VIENNA INSURANCE GROUP (VIG)

Update for the first nine months 2023

Q&A-Session Conference Call

November 30th, 2023

Transcript

Disclaimer:

Youdish Chicooree	Good afternoon, everyone. Thank you for taking my question. I'll just kick off with probably three questions first. The first one is just on the momentum in gross written premiums. I'm just wondering if you could split the growth you've reported by segment, like in terms of P&C and non-life. And probably indicate whether in your P&C markets at the moment, whether you feel that pricing is adequate compared to inflationary pressures. So that's my first question. Second question is on Poland. I think in the past you have talked about pricing in motor being challenging, but yet when I look at the premium growth figures, it's quite strong at 16%. So maybe if you could provide some colour on the underlying drivers, please. And then linked to Poland, in terms of the mergers, like the mergers between your own companies, it seems that the objective there is to basically broaden your product offering. But I was wondering whether there are major opportunities to actually generate cost savings in those markets. And if we could tackle these questions first, and I've got a final question on solvency I can come back to a bit later. Thank you.
Peter Höfinger	Thank you. Peter Höfinger here. I'll take your first two questions. If we look on the performance of our gross written premiums, we see in the latest development in single premium currently in our region that single premium is not really taking off. It's negative. On the other hand, if we look on life regular, it is positive developing. This has also very much to do with our cooperation with Erste Bank, where life regular is quite an attractive product for the banking channel to be sold. Typical to non-life, we see in all lines of business a positive development, a growth. The highest dynamic we see in casco. This has to do, on one hand, with rising prices of new cars and therefore, automatically the increase of our premiums. But also, in some of our markets with a higher new car registration. Still, some delays out of COVID times, which we have seen this year coming in new cars here. If you look on the pricing development in our markets in relation to inflation, one has to say that for our region, inflation is not such a new thing, than maybe in the Western Europe or western world. In all of our markets, in the last 20 years, they have experienced times of inflation. Therefore, our management is quite well-experienced in dealing with it. And we have a clear mechanism in place to immediately mitigate the issue of claims inflation. Also having in Central Eastern Europe mainly one-year contracts, which allows us to immediately increase sums insured

of our insurances and therefore, reflecting it in our premiums. We do feel comfortable, currently, that pricing developments we can tackle with the inflation topic.

I have to say one thing, this is in motor TPL. Motor TPL being a long tail business, we also believe that we are well-prepared there. But when it comes to bodily injuries, it takes longer to see the effects there. And there is a certain salary inflation, and the salary inflation has an impact on the compensation in bodily injury.

In some of our markets there is calculation method depending on minimum salaries in the market. They have been increased. One cannot predict how this will further increase in the months to come. So there is a certain uncertainty in motor TPL when it comes to bodily injuries.

Youdish Chicooree: Right, thank you. Thank you very much.

Harald Riener: Second question, Poland and the growth. The growth is coming strongly out of the casco and the property area. Also, the health is growing. The situation in the MTPL market is still challenging. And here, the group is currently on a stable position. So, the growth is coming mostly out of casco, property, and health.

Concerning the cost savings - number one, merger is of course subject to the approval of the Polish supervisory authorities and the process of the legal merger we expect to be completed in the second half of the next year - mid-term, we would expect a saving potential in the double-digit Euro million area, around 20 million.

Youdish Chicooree: In terms of, you mean, on the cost side?

Harald Riener: Yes.

Youdish Chicooree: All right, great. Thank you very much.

Harald Riener: Thank you.

Operator: And the next question comes 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. The first one would be on your revised outlook which you now expect at the upper end of the previous guidance. So just trying to understand what has changed since the first half of 2023, what is driving that optimism. And related to that, would you say that the overall weather losses at nine months were broadly in line with what you expected when you stated that guidance?

The second one would be on your dividend policy. I just wanted to understand how should we think about the growth in the

	dividends going forward now. Would you say that we should be thinking about the growth based on the evolution of the IFRS 17/9 operating earnings? Or would you be going to look at the local accounts when we should think about this dividend growth?
	And the third and the final one would be on your reinsurance strategy for next year. A lot of the peers are reviewing their reinsurance policy, given how the reinsurance rates have evolved. But how are you thinking about your reinsurance protection for next year? Thank you. So those would be the only questions that I have.
Peter Höfinger	Thank you. Peter Höfinger here again. I will start with your last question, reinsurance. Yes, we see a hardening of the market over the last three years. We do have quite some advantages when we go to the reinsurance market. On one hand, we have group programmes with international modelling companies. And we are offering global reinsurance companies with one signature to get the leading portfolios of Central Eastern Europe for their global diversification at low-cost efforts from the reinsurance companies. And this gives us an advantage in bargaining.
	We are not changing our general reinsurance approach. So, we stay on a conservative basis. On local programmes, we see a gradual increase of our self-retention. On one hand, driven by the reinsurance market, but on the other hand, also very much driven by our portfolio growth. Which, logically, has been reflected in a higher retention.
	But overall, there is no change in our general reinsurance approach - being willing to be quite conservative, ceding quite an amount to the reinsurance industry to reduce volatility on the results of a large NatCat or man-made losses.
Liane Hirner	I would like to take the question number one and two. With your question regarding the outlook which we gave in summer this year, between €700 and €750 million. All the assumptions we took when we formulated this outlook, now turned out also to be the same in reality. Especially when it comes to NatCat and weather related claims. This gives us very much the confidence that we also at the end of the year, we will stay within this range, and even we will end up in the upper end of the target range.
	The dividend policy is based on the IFRS 17 group results, as it was also in the past. And, as I already mentioned, we have been paying dividends since 1994, and our investors participate in our success and in our result. So with the outlook for 2023 in the upper range of the guidance, we decided to have the dividend of the last year as the minimum dividend. And, if everything turns out as expected, I would, as in the last years too, expect that the dividends will increase. But as I said before, the final decision will be taken in February when we do the preliminary results,

