>}

Good morning, ladies and gentlemen, and thank you all for dialing into this conference call and for being with us for the presentation of the full-year results 2016 of Ageas. As usual, I'm joined in the room by my colleagues of the executive committee, Christophe Boizard, our CFO; Filip Coremans, CRO; Antonio Cano, our COO; and also Andy Watson, the CEO of our UK operations is in the room.

Ladies and gentlemen, 2016 has been an eventual year for Ageas in many respects. I was very pleased earlier this year. We could announce the settlement of the long outstanding legal claims. This is probably the most important event for Ageas since 2009 and I can only hope that later this year, we will obtain approval from the Amsterdam Court so that we can move forward and execute settlement.

2016 was also an eventual year with respect to our Insurance activities. First and foremost, because of the implementation of the long awaited and prepared Solvency II framework. All-in-all, this runs pretty smoothly but we, like most of our peers, have been confronted in the course of the year with the inherent volatility, and both, you and we, must get used to this. In addition, there was the closing of the sale of Hong Kong and the acquisition in Portugal. And we started sales in the Philippines and Vietnam.

The last quarter of 2016 was unfortunately marked by disappointing results in the UK, as the gap (02:07) with the analyst consensus was too material with the size that's in line with the Belgian market (02:14) regulation to make a preliminary announcement on the main items explaining the deviation.

Ladies and gentlemen, allow me to briefly comment on this. Of course, we are all aware that UK is a very dynamic market. In this respect, we have already decided early this year to review our local organization structure. The restructuring in Glasgow, already announced in November last year, was part of that process. We were required to complete a mandatory 45 days consultation period which ended mid-January.

By the end of the year, it also became clear that the so-called Ogden discount rate might be reviewed by the Lord Chancellor. It was unclear whether the decision would be taken end of January, but as soon as it became clear that the decision was postponed, we decided not to wait and to already strengthen our reserves based on the discount rate of 1%. In addition, we recorded unexpected losses on a specific underwriting scheme in our Special Risks activity, which forced us to take an additional charge. We decided to strengthen our reserves in the context of additional potential losses related to this contract and based on our best estimate.

In Asia, we were faced with a lower net result in the fourth quarter. However, in this instance, this was purely related to the evolution of the financial markets and to our stringent IFRS impairment rules. But despite this fourth quarter evolution, 2016 remains a solid year in terms of performance, the Fortis settlement and the closing of the sale of Hong Kong activities.

With respect to the operational performance, I want to highlight the excellent results in Belgium, Continental Europe and in Asia that also give us confidence for the years to come. And as such, the board proposes a gross cash dividend of €2.1 per share, made up of a regular component of €1.7, up from €1.65 last year, and another €0.4 related to the capital gain on the Hong Kong divestment. So, ladies and gentlemen, the most important elements of the 2016 results were already in the markets since last week. And so, the press release of this morning did not include a lot of new news.

That said, we presume you have questions for us. And before taking those, I would ask Christophe to briefly cover the other key items of the annual results. Christophe, please.

Christophe Boizard {BIO 15390084 <GO>}

Thank you, Bart, and good morning, ladies and gentlemen. I will, indeed, for the sake of time, just focus on the major items. Let me start with slide 3, highlighting the key figures.

The Insurance net profit of 2016 amounted to €821 million. This amount includes a net positive impact compared to 2015, related to the sale of Hong Kong of €158 million, which is the sum of the allocated part of the capital gain realized, €199 million, minus the lower net result contribution of €41 million compared to 2015. On the other hand, you had €137 million of exceptional negative items we disclosed last week.

The Group net profit amounted to €127 million and is, of course, marked by the provision taken in relation to the Fortis Settlement agreement totaling €894 million. Our Insurance Solvency II ratio amounted to 182%, and our Group Solvency II ratio amounted to 195%.

The decline of the Group ratio compared to end (06:33) 2015 is largely explained by the impact of the settlement in the first half of the year. The decline compared to the previous quarter purely relates to an adjustment of the value of the put option on Ageas Insurance. Our total liquid assets amounted in 2016 to €1.9 billion, but of which €0.8 billion is ring-fenced for the Fortis settlement.

Moving further to slide 4 allows me to provide you some more granular comments regarding the Insurance result at the Ageas level. The net result can be broken down in a net Life result of €704 million and €118 million for Non-Life.

As already mentioned, the Life results includes exceptional contribution related to Hong Kong, while non-recurring charges hitting the Non-Life results amounted to €176 million. This includes the already announced one-off charge of €107 million related to the UK's fourth quarter result, of which €55 million relates to the anticipated review of the Ogden discount rate, €27 million to the announced restructuring of the Glasgow site, and €25 million related to reserve strengthening on the Special Risks scheme. In the first half, we also had negative impact of the terrorist events in Belgium and adverse weather both in Belgium and in the UK for a total amount of €60 million. Lastly, we should also refer to the integration cost of €9 million related to Ageas Seguros in Portugal.

All these elements hide (08:52) the progress made in the operating performance of both our Life and Non-Life businesses. Let me explain. In Life, we see, in fact, strong results in our three segments while realized net capital gain in Asia were more than €100 million lower compared to 2015. This illustrate again the importance of moving to the more profitable regular premium business, which also leads to a growing percentage of renewal business in the total inflow figures. This will automatically result in better, more consistent positive results going forward.

In Continental Europe, we saw a nice recovery in Portugal of our existing Ocidental activity and a solid contribution to the results of the acquired Ageas Seguros Life business. The operating Life margin as a result improved over 2016 (10:03) to 93 bps. In Non-Life, I'd like to mention the combined ratio in Belgium, which amounted to 93.8% when excluding the impact of the Brussels terrorist attack. This is the result of a disciplined approach over the past years.

With respect to the dividend, I would like to draw your attention on slide 7 on which you can find the upstreamed amounts from the operating companies in 2016. Note that in the second half, almost €100 million was upstreamed coming from Belgium and from the UK.

Now, commenting very briefly about the business segment, excluding the UK, which has already been discussed in detail, and I will start with Belgium. I am on slide 8. So, in Belgium, the fourth quarter results came down year-on-year by €37 million to €82 million, which is solely related to a lower amount of realized capital gain in the Life activity. The Non-Life performance even improved compared to the previous quarters to an impressive 92.8% combined ratio. Full year, the result is in line with 2015.

