an NTT Communications Company

Transcription

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Speakers: Stephen Hester, Scott Egan and Rupert Taylor Rea

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Presentation

Operator

Hello and welcome to today's RSA Q1 IMS conference. For the first part of this call, all participants are on listen-only mode, so there's no need to mute your own individual lines and afterwards there will be a question and answer session. Just to remind you, the call is being recorded.

I am now pleased to present our first speaker, Rupert Taylor Rea. Please begin.

Rupert Taylor Rea

Morning everyone; thanks for joining this morning's first quarter call. On the call with me I've got Stephen Hester, Group Chief Executive and Scott Egan, Group CFO. As sort of the usual format, Stephen has got – is going to make some brief opening comments, after which we'll open up to questions. Stephen.

Stephen Hester

Sure, good morning – morning, folks, thanks for joining us. Well, as you have seen from our IMS this morning, the year has started swimmingly for RSA although, as my metaphor alludes, you can't rely on that always happening every month, with the ups and downs of underwriting. But nevertheless, we are very pleased, both with the pace of completion of closing off our strategic initiatives, in terms of the closings in Lat Am and you will see in April, since the end of the first quarter, the two biggest bits of Lat Am also closed in Chile and Argentina, all of the underlying initiatives we've got going across our businesses, in terms of improving performance, are on track and so we feel good, both about momentum, about the quality of what's going on and about what we can achieve. All of that said, we are very conscious that we are three years into the – three months into the year, or four months now and we've got a three-year programme which is ambitious but which we're going to try very hard to meet.

So, with that, Scott, do you want to go over the numbers?

Scott Egan

Okay, good morning everyone, thanks Stephen. As Stephen says, this has been a good start to the year, so I will spend a few moments now just drawing out some of the key financial highlights before we open up for questions. The insurance market trends that we discussed at year-end remain broadly unchanged. The market is remaining competitive, but the significant achievements of the past three years mean that we now have more confidence in our ability to navigate these conditions. In terms of macro conditions, there has been considerable volatility since the start of the year. At the end of the quarter, sterling was weaker, bond yields lower and credit spreads wider, although these trends have moderated slightly during April.

If I turn to premium, overall group net written premiums were flat, year on year, reflecting the impact of disposals. Underlying premiums for the core group were also broadly flat, reflecting the continuing competitive environment and slow economies. There were also some one-off timing impacts, particularly in Scandinavia, which we expect to moderate during the remainder of the year. Despite that, there are some pleasing signs of increased retention rates in our regions, as well higher NPS scores from our customers and as the performance of the group improves, we are able to translate this solid top-line performance into increased value for our shareholders.

Our focus remains firmly on improving our underwriting margin and closing the gap to best-in-class performance. Our operating profits in the quarter were up strongly and ahead of our expectations, driven by good underwriting performance for the first quarter. Each of our core regions was ahead of the same period last year and ahead of our plan and most importantly, with improving attritional loss ratios in each of our core regions. We also had some luck from more volatile items of weather and prior-year profits. Specifically, the weather events in Q1 for the core group were £23 million, or 1.5% of premiums, compared with 2.3% for the same period last year and our planning assumption of around 3%. Meanwhile, large losses for the core group of £142 million represented 9.5% of premiums compared with 8.5% for the same period last year and our planning assumption of around 8.5%. Prior-year profits were positive in the quarter and ahead of plan but, given their nature, are likely to fluctuate from quarter to quarter. We target continuing improvements to normalise underwriting profitability in the remainder of the year,

although this remains subject to weather, large loss and prior-year volatility. Our increased expense-reduction plan and our transformation programme are on track this year.

Outside the underwriting result, our investment performance is in line with our forecast for the year and we also, as Stephen said, completed the disposal of our Russian, Columbian and Brazilian businesses in Q1, in line with our previous guidance and we see restructuring challenges relating to those below the operating result.

Since the quarter end, we have completed the disposals of our Chile and Argentina business, the most material elements of the Latin America disposal and we expect the remaining disposals of Mexico and Uruguay to complete in the coming months.

