



VIENNA INSURANCE GROUP (VIG)
Results for the first three quarters 2021

Q&A-Session Conference Call

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Transcript

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Operator

The first question is from the line of Oliver Simkovic. Please go ahead.

Oliver Simkovic

Hi. Good afternoon. Three questions from my side, the first one relating to the growth. How much of the strong growth of the past two quarters would you see as temporary catch-up effect, and how much do you see as sustainable for the coming quarters and maybe also next year?

My second question is also somewhat related to this, regarding the pricing and then also inflation. Do you see pricing growth outpacing planned inflation in the coming quarters in more regions, and thus also supporting the combined ratio?

My last question is not really business related but regarding IFRS 17, which is approaching faster than anyone is, I think, really comfortable with. Could you tell us about the progress of the project for you internally, and also whether there is a chance that you will provide some preliminary IFRS 17 confirmed form financials sometime next year or ahead of the Q1 23 implementation to the market and analysts so we can have a view on it? Thank you very much.

Peter Höfingger

Good afternoon. Peter Höfingger speaking. Thank you for your questions. If I understood the first question right, because I'm not sure, it's about what is the very original growth in this year and what is catch-up from the last years, looking on this, and if you look on our different growth of business lines, motor TPL and other properties' natural growth of this year, there could be some kind of catch-up potential in the CASCO business.

As, obviously, in Central and Eastern Europe, due to the lockdowns and less travelling, people saved some of their money which they were willing to spend on buying cars or having the first payments for leasing. So looking forward to next year, I would see a similar dynamic going forward, maybe with a certain lower dynamic in the CASCO business, if this was your question.

The second topic is pricing growth and inflation. Currently, we cannot see a universal picture of claims inflation in our region. There are very different developments. I would expect that we will see a certain inflation going forward. One has to be aware that on the one hand side, on our Austrian portfolio where we have long-term contracts, we have indexes there. Not consumer price indexes, but we have specific indexes relevant for the business line.

So, for example, in the CASCO business, it's an index of car repair costs. Therefore, there is an optimisation of the

premium increase to the development of the claims inflation. In Central and Eastern Europe, we principally have one-year contracts. So depending on what we see, we can adopt our pricing on a year-to-year basis. Thank you.

Oliver Simkovic

Thank you very much.

Liane Hirner

I'm happy to take the question regarding our IFRS 17 programme. We started our group-wide programme in 2018 and the project is running according to our project plan. What we did in the last couple of months were some high-level FIA (Financial Impact Analysis). And currently, we've started our dry run with the first time that we also use our new IT systems.

As you know, the transition balance sheet date is 1st January 2022. So next year, we will have first indications and numbers regarding the comparative period and we will, of course, communicate to all of you as soon as we have first results next year, in 2022.

Oliver Simkovic

Thank you. That will be great. Thanks very much. That was all from my side.

Operator

As a reminder, if you would like to ask a question, please press star followed by one on your telephone. The next question is from the line of Thomas Unger from Erste Group. Please go ahead.

Thomas Unger

Yes, hello. Good afternoon. Thank you for taking my questions. First, I would like to pick up on two of the questions that were just answered, first starting with the premium growth. Now, specifically in P&C, in other property, can you tell us a little bit more of how this premium growth in Q2 and Q3 was generated? Have you acquired new customers, or are you adjusting the prices upward? Is that the main driver of the premium growth there?

Then secondly, you've talked about claims inflation. But more generally, what is your assumption for inflation and how it would impact VIG on the Group level in the coming year probably, and also if there are any adjustments in your outlook for yields, any adjustment in the investment portfolio? That would be helpful.

And then maybe what you've touched upon in the presentation when you talked about Romania, the earnings before tax is actually a loss. It dropped to a loss before tax in Q3. And you mentioned the bankruptcy of City Insurance. Can you just walk us through how that affected VIG? Thank you.

Peter Höfing

Thank you for the questions. For premium growth, other

properties, both are the drivers. It's new clients but also a premium increase. On the one hand side, what we see in our region, including Austria, is that the monoliners' commercial lines are more focused on their core markets in Western Europe or the US and less in our region, which gives us the opportunity to win new clients. On the other hand side, due to the hardening generally of the market, we are also able to increase our prices. So it's not only driven by price increases, but we are also winning new clients.

If I also take your question three for Romania, City Insurance had a market share of 45% in motor TPL. This is now coming on the market. There is a certain system in Romania of a reference price. And with certain calculations, you can differentiate your pricing to the reference price. And this is limiting somehow your ability in this market to adopt to the risk-adjusted prices.

Therefore, also having in mind that there had been a bankruptcy in the year 2016 with Astra which then was quite a volatility on the market, in combination, that until very recently, there was no government in Romania, we are impacted here by this volatility. And therefore, also this can be seen in the third quarter results.

Liane Hirner

Regarding your question concerning the claims inflation, we are, of course, closely monitoring the development. And what I can say is that we confirmed our targets for 2021. Of course, when it comes to the investment side, we expect a small increase of the Euro swap curve. But for the moment or for the time being, we are really closely monitoring the situation and we will see how this works through.

Thomas Unger

If you talk about inflation, and not only claims inflation but the cost side, the cost structure of VIG on a Group level, do you expect a negative impact on your earnings in the coming year from rising inflation?

Peter Höfinger

We are also benefiting from wage inflation of our customers as they have a higher disposable income also to insure, for example, in the pension fund business. So therefore, if there is a wage inflation to be expected, yes, we will have, on the one hand side, an impact on our cost side, but on the other hand side, we will have a positive impact on our premium side.

Thomas Unger

Okay. Thank you very much.