Conference Transcription

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CONFERENCE DETAILS

Conference Date:	10 November 2009
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Chairperson:	Thomas Schmee

ACT Operator

Ladies and gentlemen, thank you for standing by and welcome to the Release of Results Q3 Vienna Insurance Group Conference Call on 10 November 2009. Throughout today's recorded presentation all participants will be in a listen-only mode. After the presentation there will be an opportunity to ask questions. If any participant has difficulties hearing the presentation, please press *0 on your telephone for operator assistance.

I will now hand the conference over to Mr Thomas Schmee. Please go ahead, sir.

Thomas Schmee

Thank you. Good afternoon and good morning ladies and gentlemen at this conference of Vienna Insurance Group for the nine months results release. My name is Thomas Schmee and I would like to introduce our team here in Vienna which consist of Martin Simhandl, CFO.

Martin Simhandl

Hello, good afternoon.

Thomas Schmee

Peter Hagen, Member of the Management Board.

Peter Hagen

Good afternoon.

Thomas Schmee

And Roland Groell, Head of the Group Accounting.

Roland Groell

Good afternoon.

Thomas Schmee

Martin Simhandl will guide you through a short presentation and this will be followed by Q&A section. Martin, it is yours.

Martin Simhandl

Thank you, Thomas. Ladies and gentlemen, it is a pleasure for me to present to you results of the first three quarters of Vienna Insurance Group. And what I can present to you is a really stable development. Stable development means profit before taxes €341 million; stable development means stable net combined ratio on a level of roughly 96% despite unfavourable weather conditions, I will come back to that and stable also our growth in a difficult economic environment a plus of 4% premium, if we exclude the volatile life part which means the single premium business. We also have seen a sound development of s Versicherung Group, the entities we bought from Erste Bank, a double digit growth in the regular premium in the CEE countries in these entities.

The next slides which are slides five and six in your presentation show the financial highlights. I already mentioned profit before tax. Net profit after tax and minorities on a level of €263 million. Gross written premium, on euro basis, in total are plus of 1.5%, €6.1 billion. The combined ratio net I already mentioned and the ROE before tax on a level slightly above 10%.

Let's step now into the profit and loss account and the balance sheet, more details on slides eight and nine. The income statement I already mentioned the gross written premium development, net earned premiums up by roughly 4% which means the retention rate of our Group has slightly increased. This is an affect practically coming out from our CEE entities and also showing effect of our newly established own reinsurance company VIG RE.

The financial result, the expenses for claims incurred and the operating expenses I will elaborate separately on that later. Profit before taxes I already told. The taxes are roughly €60 million, it is quite favourable tax burden we have here a tax rate of roughly 17% to 18%. There is a net profit before minorities of roughly €281 million. And the minorities also significantly decreased in comparison to last year that's mainly coming out from the fact that the first six months of last year BACAV Versicherung was included where we had higher minorities. The net profit after tax and minorities comes to €263 million.

The balance sheet shows on the asset side an increase in investments of more than 6%. The unit and index-linked investment even grow faster by roughly 22%. On the liability side I want to draw your attention to the development of the equity to shareholders' equity of plus of more than 13%. In more details I will elaborate on that later on, that not only shows the hybrid we have issued this year but also developments in the unrealised gains.

Ladies and gentlemen more details about some P&L items. First, the gross written premiums, this is slide 10 and 11 in the presentation. Slide ten, it shows the development on euro basis in the different countries. We have the plus as well in Austria, in Czech, in Slovakia, in other CEE and in the other countries. On the right side of that slide you see the development of the exchange rates and so you clearly can see that some of the countries have been heavily influenced of the change of exchange rates especially Poland, Romania, Hungary, Ukraine, Turkey.

Let's look a bit closer to the different countries at slide 11. In Austria, in life insurance there is a weak development in single premiums. We have a flat development in current premiums in P&C. There is a weak motor market on the one hand we have seen less sales of cars and when cars are sold this year they are normally smaller than the year before or the years before that has an effect. On the other hand we have a sound growth in the non-motor business in Austria.