If I turn to the balance sheet, tangible net assets were up 9% in the quarter to £3.1 billion and per share amount, up £0.24, £3.03, the increase being driven by profits, disposals, favourable FX and yield movements. The fall in bond yields during Q1 led to some growth in our unrealised gains reserve, although some of this unwound in April, as yields recovered a little. On the assumption that the market moves in line with the forward yield projections, we would still expect the majority of these gains to unwind over the next three years.

And finally, our Solvency II position has improved in the quarter. At the end of Q1, our surface was £1 billion, with a coverage ratio of 150%; this is up from 143% at year-end, the increase being driven by first quarter profits, disposal gains and favourable FX movements, partly offset by adverse mark-to-market impacts. The movements in pension surface during the quarter was modestly positive. However, in April, spread tiding has more than reversed this movement, which has moderately reduced the overall year-to-date capital ratio gains.

So that concludes my review of the quarter; thank you for listening. I will now hand back to Stephen to wrap up and open up for questions.

Stephen Hester

Thank you very much, Scott. Let's go straight on to Q&A, please. Operator, can you help us with that, please?

Q&A

Operator

Thank you, gentlemen. Ladies and gentlemen, if you wish to ask a question, please dial 01 on your telephone keypad now to enter the queue. Once your name has been announced, you can ask your question. If you find it has been answered before it's your turn to speak, you can dial 02 to cancel. So, once again, that is 01 if you wish to ask a question or 02 if you wish to cancel. There will be a brief pause now whilst we register your questions.

Our first question comes from Oliver Steel of Deutsche Bank. Your line is open, sir, please ask your question.

Oliver Steel

Good morning everyone, three questions. The first is: I'm sort of intrigued what you mean by 'operating profits up strongly' and I suppose the sort of – the bottom-line question here is: does this change the timing, or your estimate of the timing, of your ability to achieve the ambitions? So let's leave that one like that.

Second question is on the Alberta wildfires. Can you remind us of your reinsurance arrangements?

And then the third question is on the investment – the reinvestment yield that you have got. I think at the full year you talked about 1.3% and you're now talking 1.6%, which actually would suggest you are investing in sort of higher-risk assets, but perhaps you can comment on that.

Stephen Hester

Thanks for that, Oliver. I'll take your first two and ask Scott to pick up the third one. So, the – let me take the second one first: Alberta. I mean, obviously, the first thing to say about the McMurray fires is not a financial thing, it's that there are a lot of

people who are in a very anxious state out there and we will try and help them in every way we can, as it relates to our customers and our sympathy goes out with them. It's very, very unclear what the end result of those fires will be, both in terms of humanity, as it were, as well as insurance. We are – like, no doubt, many insurers, we do have some exposures in that area. It's massively too early to have any idea what the exposures will end up costing us, although they will end up costing us something. Our reinsurance, as it will relate to that, is roughly £40 million limit, so in other words, it wouldn't cost us more than that. And even if it did cost us that much, although I have absolutely no basis of knowing what it will cost us, we would still be ahead of our plan for the year, in terms of underwriting. So, although it's a very good reminder of how you can get good luck and bad luck, in terms of underwriting cycles, we're not concerned about it from a financial standpoint. We are concerned about it from a customer standpoint.

In terms of your first question on operating profit, it's obviously slightly uncomfortable that we're – we are providing quarterly updates but we are not providing full-quarterly reporting. I know there's been a trend to dropping quarterly updates altogether from some insurers. We think, at this stage of our transformation, it's important to build confidence and give people quarterly updates, but equally we don't want to, you know, go through all the extra hassle of the full numbers. So, in that sense, I apologies for the coyness of using words rather than numbers. But the sense that you were trying to get from me is, I would say, in the first quarter, all of the operating trends that we see suggest that we are on track for the ambitious path that we have laid out. If that is still true by the end of 2018, you all need to have raised your forecasts, but we're only one quarter into that 12-quarter period and I think it would be foolhardy to raise one's forecasts at this stage of the game. And so I think, you know, the forecasts have all be raised significantly for this year on the back of our full-year results. At this stage of the year, we are comfortable with those raised forecasts but we wouldn't be seeking to guide people to anything different; it is way too premature at this stage. Scott?