In Continental Europe, slide 10, the full year net result increased by almost 30% to €90 million, benefiting from an excellent fourth quarter of €30 million, and despite €9 million integration cost in Portugal. Both Life and Non-Life did very well. In Life, the net result is marked by a very strong contribution of Portugal, both from the acquired Ageas Seguros Life activities, but also from the Ocidental, our longstanding Life partnership with Millenniumbcp. In Non-Life, our net result improved to €41 million, despite the aforementioned integration cost in Portugal, and this, thanks to strong results in Italy and Turkey in particular.

Lastly, Asia, on slide 11. A net profit of €394 million for the full year, with a weak fourth quarter net result of €17 million. In our preliminary announcement, we already referred to the high-level of equity impairments in China compared to substantial capital gains last year in the fourth quarter. Excluding the previously mentioned net contribution related to Hong Kong of €158 million, the net result year-on-year appears to come down at first sight. However, one should not forget, as already mentioned, that we benefited in 2015 for more than €100 million higher net realized capital gains. Excluding this, the net result made a strong progress and benefited from strong results in China and Thailand. Very encouraging and worthwhile highlighting as well is the doubling of the net profit of the Non-Life activities.

To complete the segment review, our internal reinsurance company, Intreas. Intreas realized a net profit of €3 million in a soft reinsurance market.

With respect to the General Account on slide 13 in the pack, I will limit my comment to highlighting the exceptional staff cost in the third (14:27) and fourth quarters related to variable remuneration plan. This does not impact the recurring base of our corporate cost going forward. The net result in the fourth quarter was €8 million negative.

On the Solvency II ratio, slide 15, you already knew that the insurance ratio has remained stable compared to end of September at 182%. At group level, the ratio came down to 195% and this as a result of the higher valuation (15:11) of the put option on the 25% stake in AG Insurance.

Ladies and gentlemen, I'd like to end my comments here and to hand back to Frank.

Frank Vandenborre {BIO 15168443 <GO>}

Thank you, Christophe. Ladies and gentlemen, this concludes the introduction. And I would now like to open the line for questions. May I ask you as usual to limit yourself to three questions? Thank you.

Q&A

Operator

Thank you. The first question is from Ashik Musaddi of JPMorgan.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hello. Hi. Good morning, everyone. So, I just have three questions. First of all, can you give us some thought about what's the strategic rationale to be in the UK at the moment, given that I think results are still struggling in terms of profitability, in terms of combined ratio, there is more restructuring cost, there's a bit of reserve strengthening. So, how should we think about the UK, because UK has been intact for not just this year, has been intact for, I guess, three, four years as well. So, any thoughts on that? What's your plan about the UK Non-Life?

Then second thing is, can you give us a bit more color about Asian underlying earnings? I mean, how should we think about the trends in China, Malaysia and Thailand? And are you still comfortable with, say, a 15% sort of growth in earnings in Asia, which you have delivered in, say, past five, six years, if we exclude Hong Kong? Any thoughts on that?

And thirdly, if I heard it correctly, you mentioned that there's a €9 million of integration cost in Ageas Seguros, which is a Portuguese business. So was that in this quarter or was it full year? Because – how should we think about clean earnings from Continental Europe? Because in this quarter, it was €30 million. If I add back €9 million, it's like €39 million. So, is that the right number to think about, or how should we think about that? These are the three questions. Thank you.

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

Okay. Thank you for three very good and important questions. First of all, the UK, so we indeed have to recognize that in this year, past year, 2016, the results were overly disappointing. If you look through 2015, they were not in line with our expectations either, but that year was mainly due to weather events. When we look to the underlying of UK, we see something – let's say, to look at 2016, of between €55 million and €60 million underlying results, we have been taking a lot of actions in the course of past year with the whole restructuring to one company. One of the effects of that of elements in that plan was also the closing of the Glasgow site. And that has led to a number of also expense reductions that will in any case be beneficial in the years to come.

So, our expectation for the UK is: one, it will remain a very competitive market, where being very agile on pricing and underwriting is a key priority for management. Secondly, we have been working on cost reductions that will show its results as of 2017. And thirdly, we see the UK as also a market where we have a lot of learning experience that we can use in the other regions like, for instance, the upcoming detariffication we see in a number of Asian markets, like Malaysia where we are.

The second question, Asian, underlying. If you look to Asia underlying, you can say that we have somewhere also looking back to past year, an underlying that is slightly above €200 million. We are in a growing area. So, we continue to expect growth not only in top, but also in bottom line. The top line is quite clear. There is still a huge potential in the Asian markets. And the bottom line is mainly, thanks to the fact that we have given attention over the past years to the quality of the business we underwrite. So, we have a lot of regular premiums, which makes that half year we start with a nice bonus to pass above the volumes of the year before. And at the same time, this will continue to help us increase the underlying, let's say, volume of liabilities that we've got and investments that we've got. And that should be, let's say, the main lever for growing profits in the future.

I think both elements are, let's say, the one, UK is a point of attention where we think we have taken appropriate action. Asia is not a point of attention in the sense that we believe that we are on the right track and that we can expect growing top and bottom line for the years to come.

Then the third question, I would like to pass to Antonio.

A - Antonio Cano {BIO 16483724 <GO>}

Yes. Hello. Good morning. The €9 million that was mentioned, that's a full-year number. I think at the end of the third quarter, we mentioned already a cost of €7 million in Portugal, so it was €2 million to €3 million in Q4, and it is mainly related to integration/revamping of our IT systems in Portugal.

Q - Ashik Musaddi {BIO 15847584 <GO>}

I think I'm a bit struggling as with respect to underlying profit, you mentioned, €55 million to €60 million. But what we have seen in the UK Non-Life market, especially Motor, I mean, we are going through a very strong, say, hard market at the moment. So, profitability for most of the UK Non-Life peers are moving up steadily and actually very fast. And the outlook for them is even better is what they are saying because of the lag. So, would you say that the outlook – I mean, there is a bit of lag in terms of price getting – the hard market getting into your earnings as well, or would that be running ahead of expectation? Thank you.

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

So, we have been increasing our rating in Motor. So, in Household, it's a bit more the opposite side, but I prefer maybe to pass the question to Andy, which daily (21:40) in the UK, so to give a bit our view on price evolution in the Motor business in the coming period.

{BIO 15847584 <GO>}

Thank you. That's very clear. Thank you.

Operator

Thank you. The next question is from Albert Ploegh of ING.

