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Presentation

Andrew Ritchie

Ladies and gentlemen, welcome to the Allianz conference call on the Allianz Group Financial Results for the Third Quarter 2024.

For your information, this conference call is being streamed live on allianz.com and YouTube. A recording will be made available shortly after the call. At this time, I would like to turn the call over to your host today, Claire-Marie Coste-Lepoutre, Chief Financial Officer of Allianz SE. Please go ahead, Claire-Marie.

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Thank you very much, Andrew, and good afternoon, everybody. I'm happy to share with you today our third quarter results. If you look at our 9M numbers on Page 3, which clearly are a very nice set of numbers, you can see our strong momentum in terms of both growth and profitability.

This momentum is well spread across our segments. What the numbers show as well is our resilience as we have seen both in the second quarter and the third quarter, an elevated level of natural catastrophes, but as well of large losses and weather-related events. So let me now go into more details into the numbers.

You can see our overall growth, which is strong at 11%, and that's ahead of the first half of the year, which was at 7.5%, all segments are contributing with P&C stemming both from volume and price, Life and Health with double-digit growth and asset management with net flows of almost EUR 70 billion, now more than 3x the entire level of net flows we have seen in 2023. And our assets under management are up 7% year-to-date.

On profitability as well, we are doing very well. Our core ROE is at 17.5%, which is up 15% versus last year. This is supported by our improved operating profit and net income clearly. P&C has a combined ratio of 93%, which is at the low end of our outlook range. Our value of new business is at EUR 3.5 billion, which is reaching a record level in the first 9 months of the year, and our cost income ratio in asset management remains at industry-leading level.

With this sustained momentum and our operating profit being now at EUR 11.8 billion at 9M, we are happy to mention that we now expect our year-end operating profit to be in the upper half of the outlook range. Let me now go to the third quarter on a stand-alone basis on Page 5.

So clearly, we had a very good quarter, both in terms of growth and profitability. If you look at our main KPIs, so total business volume, operating profit and shareholder core net income, they are all up double-digit level versus last year. And our at ROE is at 18% for the third quarter.

P&C has seen a nice growth 9.5% internal growth, out of which we have both pricing and volume. Volume effect is 3% into that number. Our operating profit is at EUR 2 billion for the quarter. That's supported both by the growth but as well by the improved combined ratio at 93.5%, which is well within the range of our outlook.

And clearly, much better compared to last year, which was impacted by an exceptional high level of natural catastrophes.

Life and Health had an outstanding quarter from my perspective in terms of new business. You can see new business up 31% versus last year. Clearly, all regions are contributing. You will see that when we go into more details, we are growing at an attractive new business margin of 6.1%, which basically allows us to deliver value of new business of EUR 1.2 billion, which is up 33% versus last year.

On the asset management side, we have seen a setback in net flows of EUR 20 billion for the quarter, out of which PIMCO is contributing EUR 25 billion. Our operating profit is marginally down. This is due to the lower level of performance fees in the quarter. And adjusted for that effect, our underlying operating profit is up 11% year-on-year, which I think is a very good level.

So overall, a strong momentum across the board, building on the one we have already observed in the first 2 quarters of the year.

Let's go to Solvency on Page 7, where you can see that our Solvency ratio is up 3 percentage points, compared to the second quarter, and we emerged at a strong level of 209%. The sensitivities as well are unchanged compared to the second quarter. And as you may remember, they are at a lower level compared to year-end 2023. And this is including from the cost effects, which is a very nice outcome from my perspective.

Moving to Page 9. And if you look at our organic capital generation, which is strong for the quarter at 7 percentage point, that's fully in line with our expected range of 6 to 8 percentage points per year, net of tax and dividends and despite the high level of growth we have seen in the business quarter. So that's a strong outcome in terms of organic capital generation.

For the rest of the work, you can see that we have a limited negative market impact of minus 1 percentage point, which is mainly linked to the lower level of interest rate. On the capital management side, we have minus 2 percentage points, which is linked to the dividend accrual, the extension of the share buyback in the second quarter, which is partially offset by the AGCS transaction in the U.S. that is mainly contributing to the offset of the first 2 effects I was mentioning.

So overall, a strong development of our Solvency ratio, and we expect our net operating capital generation to be fully in line with our 6 to 8 percentage point range for the full year of 2024.

Let's move to Page 11, looking at P&C. And I think this page clearly highlights the strength of the growth momentum we see across our portfolio in P&C.

Growth is higher in retail at 11% with Motor at 13%. Commercial see a growth level of 6%. Rates continues as well to be at very good level across the board. As you can see, the growth is well spread across entities and geographies. You can observe that on Germany, on France, on Italy, on Australia, on Spain.

