



VIENNA INSURANCE GROUP (VIG)

Preliminary results for the financial year 2019

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Conference Call Q&A-Session

Transcription

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Operator The first question comes from the line of Thomas Neuhold with Kepler Cheuvreux. Please, go ahead. Mr Neuhold, your line is open, please ask your question.

Thomas Neuhold Good afternoon, thank you for taking my questions. I have three questions, basically. I know we are pretty early in the Corona crisis, but can you shed some light on all the potential impacts on your premium generation? How strong are your online channels? Where do you see potential for rising gains due to Corona impacts? Do you see also areas where you actually might benefit from impacts? For instance, I could imagine that people are driving less with their cars now, and they might have less claims in the motor business.

And then, I was wondering, if I look at your share price development, the share price is now down below the levels we have seen in the trough of the 2009 financial crisis, it's trading at 0.4 times book value only. Are you considering a share buy-back at current price levels or not?

And the last question would be on the impact of the rising market volatility on the solvency ratio. I know it's very difficult to give a detailed answer here, but maybe you can give us some sensitivities and shed some light on the impact of the strong increased volatility in asset markets? Thank you.

Elisabeth Stadler Thank you, Thomas. I would like to start with the second point, talking about the share price. It is really down and this is not fine. During this year, the Austrian stock index has gone down by 45%, so it's quite clear that we have gone in the same direction, and if you are better than this, I think this is not something with which you can be happy.

Looking at a share buy-back, I have seen that some of our competitors already announced things like this. We will proof this at the moment and we are at the moment checking all the possibilities and we are looking at, as you mentioned, the volatilities for the future, and we are trying to get a better overview before we take decisions like this.

Then, concerning the first question, you are right, we are really early in the Corona crisis, I think we can't give any information about the premium development in how much it will be involved or not. It depends on how long will the crisis take, it depends on the different situations in the different countries. We are represented in 25 to 30 countries, so this means we are quite well diversified.

We see at the moment, of course, a decrease in Austria. Austria was one of the first countries which really set up these radical measures, and Austria has come really down to zero. It's quite

quiet here and we are quite calm at the moment, so we also see this in the interest of the client in buying insurance products at the moment.

On the other hand, yesterday we have sold 25% more motor policies in Poland through our digital company, so you see that there is also a positive impact on this situation. As you mentioned, how the situation is in online, you know we are working really very intensively on the digitisation on the different projects already since years, and especially in the CEE countries we see that the clients are really interested in buying contracts online or via app or taking all the modern medias, and not really waiting for the face-to-face contact with our intermediaries.

So I can't give you an answer at the moment. We will see the outcome in the next weeks. I would expect we had really two very fine first months in this year and I'm quite sure that the need for insurance products will still be the same and what we miss now, during the time of the crisis, maybe we can take this up after the crisis again.

Concerning claims and the claim situation, maybe I can hand over to Peter Höfinger, but I think he will give you a little bit the same information. There is no exact information and no details at the moment. Peter, can you take over?

Peter Höfinger

Yes. Thank you very much. I think on one hand side, one has to be aware, very different to other financial institutions, we are a cash flow generator, so if out of this crisis somebody's not paying the claims we are ending the coverage. Very different maybe to banks, where people will stop paying their credit back. One has to be aware of our business model in relation to other business models in the financial industry.

In claims, on one hand side, what we will see, and we don't see it now in the figures, it's too early, but this is an assumption, there will be less frequency, specifically in the motor business. As we are in Central Eastern Europe, mainly in the obligatory insurances, like motor TPL, people will not cancel immediately their policies, differently to insurance companies in Western Europe, where their portfolios are much more also on voluntary products, where you will see immediate cancellations.

In property we will see one thing, but with all the actions seen in weeks, there will be a certain increase of fraud cases. We are quite experienced to the topic of fraud, due to the region where we are acting, so also here we feel well prepared to make sure to protect our company.

One has to say being in Central Eastern Europe, people do have a different resilience to crises than maybe in some other regions

in the world, as our colleagues in Central Eastern Europe, the last 30 years, had already a very volatile environment.

