S&P Capital IQ

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Allianz SE DB:ALV

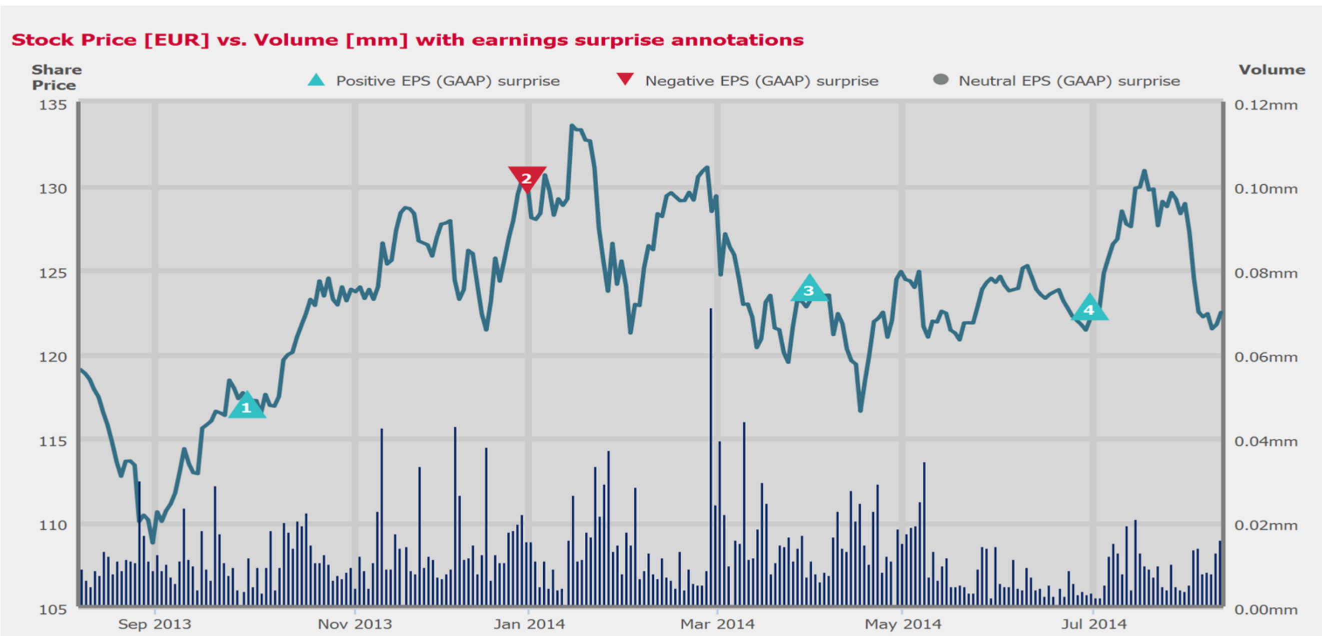
FQ3 2014 Earnings Call Transcripts

Friday, November 07, 2014 1:15 PM GMT

S&P Capital IQ Estimates

	-FQ3 2014-			-FQ4 2014-	-FY 2014-	-FY 2015-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	3.34	3.52	▲5.39	3.06	14.04	14.03
Revenue (mm)	25646.67	28780.00	▲12.22	26107.00	111638.18	113303.13

Currency: EUR
Consensus as of Nov-07-2014 10:28 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2013	2.74	3.14	▲14.60 %
FQ4 2013	3.10	2.72	▼(12.26 %)
FQ1 2014	3.28	3.55	▲8.23 %
FQ2 2014	3.37	3.84	▲13.95 %

Call Participants

EXECUTIVES

Dieter F. Wemmer
CFO & Member of Management Board

Oliver Schmidt
Head of Investor Relations

ANALYSTS

Andrew Broadfield
Barclays PLC, Research Division

Atanasio Pantarrotas
Kepler Cheuvreux, Research Division

Farooq Hanif
Citigroup Inc, Research Division

Jonathan Michael Hocking
Morgan Stanley, Research Division

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

Michael van Wegen
BofA Merrill Lynch, Research Division

Nick Holmes
Societe Generale Cross Asset Research

Peter Eliot
Berenberg, Research Division

Thomas Seidl
Sanford C. Bernstein & Co., LLC., Research Division

Vinit Malhotra
Goldman Sachs Group Inc., Research Division

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

Presentation

Operator

Ladies and gentlemen, welcome to the Allianz conference call on the financial results for the third quarter 2014. For your information, this conference is being recorded. At this time, I would like to turn the call over to your host today, Mr. Oliver Schmidt, Head of Investor Relations. Please go ahead, sir.

Oliver Schmidt
Head of Investor Relations

Yes. Thank you, Suzanna. Good afternoon from my side as well, and welcome to our conference call. I think we have no shortage of interesting topics today, so as always, I will keep it brief and hand over directly to Dieter.

Dieter F. Wemmer
CFO & Member of Management Board

Yes. Thank you much, Oliver, and good afternoon or good morning to all of you on the call. I think I have the first to apologize that we surprised everybody with going out with the information last night already and not this morning. But it's just due to the very strict ad hoc [ph] rules in Germany so when the supervisory board took the decision on the dividend policy, we had to mail it out immediately, straightforward. And that is what we did last night, and therefore, we were 12 hours earlier than -- or roughly 12 hours earlier than normally.

So with this, let me start into an interesting and good quarter. As usual, Page 3 business highlights from the third quarter. I think the business highlights are reflecting very much the change and the direction of our strategy in all areas.

In P&C, the focus is on non-motor retail packages. In Life and Health, it's a shift to hybrid products and unit-linked. And in Asset Management, it's the transition in the leadership of -- or investment leadership at PIMCO from the founder generation to the new team. And I think our investments show you out that we continue to focus on infrastructure and digitalization is in various categories, very high on our list. And our Anglo-Saxon businesses have collected very nice support, just reconfirming what's demonstrated to you on the Capital Market Day in July.

So let's start to dive into our numbers. EUR 2.65 billion operating profit, EUR 150 million above EUR 2.5 billion, which would be exactly 1/4 of our EUR 10 billion midpoint target. So I think very well contributing also to the upper end of the target. The big addition contribution from Property-Casualty, but I think also all the other businesses delivered quite nicely. I think what is really interesting to note is that despite the large volume we are already writing, that we have 14.5% growth, strongly driven from the Life segment, but also, P&C had a really good quarter.

Net income, in a consequence, at EUR 1.6 billion. That is a good average number for the year. Is there any real one-offs in the business? I think -- I don't think so, and I will come to the details of this during the rest of my presentation. But it is actually a very much operational business driven results without any particular one-offs.

