Q4 2016 Earnings Call

Company Participants

- Cristina Nestares, Chief Executive Officer UK Insurance
- David Graham Stevens, Chief Executive Officer
- Geraint Jones, Chief Financial Officer
- Martin Coriat, Chief Executive Officer, Confused.com

Other Participants

- Andreas Evert Cornelis van Embden, Analyst
- Andrew J. Crean, Analyst
- David A. Bracewell, Analyst
- Dhruv Gahlaut, Analyst
- Edward Morris, Analyst
- Iain Pearce, Analyst
- Thomas Seidl, Analyst

MANAGEMENT DISCUSSION SECTION

David Graham Stevens {BIO 6807391 <GO>}

Good morning, everyone, and welcome to the 2016 Full Year Results Presentation, my first full-year presentation as CEO. My predecessor, throughout 25 years of being the CEO announced an unbroken string of record profits, and I stand before you to announce a fall of a quarter in our profits. I'll get my coat.

But in truth, it's very much the impact of the Ogden change, as we all know, and when you look through that, you see a business that is growing robustly across practically all the areas in which it operates and which is demonstrating its resilience in the form of a maintained and substantial dividend payment in 2016.

To talk you through the results in more detail, Geraint and I are going to stand up and talk about the numbers and the capital position. I will come back and talk a bit, a big picture about our own performance in car insurance and about the market as a whole in car insurance before Cristina Nestares, our newly appointed UK Insurance CEO, talks about car insurance and home insurance in more detail. And then, Martin, CEO of Confused, will talk about price comparison both in the UK and across the world. I will then talk about the direct insurance businesses beyond the UK before wrapping up.

Thank you all for coming.

Geraint Jones {BIO 19738535 <GO>}

Thanks, David. Good morning, everyone and thank you for making the early start. I'm going to cover some of the main features of our 2016 results, spend some time on Ogden, and I'll finish up on capital and dividends.

So, let's begin. We said at the half year that we were very pleased with our 2016 performance at that point and if we looked through the Ogden impact and look back at the full year, at the underlying business, then much remains the same today. This slide shows some of the key points from the results. At the top, you see customer numbers and turnover, both strongly ahead, 16% and 22% respectively. Those percentages were 15% and 19% at the half year, so moving even further ahead in the second half. Profits and EPS, as you can see on the left and right, both down about a quarter, that's entirely down to Ogden. We'll see the exact impacts shortly.

Return on equity, bottom left, also similarly hit by Ogden, 37%, though still not exactly a terrible return, down from 49% last year. Bottom right, full-year dividends for 2016 were £1.144 per share, which is exactly in line with 2015 and the same goes for the final 2016 dividend as well. And finally, right in the middle, solvency ratio, after accounting for the Ogden impact on the final dividend, it's still very strong. It's 212%.

But let's get into Ogden. On this slide, I'm going to explain to you how the new discount rate affects the balance sheets, our profits, capital and the business. So, I think we probably all know that the rate has changed from 2.5% to minus 0.75%. The best estimate loss ratios that David will come on to shortly, and the capital position that I'll show you in the next few slides are both prepared on the basis of that new rate. So, it's a best estimate position of minus 0.75% rather than a booked position.

We estimate that the impact to Admiral, which we will see in higher claims cost on our net reserves, lower profit commissions will be something like £115 million after tax or £190 million before tax. And as you can see, the impact before all co-insurance, reinsurance and tax was over £300 million. As we've said many times before, we take a prudent approach to reserving in the financial statements, and reflecting the uncertainty that remains, we've held the margin and the book reserves above best estimates, consistent with the level of the past couple of reporting dates. That margin remains prudent and significant and is the top-end of our reserving policy range. So, the profit impact this year is just over £100 million before tax. So, about £85 million before tax to come over the next few years. I would estimate about three to five years probably.

Technical provisions on a Solvency II balance sheet also valued at minus 0.75%, but as we'll all see shortly, despite that change, the capital position remains very strong, 212% after the final dividend. Now, naturally, we would expect such a substantial shift in the discount rates that will have a knock-on impact on market pricing. We moved our rates materially back in December when the MOJ released its statement, and we expect to move a bit more in the next week or two.

Two points to make on reinsurance. Firstly, there will most likely be material changes in excess of loss pricing for the next renewals, and David will cover this. And secondly, on quota share reinsurance, all our UK Motor capacity is placed up to the end of 2018. We don't expect the new Ogden rate will change the results for the reinsurers and we don't expect the new Ogden rate will impact the next negotiations for 2019 and beyond, which we'll come to probably later this year.

So, just to bring out what the exact impacts of Ogden were, this slide shows the pre and post Ogden positions for the key figures that were most impacted. So, profits and earnings per share, both have been up a couple of percent further down the quarter and return on equity in the middle would have been in line with last year at 49%.

Moving away from Ogden, let's now look at the top-line figures across the group in a bit more detail. And I think you'll agree, you see some very strong results for 2016. UK car insurance turnover just missed the £2 billion mark, which is pretty much what the Group delivered over the past two or three years.

And we continue to add customers, 350,000 new customers in the UK motor over the year as a whole as market conditions remain favorable. But positive as those stats are, they start to look a bit paltry when you compare them to the rest of the Group. Household grew by half on both measures, and that follows even more stellar growth in 2015 and International Insurance was nearly

60% higher in turnover, and 30% higher in customers. And last but certainly not least, price comparison, which grew its turnover by 20%, a pleasing performance in all markets.

Moving now to profits, this is our usual slide which shows the composition of the results for the year and as usual, in the dark blue, that's the UK Insurance results which covers Car and Household. It's the dominant part this year with a post-Ogden profit of around £340 million. As I said earlier, that's just over £100 million lower than last year, 2015. As you can see, the change is entirely down to Ogden.

Household reported another profit whilst continuing to grow very fast. The green section is International Insurance, where the results improved from a loss of £22 million in 2015 to £19 million in 2016 as the combined result in Europe continues to improve. As well as the strong growth we saw earlier, the overall combined ratio across all operations continues to track in the right direction and ConTe in Italy was profitable again.

In the light blue, just about visible is price comparison, which in aggregate turned around a loss of £7 million in 2015 to a profit of £3 million in 2016. Strong improvement in Confused.com which increased its profits by 30% to £16 million contributed. Whilst there was also a record profit in Rastreator in Spain, and continued encouraging progress at compare.com. Finally, in the yellow, that's the other segment which mainly includes the share scheme charges and the debt interest costs, and that was pretty similar in value to 2015.