Elisabeth Stadler

Thank you, Peter. And looking at maybe a benefit for the future. I think you are quite right. We have seen that during the last years the need or the ask for safety and security for the clients is getting bigger and bigger also in very challenging times, as we have seen in the last years, so I think maybe this could be an outcome after the crisis again and there for sure we will see more awareness of the topics safety, security and of course therefore insurance is the best product you can have.

Concerning your third question, the rising market volatilities and the impact on solvency ratio, I will hand over to Liane.

Liane Hirner

As I already mentioned, the group solvency ratio amounted to 210% at year-end and this is very much in line with our expectations. So we have a good starting point from our solvency position. Under the current unique situation, resulting from this Corona crisis and the exceptional market conditions we are facing, the significance of sensitivities, which are always calculated under normal market conditions is quite limited.

With regard to sensitivities, we will publish these in our SFCR report and we will present this data for the year-end 2019 with our first quarter results, as we did in previous years.

You mentioned our comfort zone, which is between 170% and 230%, our self-defined comfort zone, and currently we estimate group solvency ratio to be at the lower end of our comfort zone. But as I mentioned before, the situation is very volatile here. We are closely monitoring the market and trying to update our estimations daily and regularly.

Thomas Neuhold

Thank you very much.

Elisabeth Stadler

Thank you.

Operator

The next question comes from the line of Oliver Simkovic with RCB. Please, go ahead.

Oliver Simkovic

Hello, thank you very much. I just have one follow-up question regarding the current crisis. So do you expect any, or do you see a potential for an impairment of goodwill? And additional question, I mean you have an impairment now in Romania, do you see something similar in the Czech Republic as a result of the current environment?

Elisabeth Stadler

Thank you.

Liane Hirner

This is Liane, I would like to comment. Currently, we do not see any goodwill impairment threat in other countries, out of the crisis, but this is from today's point of view.

Elisabeth Stadler I am wondering why you are mentioning Czech here, because this is one of our most stable countries.

Oliver Simkovic Yes, I mean you have the most goodwill there as well, that's why I just mentioned it.

Elisabeth Stadler The colleagues are not here from the Czech Republic, but there we really have two excellent companies doing great business there and I think this is absolutely not the case.

Liane Hirner The profitability of the Czech business also result in a comfortable and very high headroom, when we do the goodwill impairment test, so enough space there.

Oliver Simkovic Okay, thank you.

Elisabeth Stadler Thank you.

Operator The next question is from the line of Thomas Fossard with HSBC. Please, go ahead.

Thomas Fossard Good afternoon. I've got a couple of questions. The first one would be really again to the Solvency II ratio, and potentially help us to understand the walk between the 238% reported at the end of 2018 to 210% reported at the end of 2019, please.

The second question will be really to Romania again. I'm not sure I understood, there were remaining goodwill to be taken in 2020, if you could clarify this point?

And also one additional thing is, I'm not sure if you have commented on any remittance ratio and how the cash was generated within the group. Actually you are raising the dividend quite substantially, increasing 7%. Maybe you could share a bit of your view how we should see the dividend policy of the group going forward in this kind of environment? Thank you.

Elisabeth Stadler Okay, thank you. I'll hand over to the CFO to start with the answer of the questions.

Liane Hirner Okay, regarding the Solvency II ratio, as you correctly mentioned, last year we had 238.6% in 2019. This was reduced to 210%. The main reason is the reduction of the loss absorbing capacity of our technical provisions, and this mainly comes out of the Austrian guaranteed life business. And this is as a result of the market situation.

Regarding Romania, I had some noise in the line but I think you asked if there is still some goodwill open? This is not the case. The goodwill impairment of €108.8 million is the entire goodwill, so there is no goodwill left anymore.

Elisabeth Stadler And concerning the third question, I think you asked about the

cash generation and the dividend policy. Of course, we are monitoring the cash topic at the moment very closely. We are in close contact with all our companies in the different countries. Until now, this is not a problem.

Concerning the dividend policy, we think we can stick to our dividend policy and, of course, we would like to stay on our dividend policy which we have shown, over the last year, also for the next years, to let the dividend follow the result after taxes and minorities and, of course, it is our clear target to increase the dividend steadily. That's all in my mind, or have we forgotten something?

Thomas Fossard

No, that's fine. Thank you.

