Y 2019 Earnings Call

Company Participants

- Alistair Hargreaves, Chief Operating Officer - UK Insurance
- Cristina Nestares, Chief Executive Officer - UK Insurance
- David Stevens, Group Chief Executive Officer
- Geraint Jones, Group Chief Financial Officer
- Milena Mondini, Chief Executive Officer - Europe Insurance

Other Participants

- Andreas van Embden, Analyst
- Andrew Crean, Analyst
- Dhruv Gahlaut, Analyst
- Dom O'Mahony, Analyst
- Edward Morris, Analyst
- Freya Kong, Analyst
- Greig Paterson, Analyst
- Ivan Bokhmat, Analyst
- James Shuck, Analyst
- Jon Denham, Analyst

Presentation

David Stevens {BIO 6807391 <GO>}

We're at 11'o clock. So we'll kick off. Good morning. Thank you for coming to Admiral's 2019 Full Year Presentation. Sorry about the late change of timing, it was to accommodate the Aviva results presentation, and thank you to the ABI for hosting.

This morning, Admiral announced that I have given notice to my intention to step down as Group CEO in 12 months time. Now, it's not the time for valedictory comments for any length, but I has -- briefly touch on why now. There are two reasons. One reason, I learned from my -- my predecessor that it's better to go when people are asking why now and why not sooner. And the other reason is beside me on the podium here, a senior management team that deserves the credit for much of the good things that have happened over the last few years at Admiral, and is more than ready to step up into a bigger role, led by the very talented Milena Mondini, who will be a brilliant Group CEO, when she takes over until the 12 months' time.

So that team is going to talk today. Geraint will pick up the key numbers; Cristina will talk you through the core UK business, before Alistair does a deeper dive on the claims situation in the UK car insurance market. Milena will talk about our comparison businesses and our International Insurance Businesses, before I return for a few words on the strategy. Over to Geraint.

Geraint Jones {BIO 19738535 <GO>}

Thanks, David. Good morning, everyone. I'm going to talk about the significantly higher 2019 profit and give some detail on the very positive UK claims experience, which was the key driver of the result, and I'll highlight our continued strong solvency position and finish up with the increased final dividend.

Let's start with a -- we look at some of the highlights from another strong set of results. On the top line firstly, more modest relative growth than in recent years though, a very similar percentages to the ones that we showed at half year. Strong increases in absolute terms nearly 0.5 million customers added since the end of 2018. And turnover, up to 3.5 billion. Profit was up 10% to 526 million, a very strong result boosted mainly by UK motor, but also by UK household and comparison.

EPS was up 8%. Return on equity, still a pretty positive result despite a small reduction year-on-year. Dividend, we proposed a final payment of 77 pence per share, which takes the full year to GBP1.40 [ph], which is 11% up on 2018. And post that final dividend, we maintain our usual and very strong capital position with a solvency ratio of 190%, which is in line with the position at the half year. More details on all that as we go throughout the presentation.

Moving on to a generally very positive picture of top line progression, and starting with UK Motor at the top, in line with the message at the half year, core business is marginally bigger in terms of turnover and customer base and that's because of our rates moving up throughout 2019 in response to the claims inflation that we will talk about shortly. Decent growth for UK Household moving through the 1 million active customer mark. Household now makes up 15% of the Group's total customer base. Turnover heading towards 200 million.

Good numbers from our International Insurers. Although, the underlying picture is a bit split between Europe and the US, our customer numbers, for example in Europe, we grew by nearly 20%, whereas the US was flat. 20% of the Group's customers are now outside of the UK. And not to forget, a very nice performance from our comparison businesses with 14% revenue growth and the loans business balances were up 50% year-on-year, more gradual in H2, and revenue in Admiral Loans more than doubled.

Next up, let me explain what's led to the 10% increase in profit. This table shows the year-on-year movements for each of the main parts of the business. And starting with UK Insurance, which delivered a profit of almost 600 billion, a touch over GBP40 million ahead of last year. 30 million of that increase came from the UK Motor business. And it's worth remembering here that the changes in the Ogden discount rate over the past few years have impacted our results for both of these periods.

And as a reminder, 2018 benefited by 66 million, when we assumed the Ogden rate will be zero and then 2019, was hit by 33 million, and we corrected for that slight optimism when the actual rate was confirmed mid last year at minus 0.25%. And so the underlying profit increase for UK Motor is substantially more than 30 million. Although, the changing Ogden rates make sensible comparison a little bit tricky. Thankfully, we'd expect stability at least from the Ogden rate in the coming years.

What's led to that material improvement is some really strong back year ultimate loss ratio development, and those moves have in turn led us to some [ph] big reductions in the book loss ratios. A similar picture to the half year. but even more positive in H2. But I'll talk more about loss ratios and releases shortly.

Also within the UK Insurance total, our household profit was 8, around 11 million of turnaround since 2018, which you will probably remember was quite badly weather impacted. Moving down, the International Insurance result was flat year-on-year, just a tad under break-even. And as at the half year, there are two parts to that with the European Insurers improving their overall result was growing strongly, although a deterioration in loss ratio in the US and the Elephant resulted to be somewhat worse in 2019.

Our comparison profit doubled to 18 million, which is a very pleasing result. Confused.com led the way there with a more than 40% increase in profit. Higher profits in Europe and a lower loss in the US also helped. Admiral Loans made a loss of 8 million, which is as guided. And the other costs at the bottom up 8 million year-on-year, and 6 million of that increase relates to one-off cash bonus that we're paying to all our staff on the back of a very strong 2019 results.

Let's look in more detail now at the UK Motor reserve position. This chart shows a number of things. Firstly, the solid line is the usual current projection of the accident year loss ratios. And as you know, these numbers will tend to be prudent and especially so for the more recent years. The numbers in the bracket show the change in that projection over the last six months, and the points above the line show the first pick, that's the projection of month 12 for each accident year.

What do we conclude. Well, a few things. Firstly, you can see from the numbers in the brackets that we saw another very positive six months in terms of how these projections have moved. Most years saw similar moves in the first half of the year as well. And so for the year in aggregate, that's much more positive development than we would normally expect to see. More from Alistair later on some of the underlying causes.

You'll also see that 2014 as stabilized and we wouldn't expect that to move too much from 70%. 2018, which 12 months ago looked like a pretty challenging year when first projected is now more, more positive and has scope still for further improvement. And 2019 to finish reasonably similar to 2018, in some ways started quite high as we suggested at the half year and in our trading update, a couple of weeks back.