Turning to capital. A quick reminder before we start: our Solvency Capital Requirements, the SCR, is based on the Standard Formula from Solvency II plus a Capital Add-On and despite the change in the Ogden basis that we've talked about, the solvency position is very strong at 212% after the proposed final dividend is accounted for. I'll cover the dividend on the next slide.

212% is a reasonably significant improvement from the position at the half year which is 180% and a number of things, some of which have offset each other have contributed to that change, which you can see on the bottom right-hand side. I could spend the whole presentation talking through the impacts on the bottom right-hand side, so I'm going to offer to talk individually about those impacts later and move on.

As usual, the slide pack includes solvency ratio sensitivities, and you'll note that the change in the PPO assumptions referenced on that slide have led to a significant reduction in sensitivity to interest rates compared to the position at the half year.

Now, the final dividend. We've taken a decision this year-end, as you now know, to hold the final dividend at the level of last year's final, excluding the return of surplus capital or the super special dividend that you can see there on the left-hand side in the dotted red lines above 2015's figures. And so, despite our second half profits being £65 million after tax, the proposed final dividend for 2016 is £144 million or £0.515 per share, and that brings the full-year dividend for 2016, as you can see, to £1.144 per share which is also in line with 2015.

On the right-hand side, you see a reminder of the dividend policy which I hope is familiar. That hasn't changed. For the foreseeable future, we'd still expect the earnings-related dividend to represent a payout ratio in the 90s. You might notice this year, there's no update on the future returns of surplus capital. The solvency ratio at over 200% is higher than we would expect to operate that in the long-term once we're up and running with the internal model, hopefully in 2018.

Our philosophy as regards capital in the company is unchanged. We don't intend to keep surplus capital in the company. We intend to give it back to shareholders. But we think for the near term, it's sensible to run with that higher number for a number of reasons, mainly until we have certainty over the internal model of capital position which we expect to get as we move into 2018. And there's also residual uncertainty over how Ogden feeds through what happens with the Ogden discount rate review – regulatory review of the current year capital add-on and so on. The dividend dates shown on the slide and the payment date is the 2nd of June.

Finally, from me, a reminder of the key points from this section. So, firstly, very strong growth across the Group in turnover and customers. Profits were inevitably hit by Ogden, but there were improvements in the international results and the price comparison results. The capital position remains very strong, despite the Ogden change and finally, the dividends for 2016, including the final are in line with 2015 despite the profit hit.

That's it from me. I'll hand you over to Cristina and David to talk about the UK.

David Graham Stevens {BIO 6807391 <GO>}

Thank you, Geraint. So, I'm going to do a couple of pages on big picture, our own performance in the UK car insurance market before talking about the market as a whole. So, a year of substantial growth in the number of vehicles. We cover up 11%. That takes us up by over 20% now since we've started growing again in the middle of 2014. Turnover up 16%. Profits down 24%, largely reflecting the impact of Ogden. Without Ogden, the profits would have been flat. There is still some impact there of the commutation of 2014 on the 2015 to 2016 comparable, which we've talked about at length at the first half.

You'd be familiar with these – most of you would be familiar with these graphs; on the left-hand side, you have a comparison of the market claims ratio and our own claims ratio and loss ratio. The red line is the market. It's the market as at 2015 reported loss ratio with the reserve releases, but redistributed back to the years to which they relate and our own number is the number at December 2016, within the brackets, the movement between June 2016 and December 2016.

Our own numbers fully reflect the impact of the move to minus 0.75%. What historically you've often seen with our numbers is a more substantial number in the bracket that moved down particularly on recent years. You're not seeing that this time because of the impact of Ogden. It's very early to call 2016, but our first projection is 82% at this point, which is consistent with the first projection for 2015 in December 2015 which was also 82% but, of course, the 15% number at that time was pre-Ogden, the 16% number is post-Ogden.

On the right-hand side, you have our reserve releases, always a feature of our results as we wait to be 100% sure that underwriting profits are true profits before we actually allow them to feed through into the reported profits. The releases would have been 23%. Without Ogden, they are actually 14%. And as Geraint mentioned, we remain at the top end of our reserving range, and there has been no reduction in the level of conservatism in our buffer at the end of 2016 versus the middle or end of 2015.

Now, moving on to the market, I think what we're all interested in knowing is what the impact of Ogden likely to be on claims costs and how will that feed through to price changes and when. And so, we've attempted to do some work to try and help with that. And part of that work is to understand what the profitability of the market in 2016 was pre the impact of Ogden, which is not an easy thing to do because reported results with the heavy role of reserve releases don't necessarily give a fully accurate reflection of current profitability. So, the way we've done it is we've gone back to a year which we feel is largely developed, namely 2012, and then we've rolled forward the premium changes and the claims changes.

Now, we're showing here a market combined ratio for 2012 of 104% as at December 2015. Now, let me just caveat market here, and I should have done it on the previous page in relation to the red line. Market is those companies that report through PRA returns. And so, it excludes Gibraltar, excludes ourselves, Hastings, Saga, excludes Dublin, Zurich, excludes Lloyd's, but Lloyd's is no longer really very material. So, you're looking at something like actually two-thirds of the market here.

Now, they were at 104% in December 2015, roll it on through 2016 and onto where it ultimately might have finished without Ogden, and it might have finished around 100%, which we think equates to a return of capital of around 28%. The reason we say 28% is we're assuming 11% add-on and investment income return and the capital requirement of 40%.

What's happened to premiums between 2012 and 2016? What's happened to claims? Now, for premiums, we've taken the ABI data and we're seeing a mid-2012 to mid-2016 fall of premiums of 8%. The actual falls in written premiums that took place in the second half of 2012 and through 2013 and early 2014 still outweigh the increases that took place thereafter if you look at in on an earned basis as at the middle of 2012. If you look at it on a written basis, it would be about minus 3% or minus 4%.

Then you look at the claims situation and you're looking at a situation where we've actually had, with the benefit of hindsight, and using sources like the third party, working party, using some ABI sources but also having to do get management estimates particularly in relation to 2016. So, all these numbers are really not points. They're really the middle of ranges. Looking at those, we think the cost per vehicle year change in that period was something like 6%, unusually for the market, mainly driven by damage which was down a bit in frequency, but up in severity.

Small BI shows the benefit of the LASPO reforms over the period, and large BI was unusually benign for those four years, pre-Ogden, with frequency down, offsetting any increase in severity. So, you roll those through and you'd get a combined ratio for that part of the market that we're looking at. The 100% turns into 112% and essentially the market is around breakeven.

