



VIENNA INSURANCE GROUP (VIG)
Results for the first three quarters 2018
November 28, 2018 | 15:00 CET
Conference Call Q&A-Session
Transcription

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Operator Ladies and gentlemen, at this time, we will begin the question and answer session. Anyone who wishes to ask a question may press star followed by one on their touchtone telephone. Please make sure your phones have the DTMF Tones activated in order to register for a question. If you wish to remove yourself from the question queue you may press star followed by two. If you are using speaker equipment today please lift the handset before making your selections.

Anyone who has a question may press star, followed by one, at this time. One moment for the first question please. And the first question is from the line of Youdish Chickoree of Autonomous Research. Please go ahead.

Youdish Chicooree Hi. Good afternoon everyone. I've got three questions please. The first two questions is really on Romania. I'm just wondering if you could tell us more about this antitrust investigations. And, regarding the reserve strengthening you're taking, I understand that it's... this is partly down to the tariff that came into place early last year. And, essentially, you don't think the pricing you're getting are adequate. So, I'm wondering what are you planning to do about this, because I can see you're still growing in Romania.

So, those are my first two questions, and I think I'll wait for the third question.

Liane Hirner Okay. Judith will answer your questions on Romania.

Judit Havasi Yes. Hello

Youdish Chicooree Hi.

Judit Havasi The Romanian Competition Council considers that the market participants had some agreements regarding the increase of MTPL. Between 2012 and 2016. But, given that at this time also the Romanian motor market is very negative, the combined ratio is negative and there's also big local player that went into bankruptcy. This is my personal opinion that this was a natural move to increase the prices. And there were no as any forbidden actions regarding price agreements.

But the investigation is still ongoing and I can't really comment on that.

Youdish Chicooree Could you tell us around the timeline? You know, when will it be completed, when do you expect to get a conclusion on that investigation?

Judit Havasi Oh, we can accept any time some conclusions, but it can also takes longer time. So, I would say, up to six months everything is possible.

Youdish Chicooree Okay. Thank you.

Judit Havasi Regarding the market prices, this is a very difficult question with Romania, because of the reference tariff. We are bounded in this reference

tariff. We have some possibility to increase. We increase also the prices. But this a play also with the authorities. We are increasing now the prices as we can, but we don't expect a very, I would say, short reaction on the market.

Youdish Chicooree Right. Could you tell us which type of lines do they affect? Is it both personal, commercial? Is it all types of vehicles, or do you have more flexibility on some areas?

Judit Havasi This is MTPL. I would say all of the, all of the MTPL lines, that means personal and commercial but only MTPL. The other market segments they are positive regarding the pricing.

Youdish Chicooree Okay. Thank you. And my third question was really on Poland because this issue around unit-linked and surrender fees is... seems to be back a few years ago. So, I was quite surprised that it cropped up this quarter. So, I was wondering whether this is, you know, like, you've got, like, a final decision on this. Or should we expect probably, you know, more provisions going forward?

Liane Hirner There was also some provisions in the last year. You are right on that. And there is ongoing discussions currently in the market regarding contracts going back from three to ten years. And we did some precautionary measures, in order to provide for surrender fees in this area.

Youdish Chicooree Okay. Understood. Thank you.

Operator The next question is from the line of Rahul Parekh of JP Morgan. Please go ahead.

Rahul Parekh Hi everyone. I've two questions please. The first one is on, you know, all these additions that you do the reserve strengthening in Romania, for example, do they appear as prudential buffers for Solvency II? And my second questions is generally on, you know, can you tell us more about the motor trends you see in CEE or in a few key markets? Basically is pricing in line with claims and cost inflation?

Liane Hirner Thank you for your questions. Judith will follow up on Romania and Peter will take the question on motor trends.

Judit Havasi All of the reserve strengthening is reflected in our Solvency II balance sheet also to the quarters.

Rahul Parekh Okay.

Peter Höfingger We come to the question for motor business. Maybe, looking into the main markets, I will leave out Romania. I think this we have discussed. Looking to Poland, you know that we experienced in Poland the last 18, 24 months some increases of prices and still we see that this is stable. You can see this in our development in our combined ratio and also in our loss ratio. So, there, we see a stable pricing environment.

In Czech Republic, where we had in the past quite intensive price competition, also here we see a certain stabilisation. We are also applying here much more stringent segmentation-underwriting strategy, which shows effects also this I think can be seen already. In Slovakia we also started to have a more segmented tariffs, specifically for commercial lines in motor TPL, where we significantly increased premiums. So, here we believe it's stable to positive, in the pricing environment. Austria is pretty stable.

In most of our markets in central and eastern Europe we do have one-year contracts. Therefore, our new tariffs include topics of inflations. In Austria, where we have more long-term contracts also in motor TPL, there's an automatic indexation clause, so, for example, included, which is regarding repair costs for cars. So, therefore, here I think it's clearly reflected.

Operator Again, if you have a question, please press star followed by one on your telephone. The next question is from the line of Frank Kopfinger of Deutsche Bank. Please go ahead.

Frank Kopfinger Yes. Good afternoon everyone. I have also a question on Romania. You still have 110 million of goodwill left over. Do you think there's... this is at risk now as, obviously, the investigation is just another headwind for your business plan there?

And then, secondly on the improving combined ratio trend in Austria, can you quantify on how much of that improvement is coming from your improving business of Wiener Städtische in the Italian business?

Liane Hirner Regarding the goodwill impairment of Romania, we did the impairment in the half year, because we had a triggering event. We put more cautious in our future plans. Currently goodwill which is left, in the amount of €110 million, is not at risk.

And, regarding your question of improvement of combined ratio, 0.5% is relating to Italian business.

Frank Kopfinger And where are we in this process of this Italian book? Is this now running out or...?

Liane Hirner Yes. It's in the run off. And it's insignificant currently and it's in run-off.

Frank Kopfinger Okay. Thank you.

Operator And there are no further questions at this time. I hand back to Nina for closing comments.

Nina Higatzberger Okay if there are no further questions I thank you all for your interest and for listening in. Have a nice day and goodbye.