Scott Egan

So, I think on the last one, which I think, Oliver, was your reinvestment rate, 1.6% in Q1. First of all, nothing's changed in terms of an investment strategy; it's really a function of what we've been buying in the market during the quarter, which is driven, therefore, by what has come up for reinvestment in the quarter. And particularly in Q1 we saw a lot of non-government come up, particularly in the UK market, so it's not anything other than a mix and timing point and just really reinforces it's one quarter out of four.

Oliver Steel

Okay, thank you very much.

Operator

Thank you. Our next question comes from James Shuck of UBS, go ahead, sir, your line is open.

James Shuck

Hi, good morning; it's James Shuck from UBS. I had two questions, please. The first one, really just kind of big picture, I just want to get an understanding around your use of digital and technology. I think there were a number of contracts that you might have been locked into previously. I think there's a number of opportunities you've got, such as using cloud-based systems and third-party providers and I'm just interested to know, when you look at each of the three territories, how progressed you are with that and what the upside potential is you see as you start to embrace it more fully, in particular, kind of the impact on the customer experience as well.

I think you mentioned, during your opening comments, Stephen, that the Net Promoter Scores had increased – or perhaps it was Scott, actually. Could you just give me an indication around what that means for retention rates, whether there's any direct correlation between those two? I'd be interested to know, thank you.

And then, finally, just some general comments around the outlook – competitive environment in Scandinavia, please?

Stephen Hester

Okey-doke, why don't I pick up those? On the digital technology, I mean clearly this is almost – this is longer than we've got time for today, so I won't go in at length, but I think that we are broadly in the position of most people in our industry and most people in most industries, that what technology can do for you today is more than what we are doing for our customers and – in terms of our own internal efficiency, so we're all scrabbling mightily to upgrade our capability, both our systems capability and our ability to deploy those systems and use them. And all of us are in, I think, an imperfect state where we have a pot-pourri of

old systems and new systems, although the direction of travel is positive. And so – and digital as it relates to our customers – digital is – obviously is a phrase that's important throughout the value chain but, as it relates to our customers, it's mostly about allowing them to deal with us online, as opposed to in writing or by telephone, or in person. That will include, not just researching and buying, but includes servicing and claims self-service and so in every one of our territories, there are programmes underway to increase the ease with which people can deal with us at every stage of the value chain. At the same time, in our own operations, we are in the early stages, but very actively engaged in a whole series of things, like robotics, which is quite topical nowadays, in order to streamline our processes, make them faster and more effective and make them cheaper for our customers and for our shareholders.

So one of the limitations is of course the speed with which we can implement technological gains; the other is just in customer behaviour, but we have seen in many walks of life that there are some customers who early adopt the benefits of new technology and there are many who don't. And so what we have to do is make sure that we have that facility to customers, but I think one should assume that the pace of transfer from customers going entirely digital will be quite measured, in different places.

Your – on the NPS, I would say the link between NPS and retention is an imperfect one and obviously retention can go up and down for reasons that are deliberate to us and not. So when we re-price a book, or re-underwrite it, we deliberately take lower retention in exchange for better quality and higher profits and so, like all these things, they need interpretation. But that's why, when we think about customer satisfaction, we tend to look at a broad basket of indicators, of which, what are called sentiment scores, NPS, trust scores, you know, with more and more going onto sort of wants-and-done ratios and so on, are mixed with service scores and then ultimately, the expression is in terms of retention in new business, in those lines where we are not making adverse pricing decisions.

And then finally, you asked about the outlook in Scandinavia. I think there is no change, frankly, from the conditions that we talked about last year. We had a downwards blip in premium in the first quarter; I don't think that's indicative of anything, long run. We transferred some business into the UK, there were some one-off, short-term business wins a year ago, so I'm not particularly concerned about it. And when you go through countries, obviously, Denmark and Norway are quite slow. Norway a lot slower, although that’s very small for us. Denmark, quite slow given the economy overall, and I think you see that in, for example, Tryg’s results. Sweden a bit better in terms of top line growth, which is where our strongest position is. But nothing new I don’t think.

James Shuck
Okay, that’s very helpful. Thank you very much.