In the Czech Republic in non-life despite a weak motor market and despite strict pricing strategy, which is very important for us, we see a good development in non-life. And we see in life also good development coming as well out of organic growth as of consolidation of s Versicherung Czech Republic which means Pojistovna Ceske Sporitelny. In Slovakia we have had in non-life growth against the shrinking market and the life insurance business the development has been supported by including the s Versicherung entity in Slovakia which is Poistovna Slovensky Sporitelny.

In Poland, in non-life part of the business which is growing on a Polish currency basis has been of course influenced by our focus on profitability. Life, the development in our group is driven by weak single premium development especially a product called 'Anti Belca tax' which we clearly had shrinked.

In Romania we have an ongoing portfolio restructuring, I will come back to that when I elaborate on the development of the claims ratio. We had some sharp increase of tariffs, so we had a slight decrease here in market share. In Life we have first consolidated BCR life and this company is quite tremendously growing which is far above the market development in Romania. The other CEE markets, the development of the premium has been somehow influenced by consolidation effects, life also in these countries still growing. The other markets, in Germany in both life and non-life we have seen growth, in Liechtenstein we have seen a decrease in the single premium business.

On the right side of the slide 11, what you can see here is the development of s Versicherung Group in CEE, a double digit premium growth in regular premiums nearly 20%. I think taking into account the economic environment that's a really, really good example for a positive ongoing premium development.

Ladies and gentlemen, coming to the expenses claims incurred which is on slide 12 of the presentation. The Group loss ratio has slightly increased to a level of 65.9%. In Austria we had more increase, an increase in the loss ratio more than 3% points. This comes out from the natural catastrophic part, that means from floods on the one hand and from hailstorms we have seen in the second and third quarter.

In the Czech Republic we have been improving loss ratio, very good development now on a level below 60%. In Slovakia a stable loss ratio also below 60% despite €12 million we had to reserve this year for claims after former state monopolies which is now Allianz Slovakia. In Poland we have seen an increase in the claims ratio which is a specific effect. In Poland last year there was a tax introduced, so called Religa tax I will come back to that. And when it had been re-abolished there were certain changes in the legal environment and since then customers can claim for pain and suffering and for that we have build up additional reserves and that influences the claims ratio in Poland.

In Romania we have a claims ratio of 77.8%, over the year we had a decrease but in comparison to last year that's a significant increase and we are working very hard bringing down that claims ratio. In other CEE we have a slight increase of 2.5 % in the claims ratio.

The next slide shows the development of the operating expenses. In the whole Group we have seen a decrease of the cost ratio by 1.5% points now on a level of 30.4%. A slight decrease in Austria, now on a level of 28.3% despite wage inflation. This decreased comes out from the efficiency programme we are running not only in Austria but also in several other countries. For example, in the Czech Republic where we had a reduction in the cost ratio of 0.4% to the level of 28.1%. In Slovakia we are now working on a merger between two companies Kontinuita and Komunalna. And this will give us cost effects but in the beginning out of that we have an increase in the cost ratio by 0.6%.

In Poland, we have a quite significant lower cost ratio of 37.2%. This comes on the one hand out from lower administration costs and on the other hand from the abolition of Religa tax. Also in Romania we have a decrease, this is a very substantial decrease, we have worked very hard on that and it is one of the answers given to the increase of the claims ratio. We have seen there a decrease in the cost ratio of 6.4% points to a level of 25.4%. And also in the other CEE countries we have a slight decrease in the cost ratio by 0.4%.

The next slides show the financial result and the composition of the assets. The total financial result till the end of the third quarter €727 million which is lower than the last year. But we have to take into account that last year we had single effect about sale of Unita Insurance in Romania and BACAV Versicherung in Austria. I want to draw your attention to the current income which has increased by around 13% to €968 million.

The next slide shows the investment split. As you know we have a rather conservative portfolio which over this year we had made maybe a bit more conservative. The part of bonds has increased to roughly 60%, loans are a bit down and real estate and equities more or less on the same level than it has been before, 12% and 3%.