Page 7, shareholders' equity, not surprisingly, substantially up. What drives the shareholders' equity? Net income, obviously, positive FX. Actually, the FX impact on the balance sheet is stronger than on the P&L because a lot of the dollar strengthening happened end of September. So you see, at the point of calculation, September 30, the average P&L and our operating profit is almost free of FX impact. I think it's a EUR 1 million movement by FX, so that is really nothing.

Our economic solvency and conglomerate solvency is still very strong, but we have already corrected here the numbers for a more normalized leverage ratio of our hybrids. And I would take the numbers at face value. It would be 5 points higher for both ratios, but we already said, well, the new hybrids we issued in the last quarter, there might be a [indiscernible] to potentially call the bonds beginning of next year.

So let's dive into our P&C numbers. Internal growth, 4.7%, added by 1% growth. Now the Unipol transaction starts to renew in our Italian book, so that adds 1% growth to the global premium. And obviously, the 9.4% growth in Italy is all coming from the acquisition. The market itself continues to shrink, and even our minus 0.6% still translates into a growing market share. The real positive contributor in the quarter were our global lines, AGCS and Euler Hermes, the credit insurance. But our star in organic growth was our U.K. business, with good growth in motor but also in commercial liability and in pet plans.

So when we move to the results in the P&C sector, well, you could call this a one-off that -- actually, we were almost free of natural catastrophes in the quarter. That is certainly a very unusual result that you have only EUR 7 million of cat impact on such a large book in a quarter. So that's improved compared to last year, the cat loss ratio, by 4.2 percentage points, of which almost half got then reinvested into increases of Fireman's Fund reserves. What you then can see in the runoff ratio, our runoff at 2.6% is actually translating into 4.2% positive runoff from across the world, so almost at the same level as last year, but 1.6% got used up for strengthening the commercial reserves at Fireman's Fund.

A little additional increase in profitability from investments, and I will come to this point later, so let me now turn to the geographical mix, who has contributed to the strong profitability. As we have already seen in the last quarters, Germany is really running well ahead of their 95% target. So even when we would correct for the good weather and natural catastrophe situation, at a normalized level, Germany would still show a 91% combined ratio. I think that is a very strong number for the year. And also, in the expense ratio, with 25.7%, we are ahead of the 26% target for 2014.

France, first time below -- or substantially below 95%, strong contribution. And Italy continues to perform at a high level, even when the profitability is year-over-year weaker. But on a 78% combined ratio, it's hard to complain about it.

The other contributors, you can see as well. The negative number comes from Fireman's Fund, and I show you the details on this on the next page. Page 15, please watch out. This is the only page in the presentation which shows 9-month figures and not third quarter figures. Because to reflect what we are doing on our portfolio activities, I think the year-to-date figures give you a better impression than just the quarter stand-alone.

So let me start with the right - with the left column. 69% of the portfolio are now in the category below 95%. Actually, the average combined ratio of this category is, at the moment, 89%, so well better than the 95%. And the 3 largest contributors, Germany, Italy, France, an average growth of 3%. That is certainly the category where profit margin comes before growth.

Then we have the middle category, which makes 22% of the portfolio, 7% growth. U.K., Australia, AWP and also AGCS is in this category, is really contributing strongly to the growth.

And then we have the category of the combined ratios, which we don't like at all. That is 9% of the portfolio, and it is made up by Fireman's Fund, Russia and Brazil. Specific activities are Fireman's Fund. The commercial business is going to be integrated in the U.S. arm of AGCS starting January 1. On the personal lines business, we are still evaluating the various strategic option, and we will update you probably at the year-end results.

Russia, we are really well underway to close down branch offices to reduce volume substantially. I think that is -- that project is being executed as planned. And Brazil, we have identified all the corrections which have to be done to the IT platform, and the work is ongoing. It is a bit more complex than we thought and we hope that we have finished the IT topics by year end, which then allows a proper steering of the business and also the customer services, which are, at the moment, still a little bit handicapped.

How did the investment income do in P&C? It's actually holding up well. The interest income is flat in absolute terms because we have, based on higher cash flow, a bit more assets under management. And then the negative trading results we had last year were not repeated, so that contributes then to the EUR 50 million better total investment income than a year ago and, actually, adds then also the EUR 50 million, to our operating profit improvement over the year.

Duration, very much unchanged. Reinvestment yield, as you would expect, getting a little bit lighter, but only a bit. I'm sure that this trend continues, in particular, when Draghi starts its ABS purchase program.

Now let's turn to the Life business. 25% growth year-over-year is really a great achievement. We continue to see high volume growth in the U.S., in Italy. Germany looks, with 4%, actually, almost modest in this line of high relative numbers. When you look at our market share, I think -- in the new business market share in the German market, we are now above 30%, probably closer to 34%. That compared with the market share of, let's say, 17%, 18% some 5 years ago, so our German business is really excellently positioned in a market which is slightly shrinking. And our special product, Perspektive, continues to be the big success story.

So let's move to the portfolio view, and we have added here a page to show you how we did over the last 2 years. Actually, it shows you the present value of new business premium, how we call [ph] the new business. We have added the 3 measurements how we look at our business. So new business margin, we manage our new business margin, which is up. We check how, on a cash flow basis, is the IRR of the business. And for the businesses which are providing guarantees, it is important for it -- it is a capital consumption and what is the return on risk capital. And in all categories, our new business is satisfying our hurdles, and that translates then into the nice inflows you see on the right-hand side. In the first 9 months, our AUM inflows, so to speak, in the Life business was EUR 13.3 billion. That shows you that -- actually, we see here also how, actually, savings for old age are being managed partially within the Life segment and partially within the Asset Management segment, that we play on both cylinders quite well.

How is the operating profit in Life doing? It is only a small increase over last year, and it is a substantial reduction compared to Q2. Why is that? Because the Life accounting has always some inherent volatilities, which are based on the technique how DAC have to be amortized and also the investment result, where the investment result is up compared to last year because last year, we had, in the third quarter, trading losses on foreign currency-denominated investments in our Life balance sheet, so the investment margin is nicely up. That the expense is much higher than a year ago, is a natural consequence of the higher new business sales. Actually, out of the EUR 228 million additional expenses, EUR 215 million is additional acquisition costs. Would you then expect that they are being counterbalanced in this line item impact of change in DAC. But as we have higher amortization on old DAC books, depending on the investment margin and how the formulas work, we actually don't see this counterbalancing effect, and that is then the missing part in additional operating profits.

When you ask me what is the impact of the new business, actually, the new business strain included in the quarter is EUR 119 million, so quite a bit.

So let's look at who is contributing based on value of new business from the various categories and also operating profit by country. Our largest contribution in value of new business is now coming from the U.S., substantial volume growth and also at a good new business margin of 3.2%. And operating profit, Germany is still the highest contributor, but also, the U.S. and France are actually adding to the overall positive picture.