Trade Credit is seeing a bit of a reduction of total business volume, which is linked to the weaker economic environment. And on AGCS side, we see the effect of the divestment of the mid-core book in the U.S. in the total growth column, and the internal growth is impacted by some seasonality effects coming from our ART business. So corrected for this effect, the internal growth at AGCS is at 4%.

Also, and that you cannot see directly, but we have a MidCorp business, which is outside of the U.S., which is spreading across the geographies. And here, we are also seeing nice internal growth level of 13%, with pricing up 5%. So overall, very satisfactory picture in terms of good development.

Moving to Page 13, where you can see that our operating profit is very good at EUR 2 billion, which is growing by 36% compared to last year. This is linked to both a better combined ratio, which is at 93.5%. As I was mentioning really middle of our outlook range and the growth of our insurance revenue which is up 8% versus last year as we are earning the growth we were basically communicating quarter after quarter into that number.

So before I go into a bit more details into the combined ratio, I would like to highlight the fact that the AGCS sale of the U.S. MidCorp business is impacting our number as we have a fronting for arch of the new business that is in place and is going to stay for up to 3 to 4 years. And this fronting activity is basically mechanically impacting our ratios.

This is improving our expense ratio, and this is deteriorating our loss ratio via the reinsurance ratio. So now going into more details into the combined ratio. You can see that our NatCat impact is lower this quarter at 3.4%, compared to last year that was at 7.3%. So last year was very exceptional. It was one of the worst -- I mean, it was the worst quarter in 10 years in terms of NatCat experience, but still at 3.4%. This is above our expectation of 3% Cat load. And the quarter in general has not been particularly quiet in terms of events. So we have seen the floods in Eastern Europe. We had several storms in Europe as well. And we had some hurricanes in the U.S. And also beyond NatCat, we also have seen quite some smaller weather-related events and large losses during the quarter.

Our expense ratio is very good. It's benefiting, I think, from -- fundamentally from some mix effect, from the productivity actions, we are continuing pushing through. And as well from the AGCS effect, I was mentioning before, which is contributing positively to the expense ratio. Also, I think on a year-on-year comparison, our expense ratio is a bit -- the comparison is flattened due to the fact that last year we had some negative effect into our expense ratio.

If we move to the customer segments, you can see that retail is at 94.9% combined ratio. And within that number, our undiscounted attritional is improving by 1.4 percentage points versus last year and 1 percentage point versus the second quarter.

And here, we are clearly earning the benefits of the pricing actions as we expect. Commercial remains at a strong level of performance with a combined ratio of 90.5% despite some of the elements I was mentioning, so the AGCS effect, but also some of the large losses I was mentioning as well.

Let's move to Page 15, which overall continues to highlight the quality of our franchise across our P&C business and geographies, I would say. If you look in a bit more detail into the operating entities, you can see that Germany and Central Europe, as an example, has been also impacted natural catastrophes, but are emerging with a good level of combined ratio despite that effect.

We see clearly for the U.K. and Australia, the continued improvement in terms of combined ratio and operating profit showing up into -- basically as a consequence of the actions which have been taken by the teams to really improve the quality of the business, so that's nicely showing up.

France, as an example, you also see the strong actions the teams are pushing in terms of addressing the inflationary effects that we see in that market. On AGCS, you see several elements, I would say, clearly, the fact that the quarter has not been quiet in terms of natural catastrophes for AGCS. You have a bit of a negative effect coming from the Arch transaction.

And then we have seen quite some large losses in the quarter that basically are not for us any trend related, but they came as an increased load into the quarter. On trade, we see a normalization in terms of loss experience, but we also had some large losses into the quarter, which are explaining the reduction of operating profit, still I think combined ratio being at a very good level for that business. Partners is clearly earning the growth into the operating profit at a good level of margin, so a good trajectory on that side as well.

Moving to Page 17, where you can see on the investment results side that we continue to earn the benefit of the [CIR] rate environment into the interest and similar income. This is partially offset by the interest accretion, which is in line with our expectations.

But clearly, I mean, is reflecting the fact that we are paying for CIR discounting that we have seen last year. And in the valuation results and other, we have a bit of noise this quarter, which is mainly linked to the euro to U.S. dollar rate being like more, I mean more negative effect this quarter versus more positive effect last quarter, which is emphasizing the effect on that line item.

So overall, on P&C, let me recap. We see a strong growth continuing, very good level of profitability in line with our outlook with the actions on inflation being earned through in the combined ratio. So overall, we are well positioned towards the future on P&C.

Let's move to Life and Health on Page 19, where new business has clearly been exceptional this quarter, and this is in particular -- particularly strong from my perspective for a third quarter, which traditionally is always a little bit lower. So PVNBP is up 35% at an attractive new business margin of 6.1%, which is leading to a value of new business of EUR 1.2 billion, which is up 33% versus last year.