Elisabeth Stadler

Okay, thank you.

Operator

The next question comes from the line of Thomas Unger with Erste Group. Please, go ahead.

Thomas Unger

Good afternoon. Thank you very much for also taking my questions. I have three or four, if I may. First of all, on the financial result and the extraordinary gain that you had on S Immo. You mentioned the net impact but could you mention the gross impact on the disposal of investments? And then also, what was deducted for policyholder participation? That would be interesting.

And then also, if you could specify all material extraordinary effect that you had in Q4 of 2019. And before, you also talked about the impact on your capital from the asset fluctuations in Q1 now, but could you also give us an estimation or expectation of the IFRS impact P&L and equity, that will be coming up from the dropping equity prices and also all the assets now in the last two weeks.

And then lastly, on the combined ratio, and especially the development in the fourth quarter, if my calculations are correct then the claims ratio was below 60%, 58% actually, and the cost ratio above 34%. Both values are really outliers for the last two years. And can you give us an explanation of what has led to these developments? Thank you.

Elisabeth Stadler

Okay, thanks Thomas for the questions. Again, I will hand over to Liane to start.

Liane Hirner

Okay. Regarding the financial result, the extraordinary gain from S Immo amounted to approximately 130 million euros. The policyholder dividend participation is, according to local GAP 80% or 85%, approximately.

You asked for the Q4 extraordinary effect in the financial statement. We had in life some one-offs regarding the optimisation of

the market risk in reinsurance of the state-funded life insurance products. And in P&C there is a reduction of buffer we built in Q3 for long-term strategic projects like for example IFRS 17, which is, or will be, delayed by another year. Regarding the equity (..)

Thomas Unger Sorry, could you quantify these effects in Q4 that you just mentioned in life and P&C?

Liane Hirner In life, it is approximately 45 million euros, and in P&C around 50 million in the other direction.

Thomas Unger Okay.

Liane Hirner The equity ratio is around 4.5% currently, so the asset fluctuations in the first quarter do not really have a big impact up to now. There might be some impairments, but no big amounts currently estimated out of the dropping of the equity prices.

Thomas Unger Okay.

Elisabeth Stadler Thank you. And concerning your question about the combined ratio in Q4, I think you know that the combined ratio is sometimes a little bit volatile. The split between claims ratio and cost ratio is sometimes a little bit volatile over the different quarters and there are some seasonal effects.

And of course in the last quarter a lot of colleagues and a lot of companies do their reserving activities, and we had two bigger companies who had some special reserving activities in the fourth quarter, therefore the claim ratio got down. And concerning the cost ratio, we had costs for some bigger projects in the last quarter of 2019 and we also put here some reserves for future projects, like IFRS 17 over the next year.

Thomas Unger Okay, so nothing to read into from that for the next few quarters?

Elisabeth Stadler No, nothing which we will see again next year. Peter, yes?

Peter Höfing I think, on the one hand, looking at the combined ratio overall, one has to see that we had a reduction of our claims ratio, due to disciplined underwriting, also by increased prices in our region, specifically corporate business but also in the motor business, which is reflected in it, even though we had quite high weather-related claims.

If you look at the claims ratio, you also have to bear in mind that we are also a bit changing our portfolio, going more into property business which has a higher commission loading than the pure motor business. So also this is one of the effects why you see a shift, but this is due to also a certain change of our portfolio mix. Okay?

Elisabeth Stadler Okay, thank you.

Thomas Unger	Thank you very much.
Elisabeth Stadler	Thank you, Thomas.
Operator	As a reminder, if you would like to ask a question, please press star followed by one at this time. There are no further questions at this time. I'll hand back to Nina for closing comments.
Nina Higatzberger	Thank you, Emma. And thank you, ladies and gentlemen, also thanks to the management team, for your time and your interest. The next scheduled call, let's see how the developments move on, is on the 20 th of May for the first quarter results 2020. As in Austria, the new farewell is stay home and stay safe. I say good-bye and, as mentioned, stay home, stay safe and all the best. Good luck to you. Bye.
Peter Höfinger	Bye.
Elisabeth Stadler	Thank you. Bye, all the best. Stay healthy and bye.
Liane Hirner	Bye.