Then look at the impact of Ogden. It's not as easy as you might think to know what the price at the cost per vehicle year impact of Ogden is. Our estimate is that it's around 10%, but I would treat that again as a midpoint within a range. And our estimate is, for the market as a whole, that around 60% of that accrues to the reinsurers and about 40% to the primary insurers.

There are a number of insurers who will have a materially smaller share of the initial impact to have low retentions. There's ourselves that have a higher retention and the likes of Esure and the Hastings, and they're in the middle of the road. And you can tell from the pack we're roughly 50/50 split between reinsurer and ourselves. And then there are other players, particularly the big multinationals, who have materially higher retentions again and will bear more of the immediate cost.

You take that 10%, you add it to the claims costs, and we're sort of saying that the market, if it was not to respond to the Ogden change, is substantially loss-making, at least that proportion of the market that reports through the PRA. That is a material qualification. I mentioned that the market as a whole, at the beginning of this analysis, in 2012 was 104%. Our combined ratio, our equivalent number for 2012 was 74%. So, this is not an analysis of our own profitability which is very different. This is an analysis of the market profitability.

And it's obviously subject to a number of adjusting factors. You could argue it's too pessimistic because price increases have gone in in the second half of 2016 that aren't fully reflecting this analysis, but they haven't been that dramatic. And you could argue it's too optimistic because actually there's pressure on material damage inflation caused by the fall of sterling.

When the announcement was made in the middle of December that the Ogden rate was being reviewed in an urgent fashion, we took a conservative view both on the expected outcome of that review and the inevitability of some change, and we made an immediate price increase in December to reflect that conservative view.

Our view looking around the market is we may have been alone in that. Certainly, we were largely alone, if we were not entirely alone, and what we have seen, though, which has encouraged us, is ever since the announcement of the actual rate, prices have begun to change and our percentage times top which fell materially in the middle of December is beginning to rise back up. What that early and we think appropriate move does mean that is that the volume of business we've written in the first quarter is lower than it otherwise would be, and the business has not grown during that first quarter, which it probably otherwise would have done.

I said we took a conservative view on the ultimate outcome. We didn't actually assume minus 0.75 and so we anticipate some further price rises from ourselves in the near future.

So, over to Cristina to talk in more detail.

Cristina Nestares {BIO 18674745 <GO>}

Good morning, everyone. So, David and Geraint have talked to us about the impact that the change in the Ogden rate has on the market, on Admiral, and I'm going to focus on the fundamentals of the UK Motor business (20:44) because it remains broadly unaffected. And also, I would talk about the progress of our household book.

So, first of all, let's start with expense ratio. This graph has been long time a feature of the Admiral results presentation, and it shows that we have constantly achieved a significant expense ratio advantage over the market. Last year, the expense ratio remained flat at 16%, despite the growth, and also despite the reflection (21:11) cost by the change in the IT system.

One important contributor to this is our efficiency in acquiring new business and also our ability to retain customers, which brings me to the next slide. Our retention rate has been stronger than the market for the past few years, and during 2016, retention in the market decreased while we managed to increase our retention and we did this through a combination of factors: great customer service, a number of improvements in the renewal department, and by allowing the base of renewal price increases to lag behind the base of the new business price increases.

We're very focused on giving great service to our customers, and this is particularly important at claim stage. You can see on the graph that the customer feedback following a claim has always been quite strong, and it has improved in the past few years, which also encourages customers to renew with us.

Let's now move to claims. Most of our loss ratio advantage comes from superior risk selection and also from the handling of large BI claims. However, a significant part also comes from better handling of volume claims, and this is due to a combination of factors. First, our investment in detail, first notification of loss, and an embedded commitment to capture and handle third-party claims ourselves. And this translates into faster settlement and more efficient settlements too.

Secondly, our approach to our supplier network, where we have long-term relationships, and thirdly, we take a firm approach to claim fraud. And we're not afraid of going to court to help reduce leakage. And then underpinning all these is our continued ability to select and train the right people who truly care about their goals, their achievements and their business.

Let's move to our household book. Last year, we grew by more than 50% while managing to increase our profits. We had claims frequency reduction, and we're also enjoying a benign year in terms of weather. We also had made some operational improvements, and we benefited from an increase in a scale which translated into an expense ratio improvement from the previous year. This expense ratio that I'm talking about is in written basis, and this is even despite the impact of the Flood Re levy which added three points to the expense ratio.

Now, growth in the household book last year was driven both by a growing price comparison market and by more customers being drawn directly to our household product. The growth of the household aggregator market accelerated during 2016, which ingest over 50% of the new business market. This is lower than the motor aggregator market, so we expect this to continue to develop over the next few years.

Our direct sales also increased in 2016 and as you can see on the graph on the right, we have started moving the direct percentage up on the second half of the year. It accounted for 17% of our new business sales. Included in this percentage is the cross-sell volume. With the rollout of our new policy system, Guidewire, we have been able to increase our ability to cross-sell household policies to our existing motor customers.

So, in summary, both our motor and household products have performed well. On motor, we believe that our strong expense ratio advantage, great customer service and efficient claims handling leave us well-placed to continue performing the market. Also, the progress of our household business provides an exciting area of growth for the future.

And finally, we were very pleased to have won second best large company to work for in the UK. We are the only company which has been on this list since it started more than 15 years ago.

So, that's it from me, and now over to Martin.

Martin Coriat {BIO 20266744 <GO>}

Good morning. So, for those who do not know or remember me, my name is Martin Coriat, and I'm the Confused.com CEO. And my task in the next few minutes is to present the very good results of our price comparison businesses around the globe.

As you can see on this slide, Admiral Group operates four price comparison businesses in four different markets and this slide gives you a snapshot of each operation. And you can note that we have operation at different stages of maturity and also, we operate in very different markets. So, we have to adapt to local customer needs. It doesn't come as a surprise then that they all have to follow the different growth strategy on the respective markets.

But despite being a very different operation, you can see some common themes in the 2016 achievements. Growth, every operation has grown in the last 12 months. New product development, as several, have launched new products and services to feed the strategy, and improvement, a key metric that improve in every operation, making them operationally more efficient. So, overall, 2016 has been a good year for the price comparison operation of the Admiral Group, and that's the main message for today.

So, let's see in more detail how each operation performed in 2016. So, let's start with Confused.com results. So, the UK is already a mature market as far as price comparison is concerned and has remained a growing market in 2016, as you can see on the top left of the slide. As for Confused.com, 2016 has been a busy and productive year, and the results are strong both in terms of traffic and profit growth. Quotes up by 7%, while profit before tax has grown by 29% to reach £16.1 million for 2016.