And clearly, all our entities are contributing to that growth, as you can see on this page. So it's a bit difficult to pick, but maybe let's first pick the U.S., where we have a nice growth of 60% in terms of

PVNBP, which is linked to momentum in the U.S., clearly, and also some promotions we have run on our fixed index annuity business for 6 weeks in the quarter.

Italy, also a very nice growth of 22%, where the colleagues in Italy are basically market leading in terms of unit-linked business, and this trend is continuing this quarter. Asia Pacific also in particular had a very strong growth during this quarter, at an excellent new business margin of above 10%, which basically is a leading Asia Pacific to -- as the second largest contribution in terms of value of new business after Allianz Life in the quarter. This growth is as well of a good quality as we are growing at 95% from our preferred line of business this quarter.

If we go to Page 21, and we look at the CSM development, here as well, really development overall. The CSM is growing at 1.5% for the quarter, which is bringing us at a 4.6% growth year-to-date against our guidance of approximately 5% for the full year.

This is significantly in excess of the release, approximately 60% higher, which is clearly good for the future. And our CSM release is at EUR 1.3 billion, which is fully in line with our expectations. To provide you with maybe more details on the CSM development work, you can see in terms of development for the economic variances, we have positive economic variances of EUR 300 million, which is mainly linked to the lower level of interest rate.

And our noneconomic variances are negative EUR 600 million. This is linked to the annual assumption updates that we are performing in the third quarter and in particular, this is coming from the lapse experience we have seen over the last few quarters.

And this effect is actually halved on a net basis as a significant part of this noneconomic variance is linked to the old book of fixed index annuity on AZ Life side, which is reinsured. So from gross to net, it is disappearing. And as you know, the net CSM is what matters for future profitability. Our CSM sensitivities are broadly unchanged, and they are at a very good -- very low level, which is also quite good.

And if we move to Page 23, our operating profit is at EUR 1.4 billion, which is fully in line with the second quarter of 2024, including in the translation from CSM release to operating profit. There is still a bit of noise in the year-on-year comparison in the variances from claims and expenses in particular.

So I would not pay too much attention to that one. And I clearly think that this EUR 1.4 billion is as well strong against our yearly outlook. Overall, our operating profit is growing by 5% year-on-year. And this development is as well spread across operating entities. As you can see on the right-hand side of that slide, we see Italy and the U.S., which are leading the pack, but as well Central Europe, where, in particular, our Polish colleagues are doing very well with a comprehensive Life offering with strong rider features.

So let me summarize on Life, where we see an excellent 35% growth of PVNBP at attractive margin. Our growth is very well spread across our entities, our CSM is growing too ahead of our yearly outlook, which is good for the future. And our operating profit is at 79% of our yearly expectations.

Let's move to Asset Management on Page 25. So I think on Asset Management, first of all, I think one should recognize that we continue to navigate in an environment with significant debates on rate cuts, volatility in markets, yield curves and so on and so forth. So this is not a very straightforward environment for this industry. But in this context, I think our asset management business is performing well, and we see -- we have seen for the third quarter EUR 25 billion of net flows on AGI side, which is twice the level of the inflows we have seen in the second quarter.

AGI has seen outflows of EUR 5 billion, which is linked to 2 large mandates we have in the low-margin fixed income business. And we have seen as well on AGI side in the second quarter -- in the third quarter, sorry, some inflows in the higher margin business like multi assets or alternatives, as an example, year-to-date for both PIMCO and AGI, our net flows are at almost EUR 70 billion against EUR 22 billion for the full year 2023 and an outflow of EUR 80 billion for 2022.

October as well has seen further positive inflows coming from both AGI and PIMCO. So overall, at the end of the third quarter, we have EUR 1.8 trillion of assets under management, which is up 7% versus the beginning of the year. And this is also a highest level of assets under management since the beginning of 2022. This is clearly good for our future level of profitability.

Let's move to Page 27, where you can see that our revenues driven by the assets under management are up 7% versus last year with a resilient level of fee margin, slightly impacted by business mix.

We had a low level of performance fees this quarter on PIMCO side. This is only a matter of seasonality, and we expect those to materialize at a later point of time. AGI is nicely growing revenues. And if we move to the year-to-date view, our revenues are up 4%, FX adjusted.

Moving to Page 29. As logical, our operating profit is impacted by the lower level of performance fees. Excluding this, OP is up 11% year-on-year, and that's driven by both the higher average assets under management and a strong cost control at both asset manager. As you can see, despite the lower level of performance fees, our cost income ratio is at 61%, which is in line with our expectations.

So overall, on Asset Management, we see strong inflows now already at 3x the level of 2023. Assets under management are up 7% year-to-date with strong profitability level. This is also positioning us well for the future.

Corporate segment, I'm going to skip. This is in line with our expectations, and there is nothing specific to highlight. Let's move to Page 33, where you can see that from an operating profit to net income, there is a bit of movement on the various line items.

