Q1 2018 Sales and Revenue Call - Trading Update

Company Participants

- Paul Robert Geddes, Chief Executive Officer & Executive Director
- Penelope Jane James, Chief Financial Officer-designate & Executive Director

Other Participants

- Andrew J. Crean, Analyst
- Arjan van Veen, Analyst
- Dominic O'Mahony, Analyst
- Edward Morris, Analyst
- Greig Paterson, Analyst
- James A. Shuck, Analyst
- Thomas Seidl, Analyst
- Wajahat Rizvi, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Hello, ladies and gentlemen and welcome to the DLG Q1 2018 Trading Update Call. My name is Abby, and I will be a coordinator for today's conference. I'm now handing you over to Paul Geddes to begin today's conference. Thank you.

Paul Robert Geddes {BIO 2474781 <GO>}

Thanks and good morning, everyone. Thanks for joining us for this brief trading update on what has been another busy quarter. You have seen our trading statement this morning. So, I'm going to give you a bit more color on those highlights and then open up to questions. As usual, I'm joined by members of the management team here with me today.

Overall, I'm pleased with the progress we're making on our strategic goals and on how we traded this quarter, growing our direct own brand premiums by 4.7%. It was an active quarter in respect to weather events, and I'm really proud of how our people supported our customers, again, demonstrating the value of our insurance coverage and service.

After a very strong 2017, Motor margins are returning to more normal levels. Home remain competitive, although we've navigated this well, while both Green Flag and Direct Line for Business had another good quarter overall. I'm pleased to say that our Direct Line brand, particularly Motor and SME, drove much of the growth.

So, now, onto performance of the individual categories, starting with Motor where we continue to make good progress. At a market level following strong pricing in the first half of 2017 prices started to reduce and now have returned broadly to pre-Ogden levels as yesterday's ABI survey showed. This should be seen in the context of the favorable claims environment we saw in 2017, together with the positive news on Ogden and whiplash reform. Next, we judged the market has behaved rationally.

Against this rational backdrop, we grew our own brand policies 5% compared to Q1 last year and our own brand premiums 5.3%, with growth in both direct and PCW channels. And whilst margins were below the supercharged levels of 2017, they are in line with target levels, and our longstanding focus on value remains.

Importantly, we also took a step forward strategically by writing our first policies under the Volkswagen contract. In Home, you'll recall our nationwide contract ended at the end of 2017, which drives the headline figures.

Own brands grew in-force policies 1.8% compared to prior year, broadly in line with our expectations. And the work we've done on our digital capabilities helps grow in-force policies through our Royal Bank of Scotland partnership. The first quarter-on-quarter growth we've achieved since 2012 and reflects the great progress we've made here.

After two benign years, it won't have escaped you that it was a cold quarter. The freezing weather had an impact across the business and we estimate that across Home and Commercial, we've used the group's full annual weather budget of £75 million primarily as a result of the freeze, which equates to about £50 million net of tax and profit commission. Aside from the weather, the actions we've been taking on underwriting, claims and pricing mean we are currently on track with underlying Home profitability.

Turning to Commercial where we had another good quarter, growing in-force policies 4.7% versus last year. As you know, Commercial has two distinct stories within it. Direct Line for Business or DLB is already highly profitable, has been growing and adds to the overall Direct Line franchise. And in Q1, it grew in-force policies 8.1% and premiums 8.4%.

In our broker business, NIG, we've been continuing to move returns towards the group's target levels and continuing to prioritize value over volume. We're making real progress here and saw some good rate in the quarter. In Rescue, our direct business, Green Flag, grew premiums 9.6%, helping to partially offset the decline in our partnerships. Overall, we continue on our path of improving the value of the business in this portfolio.

Turning to the balance sheet, I can confirm our yearend 2017 solvency capital ratio actually came in 165% which is 3 percentage points ahead of the estimate we gave at our preliminary results.

So, a brief wrap-up before questions. Our multi-brand multi-channel strategy that succeeded in 2017 has given us momentum into Q1 2018. Overall, we've navigated a complex trading environment well and we reiterate our financial targets adjusted for normal weather and assuming no further change to the Ogden discount rate.

And with that, we'll hand over to the operator for questions.

Q&A

Operator

Okay. Okay. So we've got the questions coming through. So, the first question comes from the line of Thomas Seidl. Please go ahead.

