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Bloomberg Transcript

Q3 2021 Sales and Revenue Call

Company Participants

- Adam Westwood, Sabre Insurance Group PLC
- Geoff Carter, Sabre Insurance Group PLC

Other Participants

- Unidentified Participant, Unknown Company

Presentation

Adam Westwood {BIO 20481660 <GO>}

We are live. People join [ph], Adam. Good morning. We're just going to give it a second for everyone to fill the attendee list. Until thats well populated, I'll give you a shout, Geoff. We can --

Geoff Carter {BIO 20756770 <GO>}

Okay. Thanks.

Adam Westwood {BIO 20481660 <GO>}

-- get started. Okay. Looks like everyone's in.

Geoff Carter {BIO 20756770 <GO>}

All right. Thanks, Adam. Good morning, everyone. Thank you for joining us this Q3 trading update, not a thing we normally do. But it feels to us like we're just emerging from a period of fairly unprecedented change and a bit of chaos. It's quite a long time until the end of March, when we'll be doing our next full update.

So we thought it was pretty worth doing a bit of context for the trading results. We've announced today a bit of looking backwards, a bit of looking forwards, give you as usual our views on how the markets developing. We've only got 10 or so slides, and then time for Q&A at the end.

The results context, our view continuing stock market, head of the FCA pricing reforms, our view of market prices continue to lag claims inflation. We've experienced I think probably had experience to be a better context or better tense here, a material temporary reduction in our normal addressable market, that was due primarily to the impact of COVID-19, reducing the flow of drivers and delays in new car registrations.

We are being rigorous in applying our strategy. We continue to treat volume as an output. We haven't let go of our disciplined approach to pricing. We continue to be a volume as the output, not the target.

We've written at the top end of our normal combined operating range. That's a deliberate policy to optimize the profit and volume mix. That's given us a natural short-term reduction in premiums and knock-on effect earnings. But we've done that deliberately to protect the medium and long-term health of the business. I think we'll start to benefit from that in the fairly near future.

I would say we are very satisfied with our current volumes and margins as we sit here today but new business volumes are pretty good. In some ways, the renewed -- the premium is partly driven by the lack of renewal premium from business we haven't been in previous periods.

Just for those you might not have read the INS [ph], Im sure thats nobody, these were the numbers. I won't repeat these. You've obviously read them already this morning.

I guess the first bit of context here is that we think traffic levels are now pretty much back to normal. Theres some time of day differences in terms of how rush hours work, but fundamentally, traffic volume is now back to normal. I would say it's questionable if market prices are yet reflecting this.

This is probably a really key slide for us, and perhaps, more important for us than some other of our competitors. This is the monthly driving test passed as went through in '19 and through the pandemic. You can see normally around 140,000 tests a month and just under half of that -- around half of that are passes.

If you look at the -- for lockdown period, it's a collapse in new driving tests, and therefore new drivers entering the market. If you look at the blue line, at the far right-hand side, you'll see that's now back in terms of test passed. Its somewhere like a normal run rate.

Well that's not doing the course is clearing out the backlog for people who haven't passed over the last year or so. So , good sort of BIU position but not yet, and I don't see how that will immediately clear out the -- clear out the back log.

Another big thing is new car registrations. If you look at the sort of the line here is probably the best one. That shows the year-to-date sales across the last few years. You can see this is new car registrations, a distinct drop in car registrations in '21 and indeed '20.

So car purchases tend to be a prompt to shop around. It shows have different views clearly on the relative risk of cars. So , changing cars tends to be a prompt to shop around for policies.

Claims inflation. These are graphs we've shown before. The top left shows the average increase in car parts. The right-hand side shows the year-on-year care cost inflation. Significant inflation numbers in here. We see no reasons to suspect that claims inflations, any less than our 7.5% to 8.5% range we've discussed before.

I would say our view is if anything claims inflation could get slightly worse. I would say I think claims inflation is not a bad thing. Divide new price for it. Claims inflation gives you top line growth, provide new cover in pricing. But what's clearly a very bad thing is if you don't cover it. A couple of bits one relatively hot off the press is the MIB Levy has just been announced, which is a 21% increase for 2022. That impacts all insurers equally.