Operator
Thank you. Our next question comes from Dhruv Gahlaut of HSBC. Go ahead, sir, your lien is open.

Dhruv Gahlaut
Good morning. Just a couple of questions. Firstly, could you give a split in terms of how does the volume and rate work, as in how has the volume been versus rates?

Secondly, also if any update in terms of: you talking about restructuring/refinancing of debt at full-year? Any update on that?

And thirdly is: if you could talk about the reserve buffer, as in where does the buffer sit? Has that changed materially at Q1?

Stephen Hester
Scott, do you want to take those three?

Scott Egan
Yes, no problem. So, look, if I start with the restructuring the debt: I think very consistently what we said at the end of year, the first thing that we’re very focussed on is driving the performance of the organisation and executing on a disposal programme [inaudible] those drive optionality. And that optionality is something that we will look at during the course of the year. We haven’t set ourselves a specific target. There’s nothing in terms of timing. There’s nothing to say right here, right now, but it is our ambition to sort of, you know, optimise our capital structure and have a good look at it at some point during the course of this year. So nothing has changed, and that’s still our ambition.

In terms of the reserve buffer: no material movement at Q1 from what we saw at the end of the year. And in terms of the split by volume and rate, I think what we're seeing at the moment is what we said at year end, our rate is really in low single digits, which is pretty much in line with claims inflation, which is what the guidance was we gave at the end of the year and actually is what we'd seen in both 2014 and 2015 in the actual performance. [Inaudible] that we've actually gone beyond that as we look to execute on our underwriting actions and take tougher positions, so we will see that differ by segment. But an overall level rate, it's in low-single digits matching claims inflation.

Dhruv Gahlaut
Sorry, can I just follow up on that? And then so, given year on year, it's broadly flat, your premiums, would that mean the volumes are down at this point?

Scott Egan
In aggregate, yes that's factually true, but I think then you have to factor in what Stephen said. Some of that, for example, in Scandinavia –

Dhruv Gahlaut
Yeah.

Scott Egan
– it's a timing point, etc. But yes [inaudible].

Stephen Hester
Well, I mean we still have – obviously, there's some of the portfolio mix [inaudible] through. So when we pulled out of broker motor, we announced that last August, but you'll see that in this year's premiums and indeed written premiums. So some of that is just simply the portfolio restructuring we've done.

Dhruv Gahlaut
Right.

Stephen Hester
But you know, what's clear is that this is an insurance market environment where fast growth is normally associated with underwriting mistakes and, you know, certainly our priority is to have the highest quality top line we can have, but to concentrate our efforts from a shareholder perspective in moving our margins towards best-in-class margins.

Dhruv Gahlaut
Perfect, thank you.

Operator
Thank you. Our next question comes from Barrie Cornes of Panmure Gordon. Your line is open, sir. Please ask your question.

Barrie Cornes
Thank you. Good morning everybody. Most of my questions have been asked already. Just one really left, which was the UK rating environment. Just wondered if you could comment on personal and commercial lines, particularly motor, as to how you've seen rates going in Q1 and what you think will happen for the rest of the year, please.

Scott Egan
Yeah, so look on – Barrie, it was quite hard to hear you. Could you just repeat your question, it was – the line went a bit funny, please.

Barrie Cornes
Sorry, could you give me a flavour of the rating environment for UK personal lines and commercial in Q1, please?

Scott Egan
Yeah, so look, I think it's different obviously by segment, but broadly in motor we've seen sort of rates of between sort of 9 and 10%. Across personal and commercial lines and household, it's been pretty flat. That's what we've seen in the first quarter.

Barrie Cornes
Great, thank you.

Operator
Thank you. Our next question comes from Greig Paterson of KBW. Go ahead sir, your line is open.

Greig Paterson
Morning. Well – can you hear me?

Stephen Hester
Yeah, we can hear you.

Greig Paterson
Yeah, I was going actually to ask for a more comprehensive run down of what the rating environment had been across UK, Scandi and Canadian lines. I don't know if you want to do that? But that would be of interest.

Two other questions. One is: [inaudible] the Lat Am disposals, I mean, would you characterise the disposal programme being executed quicker than your original expectations?