Q - Thomas Seidl {BIO 17755912 <GO>}

Thank you. Good morning. Three questions, if I may, the first one on Home. Last year, you and others reported high claims inflation and the need to take price action. Now, it seems in Q1, we didn't see any price increases, if not, perhaps, price decrease. Maybe you can comment on the pricing in Home and the competitiveness there.

Secondly, NIG, you said you took price action. And as a result, you continue to lose market share. My question there is, do you expect this to continue? Is there some hope that you reach a sort of bottom in terms of volume and the rest of the market also start to take price action, or is it just you taking those price actions?

And finally, a brief one on Motor, the 5%, 5.3% growth in own brands compares rather high to the 2.9% for the total portfolio. Does this mean that the rather small partnership business has seen a substantial drop in volume?

A - Paul Robert Geddes {BIO 2474781 <GO>}

Very good. Thanks, Thomas. Very easy one to start with your third question, yeah, Sainsbury's, we've stopped writing, so that explains that difference. NIG, yeah, listen, the target is to improve the returns, not to reduce the volume. Now, where we have a choice, it'll be a volume hit. But we also have some self-help initiatives in there. So, I think broadly, we would hope that it will be relatively stable in the coming period depending on, obviously, how the market behaves. Penny, Home?

A - Penelope Jane James {BIO 15157212 <GO>}

Yes. Hi, Thomas. Home pricing, so, we think if we look at the market, that probably overall rates are around flat. But within that, there's a bit of distortion because there are one or two players putting through quite sharp decreases and most people actually are putting through rate increases.

If we look at our book, we've actually got some pricing away across the channel. But what you're seeing is average premium come up a little due to risk mix. So, overall, the margins are, if anything, a little up compared to previous quarter.

Q - Thomas Seidl {BIO 17755912 <GO>}

Okay. So, the average premium you say is mainly mix, not that you - also saw (00:07:34) price decreases?

A - Penelope Jane James {BIO 15157212 <GO>}

Yeah, we're getting positive rates but the risk balance is pulling the average premium down.

Q - Thomas Seidl {BIO 17755912 <GO>}

Okay. Thank you.

Operator

Okay. So, the next question comes from the line of James Shuck calling from Citi. Please go ahead.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Good morning, James.

Q - James A. Shuck {BIO 3680082 <GO>}

Good morning. Thank you for taking my questions. So I just had two relatively simple ones for you, I think. Firstly, just keen to think about the bodily injury claims trends in the year-to-date, we've had some data, I think from the Department of Work and Pensions suggesting that we've seen a sharp reduction in that year-to-date. And this is even ahead of the whiplash reforms. So, perhaps, you could just comment on what your experience has been year-to-date, please.

And then secondly, I'm just interested to hear a bit more about the Home partnership. Most of that is with RBS and you've returned to growth, as you say, for the first time for a while. Just to kind of know about the functionality and the modularity of what you're actually offering to customers and how successful you see that growing from here. Thank you.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Great. Penny, do you want to do the Home one first?

A - Penelope Jane James {BIO 15157212 <GO>}

Yeah. So, Royal Bank of Scotland, NatWest primarily, as you say, it's been in decline for several years now. What we think has turned it is we're using APIs on the front-ends (00:09:05) customers, so we can use RBS data to sort of pre-populate and all of that and makes actually the customer journey much, much easier. And that's really been the driver. At the moment, the increase is small, but it reversed the trend that we've seen several years. So, we're really, really pleased about it.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Yeah. Thank you. On bodily injury, listen, we are seeing some more encouraging trends. I think we talked about 2017 being a good year overall. And we said, at the time, we thought some of that might be the flow through of the previous government reform, things like MedCo (00:09:40) and the Jackson reforms and the abolition of referral fees. So all of that we do think is contributing. We also do think that potentially some early signs anticipating the future whiplash regime, that might be somewhat reshaping the response of the legal industry. So again, that might also account for some more positive bodily injury trends which we're seeing, slightly harder to read actually in the first quarter because claims trends have been a bit affected by the weather.

So whilst actually Motor is not that expensive in terms of the effects of the freeze, it slightly changed which perils that the claims have come in on. So, we probably need a few more quarters to get under the skin of it. But we do think good BI trend is part of the reason we say it's a benign and favorable claims environment and that explains why we're saying that these pricing reductions that we've seen have been rational.

And I think actually, listen, if prices had gone up against those trends improving, I think that would have been quite reputationally damaging for the industry given that we've encouraged the government to go and do reform. The quid pro quo is that savings should flow through to consumer and I think it's entirely right and predictable if prices should have come back.