Used car valuations, as you might know are currently sky high. That clearly will have a knock through the total loss and theft claims. That's probably more of a temporary inflationary increase the margin perhaps spoke into the long-term.

Absolute evidence coming through our care worker shortages and wage inflation in that market. If you watch the BBC News last night, they were talking about over 100,000 vacancies for care workers in the U.K. and a real struggle to find care workers at all, never mind the wage inflation that sits with that.

And what we think is going to be merged is pressure on repair network, people who actually fix the cars. A lot of skilled laborers, skilled painters, were from Europe. So me of those might not have returned on ball up return (inaudible).

Then, of course there's pressure on the less skilled roles in terms of validators car, perhaps car delivery people. I think all the things we read about in the wider economy, about pressure on labor is equally well applied into that repair network.

So we could see pressure coming what we think we will see pressure coming through in the repair network as well. The important thing for us is all of these things are in our minds, all of these things we are pricing for, as we sit here today.

If that all sounds a bit gloomy, that's really not the way we feel about life at the moment. We have absolutely gritted our teeth and sacrifice volume in this recent difficult market in order to maintain discipline. We think we will very shortly start to reap the benefits of that.

So we've maintained our pricing discipline within that 75 to 80% range. We're going to try and demonstrate the year-on-year position to you today but actually, it's incredibly difficult to do. Why is that difficult to do? We've got claims inflation that we've covered. We think we've covered fully.

You've got the temporary lockdown period discounts, where we reduced our prices temporarily to reflect a lot of claims frequency during lockdowns. Then the discounts that have been applied for the Ministry of Justice whiplash benefits.

So I think anyone trying to equate average premium increases to price changes is going to be setting themselves an impossible task at this point. I think what we can say is we are seeking and we believe we had continued to price in our normal range taking all these factors into account.

This is a really important one, I think quote volumes do the big for aggregators or price comparison websites. If you look at the two dips there during lockdown periods, significant, over 20% down in terms of -- these are compared back to 2019, which is probably the last normal year, we can think of.

Here, look at '20, there was a massive bounce back in quote volumes straight after the first lockdown. We haven't really seen that in '21. But what we have seen is a return to broadly flat quote volumes across those big aggregators.

I think this is quite important. I think it lets the bit of steam out of the competitiveness in the market. We suspect some of our competitors, you have lower volume in the market, therefore, you're discounting your prices even more strongly to try and chase that lower volume.

That's not a game we played. We maintain discipline through here. So as quote volumes returned to normal, I suspect for some people that might take out some of the pricing pressures.

Pricing policy change. Actually, we've been growing quite nicely during the Third Quarter. If I look at the last four or five weeks, we've been growing consistently between 500 and a thousand policies a week over the last four or five weeks. That's despite putting on price increases during this period.

So actually, we're feeling pretty encouraged at the motion to get price increase as a way as not adversely impacting our volumes. As I mentioned earlier, a new business flow is looking pretty good at the moment.

So I think quite an encouraging picture that we are growing as we head towards the end of this year and into next year, and that's before we see any significant price -- market price changes for the for the FCA market reform.

I guess overall, having gritted our teeth and taken the pain of the last 18 months or so, within the outlook is looking pretty rosy at the moment. We've taken the hard decisions on acetylate volume go, which is exactly in line with our most successful long-term strategy.

We think we're going to see natural growth as market pricing corrects. The reflection of the FCA price would be our pricing view changes and our addressable market returning to normal.

Alongside that, I guess we've got what you might call some self-help initiatives. The flex product will come online, which we discussed over here, will come online in the next few weeks, but also working on two or three other fairly significant development initiatives, all of which we can fund from existing capital, all of which we'd expect to have fairly near-term benefits to earnings rather than an earnings drag for a period.

I'm sure all of them are cut off, but we're pretty confident at least a couple will. We'll talk about those at the four-year results in March. We do see some signs of tentative market price increases. I saw the confused survey came out an hour or two ago, which shows a decline in the sort of price job. I think what we're seeing is we're able to put prices up in our part of the market at this point.

So we are, if anything, this feels a bit like January 2020, which was when we first thought the market was starting to turn pre-COVID. We don't want to call it a market turn at this point, but we are in a slightly unusual niche.

And these are only a few weeks before (inaudible) things feel -- there's tentative increases that feels reasonably positive. We haven't seen any structure market changes or any significant competitors moving into our space that undermines our ambitions or strategy here at all.