The next slide shows the quality of our bond portfolio. On the one hand the quality by issuer and what you can see and this is a tendency over this year we have increased the part of government in the portfolio and have on the other hand decreased the part of the financials in portfolio. And the rating situation is more or less stable to what it has been in the end of the second quarter of this year.

In the environment as we had last year and this year, in our opinion also the shareholders' equity and the development of the shareholders equity, you can see that on slide 17. And we see an increase in the equity of more than €500 million and this not only comes from the issuance of the hybrid in the second quarter of about €250 million. It also substantially comes from an increase of the unrealised gains, this is an effect of more than €170 million on the equity.

That's the last slide of the presentation, we can show you a stable development, a profit before taxes of €341 million. And also for the rest of 2009 we expect a fairly smooth development unless there are unexpected surprises in the market. What's clear for us is that we want to have a combined ratio well below 100%, that's sort of philosophy for us and I think we have shown that all over the last years and also this year. And as far as it concerns the dividend policy this is unchanged. The payout ratio of a minimum of 30% of the Group net profit.

Ladies and gentlemen, thank you very much for your attention.

Thomas Schmee

Thank you, Martin. Operator, we are ready to go for the Q&A section.

ACT Operator

Thank you, sir. Ladies and gentlemen, if you would like to ask a question, please press *1 on your telephone. If you wish to cancel this request, please press *2. Your question will be polled in the order they are received. There will be a short pause while participants register for a question.

The first question comes from the Vinit Malhotra. Please go ahead with your question, sir.

Vinit Malhotra – JP Morgan

Yes. Good afternoon, thank you. My first question is on the Nat Cat load in the third quarter. Now we can see from the press release that there was a gross impact of €130 million and I remember from the six months you had mentioned €20 million net. But it would be much useful if you could give a net figure for the 3Q as well.

And second question is linked to this Nat Cat. I totally appreciate that your cost saves on reinsurance are not at all focussed on the Nat Cat business. But if you could just talk about how you draw the line there and how does it really work because we are seeing a increasing Nat Cat load. The last time we saw such kind of thing was in the snow pressure I think it was three years ago. So that's the second question.

And the third question is, on the gross realised gains €60 million to €70 million run rate, should we take that as an ongoing run rate? All right. Thank you.

Martin Simhandl

The first two question will be answered by Peter Hagen and the third one I will answer.

Peter Hagen

First to the Nat Cat events this year, I think first things we should make clear when we are talking about expenses in connection with Nat Cat we do include always also reinsurance reinstatement costs. We don't report only the loss costs but we add, because we think it is appropriate because it is triggered by the loss as well, any sort of reinstatement cost we have. Having said this for this quarter, quarter three, we have in total around €35 million, €36 million in net expenditures due to natural catastrophes, I would put it this way.

One part of it is included in this €135 million which we have stated in our press release and that is referring to those natural catastrophes which had been actually named as natural catastrophes. However we have seen particularly in summer time in Austria a frequency of smaller events, local events which in total also added up to about €6 million particularly on a motor cost side. And they are included in the €36 million I was mentioning before.

As I said this does include not only the loss cost as such but also any sort of reinstatement costs. To give you a flavour what this means, for the storm in July 2009 the one of the events which actually took place in July the actual net loss of the Group was around €9 million and the costs for reinstatement of the reinsurance protection amounted to around €6.5 million. OK. But we always report the total, so therefore because obviously that is something which is triggered by this event. However, it is not the natural catastrophe loss as such.

The point there is, why I mentioned this is that obviously once according to our reinsurance protection which is mostly non-proportional, once your retention under the programme has been reached there is no more further increase in our net retained loss. However, if gross losses continue to develop and this was particularly the case with this particular loss because many people were reporting losses only after their vacations. Then it is going into higher layers which is triggering additional reinstatement premium costs. OK. This is to Nat Cat to say for quarter three.