Q - James A. Shuck {BIO 3680082 <GO>}

Would you say that – there's obviously a big rise in whiplash claims over a prolonged period but more recently there's no real evidence that whiplashes has been increasing. It looks like it's actually been decreasing across – for the industry. Does that undermine the efforts to get those kind of reforms through with the Civil Liability Bill?

A - Paul Robert Geddes {BIO 2474781 <GO>}

I guess what I'm saying is some of it might be – the legal industry anticipating those changes and there has been less activity in terms of marketing to consumers. So that might be an early benefit of the proposed changes. It might be coming through already and then the last changes we think potentially are working things like Medco (00:11:41) and we think that working and being passed on to consumers should encourage the government to actually enact this legislation. So, I think there's a kind of positive reinforcement story happening here. And I think it's a good news story and people shouldn't be, therefore, spooked by premiums coming back. I think it'd be dangerous if they weren't coming back.

Now, obviously, that gives us a little bit of challenge on our expenses and we're obviously up and planning on meeting that challenge. Hence, reiterating the target which includes expense ratio reduction.

Q - James A. Shuck {BIO 3680082 <GO>}

That's great. Thank you very much.

Operator

Okay. So, the next question comes from the line of Arjan van Veen calling from UBS. Please go ahead.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Good morning.

Q - Arjan van Veen {BIO 5197778 <GO>}

Thanks. Morning. Just to follow up on that. Can you just – at the end of last year, you saw claims frequency also improve other than bodily injuries. Can you just maybe comment on the rest of the claims environment other than bodily injury?

And the second question I had was around pricing. You're saying it's rational. One of your peers reported recently and said that it was more competitive in January, February and getting more sort of normalized in March. I'm just curious if you're sort of witnessing similar trends?

A - Paul Robert Geddes {BIO 2474781 <GO>}

Yeah, I think we're not seeing, at the market level, the same gradation or improvement within those two two-month periods. Obviously, competitors move around their competitiveness and, therefore, their volumes. So, some competitors clearly will be more competitive January, February and March and April. Also, remember the backdrop, which is the market does have some normal seasonality, which is price tends to be a bit higher at the end of Q4 and then come back a bit in Q1.

Overall though, we're saying that based on what we're seeing as industry level claims data and industry level pricing (00:13:30), we still think the two are kind of moving in the same direction. We are actually quite pleased with our own performance. If you looked at the ABI data yesterday, whilst their headline was 3.1%, if you adjust for IPT, that takes the industry average premium to plus 1.1%. As you can work out, our average premium was up a little bit ahead of that 1.3%. But we're also saying that actually we have some mix going in our favor.

So our actual pricing was somewhat ahead of that, and part of that is reflecting the fact that we're still behind where we were on young drivers as a result of how we repriced young drivers post Ogden which we still feel happy with. So, we are quite happy with our own performance. But standing back, we don't think that the industry had acted irrationally. Now, of course, that's a backward-looking statement. And I make no forward-looking statements.

Q - Arjan van Veen {BIO 5197778 <GO>}

And then just outside BI (00:14:25) in terms of just (00:14:25).

A - Paul Robert Geddes {BIO 2474781 <GO>}

Yeah, other trends continue. I think the accidental damage trends that we said which is that is an inflationary line driven by both especially by the cost of repairing cars and with sensors and people took the trip to the garage (00:14:41), remember how complex these cars are now and how much the cost of repair and that's an ongoing underlying trend.

Q - Arjan van Veen {BIO 5197778 <GO>}

And just to clarify, you said before that the 1Q abnormal weather didn't impact Motor that much. You didn't see increasing frequency on that?

A - Paul Robert Geddes {BIO 2474781 <GO>}

No. A bit, we'll get over it.

Q - Arjan van Veen {BIO 5197778 <GO>}

Okay. All right. Thank you.

Operator

Okay. So, the next question comes from the line of Edward Morris from JPMorgan. Please go ahead.

Q - Edward Morris {BIO 16274236 <GO>}

Hi. Three questions for me, please. First is just coming back to these comments on pricing and claims inflation. On the one hand, you sort of seemed to be describing a fairly rational market. On the other hand in your comments, you mentioned last year being a very good period for profitability. And I just wondered if you could sort of reconcile those two things. Are you referring to any component reserve releases, or is there something underlying that was materially better than expected last year?