So I guess in summary, as we move into 2020, we anticipate the COVID disruptions starting to move into the rearview mirror. We've maintained our price discipline, and we expect to benefit from that as natural price increases come through the FCA price and reforms starts to buy and from our own development initiatives.

The key message drive in the guidance change today is at the expense ratio is a bit high, pending growth coming through to absorb that. We're still going to deliver a great loss ratio, I think it's fair to say by their historical and absolute terms.

Our view at this point is the first half was spectacular. Q3, Q4, as we expect is going to be great, but putting not spectacular, and we just wanted to do a bit more guidance that we do expect to be towards the upper end of that combined ratio for this year.

I think that's probably all I wanted to say at this point. Thank you for listening. I think now if we can use the raise hands option, Adam, you will come to people and invite them to ask questions.

Questions And Answers

A - Adam Westwood {BIO 20481660 <GO>}

Yes, that's right. So if you could raise your hands to ask the question, I will then allow you to talk, how you can mute yourself and ask the question, and then I'll try and progress to meet you again. We do have a Q&A text function as well, if you want to type your questions in there. So let's go right ahead. First, we have a question from Greg Preston [ph].

A - Geoff Carter {BIO 20756770 <GO>}

Hi. How you doing? I think you're on mute.

Q - Unidentified Participant

Can you hear me?

A - Adam Westwood {BIO 20481660 <GO>}

Yes. We can now, loud and clear.

Q - Unidentified Participant

It could cost [ph] me three questions. Could you give us a number for your -- during premium rate increases on average during the Third Quarter?

Second question is, we said the building levels will be supported by the strength of capital position. Does that mean that the total dividend declared in 2021 will be flat year-on-year versus 20?

Then, finally, in your half year presentation, you noted damage to personal accident claims were 55 to 45. I was wondering if that is potentially going to change in 2022, post-COVID. What will be the implications for claims inflation? Thank you.

A - Geoff Carter {BIO 20756770 <GO>}

Yes, that's right. I'll take those in reverse order, if that's okay. In terms of the personal injury to damage claims, this is quite an interesting question. As you may know, the MHA Whiplash Reforms on our life with the new portal.

I think we've paid a grand total of nine claims for that new portal so far. We are seeing a reduction in the number of PII claims coming through. Our view would be they're at the lower value end. So past claims that may have been speculative in the old regime.

I think it's been early to say exactly where those numbers are going to settle. It's going to take a few more months to get clarity on how much that's changed around the severity and the frequency of the PI claims.

On the dividend, I think you can see we're still generating capital, we're still going to have a strong capital range. I think when we get to March and April next year, we have the ability support a dividend that is a very attractive level. We'll be balancing that against whether we need any more capital to support the growth initiatives that we're also looking at.

But I think we have an ability to support the very attractive dividend they're still. The year one premium position, we can't get the year-on-year for reasons about uneasily growth. We could happily take that offline.

What I can tell you is we've put on several points of rate increase in the last couple of months, more than we would perhaps have expected to allocate the money that's covering -- that's coming, we think potentially worsening claims inflation, rather than improving the margin.

Q - Unidentified Participant

So you're not putting through, you haven't made any adjustments for frequency as you did in the first half of the year.

A - Geoff Carter {BIO 20756770 <GO>}

No. We think we've priced appropriately for the emoji [ph] changes that we foresee. That's the -- a slight reduction in frequency, but we don't know where severity will go yet. It's going to be a while before we take any bigger steps around that.

Q - Unidentified Participant

Thank you.

A - Geoff Carter {BIO 20756770 <GO>}

Okay. That's great.

A - Adam Westwood {BIO 20481660 <GO>}

Great. So , the next question is from Alex Evans [ph].

A - Geoff Carter {BIO 20756770 <GO>}

Hi, Alex. Hi there.

Q - Unidentified Participant

Great. So just on the combined ratio. So basically, you're saying towards the upper end of that range. I think previously at half year you said that next year is going to be worse essentially. How do we think about that? Or is the risk that you go out of the upper end, is that 8% target? And just how we should think about that.

Then I think the other thing on basically pricing. I think it was one keyway you said there was green shoots, and we're still seeing it not materially harden. What are the main catalysts that you see for this to happen then? And why is it been so depressed in your view?