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes. Good morning, all. A few questions from my end. First one is on slide 7 on the upstream of cash to the holdco and last year it was €487 million. It basically bumped up a bit to the Belgium cash flows to payout I think of roughly 87% of last year's earnings. But I wonder a little bit on the outlook here, because on the UK, can you maybe explain a bit what will happen there because you still paid out a dividend of €47 million, but you also granted an internal loan. And the Solvency ratios are offering around 115% to 120%. So, is it realistic for this year or maybe even next year to see (23:26) coming out of the UK or at least maybe lower substantially compared to the size of €47 million?

And can you also give us some bit of feeling for what to expect from Asia? I mean, China has been a quite good number last year, yeah, is the €80 million or €90 million run rate. Is that something sustainable? And the reason I'm asking because if I take a good look at €487 million, which I think might be challenging to repeat in 2017 and look at the holdco cost on slide 47 of €110 million, then there's not a lot of room, let's say, to grow the dividend – the underlying dividend (24:03) of €1.70 into 2017. So, can you maybe help us out a bit on what to expect there, especially as we don't know the really organic Solvency II capital generation, how we should square these kind of calculations. That was especially my main question. Thank you.

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

Maybe if I start and then hand over to Christophe more specifically for the UK situation. So, I think you can see on slide 7 that on average taking out exceptionals that we have had in 2013 and 2014 that we have something like a €450 million upstream and you also see that one year to another, there are some changes from one region to another. Belgium, of course, has a solid base. The €110 million corporate center costs you referred to cannot be taken as recurring because we have had this year a number of exceptional ones mainly related to the settlement, but also as mentioned by Christophe in his speech, a number of, let's say, corrections in variable compensation plans from the past that we have in the course of this year. So you could say that with an upstream of a dividend that is around €333.50 million plus something like, let's say, even take €100 million max for corporate cost, you have €420 million to €450 million and that's the capacity of dividend upstream we also expect in the coming years.

Christophe, maybe on...?

A - Christophe Boizard {BIO 15390084 <GO>}

Yes. On the UK. So, throughout (25:42) in 2016, we have collected €47 million from the UK. For next year, the expectation is that no dividend will be collected when taking into consideration the Solvency situation of the UK, which is below our objective. So, for next year, nothing will come from the UK. But as Bart already mentioned, there are enough room to even grow the dividends.

Q - Albert Ploegh {BIO 3151309 <GO>}

Yeah. Maybe I misunderstand. And on slide 7, the €487 million, that is before any holdco cost, even if you take into account your remark that €110 million is maybe a little bit too high. But I have to deduct that first to see what the coffer is for the underlying dividend, I guess.

A - Christophe Boizard {BIO 15390084 <GO>}

Yes. The €487 million are the old dividend collected, but you have to deduct the holding cost to see the potential. And it is where, as Bart mentioned, there is sufficient room if you take the €330 million of dividend plus the one item, the holding cost, which is in the range of €70 million, what is expected is lower than what we have this year, the room is there.

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

And if you look, for instance, to the profit of Belgium for 2016 is €391 million. And so, if we have 100% of dividend upstream (27:22) close to what Christophe just mentioned. Also, do not forget that we have the running buyback, which each time also reduces the number of shares.

So, we – and I think that's also what you have to read in our communication about the dividend and that is showing a confidence have increase the regular dividend from €1.65 to €1.70. Management and board would never have done that if there was the minor doubt about our capacity to continue in the future to cover the dividend plus the corporate center cost with the upstream dividends from the operating companies.

Q - Albert Ploegh {BIO 3151309 <GO>}

Maybe one small follow-up on the remark on the Belgium capacity because your Solvency II ratio, I think, is still roughly around 240%. I mean, yeah, what kind of comfort would you like to have in absolute ratio to maybe, indeed, to decide to move it to a 100% payout? And I think there are also some concerns in the market that year-to-date your sovereign spreads have widened. They came in already a little bit compared to where the big stress was in the end of January. But can you give us some comfort that the Solvency II ratio in the Belgium unit is (28:31) still recently in line with where it was at the end of last year, or is it indeed a significant drop maybe already year-to-date?

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

Okay. I will leave the comments on the Solvency II and evolution to Filip. But we have an internal capital management dividend policy where the dividend to pay – this upstream depends on the target Solvency II ratio we expect for each of our companies and also the situation there. The 240% is such that we do not expect that to have fundamental impacts on the dividend upstream capacity in Belgium. Maybe you, Filip, give some comments on that?

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

Yes. Good morning, Albert. Of course, it's true that we already indicated that spread moves create pressure on Solvency ratios. But to start, first and foremost, let's not forget Belgium is indeed still at 242%. So, there is still ample cushion to absorb some of that volatility. What happened in the first month of the year and also the last weeks is indeed we see spreads move up along the line of 20 basis points on the average book that we hold in government securities. Corporate spreads did hardly move or even came down a bit. Of course, we benefit a little bit from the yield increase. But all in all, that is not going to be without any effect in line with the sensitivities that we show. But that is not to the extent that it would worry us about the dividend capacity of Belgium. And as last year, we moved close to 100%, I think that is still what we aim for this year as well.

Another side remark on spread volatility because it is going to be a topic I think maybe that will recurrent throughout the year. Let's not forget, indeed, that the Solvency ratios overall of the insurance companies are sensitive to spread moves, especially if it is not coming with a sharp increase in the yield, the risk-free yield. But on the other hand, spread, as long as it does not materialize in real impairments also improves or increases the future capital generation. And so, it's a kind of discount like on a bond (31:01) almost. So, it may be putting pressure on Solvency ratios. But on the other hand, capital generation and indeed, in fact, a real world earnings of insurance companies are not negatively affected by yield, including spread increases as long as it is not yielding to impairments. So, that's what I would like to say on that.

Q - Albert Ploegh {BIO 3151309 <GO>}

Also (31:26) on the cash flow outlook, et cetera. Thank you.

Operator

Thank you. The next question is from Matthias de Wit, KBC Securities.

Q - Matthias de Wit {BIO 15856815 <GO>}

Yes. Good morning. Also three questions, please. First of all, on the holding company cash expenses, you just guided for a run rate expense of €70 million per annum. If I look at the actuals in 2015 and 2016, they were rather at €100 million and €110 million for 2016. So, where is the difference exactly coming from? Is this all linked to one-offs or is there anything else I should look at?