But overall, we have a fairly clean effect with EUR 400 million of nonoperating profit, much lower compared to the third quarter of 2023. We also have like the effect of the Arch transaction that is showing up, in particular, on line item Other.

Our tax rate is in line with expectations. So overall, our shareholder core net income emerged at EUR 2.5 billion, which is up 23% versus last year. Our core EPS is as well up 25% versus last year. We are fully on track for the EUR 25 EPS target for the full year.

Let me recap on Page 35. Clearly, we are happy with the strong momentum we see in the business, both in terms of growth and profitability across all our segments. This is well -- as well underlined by a strong level of Solvency ratio at 209%. This is positioning us well for the future. And given where we are now at 9M, we can refine our guidance for the full year to an operating profit expected in the upper half of the outlook range.
I'm very much looking forward together with the entire team here to welcoming you at our Capital Market Day on December 10 to exchange on perspective for the next 3 years. I'm now happy to take your questions, but suggest to keep the questions related to the outlook for that event.

Question and Answer

Andrew Ritchie

Great. Thanks, Claire-Marie. Yes, we're happy to take your questions. Maybe just some housekeeping. [Operator Instructions] With that, our first question is from Andrew Baker from Goldman Sachs.

Andrew Baker
Goldman Sachs Group, Inc., Research Division

So the first one is just on the P&C expense ratio development. So I appreciate that some of the improvement was from the Arch transaction. Also, you highlighted the favorable mix changes and the contribution from productivity gains. Are you able to just give us a sense of what is -- what specifically is driving those favorable mix changes?

And then if there is anything you can say to break out the contribution from the productivity gains, that would be really appreciated.

And then secondly, is there anything you can say on -- hopefully, this doesn't fit into the outlook comment, but maybe it does. But anything you can say on the Q4 NatCat experience today, specifically on Spain. And then maybe if you can comment on the interplay between what you expect the private insurers to pick up versus the CCS to pick up, that would be extremely helpful.

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Thank you. So let me start with the Q4 NatCat. So I mean, at this point in time, we expect for both, I would say the hurricanes we have seen in the U.S. mainly for Spanish flood to be well within the type of budget we would expect for the quarter. So nothing in particularly higher. I think Spanish one would expect to be in the -- I mean, maybe a low double-digit -- double-digit type of loss. We are still obviously looking at it.

And then for also the hurricane in the U.S., we expect to be either -- I mean, high double-digit, low triple-digit number, but again, really well within our 3% Cat load for the quarter.

So on the P&C expense ratio, I understand you will be -- you would like to understand a bit more what's happening. We -- I mean, it's always a bit difficult to unpack because we have so many specific elements, which are contributing to the mix effect.

So it's really related to the various type of businesses and how they come through in a single quarter. I don't think you should use that really as a reference overall. I will rather use basically the status we see for the -- at 9M as a reference for the expense ratio, and you can expect a little bit of a positive effect to come through from the Arch transaction as we were mentioning before.

But I think that's the best way to unpack that number because it's always a bit too granular without adding value from my perspective.

Andrew Ritchie

Our next question is from James Shuck from Citigroup.

James Austin Shuck
Citigroup Inc., Research Division

My first question is just around the AZ Life CSM. So just the developments in the 9-month stage. So you added a lot of new business, very strong in the period. But the CSM actually fell sequentially 9 months versus H1. So just keen to see if there are any operating variances or lapse experience happening in that, in the U.S., please?

And then secondly, just picking about the combined ratio a little bit. So the undiscounted attritional loss ratio in Q3, adjusting for AGCS rose by 40 basis points. But the retail number got 1.4 or 140 basis points better year-on-year. That implies quite a severe deterioration on the commercial side. So can you just tell me what's happened there on the outlook for commercial, please?

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Thanks a lot, James. So let me start with the AZ Life CSM effect. So indeed, for the third quarter, so we have done our assumption updates. And as I was mentioning, we -- so we have adjusted for the lapse assumption in particular, in the U.S., given the dynamic of that market where you see all businesses basically lapsing, being like recycling to new business.

This is a particularly strong effect. So you have that effect that is showing up in the growth CSM of AZ Life. And then you have the second effect I was mentioning, moving from gross to net because I mean, in particular, that those lapses are happening on the business that is reinsured today, the fixed index annuity business that is reinsured on the AZ Life side, which is basically then being neutralized when you move from gross to net. So that's -- those are the effects you see on the AG Life side, mainly on the CSM.

And then I think on the combined ratio overall. So on the attritional loss ratio for commercial, indeed, we have seen an increase of the attritional loss ratio for commercial altogether. There is clearly the effect of the Arch transaction, which is higher when you move from just looking at global to only commercial on a standalone basis.

And then we have, I think, 2 main effects in that number. We have seen a higher level of large losses for the quarter, clearly both on [AGCS] side and on trade side, which are impacting the number. And there, we don't see any particular concern? Or is it just like volatility that happened to be in this quarter, which is impacting that attritional combined ratio.