Last view on the Life segment is investment margin. Here, we are only looking at yield achieved, compare it to its guarantees and see what is left for the shareholder. So running yield is 9 basis points down compared to a year ago. I think that is a normal reflection of the interest environment we are living in. Harvesting was positive compared to a year ago because a year ago, net harvesting always includes the trading results, and that was mainly driven by the foreign currency losses I have already mentioned 2 pages earlier. The average guarantee, it shrink by 3 basis points, so that is really a long-term game to reduce the guarantee. And the shareholder profit is, as the harvesting was better and the guarantees are slightly shrinking, actually, now 19 basis points compared to 15 basis points a year ago. And you can see that we are earning on a substantially higher volume of policy reserves and also assets we have available to cover this policyholder reserves.

Asset Management. First glance, you are probably surprised that assets under management are growing compared to the summer. So we are almost EUR 60 billion higher than at the half year. The outflows at PIMCO of EUR 49 billion was overcompensated by the change in U.S. dollar-euro exchange rates, which added EUR 88 billion. And also, Allianz Global Investors had a very good quarter. The market impact is a fairly small number for the quarter movement and does not change a lot.

So EUR 49 billion outflows at PIMCO. So how does it split between a normal quarter and then the day when Bill Gross decided to leave the company? So out of the EUR 49 billion, almost EUR 30 billion just happened the last few days after Bill announced his departure. So we had around EUR 19 billion, EUR 20 billion in the almost 3 months before.

So how does this impact the revenues? The revenues we compared to the -- to a year ago is actually -- we have at PIMCO 1 basis point less margin, and that is mainly, as we have seen over the whole year, a reduction of retail clients. So the shift to institutional is a bit more pronounced, and that has to do -- that's -- the Total Return Fund has already lost customers over the whole year and not only after the day when we had the change with the Chief Investment Officer, and that's why the reduction in revenues. Allianz Global Investors had a really great quarter in the third quarter. And compared to a year ago, we are 10% up, and this 10% up then also translates into, on Page 33, into a great operating profit. Allianz Global Investors contributed EUR 110 million to the quarter. That is the first quarter above EUR 100 million, which is really nice to see.

PIMCO was almost EUR 600 million, with a fairly small impact from performance fees. Actually, it's still contributing substantially.

And the cost-income ratio is actually, this quarter, in total, slightly better than the earlier quarters. We had a cost-income ratio of 57.4% in Q1, 57.9% in Q2. And with 57.1%, I think we have, actually, a very good quarter, so even going forward, I think that is a good starting point into the transition period.

Also, as I said, the dollar has quite some impact on the measurement of the assets under management at the end of the quarter. And you look here at 12 months comparison. The higher dollar has, on average, not yet earned in. So the dollar impact on the earnings is more, going forward, earning in. So that is, therefore, I think from a timing -- that we are going through the transition at PIMCO, it is actually a very helpful development.

Also, I should add here that we have implemented a new deferred cash compensation plan at PIMCO that will cost us, on average, EUR 33 million per quarter for the next year. And that is set in place for everybody who is not participating in the cash pool, so that is more for the senior level of the -- or the level below a managing director is probably the easiest way to describe it. And that should help us to create, actually, the service teams we need for our customers and driving also the performance of our funds. The 3-year performance in the third quarter went up to 93%. We reported 89% 3 months ago.

And on staff movement, we have not a single senior person or portfolio manager who has left PIMCO since Bill Gross left. Actually, we have rehired, as you might have seen in the media, some key people who have left in earlier times and now really eager to return to PIMCO, which, we believe and they believe, will continue to be a household name for U.S. customers.

Let's summarize the results with the Corporate segment. Actually, not a lot of relevant movement to report. It's a bit weaker than a year ago. But last year contributed by a -- was contributed by a release of unused restructuring provision. That is certainly a positive one-off we had last year, which has not been repeated this year. So therefore, the EUR 248 million negative result is pretty eventless.

And that brings us already to the last page. Operating profit, EUR 2.65 billion. Nonoperating items of EUR 331 million, and hence, up with a little bit lower -- a little bit better income before tax, but less good than the operating profit increase and lower income tax.

So do we have a one-off on the income tax line? It looks like. Unfortunately, that is a very complicated, technical item. So what has happened? We have realized losses from the year 2003 which we claimed tax-deductible for our German Life business in the year 2003. The German tax authorities did not accept it. We went to court, and we did win after a series of escalation processes at the Supreme Court, which allowed us now to take the EUR 158 million, which you see here as reclassification of tax benefits in our favor.

However, this money goes completely to the German Life policyholders. So they get the full EUR 158 million, and to book it and present it properly in our group accounts, we booked it 4 times in the P&L, 2 times positive, 2 times negative, so it has, in total, for the shareholder, 0 impact. But it is a movement between tax line nonoperating and then ends up in the policyholder provision. So our income tax is actually not better than a year ago. So our effective tax rate, I consider it as 32% and not the 27%, that if only be forced by IFRS rules, I personally would have never looked at it like this because I only look what is in it for the shareholder. And for the shareholder, it is still the 32%, whether we like it or not. But for our policyholder, it's great because EUR 158 million means that we have additional money to cover guarantees and the future of the Life business.

So now let's summarize the situation. Revenue, up double digits; operating profit, EUR 150 million above our pro-rata operating midpoint target; shareholders net income, actually, double-digit up for the quarter, for the whole year also, 5.5% for the 9 months up; balance sheet actually still continue to be very strong. Actually, our unrealized gains, and if I only look at securities, we have EUR 52 billion of unrealized gains now in our books. Including real estate and other stuff, it's getting close to the EUR 60 billion. So a very strong balance sheet, something where we think we can be confident. Also, with all the changes and volatility around PIMCO, we feel we are confident enough to change our dividend policy.

We promised to you we would do it before year end. In the end, we took the pragmatic decision here, just add it to the third quarter result before we all invite you to a Christmas Capital Markets Day, and that is now the new policy. We increased the payout from 40% to 50% payout. The dividends will be continued in a way that means when we have achieved a dividend level, we don't -- we, at least, want in the next year achieve previous-year level. So that means in case that net income is falling and you have even to pay out more than 50% in this year, otherwise, the ratchet would not work.

The additional discipline we added to the dividend policy is that we, you'll remember, we are using 20% of our net income for bolt-on or add-on acquisitions. And we said, well, actually, in case that we are not using it up in a year, we would accumulate it over 3 years because the M&A yields are usually not following calendar years, and it would be a bit difficult to calculate it year-over-year. So let's, every 3 years, look at how much of the M&A budget has been used, and the excess would be given back to the markets. It could be share buyback. It could be extra dividend. We are not yet defining it.