And this bottom chart reconciles 2018, where it stands now to 2019 accident year at this first projection shows the drivers of the increase. As you can see, there are two notable impacts, firstly, damage and secondly, large injury claims. Alistair will cover these in more detail shortly. So I'll just say at this point it's worth remembering that we tend to project injury claims and especially the big ones cautiously earlier on. But it's also important to note the damage claims make up a higher percentage of 2019's claims costs than they did a few years back. And of course, our projections of damage claims will develop less over time than our projections of injury claims.

Moving on now to look at how those big improvements in back years have impacted the 2019 results. Well. they clearly led to large reductions -- reductions in book loss ratios. And as you can see, firstly, on this chart on the left, a very big reserve release. 27% of premiums, which is the biggest we've seen in percentage and pounds terms. And the book loss ratio moves also meant that profit commission was significantly higher. And this chart shows the contribution to profit from reserve releases and profit commission, and you can see 2019 stands out. Don't forget of course, the 2018 figures were boosted by the Ogden change that I referred to earlier.

If the reserve releases are more in line with the recent average, which is around 20%, 21% over the past five years, Group profit would have been more in the order of 430 to 450 that's net of the Ogden drag of 460 to 480 compared to the actual Group result of 526. And finally, just to note that the level of conservatism in our booked reserves is unchanged year-on-year.

Turning now to look at our strong solvency position, a very consistent message here with recent periods. The ratio was 190%, which is exactly in line with the mid year position. And as you can see both the level of capital and the capital requirement moved up slightly in the second half. We also show the movement from the half year 190% to the full year 190% in this chart, and the main contributors to the movements are in line with what we'd expect significant capital generation with a larger element from prior years that would be normal, and then the big reduction for the proposed final dividend.

Other changes includes increase in capital requirement, mainly as a result of growth and the yield curve movements. That position is still quite a bit higher than we would expect to operate that in the medium to long term. And again, that's because we'll wait until we have internal model position certainty before we change it materially.

And speaking of the internal model, our work there continues. So as we hinted six months ago realistically, we are expecting our formal application for model approval to be in next year, not this year. None of the work that we've done has moved the overall capital position materially, and I would still say that in our view, the surplus that you see here is a reasonable guide for what we would expect to see if the model were approved and in use today. There are no appropriate caveats, so that is not fully in our gift to decide upon. We'll keep you updated.

The last topic for me is the proposed final dividend, another record payout. The number, as I mentioned earlier is 77 pence per share, which is 17% up on the equivalent from last year. And as you can see that the -- the 2018 figure included an 11% boost due to the assumed improvement in the Ogden discount rates in the second half of '18. And so again, the underlying change is pretty substantial.

The payout ratio was 90% of the second half earnings. But even after that payout, which is just over GBP220 million in total, the solvency position remained strong at 190%, as I've just talked about. And as usual, no change to our policy or the philosophy, and you've got the relevant dates there on the slide.

That's all for me. So let me try and give you a few key messages to finish. Good growth in a number of areas, European insurance, household, loans, comparison, the more muted in our core motor business and in the US. Profit was up strongly and especially when looking through some of the Ogden discount rate changes, and we proposed a big increase in our final dividend and maintained our very strong solvency position.

I'll hand you over to Alistair and first to Cristina to give more detail on UK Insurance. Thank you.

Cristina Nestares {BIO 18674745 <GO>}

Thanks, Geraint, and good morning, everybody. It's a pleasure for me to stand today to talk about the very strong result of the UK business. I'm going to cover the main highlights except loss ratio and claims, which will be covered by Alistair.

So let me start with the picture that you can see here, it was a big moment in the year when we passed plus 1 million customer in our household book, so you have here a picture of the team celebrating. It's been a good year for household growth of 17% in customers and turnover. And given that the weather in 2019 went back to normal levels, well, sorry, normal, according to the UK standards, we went back to profitability. So that was a good year for household.

Also in terms of our UK Motor given where we are in the cycle, we have seen very modest growth around 1% and these -- and underlying trend behind these numbers is the increase in the retention due to lot of operational improvement. So what we have in the book now is a bigger proportion of renewals, which tend to have a lower average premium.

Now, let's move to pricing, which -- with a lot of things happening in the past few months. We normally put this slide, so hopefully you're very familiar with the information here. First is the market indexes that we use, the ABI in blue takes into account, new business and renewals, so it tends to have a softer changes. The new business confused index in red, where you can see sooner the trends in the market. So what we can see is that in the past few periods, prices have gone up in the market at least for new business. The data shows 5% increase year-on-year and 4% quarter-on-quarter. That's for the market.

For Admiral, you have the graph that shows Admiral Times Top, the percentage of cases that we return, the first or best price in price comparison and indicates how our prices versus the average of the market, that trades in price comparison. It's indexed to 2017. Now, I want to highlight a couple of things. The first one is that as you can see since 20 months, we have been putting prices up versus the rest of the market. Secondly that we continue doing so in the second half of 2019.

So as you can see the trend in the second half, we have continued putting prices up, even though the market has done it, our increases have been overall higher. In the past couple of months, you see a small uptick. We have continued putting prices up, but we believe that the market has put prices up slightly more.

Now the question is what is going to happen during the rest of 2020 and is a very difficult question. So I have put a slide to try to summarize every effect that could happen in the market. So let's start with whiplash reforms. So it's just been announced a delay on these reforms. We expect now that they will happen in August that has given us a bit more certainty about when they will happen. However, there is a lot of uncertainty about what is going to be the actual reform. This is still being discussed. But also, what is the impact going to be. So in terms of prices, we don't think there is going to be a big impact at least in the first half of the year and in Admiral, what we're not planning to take any change at the moment in our prices because of this reform. We're going to be cautious about it.

Second thing to take into account is the outcome of the FCA market pricing study, very difficult to predict what is going to happen. But I think overall, we can or something that could happen is that after the results are announced around June, there could be pressure to increase prices on new business and maybe reduce renewals and companies that have large renewals book with high tenure, might be more affected.

In the case of Admiral, in the case of our Motor book, 80% of our customers shop and they call us every year. So we have quite an active book of shoppers. Therefore, we hope that the impact is going to be less on us. However, this is a regulatory reform, until we see exactly what is going to be, we're going to be very cautious about it.

And the other impacts that we're going to see our excess of loss. At the beginning of this year, the excess of loss costs have gone up. They have put up with the changes in Ogden. Some external parties are saying that the increases have been around 5% to 10% in the minimum cases up to 35%. It's important to note that in Admiral versus a lot of competitors, our excess of loss cover tends to be smaller than the risk, and therefore the impact of this increase overall is smaller.