The second question is on solvency. I wonder if you could just explain the 3% increase, please, where that came from and if there's any further color there. And then the third is on the VW partnership. I wonder if you could give us any detail on how significant that is in premium terms, perhaps. Thanks.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Yeah. So, the kind of supercharged nature of 2017, part of it was we are not assuming all of the positive experience will trend. So, we are going to say it might be just a lucky year. Secondly, Ogden was largely paid for by the reinsurers. So that was helpful to industry profitability in 2017.

Solvency, Penny?

A - Penelope Jane James {BIO 15157212 <GO>}

Yeah, no great stories. We do an early estimate when we come out with the reporting account. The process continues from there. All the validation routines continue and some of the model runs are still running. So there's really no great story in the three points. It's just the conclusion of the process. I think over time (00:16:40) we've run Solvency II, those sort of estimates will get tighter and tighter but no great dramas or (00:16:46) risk profile changes to report.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Yeah, VW in the next few quarters won't move the needle that much because it's a new book and it will build up, but it's helpful. And of course this is quite a long-term ambition that we have, to work with them, to really crack car manufacturer selling insurance which has been a bit, we think, is a channel with opportunity. So, as we go forward, we'll tell you more about it but we've got fantastic strategic alignment with their top team. They're a great brand, doing really well, and lots of exciting propositions, I think, ahead for us to jointly develop.

Q - Edward Morris {BIO 16274236 <GO>}

That's great. Thank you.

Operator

Okay. So, the next question comes from the line of Greig Paterson from KBW. Please go ahead.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Good morning, Greig.

Q - Greig Paterson

Good morning, everybody. Can you hear me fine?

A - Paul Robert Geddes {BIO 2474781 <GO>}

Very well.

Q - Greig Paterson

Good. Good. Just probably some numbers. I was a bit confused from your last results release, so maybe you can just help me with some numbers or make more comments. In terms of UK Motor and the overall book, what was the year-on-year rate increase and what was the mix impact? That's question one.

And question two is just remind me in terms of numbers what you thought the inflation was in 2017. And I remember in March, you made some comments about what you thought it would be in 2018 in terms of your 3% to 5% range thereabouts (00:18:17), et cetera. Just if you could remind us of those and, I mean, excluding any excess of loss costs when you're talking about the claims inflation.

And then thirdly, in weather, how much weather – how many points do you think weather cost or weather affecting the Motor line in terms of increased frequency, assuming you've excluded it from the previous one. And then finally, just – I think you did say this but I might have got it wrong. What was your actual year-on-year rates in Home versus the mix impacts just in terms of numbers.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Okay. So, Greig, just on the – we're not, certainly on the quarters breaking out rate and mix, but we're giving you a directional sense. So, what we're saying is our headline average premium of 1.3% year-on-year, that mix is going – as in we're getting (00:19:17) – is less risky because we have particularly few young drivers. So the fuel price is somewhat ahead of the 1.3%, materially ahead of the 1.3%. So, that's the first question.

Similarly, we didn't give a number for inflation last year but, I think, we indicated it was below the 3% to 5% and really quite favorable. Again, we're only a little bit cagey on this because we think it is commercially sensitive what our inflation numbers are. Weather...

Q - Greig Paterson

That is gross of excess of loss changes. Well, obviously that was the (00:19:52).

A - Paul Robert Geddes {BIO 2474781 <GO>}

Okay. Weather.

A - Penelope Jane James {BIO 15157212 <GO>}

Weather...

A - Paul Robert Geddes {BIO 2474781 <GO>}

...on Motor.

A - Penelope Jane James {BIO 15157212 <GO>}

Weather on Motor. So, I think weather on Motor very small really. So, it tends to change the nature of the losses rather than the actual volume of them. So, a little bit, but not worth taking into account.

A - Paul Robert Geddes {BIO 2474781 <GO>}

And I think your last question was rates price on Home which again we're not going to give you numbers for but directionally...

A - Penelope Jane James {BIO 15157212 <GO>}

But directionally, rates are directly offset by mix. So, all of the ABP (00:20:29) is the offset between the two. So, we're comfortable with rate going up offset by mix but...

A - Paul Robert Geddes {BIO 2474781 <GO>}

So, Home and Motor, I think, yeah, the underlying like-for-like pricing is better than the ABP (00:20:38) would indicate.

Q - Greig Paterson

But you mentioned something on – you said your average premium was up 3.3% in Motor early on, and now you've said it's up 1.1%.

