



VIENNA INSURANCE GROUP (VIG)

3M 2023 Update

Q&A-Session Conference Call

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Transcript

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Operator And we have our first question from Bhavin Rathod, from HSBC. Please go ahead.

Bhavin Rathod Hello, good afternoon. Thank you for taking my questions. I have three on my side, and the first one would be on the P&C pricing dynamics on your core markets. It would be helpful if you could provide some more additional colours on what kind of pricing dynamics you are seeing in your core markets, like Czech, Poland, etc., vis-à-vis the claim inflation.

The second one would be on the Turkish earthquake exposure. I appreciate 170 million is the gross number. It would be helpful if you could provide how should this number look on a net basis.

And coming to the last one would be on your guidance, which is obviously unchanged, and you're still aiming for a positive operating performance. If you could provide some more colour on how should we read this statement, especially in the context where you are transitioning into IFRS 17?

So, when you say a positive operating performance, should we read this as positive improvement of IFRS 17 figures, or IFRS 4 figures? On what KPI should we look at this positive operating performance? Thank you, those are the three questions that I have.

Peter Höfing Good afternoon. Peter Höfing. Thank you for your questions. The first question and the second question I will answer, and then Liane takes the third question.

I'll start with the Turkish earthquake. We are announcing the gross figures, as this is a mixture between active reinsurance, local company, and also sometimes corporate business, reinsured facultative. So, it's a mixture. From the today perspective, the net effect will be a low double-digit million figure.

Coming to the first question, P&C dynamics, I would start generally, and I think we have mentioned this, in our region, Central and Eastern Europe, in the last 20 years, country-by-country, there have been already times of higher inflation.

So, we have management people in their jobs, which already in their professional career were dealing with the topic of rising inflation and claims inflation, maybe differently to some Western European countries, which didn't have this kind of inflation in the last 40, 50 years.

Therefore, there is a certain management ability and

capability to deal with these challenges. In CEE, we do have mainly one-year contracts. This means we are able to adopt, according to our calculation, the rates.

We are not logged in differently in Austria, but in Austria, where we have more long-term contracts, we have indexation clauses on it.

And it's not just CPI inflation clauses, it's inflation clauses relevant to the business line. So, for example, the Construction Price Index for property, or Repair Cost Index, Car Repair Cost Index for CASCO, which is ensuring a proper pricing automatically with the index.

If we go to the countries, maybe I'll start with the most challenging one, which is still Poland. We have still here the whole market under pressure in the motor pricing. We do believe that there is now the bottom line reached, and there are first signs that motor pricing in Motor TPL is increasing.

We also believe that because we see this tendency in the neighbouring Baltic states, and quite a number of insurance companies operating in Poland are also operating in the Baltics. So, therefore, we believe that also this trend will come over.

In the property business, and this is again true for whole CEE, also for our local competitors, they were experiencing the significant rate increases of reinsurance in the last renewal, which is also putting pressure on them on the primary market. So, we see in general, in the property business in CEE, a rate increase on the property business.

There was a certain delay. You know that in Western Europe, these rate increases in the property started already two, three years ago. We saw it in CEE last year, but this year even a bit accelerated.

The same is true in Czech Republic, but with I think also a decent performance in Motor TPL, and also in Austria, where some rate increases are flattening. But this has been already, over the last years, certain risk-adequate increases done.

We are growing quite strongly in the CASCO line of business, all over the place. On the one-hand side, due to rising number of new car sales, combined with a rate increase, combined with value increases, as also car prices have significantly increased in the last 12 to 24 months, which is standard function of the absolute premium. So, this is a little bit a short overview about the environment.

Liane Hirner

I'm happy to take the last question on the guidance and what

we mean with the positive operating performance. I would like to remind you that the macroeconomic environment is still challenging, and still we are experiencing volatile capital markets, so when we talk about the positive operating performance, we mean the insurance technical result.

And we see still, of course, some pressure in this year regarding the high inflation rates. But this year, and especially in 2024, we expect that the effect of adjusted insurance tariffs we will see in our insurance result. So, this is what we mean by better positive operating performance. I hope this answers your question.

Bhavin Rathod

Very helpful. Thank you so much.

Operator

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, and also, thank you for the presentation today. My first question would be on, you talked about the pricing dynamics in the region.

Across all your product groups, is the indexation, are the adjustments, the upward-price adjustments done, or mostly done, for this year? And how has the lapse rate, in connection with that, developed? That's the first question.

The second question would be on the changed interest rate environment. What is the new money yield, or what was it, in Q1 2023?

And then lastly, you mentioned it, that you'll be presenting the half-year results under the new reporting standards of IFRS 17 and 9. Do you provide any historical data, ahead of these results, for the quarters in 2022? That would be highly appreciated and helpful.

Peter Höfing

So, I'll take the first question, thank you. We are making rate adjustments at the renewal date, throughout the whole year, so it's not done all on 1st January, but when the contract is to be renewed. So, this is throughout the year.

We do currently not observe significant changes in behaviour towards cancellation or lapse rate. What we see, and this is more towards corporate business, that certain coverages get changed. Self-retention gets increased, certain extra coverages maybe get reduced.

So, it's not a cancellation of a whole insurance coverage, but it's an adaptation of certain coverages in relation, then, to the total premium to be paid.

Liane Hirner

Regarding your question, regarding the new money yield for

the first quarter, the new money yield of total VIG in the first three months amounts to 4.8%. And the last question regarding the half-year results under the new accounting regime, IFRS 17 and 9, we are happy to share with you the year-end 2022 results in advance, so we will reach out to you in this respect.

Thomas Unger Okay, so no quarterly results will be presented in the Adjusted Form, ahead of the half-year results?

Liane Hirner We will have the half-year 2022 figures in the half-year 2023, as a comparative information, but we will give you the year-end 2022 in advance.

Thomas Unger Right, okay, and thank you for that. And the new money yield, what is the comparative figure in the previous quarters? You said 4.8% for Q1?

Liane Hirner We have just the comparative figures for Austria only. In Austria, the new money yield in the first three months was 3.7%, and the comparative figure in the previous quarter 2022 and the first quarter 2022 was 2.73%.

Thomas Unger Okay.

Liane Hirner I'm sorry, this was the whole-year 2022. The first three months was 1.78%. This is the comparative figure to the 3.7%.

Thomas Unger 1.78% for Q1 2022, last year, okay.

Liane Hirner Yes.

Thomas Unger Super. Thank you very much.

Liane Hirner Welcome.

Operator Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star and one on your telephone.

One moment for the next question, please. So far, there are no further questions, and I hand back to Nina for closing comments.

Nina Higatzberger-Schwarz Thank you, ladies and gentlemen, for participating in today's call. The next results call for VIG is going to be the half-year results 2023, on 30th August, then based on IFRS 17/9. So far, thanks and good afternoon.

Peter Höfingler Bye bye.

Liane Hirner Bye bye.