And secondly to come back on the Q4 Solvency II ratio movement. There was a positive impact from market movement of 5 percentage points, which was a bit lower than what I would have expected based on sensitivity. So, could you maybe break that down in spreads, rates and equity movement in order to get a bit better insight into that?

And linked to that, the (32:38) went down by €0.2 billion compared to the previous quarters. So, could you provide some color on that quarterly decrease, please?

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

Okay. Matthias, on your first question. So, the two years you referred to, 2015 and 2016 has indeed a number of non-recurring cost. 2015, it was the hedging cost related to the Hong Kong deal. And this year it is an element of variable remuneration. It's more linked to the share plans and so on, where the final vesting was done at the higher rate than initially when granted and, of course, increased legal cost and costs related to the settlement. And so, these are costs we do not expect and in case (33:32) not at the same level for the coming years.

Q - Matthias de Wit {BIO 15856815 <GO>}

And that bucket, Other, is that exchange rate movements or on the same slide, you used to highlight the cash bridge in the General Account was €20 million positive this year?

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

It's impairment on shares we have in the General Account.

Q - Matthias de Wit {BIO 15856815 <GO>}

Okay.

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

It's also, let's say, exceptional. Filip, you take the second...

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

About the Solvency II ratio movement over the last quarter, you have some of the elements on page 53 of the presentation. And as you point out, market movements and others amount to by (34:18) 5 basis points positive. You said you would have expected a slightly higher increase due to the market components. Now, in fact, if we look at the movement over the last quarter, interest and spread together is in the range of 5% to 6% up. But we did increase a little bit our exposure to equity, as you can see in the documentation. And at the same time, the anti-cyclical adjustment on equity actually moved a bit up because of the increase in the activity (34:55) markets. So, Solvency benefits from the rise in the equity markets has been absorbed, in fact, by an increased stress test on that. So...

Q - Matthias de Wit {BIO 15856815 <GO>}

So, that explains the increase in the required capital for market risk, I guess, on a quarter-on-quarter basis?

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

Correct, you're right. That is exactly where that comes from.

Q - Matthias de Wit {BIO 15856815 <GO>}

Okay.

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

So, although that is exactly where it comes from. Otherwise, underlying, we would have seen a 5% to 6% increase coming from interest and spread.

And then about the loss-absorption deferred tax. Of course, the loss-absorption deferred tax, it moved down a bit. It's related to the market consistent balance sheet on realized loss. Also, there, the interest rate move up where we benefit on one end, which is slightly absorbed by a deduction in the unrealized gains there. As you know, in Belgium, there is a cap on that that affects it, but you get actually compensated by the interest rate impact overall.

Q - Matthias de Wit {BIO 15856815 <GO>}

Okay.

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

The loss-absorption deferred tax and you know our colleagues of KBC talk about a lot. It is more sensitive to spread than to yield, to start with. And secondly, of course, you know that in Belgium there is still a debate with the regulator about whether that cap should be lifted looking forward, but that is something that is ongoing between the industry and the National Bank.

Q - Matthias de Wit {BIO 15856815 <GO>}

Okay. Thanks a lot.

Operator

Thank you. The next question is from Arjan van Veen of UBS.

Q - Arjan van Veen {BIO 5197778 <GO>}

Thank you, gentlemen. Three questions, please. Firstly, Belgium Life, the numbers were a bit weaker in the current quarter and that was, it looks like, mainly due to realized losses versus realized gains in the prior period. So can you just confirm that you're happy with your guidance there and there is no sort of longer-term underlying changes there that would make you more cautious on that?

And the second question is a follow-up on the UK. Can you give any sort of run rate savings from some of the charges you've taken or is that something you're going to discuss at the Investor Day? And if you don't improve the UK, is that something that you would consider divesting down the track if it doesn't turn around, say, within a certain timeframe?

And then, finally, on the Fortis settlement, there's been a little bit of news flow recently I think it was some smaller shareholder groups trying to make a bit noise ahead of the hearing. So, can you just confirm how many people have now signed up to the agreement that you made last year and, again, just to reaffirm what you expect to be the timelines around the core judgments there? Thank you.

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

Okay. The first question, indeed, fourth quarter in Belgium Life is weaker than a year before. And I think we also in the Q3 call communicated that, let's say, the margin to be made on the Guaranteed business in Q4 would be lower than in the first three quarters of the year, mainly due to the fact that a lot of the real estate capital gains already had been realized where a year ago it was spread decently over the year. So, no reason to doubt about the future margin that we will make. We even see that due to decisions we've taken with respect to the profit sharing and also further improvement in the investment portfolio that we expect even a slight increase in the margin we can make in Belgium compared to the past.

For the UK, the only element we can say with respect to the Glasgow operation is that we from that operation expect and some other linked to that that we expect something of €4 million to €5 million savings or profits on top, thanks to that divestment of the UK operations is not on our agenda. And then maybe the Fortis settlement, Filip?

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

Relating to the Fortis settlement, I would say everything is as planned and on track. You know that on the 24th of March, we have the hearing in front of the court in Amsterdam where we and, indeed, also those who wish can force (39:23) their opposition and we will defend our case. That is what was expected.

The news flow you referred to is, indeed, about I would say two material parties, ConsumentenClaim who is mostly representing slightly above 1,000 retail investors who are not in the active claimant category and so, they have some points they want to raise at the hearing. And the other party is Mr. Modrikamen who wants to be assured that he can continue his case against the breakup, also know the (40:04) surprise.

Now, in terms of materiality, I can confirm, of course, that we have more than 95% we said last time and it's closer to 99% of the parties who were involved in active proceedings behind the settlement. So, that is confirmed. And so, we also had, of course, the whole notification process we went through, which is a logical step. We informed over 120,000 clients or previous shareholders directly. And so you have to look at these numbers and representativeness of these organizations in the context of that.

Q - Arjan van Veen {BIO 5197778 <GO>}

Perfect. Thank you.

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

So, it's on track, I would say, and there's nothing changed in our expectations and aspirations.

Operator

Thank you. The next question is from Nadine van der Meulen of Morgan Stanley.

Q - Nadine van der Meulen {BIO 15200446 <GO>}

Yes. Good morning. Thank you for taking my questions. On the Solvency, the Group Solvency ratio or the Insurance Ageas Solvency ratio at 182%, could you tell us what it is now given that the government spreads have moved quite a bit year-to-date? And in that light, if you look at the target of 175%, what does it actually mean if the group would fall below that level? So, what would be the implication of that? I mean, that potentially you would revisit potential buybacks? And I know you don't disclose the Solvency II capital generation, but could you give us an indication around that level or perhaps a range or some kind of indication that we have an idea of the Solvency II organic capital generation uplift (42:01)?