A - Paul Robert Geddes {BIO 2474781 <GO>}

So, ABI market headline up 3.1% including IPT. ABI market including, adjusted for IPT up 1.1%, average plus 1.3% but risk adjusted better than 1.3% materially.

Q - Greig Paterson

All right. I wrote down 3.1%. Sorry. Dyslexic. Apologies.

A - Paul Robert Geddes {BIO 2474781 <GO>}

No worries.

Q - Greig Paterson

Thank you.

A - Penelope Jane James {BIO 15157212 <GO>}

Thanks, Greig.

Operator

Okay. So, the next question comes from the line of Andrew Crean calling from Autonomous. Please go ahead.

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

Good morning, all. A couple of questions. Firstly, your Solvency II coverage ratio at 165% is now 5 points, so about £67 million above the 160% which is where you tend to judge excess capital and return and do special dividends. Does that mean, therefore, that we've got about £67 million of surplus capital return moving into 2017 regardless of what happens this year? And then secondly, could you talk a bit about Motor PCW. I know you're trying to get the volumes growing there with the second pricing algorithm. Could you update us on that, please?

A - Paul Robert Geddes {BIO 2474781 <GO>}

Very good. Yeah.

A - Penelope Jane James {BIO 15157212 <GO>}

Okay, Solvency – hi, Andrew.

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

Hi, Penny (00:22:21).

A - Penelope Jane James {BIO 15157212 <GO>}

I think for Solvency rate (00:22:22) in terms of coming into the year with five points and that kind of headroom, the only thing I'd say is we've said we'll be around middle of the range. So, don't take 160% as absolutely literally to the point. And it's early in the year but yes we entered the year in a strong position.

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

Okay. Thank you.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Conceptually, maybe balance that in your mind against the weather. So, it's obviously up to the board as well. Yeah, Motor, we're getting slightly ahead of ourselves with that particular initiative helping us with (00:22:53) PCWs. We're still in development on that. Very excited by it but it's – as we said once we've got the model, we need to deploy a test (00:23:01) customers we expect (00:23:03) the accidents that we expect. So, that's going to be within our somewhat medium- to long-term chart if you remember last time. But generally, on PCWs, we're competing well. We're kind of particularly focused on it. And so, we'll be talking about I would say more as we go forward.

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

When do you bring the pricing algorithm in?

A - Paul Robert Geddes {BIO 2474781 <GO>}

Let's be a little bit cagey. But I'm looking at the team doing – actually, I'm trying to get a signal. Let's say, it's not that far away. But the first thing we'll do is really just DRIPs (00:23:38) and policies on one comparison website into the market. So it's still in R&D mode, but we're excited about the opportunity, but it really probably starts to move the needles in the medium term of the plan but we're still very excited about it because it could be quite big in the future.

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

Okay. Thanks.

Operator

Okay. So the next question comes from the line of Wajahat Rizvi calling from Deutsche Bank. Please go ahead.

Q - Wajahat Rizvi {BIO 19928187 <GO>}

Hi. Good morning. Good morning. Wajahat from Deutsche Bank. I have two questions for you. So first is on risk mix, so you have been reducing risk mix consistently for a while now. And I think going back to the full year presentation you talked about steady footprint expansion. So, I was just trying to gauge that looking forward, would you be putting risk mix back on once your new pricing model is up and running, or is there a fundamental reason why you're reducing your risk mix on the Motor book?

Secondly, can you provide more color on the market dynamics since the Civil Liability Bill announcement came out? Are you still seeing a rational pricing environment in the market? Thank you.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Good questions. So, on risk mix, it's kind of the mask (00:24:49) that reduced our risk footprint as we think scientifically priced the Ogden impact that has made us less competitive for young drivers. So, it's not a desire to reduce young drivers, it's just mask have driven it (00:25:02). And you're right, net, we would like to see – over time, we've got (00:25:07) an appetite to write that sort of business, but we'll underwrite it when the computer says yes to it.

So, we're not constraining anything. And yes, we do have some initiatives on who might move to (00:25:19) stop pushing that out. So, yeah, it would be very favorable right. It would be very helpful in this pricing environment and claims environment to be pushing that out but we obviously won't – we won't drop our value obsession in order to do that. So, it would be nice to see it happen, but it will only happen when the computer says it should.