In general about the reinsurance programme one thing I should make very clear was in connection with VIG RE, we do not make compromises on any sort of natural catastrophe reinsurance protection. When Martin was talking about optimising our reinsurance programme as such as a steering company as well as within VIG RE as an assuming company this is always excluding natural catastrophe. Natural catastrophes is based on three different types of models for the whole Group which we are running with the three largest broker houses in the world. And then we are sitting altogether and designing on the total exposure of the Group and buying cover for a 250 year event for the whole Group. This is unchanged and will be unchanged also for 2010. And VIG RE does not assume on that account any sort of natural catastrophe exposure.

Martin Simhandl

Is that OK for you?

Peter Hagen

Is that OK?

Vinit Malhotra – JP Morgan

Yes. Thank you very much.

Martin Simhandl

The third question was realised gains and if I understood it right, the question was if the net level between realised gains and losses some €70 million, €80 millions would be a normal amount that I would subscribe. Yes.

Vinit Malhotra – JP Morgan

All right. Thank you very much.

ACT Operator

Thank you, sir. The next question comes from Frank Stoffel. Please go ahead with your question.

Frank Stoffel – Bank of America Merrill Lynch

Yes. Hi, good afternoon. Just two questions please. Regarding slide 11, when you stressed the strong growth in regular premium business of s Versicherung in CEE. What is the absolute amount of regular premiums coming from the former s Versicherung business in CEE, please?

And the second question on slide 12 you said that you – the question is, do you expect the claims ratio in Poland to stay at this elevated level or can we expect this negative effect to abate when the reserve building for the book has been finalised? Thank you.

Martin Simhandl

The regular premium in s Versicherung outside of Austria is around €150 million.

Frank Stoffel – Bank of America Merrill Lynch

This is for the first nine months or –

Martin Simhandl

First nine months.

Frank Stoffel – Bank of America Merrill Lynch

Thank you.

Martin Simhandl

Obviously also exposed to the currency fluctuations, this is euro terms. In local currencies obviously the increase over last year would be even higher. Just to give you a few figures to this in terms what the increase would mean, we can see that increase in Croatia regular premium 24%, Czech Republic 39%, Hungary 15%, Romania 23%, Slovakia is around 3%.

Frank Stoffel – Bank of America Merrill Lynch

OK. Great, thank you. This means the s Versicherung business in CEE the regular premiums account for roughly 10% of your total regular premium income?

Martin Simhandl

At this point, yes.

Frank Stoffel – Bank of America Merrill Lynch

OK. Thank you.

Peter Hagen

Second question concerning Poland, of course we are doing this reservations creating these reserves on a prudent basis and so out of that we would expect that we are cautious here. But frankly spoken for the time being there is no experience at all in Poland. There is a new jurisdiction to be set up on these cases, so it is very uneasy to predict.

Frank Stoffel – Bank of America Merrill Lynch

OK. Great, thank you very much.

ACT Operator

Thank you, sir. The next question comes from Marion Swoboda-Brachvogel. Please go ahead with your question.

Marion Swoboda-Brachvogel – CA Cheuvreux

Hi, good afternoon. Part of my first question has already actually been answered regarding the natural catastrophes, nevertheless maybe some follow up question regarding the combined ratio because when I look at the nine months figure it looks obviously very different from the third quarter development where actually there was quite a significant increase in the combined ratio year-over-year. And I was wondering, I think the figures you gave us for the natural catastrophes that basically refers to the nine months period. I was just wondering in the third quarter, how would you say the increase in the combined ratio, how much was contributed by natural catastrophes or even what you say is not included in the €130 million. But would still – I don't know storms in Austria etc. And how much is contributed by maybe higher claims frequency, claims inflation etc?

And the second question was just, is there any impact still to be expected what should impact the development of minorities? Because I actually forecasted because of the sale of the BACAV Versicherung some bigger decrease in minorities which seems maybe not to be the case. So I was just wondering if for the nine months period is this the normal run rate we can expect going forward?

Martin Simhandl

First question will be answered by Peter Hagen, second I would answer.