Then the second question is on whether you have a plan for a new agreement with BNP Paribas to repurchase more CASHES? Thank you.

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

Okay. The question, maybe first or second one for Christophe and then we'll ask Filip to answer the first.

A - Christophe Boizard {BIO 15390084 <GO>}

So, on BNP Paribas, we had an agreement and it came to its natural end 31st of December 2016. And after a discussion at the board level, it was decided not to renew it. So, there is no agreement anymore to settle the CASHES at this moment.

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

Okay. Regarding your questions related to the Solvency ratio, indeed, the Insurance Solvency ratio Ageas came in at 182%. As indicated earlier and also as expected by the market, this was a bit below what was expected and that is mainly due, I believe, to the exceptional one-off items in the UK. I refer to page 53 of the presentation where you have the main blocks (43:16) of movement.

If you look at the Q4 result, first and foremost, if we would (43:24) at the revaluation of the put option, and revaluation of the put option is largely driven by valuation increase in insurance stocks all over, and we would not have had the one-off in the UK, the ratio would have been up quite a bit. In fact, the overall impact of these two items is 7% on group and 3% to 4% on insurance. So, we would have moved up, and that gives you a feel and that is the last line on page 53 of what the capital generation including some other items was during the quarter. So, the quarter was actually from that perspective a plus 5%, which is quite solid and in line with what we expect to see in normal course. Yeah.

If pressure comes and it can come due to spread increases, not so much by yield, that would be beneficial as we indicated before. And you can have a look at the sensitivities on page 54 on where things could be. Then, of course, 175% is our target. But let's be clear that the 175% is a target that we will take actions to stay close to that or to move towards that, even if we are above or below. If we are above, we intend to increase our dividend upstream from the operating entities. If we are below, we can reduce that a bit. So, that would be the normal mechanisms.

Let's not forget, we still have ample buffer also at the group level on top of that. And 175% is not something we cast in stone, but is definitely something we manage toward (45:11) both up and down. So, it's also the reasons why we're very comfortable to confirm that we will continue full upstream out of Belgium. And we're, in this case, we say in the UK, we will indeed next year not ask (45:25) for dividends, but let the capital strength increase by its own merits.

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

And, Filip, to manage the Solvency, we still have ample room to raise sub debt. We still have a lot of room to manage with new issuance of sub debt.

A - Filip André Lodewijk Coremans {BIO 17614100 <GO>}

Regarding to detailed disclosures relating to capital generation, I have to refer to our Investor Day where we promise we will do so in June. And there we will get a more comprehensive and in-depth analysis on that presented to the investors.

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

Maybe finally add that with respect to the Asian entities, you can also see on page 52 the good level of Solvency in the non-controlled participations, which is also indicating and confirms what we have said already some years ago that we do not expect immediate capital goals from Asia of any importance. Of course, we have – like we have the Philippines, Vietnam, the new startups. But next to that, from that side, not too much to be expected.

Q - Nadine van der Meulen {BIO 15200446 <GO>}

Thank you.

Operator

Thank you. The next question is from Farquhar Murray of Autonomous Research.

Q - Farquhar C. Murray {BIO 15345435 <GO>}

Good morning, gentlemen. Just two questions, if I may. Firstly, just getting back to slide 53 and the kind of 5 percentage points of market movements and other that you've got coming through in the fourth quarter. I think earlier in the call, you kind of indicated that spreads and rates were kind of like 5 percentage points, which would seem to imply that capital generation is maybe zero within the quarter. I'm just wondering whether I'm missing something and I suspect unfortunately I probably just don't have the right pieces of the jigsaw there.

And then, secondly, on the kind of consumer claim – the litigation settlement and, obviously, the consumer claims kind of actions to take it to court in opposition, can you just work through your views on what the action can do? And in particular, could you work through the legal hurdles that consumer claim would need to demonstrate to stop the settlement happening?

And in particular there, I know you've given the 1,000 retail investors, but could you maybe help us by giving us a sense of how much you think that is as a percentage of the shareholder base relative to the number of people you already have of the shareholder base on the active side? Because I think one of the kind of legal issues here is, obviously, which party is more representative and I think (48:03) just to get a better sense of the numbers there. Thanks.

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

Maybe to answer your last question first, the opt-out percentage, let's start with that that we have foreseen in the procedure is 5%. That is a right that Ageas has reserved itself in case we would see material opt-out in the process, so we can, of course, pull the emergency brake. But 5% on the shares, not 5% on claimants. Now, the parties that have so far, as I indicated before, they under this rough figure because we don't have final numbers there that they represent about 3,000, 4,000, I would say, retail shareholders. Now, we're thinking about it to 4,000 retail shareholders represented at the hearing to plead not necessarily against the settlement, but maybe against certain aspects of the settlement, does not mean the settlement will not go through and certainly, not in terms of percentage that they represent of the shares is quite a bit lower than the percentage they would represent as shareholders. So, even there, you think that we had almost 60,000 people actively involved in the proceedings.

And (49:47) that, I mentioned that we have written to more than an additional 60,000 non-active shareholders that we have been able to identify and this, without all those, we have not been able to identify, I think, the number of eligible shareholders in this context lies somewhere around 150,000 to 200,000 shareholders. So, it gives you an ideal perspective. And so, we believe that we are far below the expected total percentage.

Regarding your question on Solvency, that was about the figures on page 53. You see the market and other movements showing the plus 5 pp indicated indeed that interest and spread is 5% to 6% positive, but I also mentioned that equity and real estate, that is more equity and real estate funds actually have been quite negative for the quarter, minus 2% direct impact on the equity side, that is without the additional investments in equity.

So, the overall pressure coming from the diminishing effect of the countercyclical premium on equity and the additional investments together, you should think of an effect of that of also between around 4% negative on the quarterly movement in the solvency ratio. So, that closes the gap, more or less, with what I mentioned before.

Operator

Thank you. The next question is from William Hawkins of KBW.

Q - William Hawkins {BIO 1822411 <GO>}

Hello. Thank you. Three questions, I hope. I'm going over some ground again, apologies. But your ordinary dividend growth of 3% per share, I found a little bit disappointing. And the implication, once we allow for the reduction in the share count, is that your distributed cash in regular terms, so, that should be about flat year-on-year. What should I infer from that?