But also, discipline means that we have to be careful with the -- our solvency ratio as we are not running the company at a total B level. We are a AA company and want to stay as a AA. So our minimum Solvency II ratio, we need to keep at 160%. As you have seen, we are currently starting slightly above 200%, so we have a substantial cushion over the 160%. And now you will say, "Well, what are you doing with the cushion?" I have to say this is a dividend policy that is not yet a full capital management policy. So that here only explains the flow and not the stock, and the stock is still dependent on how regulatory development continues. We are pretty sure that we stay at a very good level, but we have also to see how the whole discussion around systemic importance continues. Also, the last fine-tuning of Solvency II has not been done. So we keep this discussion for a later period. At the moment, we are only discussing the flow, and we have balanced the number in a way that with a normal internal growth of, let's say, 3% to 4% in P&C and also 3% to 4% growth in risk consumption and Life year-over-year, our solvency ratio would stay stable, assuming financial markets are not moving. So therefore, the flow is now being kept in a way that, actually, our solvency ratio, over the next couple of years, should stay stable. Then the stock debate, we will have at a later moment.

And with this one here, I would stop. And I am now really looking forward to the Q&A.

Question and Answer

Operator

[Operator Instructions] The first question comes from Mr. Jon Hocking from Morgan Stanley.

Jonathan Michael Hocking
Morgan Stanley, Research Division

I've got 3 questions, please, 2 on the dividend and one on a different topic. In the dividend policy, when you're talking about the sustainable Solvency II ratio of 160%, is that off the -- a shock event? So I'm presuming you're not going to get down to 160%. So maybe can you talk a little bit about what you mean by sustainable in that context, please? The second question, on Slide 40, you're showing that the budget for the re-risking of the balance sheet in terms of investment risk is being sort of reduced at the expense of the high dividend. Is it still the intention to re-risk the balance sheet? And maybe you could talk a little bit about the earnings cost [ph] because potentially not re-risking in the way that you were doing previously. And then the final question, just on the U.S. Life business. You're growing very, very quickly. I just wondered if you could talk about the risk upside there in terms of how much you're prepared to write and what you're seeing in terms of share in that specific product line.

Dieter F. Wemmer
CFO & Member of Management Board

Okay. Thanks very much, Jon. Well, sustainable Solvency II ratio just means that when you see that the financial markets, at the time when you announce the dividend, is really tanking in a direction that you are already at 162%, that we would certainly take this into account. But at the moment, I see it much more we start at 200%. That means we have a full financial market stress as a cushion -- probably a midsize financial market stress, so let's say, equity markets tanking by 30%, some movement in interest rates and credit spreads would probably cost us some 30 points. We would be still above the 160%. That is the way how I see it from the current positioning. The budget for re-risking, well, we are continuing to invest in the real assets. I think we have -- with our product mix, I think we have the chances to free up capital which is currently being consumed in asset liability, duration mismatch and others. So it has actually the -- the move within the asset allocation has to be, from a risk perspective, be refinanced in the good categories. I don't think that we need more budget for it. And actually, as we have a budget for internal growth, we can still grow. Also, the Life was taking 3% to 4% per year, so that allows -- with the volumes we have brought together, actually, it gives us some room also for taking -- for investing in risky assets. U.S. Life, actually, from a risk perspective, we are absolutely fine with the product. I think we have to look how the dynamic hedging works. Therefore, there is a physical limit with the product based on how many hedges can you actually manage in the markets. But I think that we are far away from this limit. There is, I think, quite a number of quarters to go before we get close to this level.

Jonathan Michael Hocking
Morgan Stanley, Research Division

So just to come back on the answer to the first question, so your 200% economic solvency at the moment, do you think a reasonable-size market stress would be 30 points? So it doesn't seem like you have much excess capital at the moment over and above what allowed you to maintain the new dividend policy. Is that fair? Or am I sort of reading too much into what you just said?

Dieter F. Wemmer
CFO & Member of Management Board

Well, I think that depends on the final formula and sensitivities. I think we should currently enjoy the dividend policy, as I said. So we are talking about the flow today, and the stock discussion, we would keep for a later moment.

Operator

The next question comes from Vinit Malhotra from Goldman Sachs.

Vinit Malhotra
Goldman Sachs Group Inc., Research Division

This is Vinit from Goldman Sachs. Just Dieter, can I just focus your attention on the P&C growth, which is, in my memory, probably the highest internal growth in, I think, 4, 5 years or maybe even more on a quarterly level. And it seems to be coming from -- also, you mentioned U.K., but even AGCS where we keep hearing really bad things in the market from the media, et cetera. And I saw there was engineering liability. Could you please comment on just the P&C growth and what you think about that? That's the first question. The second thing is on this Slide 40. I probably missed the comment you might have made about this buffer because you already have a buffer now in this whole 30 point discussion we just heard about. So could you comment on the uses of the buffer? And lastly, just a very quick one on PIMCO. And you did mention the systematically important topics from the insurance and group perspective. But is this Bill Gross event accentuating the risk at the Asset Management level for PIMCO and is that part of your plans? Or is it part of your scenarios for the future?

Dieter F. Wemmer
CFO & Member of Management Board

Yes, very good questions. I think the P&C growth, I agree with you. Since I am at Allianz, the P&C growth was never at this level, and I had also to look at my colleagues. They also couldn't remember when we had such a really good P&C growth. I think AGCS is really doing well in engineering and liability. We have, actually, a very good growth in our Life -- in our German business, not only on the Life side, actually, also on the P&C side. And then U.K. had a good combination between motor, pet insurance and some rate increases in industrial lines. So it is actually supported by a broad basis. And I have forgotten to mention our credit insurance business here. It's a geographical expansion mainly to Asia-Pacific. The buffer of 10%, actually, that was a mistake that I did not mention it, Vinit, because when you do a ratchet on your dividend, that you say, "I don't want to fall below previous year level." That is actually a commitment to a higher payout level than 50% when you would calculate a 5- or 10-year average because even in a well-managed company, you cannot assume that net income will go every year up. We are exposed to financial markets. The impairments write-downs could always impact our net income. So therefore, the buffer is -- actually, when you accumulate it over 10 years, that is partly translated in this additional payout ratio for the years where you don't make it. And then we can now all speculate, is this worthwhile another 5 points in payout ratio or is it 7 points? I think that would be a pure speculation. We always try to manage the company in a way that it is not needed because we make our net income development, but you never know. The PIMCO question in relation to systemic importance is a very interesting one. And I think with the service our colleagues at PIMCO have given to our customers, was absolutely flawless way how all redemption have been handled. We have actually proven that Asset Management, even the largest fixed income fund in the world is not of systemic importance. And I think all the regulators were really impressed how PIMCO has handled all demands for liquidity, and that was an outstanding service of the team. And I hope that actually, the customers, when they now bring their money to other asset managers, that these asset managers are able to deliver a similar service.