More importantly, Confused.com has changed its positioning to become a one-stop, cost-saving shop, and to focus on motor-related products with clear benefits. And the results are encouraging at this early stage. The new positioning has differentiated Confused.com in a more and more undifferentiated market.

Several new products have been added to make drivers win and save on Confused.com. And we've seen rapid growth of the business since we launched a new campaign as Confused.com has been the fastest-growing aggregator for car insurance in the second half of the year. All this can be summarized with Confused.com claiming to be number one for cost savings website, with more opportunities to save than any other website.

But beyond the results, I also wanted to take this opportunity to detail how is your strategy expanding beyond car insurance. Being driver and saving-centric, give us room to grow beyond car insurance. You have here several category of cost-saving opportunities that we offer on Confused.com. Some offer opportunity to interact more often with drivers, and there's a cost-saving tool banner like MOT or pictorial comparison, while other, that significant potential to offer a driver's win and create significant business in the future, so just car finance comparison or car buying.

So, let me give you more details on drivers win with our car finance product that we have recently launched. It presents unique features such as comparison across several car finance products with a true and personalized APR, and not a representative APR. And we see potential in this product to make British drivers make an informed decision while choosing car finance, especially when you know that more than 3 million cars a year are bought unfinanced. This is how Confused.com (29:24) drivers and reinforce the number one for cost-saving ambition.

Moving to Continental Europe where we operate, as you know, an aggregator in Spain, rastreator.com, and one in France, lelynx.fr. Both businesses had a good year in 2016. As we indicated, the aggregator market remains smaller than in the UK, so it good news to see growth in term of quotes and revenue. They're both very well-known brands. To give you an example, Rastreator has a prompted awareness of 96% in the Spanish market, which is fantastic for eight-year-old brand, and they both have key market position for car insurance and are now growing far beyond this product.

But they also have to deal with very different market dynamics. LeLynx is focusing on developing the market and educating customers and insurers on the value of aggregation. The message is well received, but it needs time to impact customer dynamics in a massive way. In that context, marketing investments remains crucial and it's good news to see the market becoming more competitive with new entrants helping to further educate the French consumers.

As for Rastreator, they are now clear leader in several verticals and enjoy strong growth in new territory such as mobile phone comparison or other financial services. They are clearly on an upward trend and have ambitious growth plan for 2016, to leverage unique assets such as their brand, their customer loyalty and also their technical expertise.

Moving to compare.com and our progress in the U.S. I'm happy to report that we continue to make good progress with compare.com in the last 12 months. First, we're seeing important key metrics heading in the right direction, indeed. First, we see good progress on adoption of our model by insurers. Compare.com offer more and more prices to customers; because of the expansion of a panel of insurers on one end, we displayed 50% more brand than in December 15, for example and expansion of the footprint into more states on the other hand. The second source of encouragement comes from improvement in terms of customer acquisition following a change in our approach in 2016.

We have indeed decided to cut back our marketing investment in 2016 in order to focus our activities on key states to be more visible in some chosen geographies. In those states, numbers showed dramatic acquisition cost improvements on the back of better focus and better targeting, bringing overall a better response rates to our marketing activities.

So, we see this a year of good progress and we are overall pleased with these improving metrics. Is it enough? Clearly, no. Do we need more improvement to start generating profits on a larger scale of volume? Yes. But we're encouraged by this number and we continue with our partners to invest on this operation to see the opportunity of the U.S. market. But we expect further investments is needed for compare.com in 2017 with losses in the region of $15 million to $25 million.

We intend to have Andrew Rose, compare.com CEO, to come here for the half-year results announcement to go in more detail on compare.com progress, so watch this space.

So, as you've seen in the last few minutes, 2016 was a good year for price comparison operation across the globe. There's a lot going on in this fast-paced operation, but key messages are consistent. (0:33:04) strategy that gives the customers grow across different products and verticals, and prepare the business to capture new opportunities.

And I will now leave the stage to David Stevens who will give you more details on our international insurance operations.

David Graham Stevens {BIO 6807391 <GO>}

Thank you, Martin. Particularly thanks to Martin; following the deferment of the results, he has to fly back from the French Alps today to join us very briefly. Much appreciated.

So, I'm going to talk about the international insurance results. As you can see, the rate of growth in both Europe and the U.S. has been substantial. In Europe, we're up 1/3 both in value and in number of vehicles covered. While seeing the profits – sorry, seeing the losses for substantial and go into single digits at £5 million, that's our share of the losses. If you actually look on the right-hand side of the whole account picture, Europe, that's Italy, Spain and France, very close to breakeven in 2016. Looking at the U.S., also a picture of very rapid growth combined with falling losses, the volume of cars on cover (0:34:17) cover up 20%, the premium written up 49%. With that increase in average premium, a combination of rapid price increases and some mix effects. Losses down from $23 million to $21 million and down in percentage terms from 27% to 22% but still materially further away from breakeven than the European operations, which I think are on the cusp of delivering material value to the group.

Let's look at Europe in more detail. Cost of three countries, Italy, which yet again reports a profit, remains our biggest market and is growing as fast as Europe as a whole, 1/3, and the other highlights, I think, is the emergence of France with 60% growth, 92,000 vehicles uncovered at the end of the year, and last week, we went through 100,000 vehicles.

I said at the half year that we were investing in brand advertising across Europe, and our objective from doing that was to grow our share of price comparison sales so that our businesses can grow not just on the back of price comparison growth, but on the back of taking an increased share of price comparison. We've seen that increased investment feed through in to increase brand awareness where you have here 2016 brand awareness versus 2015 indexed at 50 basis points to 100 basis points. And this isn't just an ego thing. We're doing it because it has a direct and measurable impact on outcomes.

One of the really important outcomes that we measure is people's willingness to go below the cheapest price on price comparison to buy from one of our brands. And the example you see here is for Qualitas Auto which is the biggest of our two brands in Spain, which has seen a 25% increase in the number of people clicking through from second or third place to buy from our brand.

Now, in the U.S., the focus is on reducing losses, and the principal focus in that context is reducing the loss ratio. We're doing a lot in terms of claims and risk selection initiatives, but one of the most important things we're doing is simply increasing prices very materially.

So, on left-hand side, you can see the price increases in blue for ourselves in our three key states which between them account for well over 90% of our premium; and in red, you see the average increases for 2016 for the top 10 insurers. And you can see that we are substantially outpacing the market in terms of price increases.