A - Geoff Carter {BIO 20756770 <GO>}

Okay. Again I'll take those in reverse order. Adam, maybe you can take the core one from the second. I think the green shoots. We're being very careful not to call the market turn here today. Because I don't think we're in that position yet.

What we are seeing is in our part of the market and ability to put through some price increases without adversely impacting our new business volume. That might be unique to our part of the market, rather than the wider -- a wider issue.

I think that's probably the main thing there. I think on the core, Adam, I don't think we expect to be at the top.

A - Adam Westwood {BIO 20481660 <GO>}

Yes. I think we'd be very cautious on the core guidance for next year, because we don't expect to have the same kind of frequency benefits that we're seeing in the first half of this year, which could be a negative core at the same time, we might hope that growth might spur a reduction in say expense ratio. Or indeed, if a market term does come through, then we'll be able to put prices on, which could bring the loss ratio down.

So we're cautious about guiding. We've warned that it might tip up above where it is this year. But there's a lot of this year's going and quite a lot of next year as well. So some -- just a note of caution on next year's CLR, relative to this year (inaudible) on that.

A - Geoff Carter {BIO 20756770 <GO>}

I think it was a question -- a part of your question I didn't answer. Do you mind (inaudible) I skipped over?

Q - Unidentified Participant

Yes. It was just on sort of what the key catalysts are for pricing turning given that everything that you've addressed with claims inflation, frequency, that were still not really seeing that for the market.

A - Geoff Carter {BIO 20756770 <GO>}

I think -- I think there's two things. One is that no quotes have been suppressed. No quote volumes in the market have been suppressed. That feels like it's coming back together.

I guess the final one is the FCA pricing review. Well we know the world is going to look different as we go fluid into next year. I don't think anyone knows exactly how. I think everyone's looking at each other. There's all sorts of game theories being played out. There's all sorts of strategies being put together.

I haven't met many people who don't think that a combination of claims inflation and the FCA pricing review isn't going to lead at least a double digit increase in price as we go into next year.

And I will see where -- we'll see where that goes. We'll carry on doing our thing. And at the moment, that seem to be working okay as we come through the Third Quarter.

Q - Unidentified Participant

Thanks, Geoff [ph]. Can I just follow up as well, if there's any sort of difference in activity that you've seen bits between the more mass market level and some of the more non-standard risk level.

A - Geoff Carter {BIO 20756770 <GO>}

I guess I don't like to work the mass market because I'm not -- we don't track it as intently as others will do. What we are seeing, for example, is our price competitiveness on our broker panels, increasing -- or continue to increase quite significantly.

So that's the number of times you have big brokers, where the cheapest price they can find amongst all the insurers they deal with. At the low point, that was probably down at about 4%. As we sit here today that's probably near eight or 9%. So , we're becoming generally more competitive across the field in the broker market.

Q - Unidentified Participant

Okay. Thank you very much, guys.

A - Geoff Carter {BIO 20756770 <GO>}

Thank you.

A - Adam Westwood {BIO 20481660 <GO>}

And so it's -- the next question is from Meng Zhu [ph]. Oh, I think I was surprised to do to (inaudible). So rry, mate. There we go.

Q - Unidentified Participant

Hi. Good morning. Could you hear me?

A - Adam Westwood {BIO 20481660 <GO>}

We can loud and clear.

Q - Unidentified Participant

Thank you. First question -- I have three questions, please. First is your net earned premium is down since -- it's down greater than your gross written premium. I'm trying to figure out your gross return amounts, how much that reduced last year and then month's year-to-date? So I couldn't figure out why there's some more. It's because you bought more reinsurance and -- or any other reasons.

And my second question is that you mentioned your new growth and initiatives. I think Geoff, on the earlier in the presentation mentioned that this will be funded using existing capital. I think at the same time, he also said, that's enough capital to support the attractive and dividends.

So I'm just trying to get a bit more color in terms of, first, when would you using that? And second is, when you say support attractive dividends, I think so far historically ordinary plus special, you've been around 100% payout special. I mean is that what we should continue to look at going forward?

And yes, my first question is that you're -- I think pre-pandemic you've said your market is about three -- a three quarter now standard, one quarter a mass market. Could you just give some color in terms of where do you see the fast recovery for Sabre? Thank you.