Operator

The next question comes from Mr. William Hawkins from KBW.

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

On the dividend, again, you've been talking about the flow. Just back on this buffer of 10%, given that this has been a great year for you, how confident are you that the likely level of IFRS earnings for this year is sustainable given some of the obvious headwinds that you're going to be facing? Is it not inevitable that, that 50% is going to creep up? And then related to that, if you could just talk briefly, it's obviously good that you gave us these ratios on an IFRS basis because it makes life quite simple, but in reality, presumably, your dividend is coming from the cash generation of the group. And I'm just wondering about the relationship between cash generation and IFRS earnings over the next few years. Presumably, whatever is happening to the IFRS payout ratio, you'll actually see a greater challenge from a cash point of view, again, given some of the obvious headwinds you may be facing, like in Asset Management. And then secondly, for the operations of the businesses, you haven't repeated it this quarter, but I'm assuming you still think the Life investment margin could be about 80 basis points this year. If the capital market environment remains where it is, where do you think that 80 basis points would be sort of next year and then, if you like, by 2020?

Dieter F. Wemmer
CFO & Member of Management Board

As usual, William, very challenging question, but the answer is actually quite simple. Of course, there is not 100% link between IFRS results and cash generation. It is straightforward in Asset Management. It is also very linked in P&C on the Life segment. It is more complicated as you know very well. So actually, when you announce a dividend policy which is holding up for a couple of years, you better test under the various systems whether you can send it through over a number of years. And therefore, we have done stress testing, as you would not expect differently from Allianz, and we are still confident that we could announce the dividend policy yesterday night. Does this mean that we have a peaking net income in 2014? Well, I think for this question, you have to wait for our February announcement, look at our operating outlook for 2015 and then maybe we can rediscuss this question. The margin trend in Life. Sure that investments income will continue to shrink. I said this already on the last year's and with the recent action of the EZB that, that is certainly not changing and it will continue to shrink more. The impact on the margin is, of course, less than the shrinking cost investment income. And where we stand 2020, I think we have hopefully then to work on all levels of the business to keep profitability where it is, so that we can rely on investment income only is probably not good enough going forward.

Operator

The next question comes from Farooq Hanif from Citigroup.

Farooq Hanif
Citigroup Inc, Research Division

Firstly, I remember you talked about a EUR 3 billion of special items in your July Investor Day which were going to come out regularly over time and be upstream to the holding company. Can you update us on that, what you're doing? And does that form part of the flow or part of the stock? Second question, going back to kind of trying to forecast the Life business. You've had very, very strong net inflows because of your product mix change. On the ground, what -- do you see this continuing? Do you think that you've just had a one-off uplift because you're offering products and consumers have picked them up? Or do you think, actually, there's a real chance here to build up more share of the market in these kind of new type of contracts in the U.S. but also in Europe? So can we expect that kind of the reserve growth to be in the sort of 4% to 5% level that we're seeing very recently? And the last question, very simple one is, if in your 3 buckets of combined ratio profitability, if the third unprofitable bucket became 100% combined ratio and therefore, broke even on an underwriting basis, what would that, roughly speaking, do to your combined ratio?

Dieter F. Wemmer
CFO & Member of Management Board

Yes, thank you very much. Well, what we've said for, except capital, we will stream up until 2016, the EUR 3 billion. I think that statement is still valid because this actually project which are in work and some of them require some longer preparation, so therefore, it is unchanged. The Life results, I think in our main markets, I would assume that the trends are staying unchanged. It is the brand. I think it is also the different change -- the different Life products. I think fixed-indexed annuity in the U.S. was a niche product until recently. And when you look around now, more and more of the big players suddenly are starting to recognize that fixed-indexed annuity might be something more interesting than selling VA. So therefore, actually, this trend to annuity products and old age provision, I think stays pretty much. So your last question on P&C, that is a simple calculation. We have 9% in the category above 100% combined ratio. The average of this is 119%. When you multiply 19%, which is missing 200, times 9% premium volume, you end up with roughly 2% weighted average. So when we bring all 3 [ph] 200s [ph], then we end up with a 2% improvement for the whole portfolio.

Farooq Hanif
Citigroup Inc, Research Division

May I just come back on the first point, on the EUR 3 billion? What I was trying to get at was, is this part of the flow calculation when you come to 2016, or is this part of the stock?

Dieter F. Wemmer
CFO & Member of Management Board

Well, it has actually nothing to do with it because that is cash. And whether the cash sits in the subsidiary or in the holding, it is not changing our solvency ratio, therefore, the stock is the same as before. But it makes the capital more fungible and gives us more flexibility to do something with it. So could it be used for -- when we come to a stock discussion? Yes. Does it need to be for the flow? No, I hope not. So let's see how the world is developing. But certainly, I think we are not announcing here a distribution of the EUR 3 billion, if this was the question.

Operator

The next question comes from Andy Broadfield from Barclays.

Andrew Broadfield
Barclays PLC, Research Division

A few questions, please. First is, I noticed in the U.K. that there was a bit of a charge on investment in IT. I'm just trying to link 2 things together. Is this -- you also went -- have for some time, for centralized digitalization strategy, where you've taken quite a lot of cost outside of the divisions. Now I guess, there's a process at some point of pushing that back into the divisions as they adopt that technology or some of those skills you've developed. Should we expect a period over the next few years where we start to see some of those costs taken by the divisions as they start to embed some of those centrally developed digitalization strategies? That's the question 1, if that's not too long. And second one, on the Fireman's Fund, it's obviously dragging. It's obviously frustrating for you. Is it fair to say -- I mean, you sent the head of the U.K., or the ex-head of the U.K., Andrew Torrance, out there, is it fair to say that the similar strategy you're adopting out there as you adopted in the U.K. in the late '90s or early -- or mid-2000s? And just finally, the -- I was expecting a little bit more news on the sovereign debt charges through the autumn. I thought you're having discussions with BaFin about that, and we were expecting some news on that, update on that. Can you give any? It sounds like you haven't achieved any further insights to that?