And finally, claims inflation, Alistair is going to talk a lot about it, but in general, we'll continue having claims inflation, and I'll put pressure on prices. So with all these uncertainty and information, we believe we are going to continue to see prices going up in the market, at least in the first half of the year. What is going to happen in the second half will be also very much influenced by the FCA market study and the whiplash reform.

We're moving on to expenses. We have seen in 2019, a small uptick. Two main reasons behind. The first one, as you can see in the waterfall graph, it's an increase in levies. The second one is a continuation of our -- and the spend that we're doing to strengthen our business around areas like analytics, technology, cyber and also the implementation of a lot of regulatory change and strengthening in governance. Now, all these spend in making our systems stronger and our online capabilities also good, have an impact on what the customers can do.

So today, Admiral Elephant customers can do most of the changes online. They can take a policy. And what we're seeing very clear is that customers like that channel. So every time we put new functionalities online, there is a very increase in take -- in the take-up. I have put here a graph of Elephant customers, just to show that in one year, the number of online interactions have doubled, and this definitely will have an impact on our expenses going forward. So overall in terms of expenses, we haven't changed our culture. We are very focused on having a lean operation. Our staff, our shareholders, and they also understand even better the value of every investment and how it impact. So I believe that our expenses going forward won't necessarily keep increasing. However, we'll remain open and flexible, and we'll value the investments that can come and see the value that it can have for the business.

So moving on in terms of household, I was talking about good growth behind this, is growth of Admiral in the price comparison channel, but also is the growth of our multi-cover proposition. We offer to the customers a convenient policy, you can buy several products in the same policy, you get discounts and it takes much shorter. We're very proud that anybody who wants to buy a household insurance with us can get a price in four questions. In terms of claims in household, we have seen a continuation of inflation especially around escape of water, although the rate of inflation has been lower than in previous years for both the market and for Admiral.

Now, I'll talk about the recent storms, Ciara, Dennis, Jorge, even though they are not impacting this result, I think it's interesting to see the impact so far what we know is that the incurred that we have seen so far has been 14 million gross. So when you take into account, the flood rig effect, we are around 5 million.

So let me, just summarize the key message. Strong UK Motor profit. Market prices up, and we expect this trend to continue in the first half of the year. Uncertainties in the second half. Our expense ratio increased due to levies. but also due to investment for the long term. And finally, our continued growth in household.

Now before I pass you to Alistair, I just want to talk about an award that we got a few weeks ago. We have been given a lifetime award for being the only company that has been part of The Best Companies to Work for, according to the Sunday Times since the beginning 20 years ago. And for me, I think it's a very clear reflection of the strong culture that we have, but also of how continues and how consistent that culture has been for the past 20 years. I think it puts us in a very good place for the future, and it's a great testament of the work that we do.

So that's it for me. And now to find much more about claims, and loss ratio, I leave you with Alistair.

Alistair Hargreaves {BIO 20595748 <GO>}

Thank you, Cristina. Cristina just touched on our strong culture, here is a picture of our Employee Consultation Group. It's a group of staff representatives, who ensure strong two way communication between the Admiral Group Board and UK employees. I've been there to present, they ask great questions.

Now, before I go into the details of UK motor claims, let me just give you the headlines. We've seen larger than normal reserve releases on '15, '16, '17 and '18. We've seen an increase in our 2019 loss ratio driven by two factors. First, more large BI claims. It's the first view, so it will take time to see how these develop. And secondly, market wide damage inflation. Finally, the whiplash reforms will have a positive impact on claims costs, but it will take time to see exactly how much.

So let me first explain, the higher reserve releases. As you know, we take conservative approach to reserving. Our largest claims typically take three or more years to settle. When claims settled, that's when we know their cost for sure, and it results in positive developments on our loss ratio and reserve releases. We proactively manage large losses to settle them quickly, but in recent years, this has been hampered by changes to the Ogden rate.

This graph shows large BI claims settled, as a proportion of open large BI claims and it demonstrates the change in settlement patterns for large BI, is indexed to 100 in H2, 2016 pre-announcement of Ogden rate changes. Through 2017 and '18, there were less BI settlements due to uncertainty around the Ogden rate.

The higher bar in '19 reflects more large BI claims being settled again due to the Ogden rate being confirmed. In addition, we saw some unusually positive claims cost development on a few large claims. This faster settlement and the positive claims development combined to result in a larger than normal reserve releases.

Now, let's move on to the 2019 loss ratio, where the drivers are large BI and market wide damage inflation. There are two points to note here. First in both '16 and '19, bodily injury costs are over half of our claims costs. For the market, bodily injury costs are around 40%. So large bodily injury cost is more significant for us, and we also saw an increase in the number of these claims in '19 versus '18. This of course is the first pick for '19 and we'll wait and see how these claims will develop.

Secondly, you can see that despite this adverse large BI experience, the proportion of damage cost has increased from '16 to '19. There has been market wide damage inflation. This is being driven by sharp increases in severity that are -- more than offset the moderate declines in frequency. So what's driving this. First, when I say damage, I'm referring to all types of vehicle claims costs including repair, vehicle total losses and theft across both policyholder vehicles and third party vehicles. 2019 damage cost had a starting point driven by the high inflation we saw through preceding years. This high rates of inflation slowed through 2019.

To illustrate this, we can take a closer look at one element of damage, repair cost inflation between '16 and '18, it was a lot higher than normal, a key driver was higher parts cost due to weaker sterling and more technology and vehicles, things like LED headlights, parking sensors, which were at the front of the vehicle and more likely to be in an incident even minor ones.

The graph also demonstrates that we've started to see the faster, the normal repair inflation slow in '19. This is positive, but risk will remain notably the potential impact on Brexit -- of Brexit on exchange rates. We've been taking action to address higher damage costs. We've used our buying power to purchase parts direct on behalf of our network. We've increased network capacity and use technology to identify total losses both enable faster settlement, reducing the extra costs such as higher vehicles. We have a market-leading third party damage costs through basically looking after those third-party claimants directly.

On the right hand side, you can see market theft cost per vehicle year. The theft is less than 5% of total claims costs. However, you can see it's increased very quickly, driven in part by the theft of high-end vehicles using high-tech methods. There has also been an increase in theft from vehicles, such as the increased theft of catalytic converters, which contain precious metals that have increased a lot in price. Overall in 2019, we've seen a positive slowing of damage inflation through the year, but as mentioned risks remain.

Next, the final contributor to overall claims costs, small bodily injury or whiplash claims. On the left, small BI claims notifications, a good proxy for market claims frequency. After same frequency decline following the 2013 last pay reforms, It's remained flat in '18 and '19. Severity inflation has also been modest.