On the right-hand side, you see the Elephant loss ratio in 2016, a 3 point reduction from 83.5% to 80.5%. You might say that's a bit disappointing in the context of these price increases on the left. Well, actually, the price increases on the left have yet to fully feed through in terms of earned premium. Some of them were – many of them were back-ended in 2016. And there is also the influence of a particularly expensive hail season in Texas, which is perhaps masking some of the improvements which we would expect to feed through in 2017 provided that hail reverts to a more normal level.

So, across international, substantial growth in all countries. Investing in Europe as it moves towards being a valuable and exciting part of the business, and an example of that is in stronger brand awareness and working on better margins in the U.S.

And Cristina mentioned earlier that the UK came second in the UK competition for best places to work, while Italy, chip off the old block, for the second year in a row, came second in the Italian competition. And that makes us very proud and very convinced to the sustainability of its model going forward.

So, there we have a set of results influenced by Ogden but looking through, I think, reassuring in terms of the long-term health of the business. The impact of Ogden should be one-off provided that the market responds to the increased claims cost. And the analysis that we shared with you on market profitability gives us confidence that the market will feed the cost of Ogden through in premium increases potentially in two bites. Some of it now to reflect the cost, the primary insurers, and some of it later in the year particularly at the backend of the year to reflect increased reinsurance premiums which are inevitable.

That process will start perhaps with Esure's renewal at the end of first half. There are some other small renewals in the autumn, but most of the reinsurance renewals won't happen till December.

Now, I can't complete this presentation without referring to our outgoing Chairman, Alastair Lyons. There's no individual, I think, or very few individuals who deserve as much credit for Admiral's success as Alastair. The board as a whole, and Henry and myself in particular, have benefited from his wisdom and diligence and worldliness and, in moments of crisis, his composure. And we're very grateful to have had him as chairman.

He joined back in 2000 when we were a second-tier UK-only car-insurance-only operator. And over the 17 years in which he's been chairman, he's transformed or overseen the transformation of the business to being a substantially larger and more interesting business in almost every respect, 10 times as big in turnover, 12 times as big in profits, even allowing the Ogden impact. In fact, the only thing that really hasn't changed substantially in my view over those 17 years is Alastair's youthful good looks.

It's very sad that Alastair isn't here. He would have been here a week ago. Had he been here, I might not have done that good looks joke. But I'm very glad to say that we do have, on hand, literally on hand, Annette Court, Alastair's successor who joined the board five years ago and immediately made a strong and positive impact, and brings to Admiral a wealth of insurance expertise and experience, and experience and expertise beyond insurance. We're all confident that, over the next 17 years, she will preside over a further tenfold increase in turnover and twelvefold increase in profits.

Thank you very much. Any questions? Dhruv.

Q&A

Q - Dhruv Gahlaut {BIO 16209870 <GO>}

Dhruv Gahlaut, HSBC. Three questions. Firstly, starting with reinsurance, given the commentary around the excess of loss, would you be looking at taking that further up as in lowering your retentions even further? And also, on reinsurance, as in your comments that you don't think there's going to be a material change from a negotiations perspective, if you could illustrate a bit more there.

Second on UK Home, could you quantify what the expense ratio is? Now you've got a market share of maybe slightly above percent (0:41:30) and I'm assuming as scale develops, that should improve further?

Thirdly, on the U.S. aggregator business, it seems in the Chairman's commentary there was a talk around partnerships. Could you, one, highlight, as in clarify in terms of what you guys are thinking? And secondly is, are there states where you are close to breakeven? Thanks.

A - David Graham Stevens {BIO 6807391 <GO>}

I'll do XOL, Geraint's going to do proportional and Cristina will do Home. And Martin, you want to do compare? Okay. So, excess of loss, we would anticipate depending on how prices change that our excess of loss program will stay pretty much unchanged in 2018 and beyond because we would expect the prices to adjust to reflect the underlying costs.

A - Geraint Jones {BIO 19738535 <GO>}

On quota share, the live quota share that we had in place which covers 2015 and 2016, we expect both of those underwriting years will continue to be profitable underwriting years. And so, the quota share reinsurers will get their margin to make their returns. The negotiation is for future reinsurance will depend on the reinsurers' confidence and our ability to continue to deliver the outcome for them. And so, we've demonstrated that we put prices through and the impact is largely being neutralized or fully neutralized. And I suspect it won't have a strong bearing on those negotiations.

A - David Graham Stevens {BIO 6807391 <GO>}

Cristina?

A - Cristina Nestares {BIO 18674745 <GO>}

Yes. So, the reported expense ratio in 2015 was 33%, and in 2016, it was 34%. But you need to take into account that, in that 34%, there are 3 points of the Flood Re levies, so it's around 31% without it or in comparable basis. And as a reference, the expense ratio in the market is around 50%. So, it's a significant gap.

A - Martin Coriat {BIO 20266744 <GO>}

For compare.com in the U.S. so you were referring to partnerships, so I assume it's like the partnerships we have with insurers, and we're seeing more and more the panel growing quite substantially in 2016. And we see that the more important than number of partners we have in panel is the number of (43:37) customers and we see the numbers growing up quite dramatically on the basis of new insurers joining the panel, but also current insurers on the panel expanding the footprint to other states or the type of risks. And we see that as a good sign of insurers' adoption of auto model in the U.S., and that's what we continue to work on in the next few months and years.

A - David Graham Stevens {BIO 6807391 <GO>}

Sorry. Can we leave that to Andrew's presentation at the half year? As Martin mentioned, we, in the second half, focused on some key states and that has proved to be a very positive move, but beyond that I'd like to wait until Andrew's available to answer further questions.

Q - David A. Bracewell {BIO 16394801 <GO>}

Yeah. It's David Bracewell here from Redburn. Two questions. On the U.S. pricing movements that you put through, is that because you got your pricing wrong historically or is this in anticipation of what you see in terms of higher claim costs and you're moving ahead of the market on those price rises? And then, the second question on the UK car insurance, you put through significant policy growth. I think it's about 11% year-on-year yet profit still seems to be broadly flat, perhaps slightly down, and I appreciate there's an earnings drag and there's a reserving, et cetera, so perhaps you could talk about why you've got top line growth and no bottom line growth in the UK.

A - David Graham Stevens {BIO 6807391 <GO>}

I'll do the first, that second one first. The biggest single impact is the impact on the comparable of the commutation of 2014 which is somewhere between £35 million and £40 million, which makes 2015 look better than 2016, or makes 2016 look worse versus 2015. And we can talk more about that offline if you'd like to do that.