On the one hand, some people could be seeing that this implies challenges of capital management. A lot of the questions you've had already. On the other hand, you may just have decided that you didn't need to do anything impressive with the ordinary dividend because you had a growth special coming through. If you could just answer the way you thought about the ordinary dividend at that high level, I'd be grateful.

And then secondly on slide 54. Those sensitivities that you're showing to spreads, can you just remind us whether they are net or excluding any benefit from the change in the volatility adjustment? Because again, from one of your earlier answers, so that if we just take the 20-basis-point widening of sovereign spreads, that seems to have had a 10 percentage point hit year-to-date from that single issue. But I'm not sure if I'm right to take that 10 percentage point or if there is a mitigating element within the volatility adjustments?

And then lastly, all the talk this year has been about Ogden in the UK. But there has been – I've heard some further conversation about whiplash reform that could, on the one hand, be helping reserves but could also have a negative impact on your ability to adjust rates in the future. I'm a bit vague on all of these, but I just wondered if we could get a UK update about whether there could be more coming from whiplash after we've been so focused on Ogden recently? Thank you.

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

Okay. On the first question, I think we have a clear dividend policy, which is they are between 40% and 50% of the Insurance results. With the dividend we've paid now, the €2.1, we are above the 50%, which is also a bit due to the specific situation. If we take out the exceptional negatives from UK, and that's I think what we also find on the slide on dividend, we see the dividend payout more as a 45%. So, I think looking to the board, what we tried to realize over the years is, one, to have respect for our dividend policy; two, to try to have a dividend that is constant or increasing and I think if you look back to 2009 till now, this is what we always have been doing.

So, I accept that (54:12), your slight disappointment about the increase of the dividend, but we see that as in line with our policy and also confirming that next year, we work towards the dividend that is at minimum, €1.70. And if we are able to raise it like we did in the past years, we will definitely do it.

So, for the second question, that's for you...

A - Christophe Boizard {BIO 15390084 <GO>}

That's a factual question. These estimated sensitivities are indeed taking into account the estimated effect of the VA (54:46) for that specific component. So, of course, in reality, many of these things happen at the same time. So, if you would have only one of these, so these are single-impact spread increase on sovereign indeed of 50 bps would lead to about approximately 24% impact, if there is no spread change, of course, on corporate and/or no yield moves at the same time, but the VA (55:18) effect is included. Then the question on whiplash, Andy?

A - Andy Watson {BIO 20961640 <GO>}

Yes. The expected decision on whiplash is that the UK government is currently consulting and specifically consulting on soft tissue injuries in road traffic accidents that consultation period ended in early January. And we're waiting to hear what the government response is. Fundamentally, there are two suggestions. The first one is that the general damages which typically for whiplash might be in the order of £2,000 to £2,500 are either banned completely. So there is no payments of general damages or the general damages are limited to £400. That is one area of consultation.

And the second area of consultation is that the limits for the small claims court is raised from £1,000 to £5,000 that would have the effect of bringing most whiplash injuries and disputes into the scope of the small claims court, and the small claims court is not – claimants do not need lawyers to represent them in that court. You'll not be surprised to learn that the Insurance industry is generally supportive of those changes, the lawyer fraternity is very much against and we're waiting to see where the consultation lands.

Q - William Hawkins {BIO 1822411 <GO>}

That's very helpful. Thank you.

Operator

The next question is from Bart Horsten, Kempen & Co.

Q - Bart Horsten {BIO 2390919 <GO>}

Yes. Good morning. Few questions left from my side. Again, on the UK Solvency II, if I may. You're now at 119%. You said, we should not expect dividend to be upstream, as it is below your desired level. Could you remind us of what the desired level is, and is there a chance that you might need some extra reserve strengthening in 2017 from the current levels? That's the first question.

And the second question relates to the change in your investment portfolio. You increased your equity exposure. At the same time, we see some pressure on your Solvency II ratios, by adding equity exposure, your ratio required capital. So, how should we read it? Is it something structural where you add more risks in the portfolio? And does it relate to investments of your own firms also covering your liabilities? Thank you.

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

For the UK, we have in each – as mentioned earlier, in each of our operating companies a kind of a target solvency ratio. It's clear that with the measures taken or the losses taken in Q4 in the UK, that the current level of solvency ratio is below that target. As Filip said, we will not – or Christophe said, we will not upswing dividend in UK. So, we believe – and that's also obviously (58:33) in our plans that over the coming years – the running year 2017, the solvency will be restored to a level that is in line with our expectations for the UK.

Further reserve strengthening in UK. So, I think we there have to draw the attention to one element that is not only for us, it's an industry element. And you'll find it on slide 35, where we have an estimate of an additional impact that could come if the Ogden rate review leads to a lower discount rate and the 1% we have now in our – taken as an assumption. That would be then an impact for the whole industry, of course. Next to that, we believe that we have a level of reserves that are taking in account the practices in the UK. And again, our confidence levels that we look for where we don't need additional strengthening in the course of 2017.

Q - Bart Horsten {BIO 2390919 <GO>}

Okay.

A - Christophe Boizard {BIO 15390084 <GO>}

So, I'll take the question on equity. So, first, let's take the precise figures. When I read the slides, the equity, the market value was €3.9 billion at the end of 2015 and €4.4 billion at the end of 2016. So, let's say that it's a 10% increase. But first, let's remember that we have supportive market at the end of the year. So, we have a market effect here apart from putting more money on the equity – in the equity. We have the supportive market.

Then I don't agree with your comment that the solvency is under pressure. We are still above the objective. So, we put in place our policy in the – on the investment side without putting limitation coming from solvency at this very moment. Then my last comment will be, I know that when the market value is up, the loading coming from Solvency II is higher. But I prefer to have a better cushion of unrealized capital gain on that sector. So, I am not worried at all.

Q - Bart Horsten {BIO 2390919 <GO>}

Okay and thank you. Maybe as a follow-up on your unrealized capital gains in real estate, this is a, on average more or less the same amount you realize on a yearly basis that the same you would expect for 2017 in your Belgian operations?

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

In real estate, we also know that we counted amortized cost. So, it means that every year, we have the rents coming out of the buildings we own minus the depreciation costs. And so, in order to have in the final investment income and income that is close to what we expect also in our asset allocation exercises, we have this regular realization of capital gains. So, you can say on a yearly basis between €70 million and €80 million, if you're back in time, you will see that that has been realized and that notwithstanding this level of cap gains that the unrealized capital gains on the real estate portfolio have been €1.5 billion for many years now.