And the second effect is this normalization of the attritional level of trade, which is also coming into that effect. And that's fully in line with what we expect to see given the overall market dynamic for trade. So as well, the team is pretty conservative in the way they are also booking the current accident year attritional loss ratio. So that's also what we see here, but it's really fully in line with our expectations.

Andrew Ritchie

The next question is from William Hawkins from KBW.

William Hawkins
Keefe, Bruyette, & Woods, Inc., Research Division

Claire-Marie, just help me a bit on the Life CSM, please. First of all, I probably should know this by now, but can you remind me why you have a positive impact on the CSM from a decline in yields? Normally, I think lower yields are bad for Life companies. And so I just can't remember why your CSM benefits from that?

And then secondly, can you just help me understand the outlook for the expected in-force return? Do I just drag across 5.8% as a constant return? Or could that number be bouncing around a bit more as yields move, please?

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Sorry, could you repeat the second question? I mean, the sound was not very good, so I could not hear you very well.

William Hawkins
Keefe, Bruyette, & Woods, Inc., Research Division

I'm sorry on my side. Yes, I just wondered about the outlook for the expected in-force return in the CSM work. It's 5.8% in the 9 months. And I'm just thinking, do I just drag that into the future? It's a very stable figure. Or is that a number that could be moving as yields move over time?

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Yes. So on the Life -- sorry, on the CSM effect, so basically, this is really -- I mean, First of all, this reaction depends a lot from one type of Life business we have to the next one. So that's also again a bit complicated to unpack. So you can also ask the IR team to maybe comment it more to you in the details, depending on our various businesses. But the main reason is that there is an appreciation, which is linked to our protection business. And then the effect of the profit sharing into the surplus that is basically explaining those effects into the economic variances.

And then on the expected in-force return, they are basically also -- I mean they are -- I mean, they are also moving depending on the -- also on the underlying model we are using for our Life business. So it's different between the VFA and the BBA business, where we will have for VFA basically market rate to which we are adding an expected over return. So the market rate is risk free, basically, and then the overall return depends on the underlying assets, which are backing our Life business. So that will clearly depend on the environment, I would say.

And for BBA, we are using basically our locked-in rate at inception so those are fixed. So they were just for indication, they were 4.4% at -- for the full year 2023, and they are currently at 4.5%. So basically, you can estimate also unchanged towards year-end.

And for VFA side, you can use an assumption that basically the risk-free weight, we use is currently 3.5% and then you had a bit of extra boost linked to the expected over return, which you can estimate around 0.5% that's basically what you can have in mind for the full year.

Andrew Ritchie

Next question is from Vinit from Mediobanca.

Vinit Malhotra
Mediobanca - Banca di credito finanziario S.p.A., Research Division

So my 2 questions. First is on the attritional loss ratio, where I remember last year, we were thinking about '24 being a 71% kind of level. And when we clean up the 9 months for all the -- for Caledonia, for the AGCS transaction, they're getting somewhere near [71.3%]. And I'm just wondering if you're still happy with that kind of looking at it on a clean basis? Or would you still think that we should be looking for that 71% level? Because on a reported basis now I would rather imagine that we are looking about a flat number for the full year '24. I'm sorry, this is outlook, but this is just for the near-term 4Q, really trying to back that out.

Second question is on the Life side, where obviously such strong new business growth. But I'm just curious, the 9-month operating investment result remains lower this year than 9 months last year, whereas, obviously, in P&C, we are seeing the opposite end. Is there something in the Life investment result, which has -- is notable or a one-off effect? So that's my 2 questions, please.

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Thank you. So I think, indeed, on the attritional loss ratio, first of all, I think it's a better reference given the Arch transaction overall for our combined ratio from my perspective is really to use as a guidance overall as is -- I mean, the 93% to 94%. I think clearly towards the low end of the 93% to 94% for the for the full year, given the swing we are seeing from an attritional loss -- I mean from an attritional loss ratio to expense ratio perspective, that's a better view.

I think in the current number of -- on the loss ratio side, towards the 71%, I think we have seen several effects, right? We have had like the -- we have had New Caledonia large loss in the second quarter that has impacted negatively the attritional loss ratio. We have the Arch effects, I have already mentioned. And we have as well an elevated -- a bit elevated level of weather-related events into that number.

That is basically explaining the full bridge against the 71% I was mentioning before. So what is even more important for me is that in the underlying, we really see the improvement we were expecting beyond the bit of the volatility effect I was mentioning overall.

On the OP investment results effect, which is indeed a bit lower compared to last year. So it's more that last year was really high. So it was unusually high last year. And if you look at the third quarter development, it's more in line -- basically, the third quarter is fully in line with first and the second quarter on a standalone basis. So that's the right reference because we had some specific effects last year.