In the U.S., there's two things going on. Yes, there is an unusual level of claim inflation in the U.S., and we are very keen to make sure we move ahead of any claim inflation rather than wait for it. But also, I think there is a strong belief that in order to prove the model in the U.S., we need to have a loss ratio which is a sustainable long-term loss ratio. And a loss ratio in the mid-80s like 2014 simply isn't really going to give us the outcome we need. So, we're driving hard for a sustainable loss ratio for the long term, which is somewhere in the 70s, as an important step towards proving the model.

Q - Thomas Seidl {BIO 17755912 <GO>}

Thomas Seidl from Bernstein. First question on - also the U.S. price comparison, you showed £10 million lower loss for 2016, is this mainly due to the cut in marketing or is it also due to substantial growth in quotes and conversion.

Secondly, on the reserve strength, I think in the press release, you'd said that you were not willing to absorb the Ogden intake in reserves. Now you said the reserve strength (46:34) is unchanged. Can you just confirm that there is no change in the reserve (46:40) and this is really fully flowing through the P&L?

And thirdly, on the Home business in the UK, can you talk us through the market share on the price comparisons or are you mainly gaining from the growth in the price comparison penetration, or taking share within this?

A - David Graham Stevens {BIO 6807391 <GO>}

So, Martin, Geraint and Cristina.

A - Martin Coriat {BIO 20266744 <GO>}

So, I'll start with compare.com and the better results we had in the second half of the year, which is mainly through marketing efficiencies. So, we spend less, as I said, because we're choosing some geographies where we wanted to be more targeted and focused and that brought much better acquisition costs on those states. So, yes, we had a very much better second half and limited losses in the second half of the year.

A - Geraint Jones {BIO 19738535 <GO>}

Reserve strength, so the buffer in the book reserve is probably the best estimates that we showed you earlier, it's unchanged, relatively speaking year-on-year. And so, we haven't reduced the size of the buffer in respect of Ogden. The P&L impact this year is just over a £100 million pre-tax and there's about £85 million pre-tax left to come. Some of that will come through in profit commission, so it's not necessarily a reserving thing. So it's a profit commission that we will, we do expect to win in the most recent underwriting years but aren't yet recognizing in the account and they'll ultimately be lesser than there was a previous exchange in the Ogden discovery. So, some of it is profit commissions that which will come through in the next few years.

A - Cristina Nestares {BIO 18674745 <GO>}

And on Household, there are three sources of growth last year. The first one is our market price comparison which is the majority of the sales has grown. The second one is we have grown the number of sales that we make in that market. So, we're growing our share of price comparison. And the third one is the direct sales, so still even though price comparison accounts for the majority of 83% of our sales in the second half of the year,

we are increasing the number of people that come directly to us because of our direct proposition, but also, we increase the number of cross-sales, so we managed to sell Household policies to our existing motor customers. But of all of these three, I think the biggest growth has come from us growing our board percentage, our share in the price comparison business.

A - David Graham Stevens {BIO 6807391 <GO>}

Sorry. Got it. Sorry.

Q - Andreas Evert Cornelis van Embden {BIO 1795530 <GO>}

Andreas van Embden, Peel Hunt. Three questions please. Going back to Solvency, your nice table on slide number 8, I know you've - I don't want to go into too much detail, but I see you've given some sort of quantification in terms of plus, plus and pluses in terms of the overall positive contribution to the solvency ratio from economic profit, PPOs, et cetera. Could you maybe attach sort of a percentage contribution to those pluses as well, please?

And on the PPO propensity, what assumptions have you made there? A third of your reserves are large BI. Part of that will be PPO. Part of that would be Ogden. Do you know, more or less, the split, top of your second.

Second question on price comparison. I see that you're - the quotes you get through the system have gone up again. I just wonder whether you could comment on your conversion rates. What the level is and whether it moved up in the past year. And also looking strategically at all your sort of price comparison businesses, in Europe in particular, what are the synergies between them? And do you manage them as an integrated business or they've sort of forced standalone businesses with no internal synergies or are the synergies in the sort of technology pricing techniques and particularly, do you aggregate data and do you use that across your four businesses or is it just for a separate silos?

A - David Graham Stevens {BIO 6807391 <GO>}

Can we stop at three? Partly because we will forget, be Andrew next, and then in the interest of non-discrimination, we'll be going back towards the back of the room. Otherwise, they'll struggle. Geraint, would you want to do the first one?

A - Geraint Jones {BIO 19738535 <GO>}

Solvency. So, we're not going give percentages at this point. We've given qualitative indicators of how these things contribute to the movement and there's so much going on, we could spend a lot of time talking about. So, at this point, we're not going to split it out. The one thing I would say is the profit and the dividend basically offset each other. And so the other movements are what are driving the change, half year to full year.

PPO propensity, two things to say. I think if the new discount rates stays at minus - if the discount rate stays at minus 0.75, we largely expect PPOs to die away. And I think we talked to a claimer today, they'll recommend no one takes a PPO where the discount rate is minus 0.75%. And we've made two changes in PPO propensity. The first was pre-Ogden; we're in line with what we see in the markets in the third party, (51:24) studies, we've reduced the level of propensity in our reserves to be in line with that market benchmark. And that's above what we see in our data. But based on the small samples, as we think the right thing to do is to go with that market benchmark. And then post Ogden, we've effectively something less than half the number of cases we expect to settle as PPO. So, we still got a reasonable portion of cases in our balance sheet reserve as they will settle as a PPO despite the fact you might well argue that's a very cautious assumption in this new environment.

The split in the reserves, I do know off the top of my head, and won't be sharing exactly what is PPO, what is a lump sum Ogden-related and so on. Sorry. Martin?

A - Martin Coriat {BIO 20266744 <GO>}

So, on price comparison in Europe. So, also we run these businesses quite independently to feed their local market and to pursue their independent strategy, that clearly, some synergies in terms of IT, in terms of techniques, but also in terms of experience sharing. So, we run price comparison in the UK for about 15 years, run price comparison in Spain for about eight years. There's a lot of knowledge and experience that we've gained and that we share along this kind of different operation. But mainly, it's up to three aspects of the synergies on IT, techniques, but mainly on sharing knowledge and experience.

And another question, conversion rate, but I'm not sure in which country you're, in the U.S. or in the UK. So, in the UK, we've seen conversion rate - because of quite mature markets, it's overall quite stable. There's some movement, but it's quite stable. It's going slightly up but more because the market is quite dynamic especially with all the price changes that insurers have put through in the last few months, almost a year now. We've seen more switching behavior in the UK markets, which improves conversion rates, but it's slight.