Q - Bart Horsten {BIO 2390919 <GO>}

Yeah.

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

So, that shows that we have a very consistent policy from that point of view. And so, also for 2017, you can expect a similar level of unrealized gains in real estate. Of course, you cannot measure it on €1 million (01:02:28), exactly, it depends a bit on what type of building. But we can already confirm that in Q1, we realized the first transaction in real estate that will influence positively, of course, the results of this year and that we also contribute to the margin that we want to achieve on the Guaranteed Life business.

Q - Bart Horsten {BIO 2390919 <GO>}

Okay. Thank you very much.

Operator

Thank you. The next question is from Steven Haywood of HSBC.

Q - Steven Haywood {BIO 15743259 <GO>}

Good morning, gentlemen. Just a few questions, please. The capital injection into France, about €50 million, how come this was done? It's quite large in comparison to the size of the business there. So, I just want to know what it's there for and whether there's any change in the business structure at all?

With regards to the UK restructuring, just to sort of follow up from previous questions and – sorry if I missed anything here. But is there any further additional kitchen sinking or restructuring or closes that you anticipate in any part of this business going forward? And then finally, on your Belgian Life business, there's been some comments in the market about the Belgian – and the back book is funding the new business currently. Do you have any comments around this or any thoughts about these market comments so far? Thank you.

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

Okay. Christophe, France.

A - Christophe Boizard {BIO 15390084 <GO>}

So, I'll take the question on France. So there is indeed capital injection of €50 million, which was a capital increase made out of the holding from the general accounts. So, it was not sub-debt. It was a straight capital increase of €50 million. So, some comments around this. So, in France, we have a large group of annuities and the duration matching is not insured on this. So, we have high sensitivity to interest rates and it's the reason why the solvency of France decreased along the year 2016, and we had to address this situation.

We had a discussion with the regulator and it was kind of packaged within the discussion. And we did €60 million capital increase. We got to the benefit of the conditional measures. So, from the regulatory standpoint from France, including the transitional measures, the solvency is now very high in excess of 200%. And then if you take our view, Ageas view, which excludes the benefit of transitional measures, we are in the range of 120% now in France.

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

Okay. For the UK, I think, maybe I repeat myself, but we have been taking a lot of initiatives in the past year, and we also see it, for instance, in the expense ratio that has come down with 2% compared to two years ago, and 1% compared to a year ago. And the full benefit of the decisions taken like the closing of Glasgow will be in our results of 2017. So, at this moment, we don't expect other similar operations in the coming period. But we, nevertheless, expect the benefits from all the decisions taken in the past one year-and-a-half. Then the Belgian Life business, Antonio maybe.

A - Antonio Cano {BIO 16483724 <GO>}

Yes. Maybe on the Belgian Life business and the market rumor, I don't know it was called that the back book is funding a new business. Remember, this is not a unit-linked contract. This is a life insurance part but there is always an element of mutualization between people in this fund. Bear in mind people that – so the new business that enters in this contract, they also pay upfront fees. So, it's not like a free entry.

And then it is the very principle of how we manage this book. We look at the total margin of this book and the people, the new business that come in also get a lower guarantee. Today, the guarantee for new business is 0.25%. So, 0.25% for the new business. And yes, they have a possible profit sharing, but that's not a guarantee. So, I don't know if you would call that really that the back book is funding the new business. But it is fair to say there is some kind of mutualization but also the new business contributes in the form of a lower guarantee and also their cost loadings.

Operator

Thank you. The next question is from Benoît Pétrarque, Kepler Cheuvreux.

Q - Benoît Pétrarque

Yes. Good morning. Two questions on my side. The first one is on the partial internal model and especially difference now with the Ageas version of the Solvency II ratio. You (01:07:58) roughly 18 percentage points between both ratios.

All peers are talking partial internal model. So, why are you still pushing for the Ageas version? Are you kind of 100% sure you will get an approval on your Internal Model for real estate or kind of, I tried to understand why you are still pushing for the Ageas model and, well, put less on Fortis (01:08:25) on partial internal model which, in my opinion, is key for the regulator and the distribution capacity.

The second point will be, kind of, on the high level Solvency II trend. If I look at the Group Solvency II end of H1 2015, we were at 221%. Now, we end up at 195%. We might get some negative from spread widening in the first quarter. So, how does the board see the kind of general trends at which point will you, kind of, start to be concerned by the kind of stopping or stopping the share buyback or do you have concerns in terms of kind of your total distribution? Thank you.

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

Maybe – thanks, Benoît for the question. So, first and foremost relating to Internal Models and whether or not we apply them only on the level of Ageas or also on the Group. Let's be clear that the effect that we have opted for an Internal Model in Non-Life which has been recognized both in Ageas as well as in PIM is based on the same logic that we are now looking at Internal Model's market risk. But so far, for the Internal Model market risk, we have only really found logic to (01:09:53) the economic reality, which is there related to real estate and party concessions, which are created in a strange way, I must say, under the PIM. So, we cannot and that is very clear from a regulatory point of view. We can, however, not implement a partial internal model on market risk.

So, we are looking and studying the opportunities related to developing a full market risk model and if we feel that we are ready for that, we may go to a process of trying to get that approved also in the premium. But so far, we stick only to the one within Ageas related to real estate and the party concessions where we feel there is a real economic reason to do so.

Now, let's on the other hand not forget that in the PIM, so in the Solvency II PIM, the use of transitional measures is there in France, in Portugal whereas on the level of Ageas, we do not take that into account. So, there's more than one difference between the two. When you point to the overall evolution over the year, because on Insurance level, we stay relatively stable. On the Group level, it came down quite significantly.

The reductions on the Group level are mainly related to capital movements, as you can see on page 53, the legal settlement, let's not discount that, it is 20%. And a relative high dividend that we paid this year, including the share buyback. So, some of them are recurring, most important components are non-recurring reductions in the solvency ratio and so, do not indicate a trend, I think. If you look at real trend, it is stability that is coming out of our reporting to-date, our Insurance Solvency ratio has actually steadily evolved around the 180%, quite a notch above still our long-term target.

And we continue to manage based on the Ageas ratio, which we still feel is the best representation of reality, economic reality. And it takes into account, as we indicated before, still some levels of prudence related to diversification, related to not inclusion of non-controlled participations and amongst others, because there's a few more. So, that's what I'd like to say on that.