Dieter F. Wemmer
CFO & Member of Management Board

Okay, very good. Very specific question, okay. The U.K. IT charges are actually investments in the multi [ph] direct platform locally, and that is not a global application, so therefore, the division has -- the OE has to pay it itself. I think we will not see a lot of additional IT charges in the subsidiaries coming from the global platforms because in the end, it will replace old platforms. And the idea is that, that reuse of global platforms should, on average, reduce IT costs at least in the long run after the transition, so that should play out over time. In Fireman's Fund, as I hope I mentioned it, that from January 1 on AGCS U.S. will run the overall commercial business in the U.S. Art Moossmann is our CEO for our U.S. business at AGCS, and he has then the responsibility on integrating also the commercial business of Fireman's Fund. That is what I can say so far and then we will give more details, I think, in February. On the sovereign risk, there are 2 messages. Actually, in the calculation presented here, we have not changed anything on the calculation, so it includes already the full charge for sovereign risk. However, in the meantime, but too late to change the calculation or to adjust the calculation, we have achieved a way forward with European regulators or our supervisory colleagues responsible for Allianz from a regulatory perspective on loading, which will reduce the sovereign risks charge going forward. I think it's a fair conclusion between still having some sovereign risk charge, but not at the same level as a corporate bond. And I think we all agree that we can live with it, and I'm glad that it's a German regulator, but also the French and Belgian regulator were really in the driving seat to find this European compromise.

Andrew Broadfield
Barclays PLC, Research Division

Can I come back to the Fireman's Fund thing? I misunderstood slightly. I thought it was only part of the specialty stuff there going into AGCS, but you're saying it's the whole commercial business and you separately got -- you've disclosed that you're looking for other innovative commerce solutions for the retail business. So does that -- I mean, what I'm reading is that there's potentially another Fireman's Fund post the retail solution, whatever that might be.

Dieter F. Wemmer
CFO & Member of Management Board

Well, let's wait for what the retail solution is. I think in the commercial business, we will act only under the single brand, Allianz. And actually, when you look at what we do in the commercial business globally, it is all Allianz branded. Fireman's Fund was the exception from the rule. And that we are also in the U.S. market, use our One Allianz branding strategy is actually quite normal and I think gives us also an easier communication with the brokers. And when you look in the other Anglo-Saxon market, actually our broker channels are very successful everywhere, so it would be a real pity not to achieve the same also in the U.S. market.

Operator

The next question comes from Michael Huttner from JPMorgan.

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

On the PIMCO and Asset Management, can you give us a feel for where you see the assets under management settling eventually? You obviously have more insight than we do in terms of the profile of net outflows?

Dieter F. Wemmer
CFO & Member of Management Board

Sorry, Michael, can you repeat your question? [indiscernible] the line.

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

It is -- I know it's -- I promise I am on the handset, but my phone is a bit funny, anyway. So here it goes, what do you think the assets under management will eventually settle at? We have the EUR 1.4 trillion, an amazing number still. You've got the best feel for the profile of the net outflows. My guess is we'll settle somewhere around EUR 1.1 trillion, EUR 1.2 trillion. Anything better than that, I think, would be nice, but whatever you have a feel for. And then the other thing, and this is a very geeky question. So you -- 119% for the 9% bucket, so that's Russia, Brazil Fireman's Fund. I'm assuming Q4 will stay at this level, I can't think why it should be at all better. If I were taking over the Fireman's Fund portfolio, I would -- I want to absolutely reserve it as strongly as I could, so I'd use every opportunity. Is that a fair assumption? And then that everything then turns quite nicely positive or breakeven from January 1? And then the last one, on credit, you -- I'm still surprised, from memory, I think Euler reported 2% growth, you're reporting 7.9% and you're saying it's Asia. So is Allianz now writing credits separately from Euler?

Dieter F. Wemmer
CFO & Member of Management Board

No, Allianz is not writing credits separate from Euler, so I think that the numbers should be the same.

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

Okay. I'll check. It's probably my mistake.

Dieter F. Wemmer
CFO & Member of Management Board

Yes, I'm pretty sure about it. So let's go to your question backwards. Certainly, it will take some time to correct the portfolios. I think Russia is just shrinking relatively quickly. That is not a business with a long run-off, 12-month policies, so we should get the volume here month-by-month substantially down. So therefore, the rate of the 9% in next year portfolio is already shrinking. Secondly, I would be rather disappointed with the actuarial process when we would have the same reserve increase 3 months later after we just booked this reserve increase, so therefore, that part should not repeat also in the fourth quarter. So you can call this an improvement of the Fireman's portfolio, I would call it a non-repetition of a one-off. And in the next year, I think the portfolio has certainly, after the transition advanced to go to 100%, and Brazil, it will grow organically into the 100% category. But you're right, that will not happening overnight at the year end. The assets under management for PIMCO, well, for the 2015 forecast on what we expect from the Asset Management segment, I have to disappoint you. You have to wait for February. But certainly, the assets under management are driven by various factors. Firstly, look at the Euro portfolio, so it's the euro-dollar exchange rate is an important driver. Market interest rates move the portfolio, and then inflows and outflows move the portfolio. So there are quite some parameters to consider. And I think from -- when you were mainly referring to the outflows, yes, we go through unsettled periods, but the current movements are pretty much in line of what we had expect when such an event as a succession is happening. And we, probably, will then have somewhere next spring have a clear picture in which direction we go, I think you have to remember 2 things: we are -- yes, we are owning the 2 very large asset manager, actually, with PIMCO, one of the largest asset manager in the world, but we are in the business for the long run. We come out of the insurance industry. For us, we are really long-term investors in everything. And I think PIMCO is a brand and a household name which has, in the long run, a great position in the market, and saving for old age is the #1 challenge of the western world. And there will be more money built going forward everywhere. U.S. economy, U.S. consumer is actually, at the moment, feeling every day in their wallet that it is going better, they pay less for their fuel, they pay less for their mortgages, so they have -- and as unemployment is going down, maybe also salaries might go up soon in some areas because there is not enough labor available for the employers. So actually, the U.S. consumer will have more cash, and that will also end up in savings accounts. So therefore, I think that having a large asset manager in the U.S., that is a great position going forward.

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

Brilliant. May I just ask, and I'm really sorry, on Russia, you know there's always the -- I always worry about the goodwill. Is there any risk to that? Because now with your dividend policy, obviously, this would affect the dividend.

Dieter F. Wemmer
CFO & Member of Management Board

A goodwill write-down, that would be already a desperate situation. I think we are far away from this. And there are some other players in the Asset Management space who have problems with their goodwill.

Operator

The next question comes from Mr. Michael van Wegen from Bank of America.

Michael van Wegen
BofA Merrill Lynch, Research Division

Michael van Wegen from Bank of America Merrill Lynch. Two questions on PIMCO, please. First of all, you confirmed this morning the net flow number for October for the Total Return Fund. Could you talk a little bit broader about the net flow development for PIMCO in October? That's question number one. Secondly, for those clients that decide to stay with PIMCO despite the departure of Mr. Gross, are you seeing any sort of attempt from institutional clients to perhaps reduce the fees a little bit? Because if I'm not mistaken, PIMCO's fees generally tend to be a little bit higher than what, perhaps, competitors are charging.