Key to the outlook for small BI are the whiplash reforms. These reforms remove third party legal costs and set compensation tariffs for whiplash claims under GBP5,000. The MIB is implementing a portal to facilitate the new process for claimants ready for accidents from 1st of August. The reforms will have significant benefit. However, the size of the benefit remains uncertain. I think there are two questions that will only be answered with time. Firstly, how many injuries will fall outside of the whiplash definition. And secondly, will the reforms reduce frequency. Due to this uncertainty, we are estimating a wide range of GBP10 to GBP25 reduction in claims costs, as a result of the reforms.

Finally, a reminder of the key elements of Admiral's claims cost advantage. We have a great claims team. They are experienced, passionate about customer outcomes and keen to continuously improve. Recent improvements have included analytics and automation. I'll give one example, we recently introduced a claims notification model to help routes, repairs and total losses correctly. This improved settlements within seven days by over 20%. Customer experience is key. The point of claim is the moment of truth for our customers.

Good customer outcomes and lower claims costs are not mutually exclusive. We settle claims faster than our peers, which is what our customers want and faster settlement speeds also reduce claims costs. Here we show that we have lower claims complaints than our peers i.e., we deliver great service for our customers.

So in summary, Admiral's market leading claims capability continues to drive strong results. We saw larger reserve releases due to positive settlements on large BI. Our 2019 loss ratio was driven by large BI, a market wide damage inflation, but we saw positive signs that damage inflation slowed in 2019. Looking forward, the whiplash reforms will have positive impact on claims costs.

That's all for me and I'll pass over to Milena.

Milena Mondini {BIO 18674746 <GO>}

Thank you, Alistair. Good morning, everybody. First of all, let me share with you how honored and excited I am to succeed David as next Group CEO. And together with Cristina, Geraint and the rest of Admiral management team continue to build on the foundation laid by David and Henry before, but there is still one years to go. So today, I'm going to talk to you about comparison site and international insurance.

So overall 2019 has been a positive year. We've continued growth, some progress in the US, despite a more challenging market for our price comparison site and insurance, and very strong performance of European insurance and comparison. Picture on cover is from Penguin portal, new umbrella company that aim at increasing synergy and sharing expertise in our price comparison site in Europe.

So going now a bit more in detail, starting with comparison, and then moving to insurance. Another outstanding year for Confused that grew in turnover by 19% and in profit by more than 40%, reaching GBP20 million that is double what it was two years ago. So what are the reason of this success? Not a single silver bullet, but a mix of improvement on user experience, more focus on contribution from other verticals, as well as more effective marketing acquisition.

So we move now South overseas. Solid performance also in Europe for Rastreator and LeLynx, with a 10% increase in turnover and improvement in profitability, mainly driven by the LeLynx in France. Rastreator continued to focus on improving our customer experience, mainly through price accuracy in car and now also in bikes. We also made progress on our product diversification strategy, for example by internalizing fully the energy vertical in France. We decided to not proceed with the proposed joint venture with Oakley Capital, and Acierto due to the challenge to complete this transaction in a reasonable timeframe.

So moving now across the Atlantic to Compare. I mentioned six months ago that we were downsizing the business to focus on marketing efficiency and agility. So we reduced expenses significantly, and this is starting to produce some benefit, so we reduce our run rate from 2018 to 2019 and then from H1 to H2, and we continue this trend -- we expect this trend to continue in 2020. We remain very focused on improving our position to customer both by announcing our product, but also by enlarging the panel of insurers.

So staying in US now, but moving to insurance. In Elephant, we experienced some pressure on the loss ratio. It was only partially compensated by an improvement in expense ratio, leading to an increase in combined ratio by two to three points and two million of additional losses overall. We took actions by increasing pricing, reducing growth with flat vehicle on cover and 4% increase in turnover. And we remain very focused on our fundamental of claims, pricing and underwriting. You will see that we reduced carrying value of Elephant by further 66 million. So as a consequence of the deterioration in loss ratio, we changed to using shorter term projection in the calculation, and this resulted in a lower net present value. And just to clarify, this is not a reflection of our belief in Elephant's future prospect for success over time.

And indeed, we have seen a lot of improvement on the operational fronts in several areas. And just to give you few example, slightly better mix of customer, increased persistency, increased number of vehicle per policy, and also marketing acquisition effectiveness, and also a lot of progress on our digital offering to the customer and namely a release of new claims portal that allow our customer and our adjusters to track and manage claims entirely online.

So now back across the Atlantic to Europe. Another very strong set of results for our European operation that are growing by 20% both in turnover and customers. And this is a contribution from all the three countries is really the results of a team effort, but a special mention to L'olivier that is today four time bigger than it was in 2015.

So the growth in Europe was mainly driven by an increase in conversion, and increase in conversion is -- is in effect is driven by level of competitiveness on price comparison site, improvement in the sales and the customer journey, but also an increase of the share of the direct sales that come directly through us not by via price comparison site, and these are supported by increasing brand awareness in each single country in which we operate.

So prior year -- improvement in the previous year loss ratio has been a very relevant driver of European insurance results doubling profit compared to last year, and putting us in a very good trajectory to deliver 30 to 60 million gross profit by 2022. So this set of results is a reflection that we are delivering on our strategy that remain unchanged and is mainly about building scale, while leveraging on very strong underwriting confidences.

So as you can see in this side from the different chart, we are indeed building economy of scale. You can see there is a decrease of 10 points of expense ratio across the last four years, as steady improvement in all the efficiency metrics. We are also looking for further opportunities for product and channel diversification. So we just launched very, very recently, a new fully fledged household insurance product in France under L'olivier brand, and we're also testing distribution through brokers both in Spain and in Italy.

So to conclude highlight of 2019, improved results in comparison with the outstanding performance of confused.com, a more challenging year for Elephant with the loss ratio deterioration, only partially compensated by expense ratio improvement, and then another set of strong results for our European business.

Thank you very much. And now back to David on Group's strategy.

David Stevens {BIO 6807391 <GO>}

Thank you, Milena. So as is appropriate for a strategy update, I'm taking the long view. I joined Admiral in 1991, and here's is a picture of me involved in, early management team building exercise. First of all, a reminder of the strategy. There are three prongs to it, maintain our position as one of the best insurers in the UK, prove that we can be a great insurer beyond the UK and prove that we can build businesses beyond insurance. And what I'm going to do is just focus on some examples of the progress we've made on those three pillars, over the last year and the last few years.

So firstly, I'm going to pick up beyond insurance and I'm going to pick up the rapid growth of loans, but in a sense more importantly, the reaching of a milestone in that growth, namely the delivery of a second generation pricing structure in the loans operation. So the business is bigger 50% up in balances. It's -- grown its revenue over 100%, its costs by about 50 and the profits -- the losses sorry have shrunk by about 25%. That's all interesting.