Andrew Ritchie

The next question is from Will Hardcastle from UBS.

William Fraser Hardcastle
UBS Investment Bank, Research Division

First of all, with retail running at around the 95% and commercial between 90% to 91%, I guess, is the return on capital better here for retail or commercial at that level, given your relative diversification implications?

And secondly, can you give us a bit of an update on how the relative competitor of this is shifting now quarter-on-quarter in U.K. retail? It looks like barring any material mix shift anyway, that you're putting through price increases, but a bit of a slowing rate quarter-on-quarter. And how should we expect volumes -- I guess, when should we expect volumes to stabilize in the U.K?

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Let me start maybe with U.K. retail, where, indeed, I mean, like I think we are now starting to see a price decrease in the -- in particular, on the motor market in the U.K. Still, I mean, we are currently pricing above the inflation level. And we are also pricing at level of margin we are happy with. So we are still basically seeking growth in the U.K. retail market. But I think the peak of the U.K. retail market is behind us in terms of dynamic from what we see.

Then I think on return on equity, we have -- our total ROE for P&C is approximately 15% for P&C overall, and we are -- so we have good developments, I think, across the portfolio. At this point in time, I don't really want to share, I mean, a split between retail and commercial because it's too high level from my perspective, and you really need to go into a bit more details, looking at each and every line of business, each and every geography because you have like very specific dynamics in each and every of our markets, also related to the specific capital consumption of each and every of those markets.

So I think the important number from my perspective is really this 15%, which is a good level of ROE that we are also seeking at structurally improving going forward.

Andrew Ritchie

Next question is from Andrew Sinclair from Bank of America.

Andrew Sinclair
BofA Securities, Research Division

A couple for me. And I'm in Singapore today, so let's start asking about Asian Life. Just really good figures there. I thought it was quite impressive, particularly quarter-on-quarter and never mind year-on-year. So just anything to particularly call out within that, that's been particularly accelerating?

And finally on the subject of Asian Life, anything that you can say about income insurance in Singapore next steps? And then other question was just about AGC&S. It looked like the rate trend slowed quite a lot in Q3 versus H1. Was that rate trend slowing to do with the Arch transaction as well? Or is that just underlying trends slowing in the retained business? Just anything you can say there?

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

So on Asia Life, so we have seen indeed particularly I mean strong growth in terms of PVNBP on our Life business. But I think if you look at the portfolio and the trajectory of that portfolio over the last few quarters, we have seen really a steady growth, which is more linked to the fact that we have been strengthening our sales team, and we have been doing also dedicated sales campaign during the year.

But if you look quarter after quarter, as an example, we are at EUR 1.7 billion of PVNBP in Q1, also EUR 1.7 billion in the second quarter. So there is no I mean, no really big developments on the Asian Life expect the fact that there is a strong focus on growth in the market, which is good.

Then I think on income insurance, at this point in time, there is nothing I can share with you. I think when we know more, I will share more information with you.

Clearly, I think we have taken good notes of the comments which have been made by the Singapore government, and we are working with involved parties to assess the concerns so that we can come back basically as soon as possible. More fundamentally, we like the Singaporean business, and we are really convinced we can contribute to the Singaporean economy going forward is the footprint we have today or basically like further developing our various setups there.

I think then you had a second question, which was related to AGCS and the rate dynamic on the AGCS side. So clearly, I think on the commercial -- on the large commercial and specialty business, the rate for momentum is decreasing. That's very clear, and we have some part of the business that clearly softening. We have seen that trend already for some of the line of business.

That was the case for cyber, for financial lines, as an example, where we see strong rate decrease which does not always mean we are not price adequate, but a strong rate decrease. And we see as well in some part of the world for other parts of the business, also those softening trends across the board. So I would expect also to continue to see, I mean, a reduction of rate level steadily on the large commercial and specialty business, where we are also paying a lot of attention in terms of underwriting quality on our side.

Andrew Ritchie

The next question is from Hadley Cohen from Morgan Stanley.

Hadley Cohen
Morgan Stanley, Research Division

A couple of quick questions, please. And the first one is, I guess, an extension of questions that have already been asked around the commercial lines, margin. I mean you talked about -- Claire-Marie, you talked about rate softening from here. And I think you mentioned a normalization of loss activity on the trade side. Is there still more to go on the normalization of trade? And how is rate trending relative to loss cost trends? I guess the question is, to what extent should we expect further margin deterioration on the commercial lines?

And then second question is on noneconomic variances in Life CSM. I think in 6 of the last 7 quarters, they've been at least triple digit -- mid-triple-digit million negative. I'm just wondering how we should think about the outlook on that line from here? I think one of your peers has guided to further potential pressure from assumption changes on the gross CSM for them going forward. So I'm just wondering how you think about that.