Q - Wajahat Rizvi {BIO 19928187 <GO>}

It makes sense.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Yeah. And I think in the pricing environment, we're saying it has been rational. Obviously, the market has got to make an assessment of – Ogden will be – it's once a year, you need to make a decision when you see the reinsurance prices. But on the whiplash reform, we have to make an assessment of likelihood of that be (00:26:00) happening, timing of it happening, impacts of it happening. And we obviously have weightings of the three of those. And then as you approach next April, it's obviously an increasing part of your calculation. So, today, it's only a month of the premium that we need to get it right, and then it will grow.

So, I'm saying our majority bet is that it will happen, and we hope it will happen in April. There's lots to get done by April. There's a portal to build and test to make sure it works. And then obviously, the impact depends on the exact wording of the bill and, of course, how consumers and lawyers respond and adapt what they do. So, there's a bit of unknowns in all of it. What we're saying is, as we see it today, the existing claims environment that we're seeing and the future anticipation creates a claims level that we think is supporting current pricing in the market. So, that all goes into this use of the word rational.

Assuming it stays rational, we'll be doing what we're doing. If it goes irrational, we will keep our value focus very firmly on, and that will give us more challenge on the expense ratio and expenses, and that's a challenge historically we met.

Q - Wajahat Rizvi {BIO 19928187 <GO>}

Excellent. Thank you.

Operator

Okay. So, we have no further questions in the queue. Okay. So, we just had another question come through. It's from Greig Paterson from KBW. Please go ahead.

Q - Greig Paterson

(00:27:41).

A - Paul Robert Geddes {BIO 2474781 <GO>}

Very good.

Q - Greig Paterson

Just a quick – just interested in updates on the retail IT platform, where we are, timing, et cetera. Is it going well or are we going to have another write-down at the half year?

A - Paul Robert Geddes {BIO 2474781 <GO>}

So, I'll be astonished and disappointed if we did. So, I don't expect that. Now, I think on track, on plan, working hard, lots of people doing lots of work, pleased with progress on track.

Q - Greig Paterson

Perfect. Thank you.

Operator

Okay. And the next question comes from the line of Dom O'Mahony. Please go ahead.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Hi, Dom.

Q - Dominic O'Mahony

Hi. Good morning. Thank you for taking my questions. I've got three here. The first one, just on the normalization of margins in Motor. Can you just confirm that, that comment relates to the accident year rather than any reference to prior year?

The second, just on the Rescue and other personal lines item. I just wanted to sort of understand what's really driving the sort of the long-term decline in partnership Rescue. And also, just to hear if you have any comments on the (00:28:50) and the other sort of the non-Rescue component of that. Any movements of note in that line?

And then thirdly, just a sort of a detail question. In a normal year, what proportion of your weather budget do you normally expect to use up in Q1? Clearly, it's a big quarter for weather but just is it half of the budget or is it more? Thank you.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Yeah. So, first question, yes. So, Rescue is last time at the full year, we talked about kind of three channels and we talked about partnerships. And the role partnerships have for us in Rescue is purely volumes. It's very, very marginally priced (00:29:31). So, we don't really have the profit. We do it because having more drivers means we can have more vans and we can be in the highlands and we can be near motorways more quickly. So it's not that meaningful. That reduction is largely driven by the reduction in package accounts volume where (00:29:48) it's a feature of package account.

So that's that. Elsewhere, there are some good business stuff (00:29:55) in there. At some stage we'll come talk to you about (00:29:59) business yesterday, we've got an opportunity (00:30:01). There are some gems within that but we'll – that's forthcoming attractions, I would say. We'll come and talk you about that. Penny, on the weather?

A - Penelope Jane James {BIO 15157212 <GO>}

Yeah. On the weather, I mean, we don't – we allocate the load but we don't really think about it in those terms when the business is kind of helping people through the big issues when they happen. We just don't know when those spikes will occur. So, I wouldn't have a particular view on how we spread it across the year. It's academic. We load the first and fourth quarter slightly but it's not I would say particularly meaningful. We had two very benign years last year where we took next to no weather losses, so just this quarter's term.

Q - Dominic O'Mahony

Thank you.

Operator

I guess we currently have no further questions, so I'll hand you back to your host to conclude today's conference.

A - Paul Robert Geddes {BIO 2474781 <GO>}

Well, terrific guys. So, at some stage feedback on our new shorter format would be appreciated. I hope you liked it with a new shorter call, so hopefully that's met your needs and hopefully got a good understanding of how we are moving ahead.

We can't affect the weather. We can't affect the Motor cycle but everything else within our control I think we're doing well into plan. So thank you very much for your time and speak to you again soon.

Operator

Thank you for joining today's call. You may now disconnect your handsets.