But what to me is more interesting is the bottom half of the exhibit when we talked about the loans business in more depth, I was talking about the analogies for the car insurance business, where we sought to take a difficult and commoditized market and create differentiation and superior performance, but that takes time, and it takes learnings. And one of the learnings is required is claims data to do excellent pricing, and the analogy to the loans market is, you need some credit event data to give you the basis of doing differentiated pricing.

On the left hand side, you can see the growth of our credit event data. Don't interpret this as, meaning that we're finding, we're having lots and lots more defaults, that's a proportion of loans out there. It actually has been the opposite. The rate of default as a proportion of loans out there has been -- has been falling. But it does show you the cumulative experience and it -- versus 18 months ago, we've got 10 times more credit risk experience on which to base our rating. And in January of this year, we introduced a rate structure, which was in a sense, our first somewhat differentiated rate structure.

When we started the business, we brought in some great loan professionals, who had obviously their own knowledge of their loan business and that was built into the rate structure. But we've gone now to a structure, which is beginning to provide some differentiation, I'm expecting the third generation rate structure to arrive sometime in quarter -- quarter three. And we are confident that, that rate structure will give us the -- the option of improved margin and/or volume.

What about International Insurance. Well, it's fairly obvious, what I'm going to talk about. I'm going to talk about the European businesses, obviously the US. There is still work in progress. But the points I'd make on the European businesses is they have established themselves as healthy, stable, fast growing profitable businesses.

And if you take the long view, you see the -- versus five years ago, we're more than twice as big. We've gone from what was already a relatively trivial loss at the gross level of EUR6 million in 2015, and we're up to just over EUR20 million at the gross level. Now that businesses in the sense, a virtuous circle. Milena talked about things like brand awareness and investing in that, talked about scale, feeding through into expenses. I'm very confident that these businesses will prove to be very valuable for the long term.

Lastly and by no means least, in fact the opposite, and the reason why I'm finishing on it -- is the centrality of maintaining our performance, as one of the best insurers in the UK. And on this context, I'm going to particularly focused on the single most important performance measure, when you're looking at car insurance in the UK and that is the loss ratio.

There's been a fair amount of noise over the last few years. There has been the emergence of apparently Admiral like competitors, has that eroded our competitive advantage. There's been the noise from Ogden. There's always the complication that our early year picks tends to be very conservative and that can visually create the impression that maybe things are going downhill.

But if you actually take the longer view and look at how our loss ratios evolved, I think particularly on the basis of 2019, you see a lot of reassurance that we're one of the best in the market on this key measure. So just to explain in the exhibit. This is the evolution of the accident year loss ratio, the projected ultimate. And if you look at the blue line, the longest line with the squares that's 2014 and it's plotting its evolution from 83% at the end of year one 2014 to just under 70 at the end of the year six, 2019. And in contrast the far left, you have the first reading for 2019 itself with the -- I think green square also -- sorry, orange, the orange square color has not been my specialty. It was either insurance or graphic design. It's like.

And one other thing, you'll see in this exhibit is a reminder that ultimately our loss ratios finished in a very satisfactory place '14, '15, '16, and '17 all below 70%. Some of them significantly below 70%. '18 already knocking on the door of 70% and that's where so much the value of this business resides, and so much of the achievements over the last few years has been.

So I think that's a good note on which to finish and open up for Q&A.

Questions And Answers

Q - Greig Paterson

Good morning. Greig Paterson, KBW. Three questions. One is you do have it -- you've grown -- you've recently grown your travel book. I just want to make some comments on COVID-19 in that regard. And if you had any reinsurance protection?

Second thing is, if I remember correctly, you had a spike in large BI in 2017, you had a -- in terms of frequency and you had a large spike in 2019 as well both of those have bucked the market trend. Wondering if there has been some issue with your underwriting machine or whatever, so I had to think about this resulted in getting this -- that's sort of business with a poor experience?

And the third thing is, I mean just looking at the US, PCW and the underwriting operations have been there for while, they're still loss making. If anything the situation appears to be deteriorating, the original plan if I remember was to build scale et cetera and take losses et cetera. I mean, why don't you just exit these businesses and -- is the question?

A - David Stevens {BIO 6807391 <GO>}

Travel from Cristina. I might pick up the big claims, as an indulgence, and America.

A - Cristina Nestares {BIO 18674745 <GO>}

Okay. In terms of travel, your question was whether we have reinsurance in place, which we do. Let me also say that we have -- I would, at least a small travel book less than 1% of the market, and we have also limit our exposure going forward. So we believe the overall impact will be limited.

A - David Stevens {BIO 6807391 <GO>}

On the spike in BI claims, what I would say is, we may well have talked about a spike in '17. We talked about a spike in '19. I think we've talked about a spike in '14 as well. Today's spike is tomorrow releases in many respects. And I would point you towards where the loss ratios now stand. Would you add anything Alistair on that.

A - Alistair Hargreaves {BIO 20595748 <GO>}

No, I was going to say the same thing.

A - David Stevens {BIO 6807391 <GO>}

Yeah. There is a lot of randomness. I don't (inaudible). We don't like create artificial spike -- spikes. It's just that big bodily injuries. They come in with a degree of randomness.

Q - Greig Paterson

I mean, I appreciate that. Is that the nature of your book because I just hadn't picked it up --

A - David Stevens {BIO 6807391 <GO>}

Well, it's mainly the nature of our level of excess of loss cover because where most of our competitors are at 1 million and that's sort of volatility gets hidden from investors and from the numbers. We're substantially higher than that. And that means we -- if you have two or three big claims, it shows. America.

A - Milena Mondini {BIO 18674746 <GO>}

Yeah. So we always took -- took a long-term approach to our international expansions and with the idea of building, growing sustainable business and ultimately profitable growing sustainable business over time. And creating, developing price comparison site in America is a bigger task, it's challenging, it's taking time. We've been disappointed by loss ratio this year in America as well in Elephant

Having said that we took action on price comparison site. We are running now with very small losses, and we are seeing a lot of operational improvement. And in Elephant, as I mentioned, there are a lot of signs that we're building more value in the book, and we're building a lot of valuable -- valuable operation there. And we do see progress on several metrics despite the deterioration of loss ratio for the years. We think we're addressing the loss ratio deterioration, but we'll continue to monitor progress over time, and we'll assess option, as they come. For now, we stay committed to make both of them success.

A - David Stevens {BIO 6807391 <GO>}

Thank you. (inaudible).