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Yes. Let me start with the Life CSM development. So indeed -- so one of the -- what we have done in the third quarter is that we have done this annual update of our assumption change. So that was very important that we do that in the third quarter. So we are reflecting what we -- what is the effect of our lapse, in particular, the update of the lapse effect into our noneconomic variances into the Life CSM. So that has come through.

And as I was mentioning, so this is EUR 600 million negative out of which half of that you can consider is moving away when you go from gross to net. At this point in time, I think our CSM is very well reflecting the embedded value we have into our life business. So I do not expect any further negative development because we have fairly reflected what we expected at this point in time into our Life CSM development.

On the commercial side, I think you were mostly interested in trade. And I think if you look at the current situation, so clearly, trade has been seeing a bit of rate decrease in the recent quarter, where this is a trend we have been observing already last year, where actually the rate change on renewals was even lower at year-end 2023 compared to what it is now. So it was lower last year so this normalization is really related to the post-COVID environment and through the economic environment.

What is specific to this quarter is this large loss volatility we have seen in the quarter. That being said, I mean, like if you look at the combined ratio of trade, it's still at a very good level from my perspective. We are at 92%, 93%. I don't know, I don't have the exact number in front of me now, but it's a really good level of combined ratio. So it's clearly, I mean, producing good level of margin, and we expect that to continue at 83%.

So we expect that to continue basically going forward at similar level. So there is really nothing worrying in the development as we see it from trade at this point in time.

Hadley Cohen
Morgan Stanley, Research Division

Just quickly follow up on. I guess my question was, I mean, it did involve trade but more around the commercial lines, margin outlook more broadly because I think you were talking about rate softening on large commercial and specialty. And given the direction of trade, maybe that stabilizes from here, how we should think about the outlook for the commercial margin more broadly?

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Yes. The way I would look at it is that I will consider like flat margin across the commercial business.

Andrew Ritchie

The next question is from Andrew Crean from Autonomous.

Andrew John Crean
Bernstein Autonomous LLP

Really just a numbers question. I wanted to dig into the retail result. Could you actually give us what the attritional undiscounted combined ratio was this year and last year, rather than just giving us the 1.4 points improvement, please? And similarly, could you do the same on commercial?

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

This is not a level of detail we want to display so I will not provide that. I think you have enough information with what was provided to basically understand the overall type of margin we are delivering at this point in time.

Andrew John Crean
Bernstein Autonomous LLP

But the reason for doing it is because if we want to try and assess level of underlying improvement, which can come through in retail as rates come through, we kind of need the base figure to start with.

Andrew Ritchie

Well, I mean, Andrew, we gave you the mix of the business. We've said that we think broadly, we can hold Commercial lines margins flat. There's some noise this quarter with the Arch transaction, some large losses in weather. So you can follow up with us, but I think there's enough information to assess the outlook.

The next question is from Craig Sinclair -- doesn't say your institution, Craig.

Unknown Analyst

[indiscernible] from Berenberg, sorry. I was having technical difficulties in my phone. I was just wondering if I could ask 2 quick questions. One being on the October monthly net inflows from PIMCO. Can you give us a figure for that, please?

And then on the second question, can you give more color around the cost of risk for the German motor business, please?

Andrew Ritchie

Sorry, Craig, just to clarify on the second question. Do you mean the claims cost trend?

Unknown Analyst

Yes. Yes, please.

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Good. So on October, I mean, normally, we don't mention that explicitly, but basically we are around EUR 10 billion for PIMCO, and we are EUR 1 billion positive for AGI in terms of October to approximately EUR 11 billion of net inflows for October month. Then on the claims cost trends for Germany, I don't have exact number with me.

So I think you can go back to the IR team. What I can tell you is that, in general, we have been pricing, I think, ahead of inflation on our side. And we are taking market share in the German retail -- with German retail market, in particular, Motor.

And basically, what we see is that globally, right, the inflation -- the claims cost inflation is always higher compared to the inflationary headline numbers given, in particular, the dynamic we see currently around the trade -- sorry, basically replacement parts of vehicles. So you have an economic tendency around that. So if you want my guess, but you can follow up with the team, I would say, like between 5% and 10% inflation level would be what I would use in terms of trend.

Andrew Ritchie

Next question is a follow-up from James from Citi.

James Austin Shuck
Citigroup Inc., Research Division

I just wanted to ask 2 questions, please. One is just a sort of broad question about the Life and Health, give us a value on the volumes. We're seeing some quite big swings, whether it's U.S. Life or whether it's Germany and as interest rates to take into account and also kind of sales campaigns. I just kind of want to get a feel for how confident you are that the base we're at now is not an artificially high one. And going forward, we're going to have a lot of volatility similar to what we've seen on the way up. So are you confident you can steadily grow the new business value outlook, obviously, somewhat interest rate dependent, but just keen to understand the level of volatility in that coming through.