Peter Hagen

I was mentioning before that in total the amount to be allocated to quarter three for the total expenditures caused by natural catastrophes, as defined before, was around €36 million. That would make up around 3.5% of total claims ratio, percentage point of quarter three. Actually you can say quarter three premium is around €1 billion, so based on that that will make up around 3.5%.

Marion Swoboda-Brachvogel – CA Cheuvreux

Would it be correct then to say that basically then you don't on average portfolio operations you don't see any huge negative for at all any negative impact from claims inflation or from higher frequency –

Peter Hagen

Yes, in principle you are absolutely right. This is certainly the case. We have two exceptions, negative exceptions, we have very positive exceptions for example in the Czech Republic. But we do have negative exceptions, two actually, one Martin has already mentioned in Poland which is more basically expression of caution from our side as we simply don't know what will be the future claims. We tried to be on a very conservative side when it comes to IBNR reserving.

And the second one is what we have already reported the last quarters is Romania where we have clearly seen a substantial deterioration since fourth quarter 2008. You know that we have started to work on that quite quickly. Actually, if you compare the claims ratio at the end of the first quarter where we were at around 88% to where we are now which is around 75%, 76% in this direction. We have gone a way, however I have to admit we are not where we want to be. And we are very hard working on the restructuring of the portfolio which is also seen when you look into our non-life premium Romania, which is clearly suffering from the fact that we have substantially increased premium and therefore, also obviously lost risks. And we will continue to restructure that portfolio in order to get back into profitable levels. Is that OK? Did this answer your question?

Marion Swoboda-Brachvogel – CA Cheuvreux

Yes.

Martin Simhandl

Second question concerning minorities, what we for example have seen, we have seen a very sound positive development of our Czech entities especially Kooperativa where we also have some minorities. And as I think this will be a sustainable development, I feel we will not come down further with the minorities.

Marion Swoboda-Brachvogel – CA Cheuvreux

OK. Thanks

ACT Operator

Thank you. The next question comes from Ralph Hebgen. Please go ahead with your question.

Ralph Hebgen - KBW

Yes. Hello, good evening. I just want to ask two questions. The first one is the one I always ask which is on net realised gains. You have seen net realised gains in third quarter 2009 at €16 million. I was just wondering how much of that actually contributed to the pre-tax profit in the quarter?

Martin Simhandl

Roland Groell will answer that question.

Roland Groell

The answer is rather easy 100%.

Ralph Hebgen - KBW

OK. That's cool, €16 million therefore. And the second question is a slightly more important question I am afraid to say. If I just look at your profit development separately in P&C and life, I can see that since the second quarter 2008 there has been a real step change and P&C pre-tax profit vastly exceeded that generated in the life segment. The combined ratios have followed their seasonal trend. Is there a difference in your strategy by which you allocate realised gains and investment income from the second quarter 2008 onwards or if not how do you explain this development, can you illustrate and help us to understand why pre-tax profits in P&C are now so vastly in excess of that generated in life? Thank you very much.

Martin Simhandl

I think what you clearly have seen is that this effect comes out from the investment result. And clearly to answer, first most of our entities are composite insurers. And second, we have not changed the strategy that does not mean that for a lot of reasons it could be appropriate also under the year to change the allocation.

Ralph Hebgen - KBW

And to follow up on this. But what did you mean by this? I think you said you did not change your strategy but it may be appropriate to change it.

Peter Hagen

Let me say it very simply. There are lines of business which have a profit sharing and there are lines of business which have not – and maybe this is somehow explaining why we probably show more of what you have mentioned in the non-life side rather on the life side.

Ralph Hebgen - KBW

But you also said there was no change of strategy and yet if you just plot it in the second quarter '08 since then the relationship is just vastly different. It is a material change which has been consistent since the second quarter '08 and has not been present before. Is there any dynamic which might help to explain this?

Martin Simhandl

This shows the development of this year concerning our ideas for example for profit participation. When I said its not strategy, then I said that will not be fixed for the next 20 years.