Q - James Shuck {BIO 3680082 <GO>}

Thank you. It's James Shuck from Citi. I'd just like to return to the walk from the ultimate year the 73% loss pick to the 83% loss pick, I think it's on slide six. You're showing the damage in the large bodily injury, the other is also a negative contribution of two points. I think the comments through the year have been -- you've been pricing ahead of claims inflation. I appreciate small bodily injuries included within that. I'm just surprised to see that there is no more positive pricing impacts reflected in that 2019 loss pick.

And then kind of connected with that if I look in the actual report and accounts, the accounting loss here [ph], so on an attritional basis, the loss ratio actually improved by 1.1 points, so I'm just struggling to see, I think there is a comment that you relaxed the front end conservatism on that. Can you just clarify that for me?

And the final question, is just around, I mean, up to now, Admiral has been very much focused as a retail car insurer. I guess over the next few years, we're going to see much more growth in partnerships. I know you're doing some things with the OEMs, I'm just interested about your comment around the expense ratio remaining flat and what you need to do in order to be able to onboard people more effectively and how the systems can cope with that? Thank you.

A - David Stevens {BIO 6807391 <GO>}

So you want to do the first two, Geraint.

A - Geraint Jones {BIO 19738535 <GO>}

I'll do certainly the relaxation of the conservatism in the early year is true that's effectively what we've done. So the attritional loss ratio booked in this year is a point or so, 2018 this year -- this year being '19, 2018 and that's really about the margin, which remains flat overall, being more distributed over a number of years rather than concentrated in the most recent year. No, particular reason for that. We think there is an appropriate approach to have margin over a number of years rather than almost all of it in the current year. So nothing particularly substantial to talk about there.

The other bit in the waterfall on slide six is, as you say, it's made up of small injury claims and small movements [ph] in premiums, and they are both very small contributors, both going the wrong way slightly. What was the question on that bit?

A - David Stevens {BIO 6807391 <GO>}

I think, it may have been about (Multiple Speakers).

A - Geraint Jones {BIO 19738535 <GO>}

The -- in terms of pricing. What we did with prices over the course of the year is mid single digit increase. The portfolio is more made up of renewals, which have a lower average premium, and the contribution of renewables to the overall number meant that the premiums were largely flat. So there is not much movement to contribution to loss ratio either way from premiums. So the base rate went up, but it didn't necessarily translate into written business during the course of '19.

A - David Stevens {BIO 6807391 <GO>}

And the third one is about partnerships.

A - Cristina Nestares {BIO 18674745 <GO>}

Yes. I think it's -- we're talking slightly about distribution. So Admiral has traditionally used price comparison, and we also distribute towards or using multi-car and multi-cover. And certainly, we have -- look at partnerships in the past, and we have sign a deal with four. They allow us to understand a bit more about OEMs, but in particular about potential uses of telematics going forward, and also the -- what are the benefits of using an OEM in terms of repairing cars using approved repairs. In terms of the future, we remain open. We'll continue exploring opportunities and whenever if something comes up that is interesting, we'll take it.

A - David Stevens {BIO 6807391 <GO>}

Lady in the second row.

Q - Freya Kong {BIO 20097488 <GO>}

Hi, thanks. Freya Kong [ph] from Bank of America. Three questions from me, please. There was no mention of price comparison in the three pillars that you mentioned at the end and you factored the businesses up into Penguin portals, what is your long-term view -- long-term view for price comparison?

Second question, can you walk us through the eight point improvement in the ultimate loss ratio for 2018. And do you expect something similar to develop in 2019?

And then last question, what is your outlook for the original shares, net reserve releases. Is it still 20%?

A - Geraint Jones {BIO 19738535 <GO>}

Price comparison we've gathered the price comparison operations in the Penguin portals sort of corporate identity, but that is really a reflection of the way, we're running the business as a much more combined business trying to maximize the transfer of intellectual property and to an extent technology. And that's been in place for, actually for about 18 months or 2 years, and we feel it, it's already showing through in the improvements, we are seeing across the price comparison businesses. So we're very encouraged. It's the right way to go.

In terms of like part of the three pillars, at the end of the day, it's sort of less than 5% of our profits, and there's a limit to how many pillars, you can have. It's a valuable part of the business that is growing. It's probably in a sense, less material and less strategic than it used to be in the sense that in the early days of price comparison in number of markets, we were using it to pioneer price comparison and open the door for our insurers and in a number of those markets, price comparison has somewhat matured and that job has been done. But it still contributes, and that's -- that's interesting for us.

A - David Stevens {BIO 6807391 <GO>}

(Technical Difficulty) The improvement on the 2018 loss ratio is three factors really. Typically we do see that our first picks improve. As I talk through on the large BI releases slide, we saw that being larger, larger improvements than normal because of the faster settlement, and the settlement is the point of reserve releases. And then we also had some unusually positive developments. (Multiple Speakers) yeah. The 20 to 21 is that guidance for the future? Or is that just a comment on the past.

A - Geraint Jones {BIO 19738535 <GO>}

It effectively serves two purposes. I think obviously a mathematical average over the last five years is 20% to 21% even if you include or exclude the -- the Ogden impact it's been basically at that level for a number of years. We'll always be a conservative reserver. You should expect to see substantial reserve releases in the future. The extent will obviously vary from time to time depending what's going on in the portfolio. I wouldn't be surprised if 2020 was pretty big release. I would be very positively surprised if it was as big as 2019.

A - David Stevens {BIO 6807391 <GO>}

At the back. Thank you.

Q - Andrew Crean {BIO 16513202 <GO>}

It's Andrew Crean form Autonomous. Couple of questions. (Technical Difficulty) on from that, I think now that we have certainty over the Ogden rate, the number of your large BI claims, which are capable of settling and settling certainly more quickly and that's part of the reason for the growth in profits in the second half, is that -- is that likely to continue.

Can you give us some quantification for what -- what that impact was in 2019 and whether it continue into 2020?

Then secondly, the 30 million to 60 million target, whole account target for Europe by 2022. I think from what I remember is on an ultimate -- ultimate developed basis as opposed to what you're likely to report. Could you give us a sense of -- for your own account, what you likely or what 30 to 60 actually means in terms of what the shareholders sees?

A - Alistair Hargreaves {BIO 20595748 <GO>}

So I take the first one. So Andrew, I think mathematically, you're right. We've seen a faster increase than we've had a couple of years, where we've been settling less. So there is a chance that we'll see faster settlements going forward and that could be positive for reserve releases. But it's probably worth mentioning two other points as well. The reserve releases that we saw this time were also because of positive development. And so that can't be seen as a guide for the future. That was unusually positive development. And then I also showed the exhibit, where I showed that damage is a larger proportion of cost than it was a few years ago. So that would actually have a negative pull on reserve releases.