Q - Andrew J. Crean {BIO 16513202 <GO>}

It's Andrew Crean with Autonomous. Can I ask in two areas? Firstly on the excess capital and special dividends relative to excess capital. You've obviously suspended those until you got a clearer view of your internal model and Ogden. From my understanding, you're fairly clear that the internal model will be similar to your current position, and Ogden could well improve in the autumn. So, I didn't quite understand why you're so conservative and I'd like to have a view from you as to what do you think may happen to Ogden minus 0.75%?

Then, secondly, on the investments overseas, I think, in Europe, you said that you're on the cusp of creating substantial value after 10 years. Could you give us some sense of that and what your strategy might be to those different operations between hold or sell?

And then finally on just as the European businesses are coming into profit, the U.S. is making substantial losses. You give us a figure every year for how much you're going to spend on compare.com, are you prepared to say whether you'll be breaking even beyond this year or whether we're going have to suffer further losses?

A - David Graham Stevens {BIO 6807391 <GO>}

If I do the speculation on potential future changes on Ogden before sending it back to Geraint for his comments on conservatism in the suspension context, and then I'll probably pick up all the international ones. So, the government announced the move from 2.5% to minus 0.75%, making the point that they had no choice other than to do that in their view and then promptly announced that they were going to review the whole process and the rationale. We are very committed to the appropriateness of compensation at the right level for claimants often with very serious injuries, but minus 0.75% is an irrational, crazy, as the ABI called it, outcome. And we are convinced that any review should lead to a much more rational method of setting it and rate it's set at.

Having said that, rationality doesn't always triumph in these occasions, it's been evidenced over the last few weeks, and the government is very congested in terms of its timetable. This will require a legislative change. And whether, in fact, enough space is made in the timetable to address this issue which is of vital importance to us, it's actually very important to employees across the land who've - public and employee liability. It's important to the government in terms of NHS and local authority liabilities. But I think it's very evenly balanced as to whether actually rational outcome has arrived at. And in any way, we'll take 9 to 12 months (0:55:59) clarification on that in our view. Any further comment, Geraint?

A - Geraint Jones {BIO 19738535 <GO>}

No. Not on Ogden. On special dividends. I think our philosophy is unchanged. We won't keep surplus capital in the company. But to make that call, we have to have certainty over the amount of capital that is surplus. And so, we will wait until we're into internal model environment before making a call on future returns to surplus capital.

The position in the internal model environment is clearly - is not fully in our grasp, so we have a view that it shouldn't change materially from what we see today. It's already on the standard formula plus an add-on that we - to calculate internally and hopefully agree with the PRA. But ultimately, the PRA will decide on whether the internal model capital position is what we see it as or what they see it as, and we don't have that clarity as it won't until into next year.

A - David Graham Stevens {BIO 6807391 <GO>}

On international, I would say that it's my belief that the European operations are on the cusp of being of material value. To combine 30% growth with getting very close to breakeven is an unusually difficult combination in the world of insurance. That's not to say we'll make money next year, because it may well choose another year of substantial growth in marginal losses.

Would we look to sell them? I mean, Henry used to say everything's for sale apart from this wife, in the interest of marital harmony at home. I think I ought to make the same point. At the right price, everything's for sale. But in truth, it's not our intention to sell them. It's not why we created them. We think that the value that's potentially in these businesses is a long way from being recognized by our shareholders, and probably by extension by potential buyers. But we don't discount the possibility.

In the U.S., in the case of Elephant, direct insurance operation, we are accelerating moves to make sure the economics are better than they've been historically, minus 22%, which is what the whole account result was in 2016. It isn't good enough in the long term and so you see that in the form of price increases and a move to particularly improve the loss ratio. And I think that opens the door on a business which is clearly delivering lower losses and more ultimate potential value.

On compare, it's been an encouraging six months. We have suggested that the losses next year will be between $15 million and $25 million, and that is a substantial amount of money. But we feel that the size of the price here is potentially very, very substantial. And it would be a mistake, given the progress we are making to not to continue further to bring to U.S. something which is quite unusual in the U.S. context in terms of distribution of car insurance. The amounts of money that is spent on acquiring new car insurance customers in the U.S. is so huge that our ability to take even a small slice of that pie in the medium term and create a business like Confused, like Rastreator, is such an attractive prospect that we will persevere for a while yet. And that means we cannot guarantee there won't be losses into 2018.

Q - Iain Pearce {BIO 19522835 <GO>}

Hi. Iain Pearce from Berenberg. One of the slides you have showed part of your loss ratio advantage was from handling of large bodily injury claims. Could you just outline what you did differently to some of your peers and whether PPO propensity will affect that competitive advantage perhaps?

And then on Confused.com, quite a few of your peers have shown good growth in lines outside of car insurance, home insurance, credit card, these sort of thing. Are there any plans to move into those areas as well or is it mainly to focus on car insurance there? Thanks.

A - David Graham Stevens {BIO 6807391 <GO>}

Cristina, do you want to do the claims one?

A - Cristina Nestares {BIO 18674745 <GO>}

Yes. So, on large BIs, I think we do have combination of things. The first one is that we stay very close to the claim to win its whole life. So, I would (01:00:11) because we don't have any market comparable data that in our cases people outsource the claim to these law firms, whereas we are very involved at every stage of the claim, and I think that is quite important.

Secondly, we have a commitment to try to settle claims as quickly as possible as long as it's – when it fits with the claim in that case and with the claimant, but it's something that we care about is trying to settle them quickly. And the third one is I think is our staff. We're based in South Wales. All offices, we have three offices and they are very close to each other. So, we have a very close team of people who also have an interest because they're shareholders of the company and they feel very proud to field there (01:00:51). So, they care about the result in terms of customer satisfaction but also in terms of handling the claim efficiently. And I think the combination of all those three gives us a superior advantage.

A - Martin Coriat {BIO 20266744 <GO>}

Well, Confused.com, clearly, our strategy is to be driver-centric and not car insurance centric. And driver-centric means a lot more than car insurance, and that's what I tried to demonstrate earlier on with car finance, for example, the vertical that we see with potential, car buying, everything that is car related, that we see more growth potential in these kind of verticals than in (01:01:24) for Confused.com because what matters for us a way to differentiate ourselves from our peers.

Q - Edward Morris {BIO 16274236 <GO>}

Hi. Ed Morris, JPMorgan. Two questions, please. First is just on the great outlook in the UK. I appreciate your comments about Q1 being a little bit slower because you adjusted prices quicker than everyone else. Is your anticipation, if the market reacts, that your customer numbers can continue the trajectory we've seen for the last couple of years? Just some thoughts there.

And the second question is on some of the new ventures that you talked about at the half year stage at Admiral loans, for example. Can you give us a quick update on what you've learned over the last six months and what future you see there? Thank you.