A - Geoff Carter {BIO 20756770 <GO>}

Yes, sure. Okay. Thanks. Again I'll take those in reverse order because I hadn't time to build up the net on premium question. I think in the proportion of non-standard, standard, I think that where we would view growth coming from is probably the fringes of the mass market as we describe it.

So the higher average premium, actually moving slightly more towards the mass market, as market prices increase, that's where our prices then become more competitive. So , we haven't really seen any intrusion of it onto our non-standard book.

In fact, if anything, we're seeing increases and inquiries there (inaudible) footballers at the moment, for example, which historically we've not necessarily seen, high average premium, not bad risks.

So I think we'll see the growth people on the fringes of the mass market will be my take, which is why average premium won't necessarily reflect as we grow because some of that might be at a slightly lower average premium.

The new growth initiatives, we believe nothing here involves as (inaudible) take on debt or seek external funding. We can manage this from internal resources, depends how much growth we have the opportunity to take there on the flex products I will launch in the next month or so.

Other products will probably be maybe halfway through next year. We'll just have a look at as we go into March, how much we think we should hold back a bit of capital, how much we can -- we can fund on the dividends.

We have paid out 100%. I think we've always been very clear. We're prepared to use the capital range to pay more than that potential if we need to. Adam, do you want to pick up from there?

A - Adam Westwood {BIO 20481660 <GO>}

Yes. Another premium point, I'll answer it high-level now. If you want to go into more detail working through them, then we can take it offline. The short answer is we had a slight reinsurance cost increase on the first of July.

So that will obviously feed through to net premium in Q3. Other than that, it's really a function of when the written premium was written and having that earned across the year's period, that there isn't much more to it than that. So it's just -- we take level of detail later, but that's the high level view.

Q - Unidentified Participant

Thank you.

A - Adam Westwood {BIO 20481660 <GO>}

Great. Thank you, Meng. Now, we have a question from Tom Bateman [ph]. Tom.

A - Geoff Carter {BIO 20756770 <GO>}

Tom, hi.

Q - Unidentified Participant

Hi. Morning, Adam, morning, Geoff. I'm just trying to get a bit more of a feel for how the book looks. So , can you give us a number or a split of, like, what portion is new drivers? What is non-standard? What is standard? What are used cars, new cars, those type of things? And what they look like now and what would they look like maybe in a year's time, if pricing does harden materially?

And just on the these new initiatives, how material are these? Can you put a number on how big they might become over the next 12 to 24 months?

A - Geoff Carter {BIO 20756770 <GO>}

Thank you. Yes. I mean yes, I could give you spill on young drivers, new drivers and things, but I'm not going to touch it. I want to tell our competitors either. I think -- I think what we can say for example, is we would over index our young drivers, we believe, compared to other competitors.

Now, that's not necessarily just young drivers buying their own car, it's young drivers being added on to parent's cars, for example. So , we know on certain partnerships, where one of the few people who will insure younger drivers on certain of their parents, cars.

So the combinations on between buying their own car and been added to a parent's car, for example. New drivers, in some ways, it's not quite the new car registrations, it's to trickle down into the secondhand car market. So , we know a lot of those cars haven't come back in stock levels.

Secondhand cars have been low at the moment or have been very low. So , I think in some ways, it's got trickled down from new cars and secondhand cars, which prompts the buying -- the buying decision.

On the new initiatives, I mean the flex product that there's -- this looks like a growing market. We haven't set ourselves a target, because we don't want to chase a number that might not be attainable. We think it could be reasonably significant. A few million perhaps.

Other ones might be more. I think we're in a similar place. We're not going to move at all the way around to the right, but we wouldn't be doing them brilliant if they could have a meaningful impact on our -- on our premium levels.

So we'll happily talk to you about them as they go live. So me of them there might be more definite targets. The flex product is test and learn and see where it can take us. Adam, do you want to answer those questions?

A - Adam Westwood {BIO 20481660 <GO>}

No. I think you have that well covered, Geoff.

A - Geoff Carter {BIO 20756770 <GO>}

Okay. Thanks. (inaudible) Tom.

Q - Unidentified Participant

Yes, no. We're good. Thank you.