A - David Stevens {BIO 6807391 <GO>}

Thank you. (inaudible).

A - Geraint Jones {BIO 19738535 <GO>}

Sorry, this is what.

A - Milena Mondini {BIO 18674746 <GO>}

European. So -- so the reason why we gave the guidelines on the gross base is because we believe is a better reflection of the underlying value of the business and what that deliver [ph] translate from the gross base to the Admiral base, there is a reinsurance that have an impact. And there are a couple of elements. One is that some element of our insurance contract are different by country, and there are some non-linear elements linked to cap for [ph] other conditions that we don't disclose it in detail. But also those contract may change and are changed over time.

So it's very difficult to make a very strong assumption about what is going to mean in a few years. But I would say that as a general trend, you may expect over time slight improvement in the condition of reinsurance contract. And therefore in the medium long run, slightly higher percentage of profit on Admiral base in comparison to the gross. Having said that, there are some non-linear element, as I mentioned before that have an impact.

A - David Stevens {BIO 6807391 <GO>}

Lovely. Anyone on the -- coming on the phones at all, no. Gentlemen here at the front, almost at the front.

Q - Dom O'Mahony

Thank you. Dom O'Mahony, Exane BNP Paribas. Just three questions, if that's right. One on just on the reserve releases, is there any sense in which the sort of the surge in settlements, which then created some of the PYD in '19 but that might have been -- settlements that might have otherwise happened in 2020 and beyond. So is there any potential for that essentially you front loaded some of the reserve release or is it really just delay that's now settled?

Second question, next two questions on solvency. You create a solvency ratio, I think for right now. Could you tell us what the solvency ratio was for the full year. And then a slightly longer question about capital generation. So I'm glad, I think you very, very helpfully explained this on last year that current year profitability is a more important driver for capital generation. I totally understand that in 2019, so much of the PYD came from the ultimate, but actually the PYD would have been very capital generative and you showed as much on the slide. But if currently profitability were to stabilize, where we are, and you were to go back -- more balance of ultimate and non-ultimate reserve release as it were. What will that mean in terms of capital generation, so your conversion of earnings into capital will capital generation be lagging the IFRS profit? Thank you.

A - Alistair Hargreaves {BIO 20595748 <GO>}

The first one, no. It's not that we haven't sort of front loaded the settlement. It's catch-up that we seen in '19.

A - Geraint Jones {BIO 19738535 <GO>}

The second question is quite a bit trickier, I think probably, quite a long time to answer. I think you're quite right to say that the IFRS earnings differ in pattern than the Solvency II capital basis, which is where the 190 comes from, and over time, they end up at the same place. I think we'll always be a conservative reserver. So I think there will be conservatism in the Solvency II numbers as well, as the IFRS numbers. It's just dramatically more of conservatism in the IFRS numbers. I think we're going to give guidance on how that conversion might work over time. And the solvency ratio as at the end of the year was probably something in the 170s, I think the currently [ph] exact number we get that [ph] to you. Is a requisite when the SFCR comes out, they will be in there.

A - David Stevens {BIO 6807391 <GO>}

We've got a call from an external party, I believe, the question.

Operator

Your first telecom question today is from Ivan Bokhmat of Barclays. Please go ahead.

Q - Ivan Bokhmat {BIO 15378004 <GO>}

Hi, good morning. Thank you. I've got two questions on reinsurance, please. One of them would be on the excess of loss. Could you please update us, what's the effective level of retention you have right now. I think last time you adjusted, it was somewhere between GBP8 million to GBP9 million. Was there any change after the 1.1 [ph] renewals?

And second question would be around the quota shares. I think you're -- you mentioned in the statements that there are discussions ongoing in the first half of the year on the future of the longer-term co-insurance and quota share relationship. Could you elaborate perhaps a bit as to what changes you may be looking for and what could be the strategy going forward? Thank you.

A - Cristina Nestares {BIO 18674745 <GO>}

In terms of excess of loss, just a small change, but it continues between 8 and 9.

A - Geraint Jones {BIO 19738535 <GO>}

On the quota share, we've started the discussions with our usual partners and also one or two additional players. I largely expect that these arrangements will continue to roll forward in largely similar fold. The renewals are slightly later than they would normally be partly because of our work on the internal model and us trying to work out whether we should be buying slight different types of reinsurance, and/or slightly different mixes of co-insurance quota share, reserve cover and so on. But for the time being, I would expect us to continue with this sort of arrangements that we currently got in place at largely similar terms, I would expect.

A - David Stevens {BIO 6807391 <GO>}

Thank you.

Q - Edward Morris {BIO 16274236 <GO>}

Thanks. Edward Morris, JPMorgan. Three questions, please. First is on the internal model. Can you just remind us of the -- the sort of main objective that you're aiming for is because we're already extremely capital efficient, a lot of your sensitivities on the SCR seem to have reduced quite a lot now. So it's probably quite an expensive project. What are you actually aiming to achieve by completing it?

The second question is around leverage. One of the outcomes of the growth in loans means that your IFRS leverage is increasing quite quickly, is this something that you -- is relevant to you or do you really think of that growth is being separate from the traditional debt that you have?

And third question just on commutation, the decision to commute 2018, is that likely to be done in the first half? And do you think it will be positive or negative? Thank you.

A - Geraint Jones {BIO 19738535 <GO>}

In order, the internal model on the expense of the project, I think we feel the same thing when the bills come in, everyone. And there are two reasons, I think why we proceed with it. Firstly, it's not fully in our gifted effectively can it [ph] because the rule says if (inaudible) doesn't work for you as a firm, then you should develop a model to calculate your capital requirement. And I think given our size and scale, the regulator fully expect us to have an internal model. There are benefits to having an internal model. It helps -- clearly helps risk management, understanding the risk profile.

It will allow us, I think to think more carefully about the types of reinsurance that we buy over time, and it will become even more important, as our Group becomes more diverse with different risk drivers contributing more and more to the overall capital requirements. So there are business benefits to it. It's not fully in our gift. I think our program is -- it's not the cheaper program, but it's, I would imagine, cheaper than a lot of internal model programs that have been delivered over time. We'll keep going.

Leverage, it's a good question. I think we do tend to separate our thoughts in terms of the long-term -- long-term Tier 2 capital that support the business and the -- the loan, the funding that supports the loan business. We're conscious of leverage ratios. We obviously -- an external rating, which has leverage constraints. We won't just continue to build it forever. So we're conscious that is changing the way the balance sheet looks over time. But I suspect that over time that some of that will be -- so it won't continue to grow for ever, and we'll update you on that in time.