Q - Benoît Pétrarque

Thank you.

Operator

Thank you. The next question is from Bart Jooris of Petercam.

Q - Bart Jooris {BIO 3470300 <GO>}

Yes. Good morning. Can I do some follow-ups on the UK and Asia on the settlement, please? On the UK, if we look at the fourth quarter gross inflow, it dropped like 14% quarter-on-quarter where the currency only decreased 4%. Could you see what's driving that? Is that due to the increase of rates that you mentioned?

In Asia, if we add back the equity impairments, then you see that the net profit is rather stable versus the third quarter's around €40 million. And we see this as a recurring base for growth in the coming years or are there still start-up costs for Philippines, Vietnam involved in there?

And then lastly, on the settlement, we talked a lot about numbers of people who agree with the settlement and people who don't agree with the settlement. But could you explain as what would drive the courts to agree with the settlement? Is that the number of people who agree, or is it more like is the settlement affair based in the view of the court?

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

Okay. For the first question, the inflows in UK in Q4 indeed, they are €0.5 billion compared to €0.6 billion a year ago. But looking to Andy, I think it's mainly currency impact. So, you see on a yearly basis, they are 1% up at constant risks (01:14:28). So, it's confirmed. So, it's not due to lesser new business due to increased rates, so that's not in the point. So, it's currency.

For Asia, I think that the run rate of €40 million, €50 million a quarter is something that I earlier in the call also expressed as to be expected run rate going forward. With then, the underlying high focuses that we expect due to increasing portfolios that the profits in Asia over time continue to increase.

A - Andy Watson {BIO 20961640 <GO>}

Related to the main aspect from what the court will look at when it decides on declaring a settlement proposal binding, there's actually two. And so, we talk indeed a lot about numbers of claimants and then claimant organizations we support who have not supported it. That is the first criteria, its representativeness. They will assess whether the people who support the settlement indeed represent a substantial or a substantial enough part of the potential eligible claimants. That's the first criteria.

The second one that I will assess is the reasonableness of the proposal. Of course, the support does reflect on the reasonableness. But it is the court who will look at, whether from an economic perspective, the proposed settlement is reasonable and balanced. These are the two main criteria they will focus on.

Q - Bart Jooris {BIO 3470300 <GO>}

Okay. Thank you.

Operator

Thank you. We currently have no further questions. We currently have no further questions. I hand back for the conclusion – I'm sorry, we do have a follow-up question from Ashik Musaddi, if that's all right. Your line...

Q - Ashik Musaddi {BIO 15847584 <GO>}

Just one – yeah, hi. Just one follow-up question on your solvency ratio. I mean, given that large material litigation is now solved, what is the point of having the Insurance hurdle rate of 175%, why not that is a Group hurdle rate? That's one simple question. Thank you.

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

Thank you, Ashik, for that question. Yes, we are pondering the same question, and we have decided, because we announced our 175% Insurance early last year as part of our Ambition 2018 program. But we are considering and we will probably move because you already can see that we report more and more on Group Solvency today to make a transition to Group target in due course. But that being said, that will be once we have full clarity on the tale of the litigation risk, then you can expect us to do so.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. Thank you. That's clear.

Operator

Thank you. And I have a final question from Kamran Hossain of RBC.

Q - Kamran Hossain {BIO 17666412 <GO>}

Hi. Morning, everyone. I just got two questions basically on the UK. Can I ask, in terms of the opt-in rate, how you decided to kind of get to the 1%, just trying to understand what your thinking was around that? And the second question I guess relating to that if the rate does settle at 1%, how do you expect UK most insurance prices to react? I mean, I guess, I would have thought that it would probably go up a touch more, but just any thoughts around that would be really helpful. Thank you.

A - Christophe Boizard {BIO 15390084 <GO>}

So, on the Ogden rate, the situation was the following. We were still with the official rate of 2.5%. And when the issue became very public and it was in December, we had to assess our position with a view of having some kind of best estimate. And so what we decided is to go for something taking into account the real interest rate and the 1% seem to be very reasonable assumption. Then taking into account what we know about the peers and we know that we are, let's say, within the peer group having taken, I would say, prudent approach. So that's the reason why. So, first element, the 1% real interest rate for a discount rate seems reasonable. Second, we are very well in line with our prudent peers.

A - Andy Watson {BIO 20961640 <GO>}

Yeah. I had some comments from myself. I mean, clearly, the ABI (01:19:34) and the insurers are lobbying hard for sensible outcome for this. It's very disappointing with (01:19:40) is not consulted with the Insurance industry as to where this might land. So, we are, to a certain extent, blind. And Christophe has given an explanation why we've chosen 1%.

This is clearly a consideration as to various reserving strengths of insurers, but whatever the reserving strength, a reduction of the Ogden discount rate from 2.5 down to something less will be an economic impact from those insurers. And our assumption is that rates would increase as a result of that. Obviously, the size of the rates increase depends on where the discount rate lands but certainly as a movement to 1%, we would expect rates to move up reasonably significantly and very quickly after the announcement was made.

Q - Kamran Hossain {BIO 17666412 <GO>}

Fantastic. I really, really appreciate the color this morning. Thank you.

Operator

Thank you. We have no further questions. I hand back for the conclusion.

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

Okay. Thank you, ladies and gentlemen for your questions. To end the call, let me summarize the main messages of our annual results. The recent news related to UK did not change our overall view that 2016 was an eventual, remarkable and good year for Ageas. Remarkable especially because of the big milestone which was the settlement agreement with most of the claimant organizations.

In a turbulent environment, we managed to further structurally improve the earnings in most of the segments. And we created some additional comfort on the balance sheet by strengthening the reserves anticipating on a couple of events. And last but not least, the proposed growth dividend over 2016 is a clear sign of comfort of the board with respect to the financial health of the company.

I also want to draw your attention to the invitation that we have sent to you this morning for our Investor Day on the 6th of June in Lisbon and it's clear that topics like capital generation, our provisioning in the UK and the work in progress in Portugal will be top items on that Investor Day. And we will, at the same time, also give you an update of where we are with our Ambition 2018 progress.

With this, I would like to bring this call to an end. Do not hesitate to contact our Investor Relations team should you ask outstanding questions. Thanks for your time, and I would like to wish you a very nice day. Good-bye.

Operator

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