A - Adam Westwood {BIO 20481660 <GO>}

Thanks, Tom. We're now going to Nick Johnson [ph] please.

Q - Unidentified Participant

Hi. Morning, everybody. Just one question actually on the combined ratio. Obviously it's good you've managed to keep it in the range. Just wondering what you're assuming for reserve releases and guidance. It's only significant coming through to expect from the low frequency last year, or is that now already fully booked n numbers? Thanks.

A - Geoff Carter {BIO 20756770 <GO>}

Adam, do you want to take that one?

A - Adam Westwood {BIO 20481660 <GO>}

Yes. So , our reserving methodology remains exactly the same as it always has been. So , we reserve through assessment for the -- for the consistent management margin on top.

That hasn't changed. So we've talked about reserve releases, reverting to a normal BAU runoff rate, which was just over half of where it would have been during the 2018, '19 period.

We saw reserve releases come off further than that last year. We explained by at the time that it happened. So all else being equal, I wouldn't expect what has happened in the last couple of years to have a material impact on reserve releases either way.

I -- that we would expect that normal run rate of I think I call it some four to 5% coming through in future years. Clearly that subject to some degree of changes as time goes on. But that's where our guidance is at the moment.

Q - Unidentified Participant

Thanks (inaudible) Thank you.

A - Adam Westwood {BIO 20481660 <GO>}

Thanks, Nick. Okay. We have a very similar question from Eva [ph] who's come through on the text, which covers reserve releases. So I think we've just answered that. And has also asked whether you're given indication of what growth should be possible to say the next year, if indeed the market crash and he covers the claims inflation.

A - Geoff Carter {BIO 20756770 <GO>}

Yes. I mean we want to be cautious here and not overcall this. So , we think it could be -- if we look back into our history, at the last time the market turned in what 2015, '16, Adam? We saw a growth of 15 or 20%, come through earlier. That's possible. It could be much more subdued.

It really depends how much the market reacts to the SEO pricing review. We will continue to price for profit. We were happy to accept as much volume as we can ride of those -- of those margins, I think is fair to say.

A - Adam Westwood {BIO 20481660 <GO>}

Thanks, Geoff. Thank you for your patience, everyone, with your hand up. We have a question from Ben Cove [ph].

Q - Unidentified Participant

Hi. Good morning. Hi, hi. Yes. Could I ask -- could I ask two things? Firstly, just on the -- on the expense side, you mentioned that -- I think you said the key reason that the combined ratio this year is going to disappoint is because the impact of volumes on fixed expenses, I guess.

Could you say what you're doing to manage those fixed expenses? Are there any changes that we should make in terms of underlying expenses? Will you just look to hold those flat regardless of volume?

And the second question was just to follow up on the reserve release points in terms of claims inflation. What levels of general inflation do you think we would need to be worried about risk to prior releases?

Because presumably, where you -- where you've set a management view, a margin in there, if prior years don't develop in the way that you were thinking about, there could be some risks onto that. Thank you.

A - Geoff Carter {BIO 20756770 <GO>}

Yes, sure. I mean on the expenses, I guess we run a pretty lean operation anyway. There's certain costs we can't do much about. We can't do much about the MIB Levies. We can't do much about some of the PLC costs, I guess.

We have deliberately maintained our stock levels and overstock level in claims. One, we think it's the right thing to do. Secondly, we are confident we're going to grow back into that headcount.

Last time, we grew heavily was back in '15, '16. We were able to turn away business because we didn't have the capability and our clients seem to handle the volume that we saw coming. We don't want to be in a position this time where we're having to turn away volume because we don't think we can handle the clients.

So that and, I think the fact we're maintaining probably a 30% overstaffing level in clients gives you a view of that. We think over the next few years, we're going to grow back into that headcount. Adam, on the inflation side, anything else on expenses you want to add?

A - Adam Westwood {BIO 20481660 <GO>}

No. Expenses were covered. I think on inflation and the impact on reserves. Clearly, when we -- when we sell our reserves, we do have an assumed inflation in there, and that inflation will be consistent with the view that we use to pricing.

And therefore, a material deviation from the numbers that we've been talking about today could influence where we are on reserves. We think we have the appropriate amount of cautious on those inflation assumptions. So , getting -- it would have to be relatively material deviation, as I said, that is possible. Similarly, if inflation is better than we expect, that -- that's also possible to have an impact.