And the final point, commutation of '18, I'd expect us to carry on with that, and we're probably in the middle of doing that right now for '18.

A - David Stevens {BIO 6807391 <GO>}

(inaudible).

A - Geraint Jones {BIO 19738535 <GO>}

'18 looks like a positive year. It depends on the -- the sums. I think '17 was -- is it -- it looks like a very good year. So the impact of commuting '17 and '19 was very slow. I think '18 looks like, it will be slightly worse than '17. So maybe slightly high, but not vice versa [ph].

A - David Stevens {BIO 6807391 <GO>}

Thank you. Should we go here and then behind gentlemen with the blue tie or is it orange.

Q - Dhruv Gahlaut {BIO 16209870 <GO>}

Dhruv Gahlaut [ph] from HSBC. Just a follow-up on commutation question. Clearly, is a positive accounting for the commutation last year, is that just because 2017 such a great year or is it a case that you're not going to see quite the same level of reserve releases going forward in that year specifically?

Secondly, I know you said that the overall conservatism in the results are about the same, but less front -- front end loaded. So I mean the mix between commuted reserves and sort of net reserves will change over time?

And thirdly, on the expense ratio, I know, it's gone up because of the IT expenses about 0.3%. How much of that will come out as you made investments now or will this be a continuous drag on expense ratio going forward? Thanks.

A - Geraint Jones {BIO 19738535 <GO>}

The first question is about the commutation of the impact in the current year versus previous year, the change in that in '19, that's really a reflection of I think positive 2017 looks rather than anything else. So '17 looks like a -- as you can see from the -- the charts, a very, very profitable year compared to '16 and '18 on the side of it [ph], which are also very profitable to a lesser percent.

The second question is about the pattern and the mix of reserve releases between commuted and -- next year. We don't have to think of it that way. The releases are released to me and it comes into the P&L, and it doesn't really matter, which line it goes into. But I wouldn't expect them to change that substantially anyway.

And I think --

A - Cristina Nestares {BIO 18674745 <GO>}

Yeah. In terms of the expense ratio, we don't expect it to continue increasing. But we don't have a specific target in the sense that if we find that our investments that are worth doing, we'll choose to do so.

Q - Dhruv Gahlaut {BIO 16209870 <GO>}

In terms of 0.3, how much of that was IT specific and -- or cyber and governance? I mean, how much (inaudible) 0.3%.

A - Cristina Nestares {BIO 18674745 <GO>}

So the increase in our expense ratio was 1% in '19, but we have also increased our expense ratio in the past few years. So there has been any spend that has been going on for a number of years, not just this year. We don't give so much specific details. But in general, it's been IT, but also things impacting like data and digital, and cyber, it's been a big impact.

A - David Stevens {BIO 6807391 <GO>}

Thank you. Gentlemen, just behind.

Q - Jon Denham {BIO 19972914 <GO>}

Thanks. Jon Denham, Morgan Stanley. Your sensitivity to half percentage point increase in your long-term assumption for inflation in hours earned fell from about 10 percentage points to 3, is that largely a consequence of your large BI settlement or is it change in propensity to (inaudible) or both?

Secondly, I think in the EU insurance section, you mentioned that the comparison market shrunk in France and Spain, is that something, which is structural. I noticed that your US retention changed, while your quota sure changed, was that your choice or the reinsurers? Thanks.

A - Geraint Jones {BIO 19738535 <GO>}

So brilliant observation on the -- on the first one. It's almost entirely down to propensity changes, following the Ogden rate changes over the past couple of years. Second one --

A - Milena Mondini {BIO 18674746 <GO>}

Yes. On the price comparison market, I would say, Spain we've seen a trend of not growing direct share of the market not growing for a few years. Last year, it was readily challenging, but not major change compared to the year before. France was a bit different. I think 2019 was a bit tougher than in the past, but we've seen already some sign of recovery. So yeah already put -- very end of the year and beginning of 2020 is already going a bit better. I don't think we have reason to expect that price comparison site and direct -- of course, will increase massively in the next few years. But we do expect anyhow a steadily increase in the medium, long term, as generation of customer becomes younger and more digital savvy, so (inaudible).

A - David Stevens {BIO 6807391 <GO>}

Reinsurance contracts in the US.

A - Geraint Jones {BIO 19738535 <GO>}

What was the question, I'm sorry.

Q - Jon Denham {BIO 19972914 <GO>}

Your quota share proportion well, was that your choice or --

A - Geraint Jones {BIO 19738535 <GO>}

That's a combination of both, I think. Yeah, combination of both. We've just moved the other -- we move part of that to our Gibraltar insurer. So we've effectively retained the risk, but we just moved it out of the US into Gibraltar. So partly us, partly this.

A - David Stevens {BIO 6807391 <GO>}

So we may have come to an end do we -- or one more -- or one more, all right. Let's -- I'm sorry that (inaudible) had a go and James, sorry, you had one. Go ahead, sorry James. Happy to do it afterwards.

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

Thank you. Andreas Embden [ph], Peel Hunt. I just want to compare the accident years 2014 to 2019, 2014 you opened at 83% and I recall correctly that was a soft market with declining claims inflation post last call [ph], now you're opening at 83, your initial loss pick in a market that is solid with rising claims inflation. Would it be fair to think that, that 83 that it will continue to tick up a bit in the current environment, what do you think that 83 has now peaked in line with 2014 and it will be sort of flattening out from here? Thanks.

A - Alistair Hargreaves {BIO 20595748 <GO>}

I think it's -- I think it's difficult to tell. What I think the trends tell us is typically over time, we see releases on the first pick at 12 months. And I don't see anything material that would tell us that, that won't be the case for '19.

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

(Technical Difficulty).

A - Geraint Jones {BIO 19738535 <GO>}

I think we're very disappointed if 2020's loss ratios worse than 2019's loss ratio. But given that we're sort of two months into the year -- into the year -- the year is a little early to comment.

A - Alistair Hargreaves {BIO 20595748 <GO>}

I think what we're doing in 2020, as we -- so far in 2020, we put through price increases to match the level of claims inflation that we've been seeing. And we put through price increases through '19 that you can't -- you can't tell this early what the claims inflation is on large BI, but for the other claims inflation that we're seeing -- we are seeing [ph] our price increases match that.

A - David Stevens {BIO 6807391 <GO>}

Thank you. And I hope some of us might be able to stay around longer for some follow-up questions, but I think we've been (inaudible) people, who need to be moving on. See you in August, if not before.

Operator

This presentation has now ended.