Ralph Hebgen - KBW

I understand. Which also then leads me to my last question, I promise, which is this particular let's say strategy which you now see as the appropriate split between life and P&C. Is that or can we expect that to continue for the next quarters, the next year? What drives your decision when you allocate realised gains for the policyholder participation reserve.

Martin Simhandl

For the time being, I would not change it.

Ralph Hebgen - KBW

Thank you very much. It's been very clear. Thank you.

ACT Operator

Thank you. The next question come from Maciej Wasilewicz. Please go ahead with your question.

Maciej Wasilewicz – Morgan Stanley

Hi. Sorry to hop on the same subject but I just wanted to explore the realised gains little bit more. In particular, what I find a little bit strange is that the P&C realised gains seem to have been very, very strong in the third quarter. I was wondering what's actually driving that, what sort of assets are being disposed, how should we think about this in the future? And correspondingly again between life and P&C, life seems to have had more losses in unrealised gains, so what's driving that on that side just to help us think of how to think about the future basically.

Martin Simhandl

I think the right way to look at that is on a net basis. Of course, there are realised gains and realised losses, a huge amount of it for example comes out from special funds where trading is made and trading has made realising gains, realising losses and things like that. Important is what comes out in net. So this is to be said and as far as it concerns the split between life and non-life I think we have already elaborated on that.

Maciej Wasilewicz – Morgan Stanley

All right. Thank you.

ACT Operator

Thank you. The next question comes from Christoph Schultes. Please go ahead with your question.

Christoph Schultes – Erste Bank

Good afternoon. Just two questions. The first is, can you tell us about your war chest, is it still at €1.2 billion or has it increased since the first half year? The second is, can we expect a positive impact from the sale of some of your participation in the fourth quarter?

Martin Simhandl

What we call our war chest and what I have elaborated how our equity has developed, so you should expect it was not negatively influenced, the tendency is a positive one, that's first. Second, we have no disposals on participations in the third quarter, I think that was the question.

Christoph Schultes – Erste Bank

But I think you have said that a smaller participation – Bank Frick - was mentioned, so this has no impact for the –

Martin Simhandl

But Bank Frick was not in the third quarter.

Christoph Schultes – Erste Bank

No. I mean for the fourth quarter, can we expect some –

Martin Simhandl

Really, we have mentioned that but taking the figures here into account - to give you an impression this is a bank having total equity of roughly €10 million.

Christoph Schultes – Erste Bank

OK. Thank you very much.

ACT Operator

Thank you. The next question come from Radena Georgieva. Please go ahead with your question.

Radena Georgieva – UniCredit

Good afternoon. I have two sets of questions. The first one refers to the premium development in the third quarter especially. As you mentioned in property and casualty there is a very strong increase in the Czech Republic of about €41 million over the second quarter and in Poland about €21 million. And I was just wondering as you keep emphasising that there is strict price control in both of these countries. What factors are driving the development, is it demand, basically taking market share from other companies or purely just increase in clients?

And the second question is regarding the development of the life premiums in Austria. Again the difference between in the third quarter premiums have decreased about €104 million from the second quarter. And this is attributed mostly to the decline in the single premium business but somehow it seems a bit more if you can also elaborate on the development of the regular business in life in Austria in the third quarter?

The second question is regarding, I just want to also go back to the investment result. In the health segment I noticed that in the third quarter there is a revised capital loss of €17 million. Again if you can just comment what is driving that and overall what is driving the impairments which I think are about €30 million in the third quarter?

And the third question, you mentioned in your press release that the guaranteed interest rate in Croatia has been reduced by the regulator which required some further provisioning. Do you expect such development in other countries because obviously if the guaranteed interest rates is reduced in other countries you would have to provision more in the life segment. These are all questions, thank you.

Martin Simhandl

You had four questions as I have taken them. The first and the fourth question will be answered by Peter and the second and the third I would answer.