Dieter F. Wemmer
CFO & Member of Management Board

I think PIMCO's fee schedule is in return [ph] for the performance they are delivering. As long as the performance is at today's level, I think that is less of a question. On the October flows, I can maybe put some color around it. We had the $29 billion, or a little bit less than $29 billion of outflows from the Total Return Fund U.S. So let's say in euros, EUR 21.5 billion. The other mutual funds of PIMCO had an outflow which was a bit less than the outflow from the Total Return Fund, and 80% of all outflows are coming from U.S. investors. That compares to a 70% mark -- portfolio share we have in the U.S. 30% is actually Europe and Asia. And the reaction of the European and Asian investors is maybe more rational. And the outflows in the U.S. are certainly more pronounced on the retail side, which is then also being measured at roughly 70% of all outflows were from funds previously managed by Bill Gross. So did I cover your question, Michael, or...

Michael van Wegen
BofA Merrill Lynch, Research Division

Yes. I guess, that on the fee structure, you're essentially saying, "Look, we're not seeing it given the performance for most of the funds is okay." But if that were to change, then I guess, there could be that pressure.

Dieter F. Wemmer
CFO & Member of Management Board

Well, I think it's -- Asset Management is mainly about performance. I think that it's probably -- if the performance is not working, then institutional investors are moving. I don't think that it is a fee discussion.

Operator

The next question comes from Mr. Peter Eliot from Berenberg.

Peter Eliot
Berenberg, Research Division

So the first one, I just want to, perhaps, concentrate on the 1 bucket on the dividend slide that we haven't discussed in great detail, the internal growth. I guess when I've sort of tried to look at that before, I've struggled to prove to myself that you've used the full 20% budget. And especially, outside Life, I've seen relatively little demand. So I'm just wondering how you think of that going forward? Whether you're sort of confident that you might use the whole 20%? And if you don't, would that bucket possibly also fall into somewhere where you can evaluate any unused budgets? Second question, I just wanted a quick clarification. For the tax impact that you described, am I right in thinking that if it had not been for that tax impact, the Life operating profit might've been a little bit higher than you've shown? And then the third area I just want to touch quickly on to Non-Life divisions. In Italy, I guess the industry body has sort of said that frequencies decline is sort of slowing, but [indiscernible] decline is continuing. One of your major competitors yesterday seemed to be quite positive on further frequency declines and therefore, maintaining profitability, and I'm wondering what your view is there? And in Brazil, I noticed that you attribute a lot of the weak performance to operational issues, but it seems quite a few other players are having similar -- or showing similar combined ratios. So I'm just -- it seems to be a bit more of an industry thing, and I'm just -- in light of that, I'm wondering what the scope to improve your combined ratio is?

Dieter F. Wemmer
CFO & Member of Management Board

Okay. A really long list of questions. I think that the dividends -- as I've said, the internal growth assumption assumes that we are growing on average, some 3%, 4%. In some years, there will be more consumption by Life. In other years, it will be more by P&C. I'm not this precise that I'm saying exactly how much we need for what, but that is actually -- and even if in a year, we are only consuming, let's say, EUR 1 billion instead of EUR 1.2 billion, that is a fairly small amount. And sometimes, Peter, I have the feeling you guys are only stopping when we go to a 100% payout. So you are really working quite hard on me today. So -- and nobody said any thank you to the 50%. So it's really, really, really tough today. So the tax impact, as I've said, it has 0 impact. It is really a tax credit we are getting. It moves directly to the policyholder. There is no movement on life operating profits. So -- and Italy, yes, it is true, the premium decline is partially compensated by frequency reduction, so therefore, the impact on the accident year loss ratio is not this strong. However, in our movement, it's also included and actually, the aging channel is slightly shrinking, as you can see from the number or even shrinking more than the 0.6%, you see the high cost we have in the direct channel, and of course, therefore, there is 1/5 of the weighted average between the accident year loss ratio of the direct channel versus the agent channel. And that is independent now of the market and the price movements. We are running the largest direct writer in Italy, and our growth continues. And actually, I think going forward, I see really, a lot of growth opportunities for our direct business which is really establishing itself as the undisputed market leader in this space. Brazil, there is certainly -- our main problem area is the group health business, and it is certainly another business where it is easy to achieve an underwriting profit. But still, we have at the moment, operational issues which make it more difficult. I don't think that our combined ratio will stay significant above 100. I think we can achieve the 100 combined ratio in a couple of quarters. As I -- as Michael already pointed out, it will not happen over overnight, but I think we can improve it quarter-over-quarter.

Operator

The next question comes from Mr. Pantarrotas from Kepler Cheuvreux.

Atanasio Pantarrotas
Kepler Cheuvreux, Research Division

I have only 2 questions left. One is on loss ratio. Your accident year loss ratio showed a upward trend compared to the very good level over the past 2 years. And I wonder if you can provide some color. So it's a matter of some pressure in the business, or it's a simple view to some specific area like U.S.? However, I think that the U.S. was mainly an issue with the reservation that does a [ph] quarter other than an accident year. The second question is, on your capital model, you put in the past quarters the potential charge on European and sovereign debt, which is likely even too cautious assumption. But at the same time, your capital available increased materially by roughly EUR 10 billion due to the transferability of funds. And I would like to have some color on this, if you can provide that, some color on why this was -- there was this increase.

Dieter F. Wemmer
CFO & Member of Management Board

Okay, Anastasio (sic) [Atanasio]. Accident year loss ratio, there is 0.5% compared to last year impact due to higher large losses, and the rest is coming from Brazil, Russia and Fireman's Fund, even as most of the issues at Fireman's Fund are prior year, we are also seeing actually a worsening of the accident year loss ratio as compared to the 100% level. So Fireman's Fund is a double topic and we have -- although I said that cat force [ph] in the third quarter not really our issue, we had 1 or 2 large personal line losses at Fireman's Fund that is just not normal fire, so nothing of a systemic nature, but it costs money. So that is -- that are actually the accident year loss ratio deterioration. I think when we correct Brazil, Russia and also Fireman's Fund into a different level, then I think we should be pretty much back to last year's level. Of course, volatility from large losses will always stay. The capital model and the higher level of fungibility, that is a complex topic. So I hope you're all sitting well because now I have to start with a longer story. We have higher risk capital consumption at our German Life business due to some model changes. Therefore, the weight of the German Life business in the overall pie of risk capital is increasing, with the increasing share in the pie, you can, so to speak, use more from the non-fungible capital because in the calculation, it is always used up to the group average. It means in absolute terms, you cannot use the fungible capital to move it from one entity to the other, but you can use it for the risk consumed by the German Life business itself. So it is, in the end, a mechanical average effect, which might sound a bit strange and maybe, it would be easier to explain it on a chart. I hope I expressed it well enough. Otherwise, Tom Wilson, our Chief Risk Officer, has to try it again.

Operator

The next question comes from Thomas Seidl from Sanford Bernstein.