And the second point is, you know, the Solvency II ratio is now at the top of the range and I accept there was a pullback in April and I accept there's a dividend come in the second quarter etc., but I mean, you know, at what point when you're at the top of the range does one look to capital repatriation[?]? I mean, does it have to stay at the top of the range for a year, or how long – how does it –what's your thinking?

Stephen Hester
I think that we don't want to sort of change the first quarter results into, you know, completely sort of full-year results disclosure, and in any event, after three months, the lesson that you can draw from a more detailed exposition of rate versus volume by business line are frankly not significant. So if you don't mind, I'm going to dodge your first question.

Greig Paterson
I forgive you.

Stephen Hester
In terms of the disposal programme. I – you know, obviously it's more or less complete now, but you know I certainly think that, both in terms of speed, and in terms of price, and in terms of the absence of operational accidents on the way through, you know, it would be one of the best experiences I've had, you know, across many companies and I think the teams all did a super job, not least, you know, in an environment which wasn't necessarily that favourable for doing deals which – and certainly I thought it would take three years. It took two years. And I thought we'd raise a lot less money. So did all our bankers. And we didn't. So that was jolly pleasing and has allowed us, not only to regain our target credit ratings and rebuild our capital, but to pay, you know, significant bills for the clean-up of the company and laying the foundations with all the restructuring charges and what have you for, you know, a way better performance in the future. So I'm happy with that. But anyway.

On your question on Solvency II ratio, I suppose the different things those say is, number one: we are crystal clear that our intended to build a, high-performing, highly-profitable company with free cash flow, very close to stated profits and therefore the ability to use a lot of free cash flow to reward our shareholders for owning our shares, and I see no reason why we can't do that. So unambiguously our goal is that and our view is, both in terms of regular dividend pay-out, and in terms of the potential for additional pay-out when the stock line[?] of [inaudible] specials[?] are in no way changed.

All of that said, we are equally clear that this is a company where results have to come before pay-outs and we want the foundation of this company, both in terms of its capital base, and in terms of its performance, to be really solid before we, you

know, declare victory in terms of pay-out. And so therefore that philosophy will go through what we do. As we've indicated this year, we see the priority as improving the quality of our Solvency II ratio, as well as improving the quantity. So that's why, in addition to the quantity going up through the benefit of disposals, we talked about restructuring debt and that there have been some analyst reports, very sensibly, showing that, while our ratio is quite good, we don't have enough equity and we have too much debt in the ratio. So I think that you should expect us to fix that quality issue before getting ahead of ourselves on quantity, in addition to which of course we will have optical volatility from spread movements on the pension, even though that doesn't turn into cash very fast, which, you know, can go up and down.

Greig Paterson

Okay, thank you.

Operator

Thank you. Our next question comes from Andy Hughes of Macquarie. Go ahead sir, your line is open.

Andy Hughes

Thanks very much. A couple of questions. Okay, the first one's about Scandinavia. Obviously as you mentioned, there's some bit and restatements there and I think it's moved around, but it's gone from 4% premium growth last year to a print of minus 7. So even if I take out the reallocation to the UK, it feels like the competition there's picked up quite a bit, and as you say, it's probably Denmark. But I guess what I'm interested in is: what does this mean for the ongoing position? Is this just a one-off quarter and it returns to growth, or should our expectations for this year in Scandinavia be kind of declining premiums? And I guess within that, in the renewable portfolio well, obviously you're the market leader in Scandinavia, have you seen an uptick in competition? Is that the reason you lost this treaty?

And the final question, I guess, is on reinsurance. So obviously you buy a lot of reinsurance and the price has come down. How's that helping the performance for the group and can you comment on how your renewal process is going for your own reinsurance that you buy? Thank you.