Peter Hagen

OK. I will start with the fourth one Croatia because it is an easy one. Actually we would not expect anywhere else this to happen because Croatia is a single case in so far as so far any reductions in the guaranteed interest rate had to be applied retroactively. And this is the only country where this ever applied. In the European Union you wouldn't do this. Normally when guaranteed interests rates are reduced, this is only going forward. Croatia is an exception and in fact the indications by the Croatian supervisory authority and sources from the ministry of finance that they will also change their policy in the future towards what is common in European Union. So, no expectations in other countries on this one. And good hope that also in Croatia this will not continue.

First question concerning the premium developments. Maybe I take the opportunity to talk a little bit more about non-life development in the market. What you can see is that on the motor side obviously and which is still the largest part of non-life insurance in CEE countries you see a relatively flat development. Certainly the particular incentives given, provided by governments in some countries have boosted new car sales. And at the same time second hand car markets were dramatically dropping down. Overall the development is flat. Where really demand is continuing to show very nice even double digit figures by the way also in Austria is in the non-life non-motor market. This is a general development, you can see almost in all the countries. However, as this is in it share in total non-life not so prominent as motor it has not such a high impact on the total growth rates.

When it comes now to the countries you are mentioning Poland as you know is still the one country where actually the economic crisis has hit the least. There we certainly see still improvements and also increase of demand. On the Czech side there is two fold, one thing is what I mentioned before the non-motor personal lines non-life which is developing very, very nicely. And the second issue is the certain benefit we have due to our multi brand approach concerning Ceska podnikatelska pojistovna. They had at the very early stage specialised on certain distribution channels which particularly in times of crisis prove to be particularly successful in selling. We were picking up more of what was the market increase for our Group.

To give you an idea what I am talking about: Ceska podnikatelska has raised the number of vehicles insured by them in year 2009. It is not finished yet, so I can only say until basically last week by around 250,000 vehicles. They are over 900,000 vehicles now, so it gives you an idea where they come. The prices actually, like to give you an indication about the actual analysis about where we would end in an ultimate loss ratio for this kind of portfolio we are estimating for motor TPL at around 57% to 58%, which is basically ongoing since the last four, five years like this. It is not a question of so much the issue of the price but it is a question of being well positioned for picking up a change in the way how motor insurance is bought in the Czech Republic. OK.

Radena Georgieva – UniCredit

Yes. Thank you.

Martin Simhandl

Your second and your third question, the second question concerning life development in Austria. Third quarter clearly we have a decrease in the single premium business, a quite sharp decrease that we have to say two things. The one thing, single premium business in whole is more volatile and over the year it is also volatile. That could happen also that you have a better development one quarter, a less better development another quarter. This is a business which is not so easy to predict, the regular premium life development is a flat one as I already mentioned in Austria.

Your third question concerning the investments, on the one hand the health insurance, health insurance practically or nearly the whole portfolio is an Austrian one. It is one entity which is a composite insurer and I think I have elaborated on the allocation within composite insurer already this afternoon.

Second, the impairments what we have seen third quarter there are lot of different things, some of smaller items coming out from some investment funds, coming out from some bonds. There have been decreases in downgrades in ratings that we have taken into account, things like that.

Radena Georgieva – UniCredit

OK. Thank you.

ACT Operator

Thank you. The next question comes from William Elderkin. Please go ahead with your question.

William Elderkin - Citi

Thanks, good afternoon everybody. I just had two observations and then three questions. I don't think that I am the only one to be more interested in the development of your quarterly earnings rather than nine month thing. I would certainly find it very helpful if you focussed the financial element of your presentation on the latest quarter's developments rather than nine months.

Secondly, judging by the sort of questions been asked so far, I would also find it very helpful if you could find a way to represented your earnings on what I call an operating basis, sharing the effect of net realised gains and losses attributable to shareholders below that operating line. But those are my two observations. I then have three questions, if I may.

First of all, given the volatility we have seen in the segmental earnings over this year from the outside with public information, is it actually possible to meaningly forecast your quarterly earnings by segments from period to period?