Thomas Seidl
Sanford C. Bernstein & Co., LLC., Research Division

First question is on the P&C. By taking a portfolio view, I was quite surprised about the slowing down in pricing. It was 1.1% at H1; it's now 0.8%, so adjusting -- suggesting that in the quarter, prices were up just around 30 basis points, clearly below inflation, leave alone compensating low investment income. My question here is, does this not suggest that we have seen lot of the peak in the performance of the P&C segment and we should expect the lower performance in margin terms going forward? And secondly, a more positive thing, of course, Life, a strong growth. When and how much does this influence the future operating profit on the Life side? So should we expect much higher operating income and how quickly will this come through? And thirdly, I think I understood when Michael Diekmann was here in London in March that you are about to complete a full assessment of the capital situation of Allianz and you are going to disclose this in the fourth quarter, so not only a flow but also a stock discussion in Q4. So when the tool is now in the box, the G-SII capital standards, a brief check tell us they are not harmful at all. So what keeps you from disclosing the real capital buffer of Allianz?

Dieter F. Wemmer
CFO & Member of Management Board

Okay. Let me start with the last question first. First, EIOPA has still not finalized the formulas how to calculate Solvency II. They are even still working on defining the risk-free yield curve, which as you can imagine, an essential part of the whole calculation, and they have now promised to deliver us -- this to us end of January for the filing in March. So that is a delay which, I think you can call in Frankfurt, and if you get them accelerated, I'm happy to take it earlier. The other point is, I asked twice to implement and define for the SIFIs, so the G-SIIs, the HLA, that is additional capital required over normal for the systemic risks. And they have missed [ph] on their proposal and said they would come back next summer. So that is a very simple point, and both at the Solvency II holds [ph] were ready and also the G-SIFI standards, that was all promised for fourth quarter. And I cannot influence the regulators. I think we have taken with our presentation of the flow, I think, a pretty bold step that we are assuming that all the outstanding capital definitions are manageable, and that we have not to regret what we are doing today. That shows that we are really not here conservative. I think we have found a solution which should actually address both sides, the needs of the capital markets, and also still having the final debate on the stock definition.

Thomas Seidl
Sanford C. Bernstein & Co., LLC., Research Division

So that means basically before, let's say, Q3, Q4 next year, you're not going to address again the capital stock question?

Dieter F. Wemmer
CFO & Member of Management Board

Yes. I even try to say that we will come back on the stock question at a later time without specifying it. And in the end, when it is ready, it is ready. So it's not that it is an Allianz decision to delay these time schedules. Operating profit in Life, despite William's question on how fast is investment margin falling, I think the investment margin is probably still holding up sometime in particular, net investment margin for the shareholder. So therefore, the operating profit should benefit from the higher reserve levels overall, and that would be, at the moment, also my normalized growth assumption for the profit. P&C portfolio view, I think when we discuss where I would see the improvement of the loss ratio coming from next year, I was mainly focusing on the 3 entities which are currently under-delivering. So I put not price increases as -- on the list. And that gives you already an indication that price increases, overall, probably might support still our loss ratio a little bit, as also frequency is coming down and inflation in Europe is probably nonexisting. So therefore, I think that we have still some room for improvement, but it has mainly to come from hard internal work and it will not be a gift by the market.

Thomas Seidl
Sanford C. Bernstein & Co., LLC., Research Division

Okay. On the Life, just to follow up here, this means despite falling investment margin larger base, you expect significantly strong [ph] operating income in Life unit [ph]?

Dieter F. Wemmer
CFO & Member of Management Board

Well, we have -- in our new business profit as FX when we went through the slides, we have EUR 119 million strain from the new business in the quarter. So actually, to improve the operating profit would be to reduce the growth. That is how IFRS works, whether it's in the long run create value, is a different question.

Operator

Okay, the last question comes from Mr. Nick Holmes from Soc Gen.

Nick Holmes
Societe Generale Cross Asset Research

Just one question. I just wanted to come back to your very strong U.S. Life sales. I wondered -- misselling. I mean, this is a -- this was an issue 10 years ago. It was a very serious issue detail. This is all before your time. But there was a lot of misselling and litigation 10 years ago. And having a look at your product, it does seem to be extremely complicated. And I just wanted to ask, what sort of safeguards are you taking against misselling? I mean, things like are all the agents SEC registered? Can you take us through the sort of precautions that you are making on those sales?

Dieter F. Wemmer
CFO & Member of Management Board

Thank you, Nick. I think that is great question to complete the call. We have -- since the misselling efforts, set up a very, very special procedures, we are really doing of a high percentage of the customers call back and interview them about the sales process and ask them questions how they have understood the product and if they are missing points, we explain it. You're right, there were many years ago, before my time, quite a number of misselling situations, and I think that Allianz Life in Minneapolis has really changed its procedures in a way that we can really interview the customers. Some customers are puzzled when they being interviewed. But in the end, the feedback also showing from our NPS scoring, customers really like it. We had some trouble with some of our sales agents which are independent agents, which thought that was a statement of mistrust. But now in the meantime, also the sales agents are accepting this because that gives them also more protection in case that a customer is protesting later on, which is actually very much reducing due to the process.

Nick Holmes
Societe Generale Cross Asset Research

Right. So just to clarify, is it an SEC-registered product? Do you have a -- because I think the last time, 10 years ago, you had a lot of kind of lower-quality agents because the index annuity at that time was not SEC-registered.

Dieter F. Wemmer
CFO & Member of Management Board

A fixed index annuity as such, as far as I know, is not an SEC-registered product because most of our competitors selling it through standard Life agents. I think our new product because it has more financial market features is actually a product which is being picked up by SEC-registered agents. They prefer to sell it over the even more complex VA product because it is a much simpler product compared to a VA product, and for them also easier to explain, and it has, therefore, for the sales agent and the customer, quite some advantages.

Nick Holmes
Societe Generale Cross Asset Research

Okay. So just one final question on that. What is the number of agents that you've got? Because I think 10 years ago, you had literally tens of thousands of agents. Is it a more select group of agents that you're using?

Dieter F. Wemmer
CFO & Member of Management Board

Well, I don't think so because that's -- actually, the very well-known large broker-dealer networks in the U.S. are all selling this product. So there is a vast number of agents who are selling the products through their dealer networks. And I don't want to use now the brand names of these dealer networks, but this other one everybody knows.

Oliver Schmidt
Head of Investor Relations

All right. I guess, we are done for today. So thanks for joining the call, thanks for listening and we wish everybody a very nice remaining Friday afternoon and nice weekend.

Dieter F. Wemmer
CFO & Member of Management Board

Enjoy the weekend. Bye.

Operator
Ladies and gentlemen, thank you for your attendance. This call is being concluded. you may now disconnect.