	because the year is not over yet.
	I hope this answered your questions.
Bhavin Rathod	Yes, it does. Thank you so much.
Operator	And the next question comes from Thomas Unger from Erste Group. Please go ahead.
Thomas Unger	Yes, hello, good afternoon. Thank you also for taking my questions. I would like to follow up on the dividend policy. Is it correct that you essentially introduced a floor now, the prior year's DPS is the floor for the next year? And that is independent of operating earning situation, right? The increase will depend on the operating earnings?
	And since you essentially introduced the floor to the dividends, should we expect the increases to be more gradual and not follow the development of earnings on a year-to-year basis? Because then, based on your guidance for 2023, that would mean an increase of 30 to 40%. That's my first question.
	Second one would be on Signa. And if you could tell us about your current exposure to Signa and what measures do you expect to take in the fourth quarter of 2023, especially on the bond that you are still holding.
	And then thirdly, on weather related claims. If you could just give us the comparative figure of last year 9M weather related claims and also for Q3 in 2022 and Q3 in 2023. I'd appreciate that. Thank you very much.
Peter Höfinger	Peter Höfinger. I will start again with your last question, weather related claims. Last year in the first three quarters we had €320 million and around €230 million net. If we look on the weather related claims of this year, approximately 50% of the total claim sum, which was mentioned by Liane, was affected in the third quarter.
Liane Hirner	I'm happy to take your follow up question on the dividend policy. You understood correctly that we introduced a floor with the prior year DPS. The increase will depend on the operating earnings, on the development of the earnings. And overall, I would say, as we have also shown in the past, we will continue to stick to our conservative long-term view and approach. So I would rather expect a more stable or gradual development of the dividends in the future.
	Your question to our exposure of Signa - we have a bond in our books with €50 million. So compared to our approximately €35 billion overall investment portfolio, it's rather minor or immaterial, not substantial for us. The final decision on the impairments, will be taken at year-end. But when you take the current developments into account, I think it's quite clear where the

	decision tends to go. But it is not something that is substantial or material for us.
Thomas Unger	Very clear. Thank you very much.
Operator	Ladies and gentlemen, as a reminder, anyone who wishes to ask a question may press star followed by one at this time. And we do have a follow up question from Youdish Chicooree from Autonomous Research. Please go ahead.
Youdish Chicooree	Thank you very much. Yes, please, I've got a couple more questions. The first one is on the financial performance indicators which you said you are reviewing. So, I was just wondering what the plan is, whether you were planning to give us some KPIs or key targets sometime early next year? Because the reason I ask is, we are in the process of formulating IFRS 17 estimates and that would be quite handy. So, any indications on the timeline, that would be helpful. And then my second question is just on solvency capital. And considering it is very strong, and you have just issued a new dividend policy, I was just wondering whether you are actually open to distributing some excess capital to shareholders - be it in the form of special dividends, or even for a share buyback? Or rather, is it fair to say you will rather be happy to wait for the right M&A opportunity to actually deploy the excess? Thank you.
Liane Hirner	Thank you for your questions. So, regarding our KPIs review, we are of course thinking of or discussing on future KPIs. From today's point of view, I can give you an indication of the timeline - I expect that we release the new KPIs in the first quarter 2024. So, we will have, of course when we finalise this year, even more indications and numbers to be able to define the new KPIs. Regarding solvency capital and our dividend policy. Of course, we have a high solvency capital ratio. But I also explained that it very much comes out of the Austrian guaranteed life insurance book and the related interest rate increase, especially in the last quarter, on the long end of the interest rate curve. Which turned up then in the strong solvency capital ratio in the group. We have no plans for special dividends or share buybacks at the moment. Overall, I think the situation in macroeconomic environment is still quite volatile. So, we are happy with this solvency ratio. And as always, our M&A department is very busy, and we are open to M&A, as in the past, to grow inorganically.
Youdish Chicooree	All right, thank you very much for your answers. Thank you.
Operator	There are no further questions at this time. And I hand back to Nina for closing comments.
Nina Higatzberger-Schwarz	Ladies and gentlemen, thank you for your interest. If you have any further questions, please do not hesitate to contact me or

my team in investor relations. Goodbye from Vienna. And with Christmas fast approaching, best wishes for the upcoming festive season. Goodbye.