And then secondly, it's a question I've asked before, I appreciate that, and maybe you're going to address it at the Investor Day. I do note there's only EUR 300 million increase in the SCR for the business evolution, which given the amount [indiscernible] put on in the third quarter, whether that's on the Life side or on the P&C side that seem a very low number. So just keen to get some insights into that. If you're able to split it out into P&C and Life and Health for me, that would be very helpful.

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Yes. So I think -- I mean obviously I think you will always have some volatility in the PVNBP, right? We always, like you know, do certain promotions one quarter, the next quarter. So you never know when they are happening. So the teams are deciding when to do that. We also sometimes have a large big tickets, which can come. So that was the case, as an example, this quarter on [indiscernible], so that you never know when they are coming.

What I still believe is that fundamentally, there are good trends currently in our businesses probably also linked to the sales focus, also some of our of increase of our trade agents, workforce and so on and so forth. So that's basically coming through in addition to the fact that the rate environment is a good one for our business currently, which is supportive in putting our businesses in competition to the banking products in particular. So I think we are confident with the development, but you will always see volatility.

Then on the SCR effect, like basically, one of the reasons. So I think if you look at it, the capital we have been using for growth is fairly similar from one quarter to the next. What has been varying from one quarter to the next is some of the benefits we are getting from the release of the in-force on the Life side, which has been varying a bit from one quarter to the next.

So in particular, you have a big effect between Q1 and Q3 because in Q1, we had the annual assumption updates that it came there and basically reduce the level of release of SCR that did come into that number.

Andrew Ritchie

And the next question is from Iain Pearce from BNP Exane Paribas.

Iain Pearce
BNP Paribas Exane, Research Division

The first one was just on some comments that we made earlier today, Claire-Marie, I think about the valuation of AGI that you're seeing in the market. I was wondering if you could just provide a bit of context on how you're thinking about AGI valuation and what you are seeing in the market. I think that would be very useful.

And then the second one was just on a couple of the acquisitions that you announced in Q3. So Friday is a B2C business and then the B2B2C business, obviously, both in the sort of direct-to-consumer digital distribution markets.

So just a little bit about what you're seeing there and if you're seeing increasing penetration and increasing shift towards that? And if that's sort of what's underlying the acquisition strategy there?

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Yes. So if you allow me, I will not provide you with any valuation elements related to AGI. I think I was more referring to some of the press elements I have seen, which I think you don't need to have studied a lot to basically come up with a different valuation. So that's what I was making, but I will not go beyond that number.

Maybe on Direct. So what we are doing indeed we have doing a couple of smaller acquisition on -- for Direct. And that's really related to the fact that we have built a good platform on a Direct side that is operating at a low level of, I mean, expense ratio, if you want, which basically allows us to easily plug new business. And as such, we can do that in a much better way compared to some of those smaller entities, which basically are operating at a very high level of expense ratio.

So that's a really nice way to increase the scale effect on our direct platform, which we like very much. So with those 2 acquisitions, we have injected almost [4,000] more customers into the platform of Direct. So that's clearly part of our strategic outlook for that business.

Andrew Ritchie

The next question is a follow-up from Vinit.

Vinit Malhotra
Mediobanca - Banca di credito finanziario S.p.A., Research Division

Just one question on Germany combined ratio, please, where even when we take out the Cat, the 3Q is about 50 or 60 bps better than 2Q standalone and obviously, very low -- very good level of around 85%. Now is this to be interpreted as a, either the nonmotor is very strong or getting stronger? Or is it that the sort of, let's say, the war on motor is being one now, and they are seeing improvements between 2Q and 3Q, so just curious on what's happening in Germany combined ratio in Q2 versus Q3?

Claire-Marie Thomas Coste-Lepoutre
CFO & Member of the Board of Management

Yes. So basically, if you look at the -- I mean, I think it's -- if you look fundamentally on the German business, what we see on the year-on-year and then it is the fact that we see steadily the improvement in the attritional loss ratio as we were expecting. Also this quarter, we have a lower level of runoff -- sorry, I mean we have a slightly lower level of runoff this quarter compared to a -- slightly higher level of runoff this quarter compared to last year. We also have a lower level of large losses this quarter compared to last year.

But if you look fundamentally, this is a good level, I think of combined ratio for the business and the main effect that is explaining the decrease is releases in the reduction of the NatCat load compared to last year. And I think in the quarter-to-quarter, there is nothing really specific to be mentioned Q2 to Q3. It's really much more of a continued earning of the benefits as we expect.

Andrew Ritchie
Great. Okay. As we have no more questions, that will conclude the call today. Just to remind you, again, we have our Capital Markets Day coming up in a couple of weeks' time. It'd be great to see as many of you as possible in person here in Munich or virtually. And with that, many thanks for dialing in, and we'll speak to you again soon. Thanks.