Q - Unidentified Participant

Thank you very much.

A - Adam Westwood {BIO 20481660 <GO>}

Thank you. Thanks, Ben. Our next question is from Barry Bonds [ph]. All right.

Q - Unidentified Participant

Hello. Thank you very much for taking my question.

A - Adam Westwood {BIO 20481660 <GO>}

Hi, mate.

Q - Unidentified Participant

Hello, there. I just got one less actually that hasn't been asked before. So in your press release, you talked about three tailwinds -- pricing tailwinds, which should benefit you going forward.

And I just wondered if you could put any weighting on the three. I presume the FCA pricing review will be the most likely to benefit yourselves, but also cost inflation and the reversal of COVID discounts. I just wondered how you saw it in terms of the weighting of the importance of those three, please.

A - Geoff Carter {BIO 20756770 <GO>}

Sure. I would say probably cost inflation and FCA prices, if you're going to get jumbled together would be my -- I think it'd be quite difficult to pick apart the impacts from both.

I would say I don't think anyone believes claims inflation has not been running through. I don't think anyone believes necessarily that the whole market has been keeping track of that claims inflation. So there must be a correction to come there.

The SEO part of you, I'm sure we're going to see all sorts of strategies coming out as we go into next year. I think -- I think those two together, they will be so that they're going to be combined into the increase we see going into next year. I'm not sure I can pull them apart really.

I'd imagine most of the COVID discounts are now starting to unwind. I would hope so anyway because the traffic is back to -- is back to normal.

Q - Unidentified Participant

Great. Thank you very much.

A - Adam Westwood {BIO 20481660 <GO>}

Thanks, Barry. We have a couple of questions that have come through in the -- in the text which I will just read out. So , we have one from (inaudible). Are you going to share what ideas you have to increase your addressable market, or at least give an indication of how much you expect to increase your addressable market by?

A - Geoff Carter {BIO 20756770 <GO>}

Yes. So , I guess the important point here is that we currently quote for 98.5% of the market. I think most -- though many of our competitors will probably be near 60 or 70%. So we fundamentally believe there is a right price that everybody just got to work out what it is.

What we are looking at is in other parts of the market, but we haven't statically converted business. Is there any way we could, we could look at finding new niches in the market, and that's one thing we'll probably come back to as we get towards next March.

So I think it's really about finding is there any areas where we have a missed call. A date has taken a note to getting something different on any areas we could find what we think we could be more competitive if we find some new data sources, for example. So that's one of the things we're looking out for next year. So , the addressable market is everybody, it's just how we can become potentially more competitive for some parts of it.

A - Adam Westwood {BIO 20481660 <GO>}

Thanks, Geoff. We have one further question from Carl Morris [ph], which says, I appreciate the comments surrounding the backlog of new drivers. How do you think about the disruption to new vehicle manufacturing that has seen significant cuts in production affecting your growth prospects?

A - Geoff Carter {BIO 20756770 <GO>}

I think it's been definitely one of the factors that has -- that has influenced volumes over the last year. I think what we're seeing now is the quote volumes being back in -- quote volumes being back in the market.

The market is there to be written. I think now the SEO pricing review and claims inflation will probably start to become more influential than the dropping -- but then dropping car sales. So , I think now FCA and claims inflation become the key drivers as we're going to next year.

A - Adam Westwood {BIO 20481660 <GO>}

Thank you, Geoff. That is the end of the raised hands and the Q&A. So unless I see any hands raised. No. Or I think that's all the questions.

A - Geoff Carter {BIO 20756770 <GO>}

Okay. Look, thank you very much for your time and your questions. I guess we would -- we would say that it's been a -- it's been a tough year and a half to two years for reasons partly outside our control. We've been very disciplined in applying our strategy.

It does feel like we're now emerging from the crowds into slightly sunnier weather. We think the benefits of the discipline we've applied will now start to pay off. To one of the questions earlier, I think we would intend to grow back now into our expense ratio and headcount. So -- and we are feeling pretty, pretty competent about the outlook from here.

So thank you very much for your time. Any other questions, do get in touch with Adam or myself. We're happy to pick them up during the course of the next couple of days. Thanks a lot. Bye now.