A - David Graham Stevens {BIO 6807391 <GO>}

I think had it not been for Ogden, we would have been guiding towards growth in the UK but not at the 11% rate. In terms of timing, that would have been what we would have expected to be optimal. In the context of Ogden, obviously, it's been a slow start to the year because we moved first. The balance of the year, it'll depend a bit on whether how quickly people move, how much of the reinsurance element they incorporate in their prices immediately, to what extent some of the ones with lower retention decide to try and take some more volume during the next nine months. So, probably, it will be a lower year of growth for us than it would have been pre-Ogden. But then, in 2018, those competitors with a low retention will have the pressures themselves. So, some of that will unwind in 2018.

And the other point was loans, yeah, we've been piloting loans during the course of 2016. We made decision to up our investment in terms of the size of the team and the IT support for it, and we're going to launch a proper loan product on a free-standing IT system within the next few weeks, because the pilot gave us enough belief that the brand works. It works for our customer base, and there's an opportunity, not in the short term. This is a very long-term play. We're planting an acorn here that we expect to be an oak tree, but that takes a while, as you know. And so, it won't have a material impact on 2017 apart from driving a small loss as we set up the business.

Thank you. (01:03:46) Capital. I have two questions. The first one is, you have a very high payout ratio. Why are you not using part of those funds in fueling the growth of the growing businesses?

The second question is, which are your toughest competitors, the ones that are doing maybe something better than you? What is that thing that they are doing better than you? And what are you doing to keep at the state-of-the-art?

And the third question is, what is your view on the self-driving cars movement and how is it going to affect the car insurance market and how can you ignore (01:04:27) that or take care of that opportunity? Thank you.

Okay. So, Geraint, will you do the capital one? And then maybe, Martin and Cristina, come up with one competitor from your area and I'll come up with one from international car insurance.

A - Geraint Jones {BIO 19738535 <GO>}

So, payout ratio isn't funding capital for growth and so on. So, you're right to say that, over the past 10, 12 years, we've paid out something around 95% of our profits. And during that time, we've doubled or tripled the size of our UK car insurance business. We've grown the household business from nothing to nearly 0.5 million customers. We've set up five, now we have four, international insurance operations which have three-quarters of a million (01:05:06) customers.

And we've set up three or four price comparison operations. And so, I wouldn't exactly say we're starting new operations of capital. They present budgets and we discuss and we allow our businesses to grow at the rate they think is appropriate depending on their individual circumstances, the market they operate in. And so, we're quite comfortable that they get the amount of capital they need it to grow in a way that we think is most appropriate and they think is most appropriate. And having the combination to paying out nearly all the profits and growing all these operations from scratch to where they are today I think is quiet a nice combination.

A - David Graham Stevens {BIO 6807391 <GO>}

Cristina?

A - Cristina Nestares {BIO 18674745 <GO>}

Yes. So, in the UK car, if you look at the trend in the past few years you see they are the specialized motor players, the ones that are growing faster. So, if I have to choose one of them, I think I'll choose Hastings that they're growing quite healthy in the past couple of years. I think they are moving to a new system and they're focused very much on online. So, their interest in things that they are doing. On Home, I would (01:06:06) general, they have been growing a lot in the past and they're doing interesting things. So, that will be my two.

A - David Graham Stevens {BIO 6807391 <GO>}

It's a very different question because we're the only group that operate in four different markets. So, in each markets different competitors. But in the UK, for example, I think the main competitors for me compared to markets on the back of their very successful but unique makeup campaigns that really grasped people's attention for the last six or seven years now.

A - Geraint Jones {BIO 19738535 <GO>}

Internationally, in some of the markets, there's some really good low cost players, GEICO in America, (01:06:45) in Spain, which represent challenges and are players we can learn from. In terms of self-driving cars, in the short run, we think the car insurance market globally is set to grow. The U.S. market alone is growing $20 billion in the last two years, but that's going to probably continue for the next 5 or 10 years. It's going to plateau as semi-autonomous and then self-driving cars emerge, and we expect the car insurance market to start to shrink in 20, 25 years' time.

And that's partly why we're doing the home insurance investment, why we're doing the lending investment to have other lines of business that are in place that have the potential to be substantial, which can grow in to replace any shrinkage of car insurance. But that is quite a way off. Our average car age is 8.5 years. It takes a long while for these changes to seep through to the carpool.

I was hoping we may have time for only one more, depending if it's a short one, or two if they're too short ones.

Q - David Graham Stevens {BIO 6807391 <GO>}

I'll say this very quickly. The first question is I think how you laid out the Ogden impact from claims is really, really helpful. I was just wondering whether you might be able to give us a similar idea on what the potentially positive effect whiplash reforms later this year might be? So, I just want to think about the two.

Yeah. Well, whiplash reforms can be very substantial in their impact. We're not expecting them to actually emerge until later next year. So, we think October 2018 is the current view on when they might get implemented. And we would expect their materiality to be similar, but in the opposite direction as the Ogden reform?

That was quick, so it must be time. (01:08:29) Capital. Can I have one last stab up page 8 on the (01:08:34) Solvency II. And it might be saying I've done wrong. Thinking about – if economic profit and dividend knock each other out, effectively, do Ogden and PPO adjustments broadly knock each other out as well and, therefore, (01:08:48) because of the volatility in yield curve?

A - Geraint Jones {BIO 19738535 <GO>}

Well, it depends on which order you do that math, and I think (01:08:55) you might say that top two cancel each other actually, the profit and the dividend. The volatility adjustment and the yield curve cancel out the Ogden basis, and what's left is a PPO adjustment. So, it depends on the order you do it. We're not giving a quantum.

Q - David Graham Stevens {BIO 6807391 <GO>}

Okay. But broadly, that'd be about right. Because am I looking at it right in terms of eligible own funds was £850 million? Is that like – half year, is that a like-for-like number? And has since gone up to £1.07 billion.

A - Geraint Jones {BIO 19738535 <GO>}

That's pre-dividend. I think I was it was £850 million after dividend.

Q - David Graham Stevens {BIO 6807391 <GO>}

Right.

A - Geraint Jones {BIO 19738535 <GO>}

£0.93 billion versus £0.85 billion.

Q - David Graham Stevens {BIO 6807391 <GO>}

Okay.

A - Geraint Jones {BIO 19738535 <GO>}

I don't have the half-year number.

Q - David Graham Stevens {BIO 6807391 <GO>}

No, that's perfect.

Okay. Thank you very much for coming on these early results and enjoy the rest of the day. Good luck with the budget. Let's hope IPT doesn't move.