Secondly, given discussion so far in terms of the allocation of gains between the various composite insurers within your Group, does the third quarter pre-tax profit that you report is that actually a meaningful guide to your sustainable earnings power?

And finally, and this is rather going over what you have already talked about, but could you help me in terms of understanding what your nine months pre-tax earnings would look like if you were to remove the effect of Nat catastrophe effects and also to remove the effects of net realised gains and losses at the shareholder level.

Martin Simhandl

The first two items as I understood are things I hopefully can promise that we will elaborate somehow with Thomas Schmee on that. The three questions, first, the quarterly development of the segment results. Frankly spoken and I partly know that this is not really helpful for you but if we would do it different we would take away a lot of flexibility from our Group. That we have to take into account.

Second, I am not sure if I understood right concerning the figure of earnings before taxes is to be appropriate a number showing our profit potential. I think it is so, and what you have seen over time it has had also in crisis a quite stable development. And therefore I think this shows quite nicely that this is a stable and solid basis.

And the third thing was, I am not sure if we understood it right, it was net effect from the natural catastrophe on the 2009 results.

William Elderkin - Citi

You reported nine months PBT of more than €340 million. If you were to take off the effect of – or add back rather the effects of natural catastrophes and subtract the effects of net realised gains and losses attributable to shareholders, what would that number look like?

Peter Hagen

I can tell you at the first stage, what we would add that will be around €44 million if we discount for the natural catastrophe expenditures defined as before including loss cost plus reinstatement premium. If we hadn't had these events or these small events particularly in Austria actually the overall would be around €40 / €44 million.

Martin Simhandl

And the second part of your question, Roland Groell will answer.

Roland Groell

If we are talking about realised gains or losses we are talking about investment portfolio of €26 billion. That means we will see there quarter-by-quarter and year-by-year realised gains and losses and it wouldn't say that the amount you see now are something extraordinary.

William Elderkin - Citi

Would it be possible to give us a number though of the effect at net realised gains and losses attributable to shareholders on your nine month PBT?

Roland Groell

I think what you mean are the unrealised gains and losses. Am I right?

William Elderkin - Citi

What I am trying to get to is if you like an operating earnings numbers for the nine months period. You would slightly recognise direct investment income within your nine month earnings, you had no effects on shareholder's earnings of realised gains losses of any at all, what would your earnings look like?

If it is easier to get back to me afterwards that is fine.

Roland Groell

From this net result out of realised gains and losses nearly the whole amount is belonging to the shareholder.

William Elderkin - Citi

OK. Can I ask just one supplementary, in a normal year what would be your expected level of Cat loss costs if you like?

Peter Hagen

Say again, please.

William Elderkin - Citi

In a normal year what roughly would you expect to loose in catastrophe related claims given the overall breadth of your business?

Peter Hagen

The point is we are buying reinsurance for this. So if there are no losses we are loosing on the reinsurance premium. If there are losses we are gaining from loss recovery, so it is very difficult to say. You have to say a scenario but if you talk about just losses, would have to look at the corresponding reinsurance premium we pay. If you just look at losses then we have certainly to expect that the Group's gross charge will be some €100 million a year. The net charge will depend obviously on reinsurance premium retentions etc, so it is very difficult to say.

William Elderkin - Citi

OK. All right, I think I have taken enough of your time. But thank you very much for your help.

ACT Operator

Thank you, sir. Once again, ladies and gentlemen if you would like to ask a question, please press *1 on your telephone.

There appears to be no further questions, sir. Please continue with any other points you wish to raise.

Thomas Schmee

Thank you, Operator. And thank you very much ladies and gentlemen for being with us for this telephone conference. And we hope you will join us for the next conference which is scheduled for 26 January for the preliminary full year 2009 results. Thank you very much and have a good day. Bye.

Martin Simhandl

Bye.

ACT Operator

Ladies and gentlemen, this conclude the Release of Result Q3 Vienna Insurance Group conference call. Thank you for your participating. You may now disconnect.

END OF CONFERENCE