Stephen Hester

I'll ask Scott to answer the renewable – sorry, the reinsurance one. Let me talk about Scandinavia. You obviously, in a sense, have to break it down. I mean, I don't have anything new to say that I didn't say two questions ago, but just to sort of repeat a bit. In our most important market, which is Sweden, we are up year-on-year in the first quarter and although, from memory, we were up 4% or 5% last year, we don't expect to be up 4% or 5% this year. I think that was unusual. There were some pricing increases. We don't see any change in the competitive environment in Sweden and our premiums are up quarter on quarter, albeit up more slowly than last year. Our Norwegian business is very small, but, as I say, in Norway the market is certainly more negative, although obviously that will impact [inaudible] what will impact us and then we happen to lose, for us in Norway, a significant scheme based on repricing although not significant to us globally, as it were, just significant relative to the Norwegian. I think that was a one-off but, you know, the business is otherwise okay.

In Denmark there are three different things going on. Number one is the transfer of the Marine portfolio which is booked in the UK. The second is the – we – is mostly around the renewables business. A larger bit of the renewable – the renewables business divides into two kinds. There's, if you like, the simplest example windfarms that you insure every single year and you get insurance premiums for every single year. And then there's the construction of renewable sites, which tend to be one-off premiums that cover quite a few years of future construction. And so in net written terms, they're very lumpy and in net earn terms, they earn out over quite long periods and therefore the luck of the draw of when you get construction and how that compares to the prior year of construction, leads to strong net written premium volatility, much less net earned premium volatility. And so it happens to be that we had some big wins the year prior and we didn't this quarter. Absolutely[?] I don't detect anything in terms of our market share. It's just when those things happened, which was the second thing in Denmark. And then the third thing in Denmark is, you know, the Danish market is jolly slow and, as I say, if you – you know, the best example of that is the market leader there which is Tryg which has had no premium rises for years overall. And so that's the Danish market right now, but I don't think it's any different than last year.

Scott Egan

If I just pick up on reinsurance, I think, look, I – the first thing to say is at year-end we set out our reinsurance coverage in our slides and I think you could see that across all of our territories. I think the one point that we highlighted is that there's no significant changes, apart from in our GBC cover we obviously reduced the attachment point to reflect the fact that the group

was smaller in 2016 following the disposal programmes. I think we obviously withdrew a lot of our reinsurance renewals at the year-end and therefore, you know, I think the message on that is those renewals have gone through as expected and we've seen no significant variances to anything that we would have anticipated. And we don't see anything changing over the coming months as we do some of our minor reinsurance programmes.

Andy Hughes

Okay. Thank you very much.

Operator

Thank you. Our next question comes from Thomas Seidl of Bernstein. Go ahead sir, your line is open.

Thomas Seidl

Yeah, thanks, good morning. First question on capital: despite these signals[?] of disposals, S&P still thinks your capital is moderately strong which is below your rating level, so it's between BBB and A. My question is with, you know, the remaining disposals, do you see a chance that S&P lifts your capital levels to a strong level which would be in line with your core rating?

Secondly, you moved the Marine business to UK. Is this part of a bigger initiative to improve the performance of the Marine segment or what is the rationale for this move?

And thirdly, you commented on PYD being ahead of the expectations. Where is this coming from? And secondly can you give us your sense how much ahead, is it slightly ahead or massively ahead? Thanks.

Stephen Hester

On the Marine business it's just, you know, we're – that's, if you like, our strongest, what I will call, true global specialist line. It's mostly managed out of London. The only unit where it's not really managed out of London was the Scandinavian unit and since there isn't a whole lot of difference, you know, assessing the risk of a Scandinavian ship versus a ship anywhere else and cargo, it makes more sense to manage it all out of one centre of expertise. So, you know, it's just – it's simply a rationalisation of how we do business but nothing broader going on in relation to that.

On the S&P: the way the S&P capital formula works, it's quite driven by premiums and the Latin American disposals a) remove a bunch of premiums that didn't make any money for us and b) increased our tangible equity from the gains on that. And so I would anticipate our S&P capital numbers, over the course of our plan, to be in line with our target rating of A.

And on PYD, you know, frankly I ignore PYD fluctuations on a quarter-by-quarter basis. If we were another company we'd smooth it and you wouldn't even know it went up and down. We don't smooth it so you do know but it is – it's not massively above but it is above – we're not changing our guidance. In the first quarter it was above in Canada – above our guidance in Canada and the UK, slightly below in Scandi and it bobbles around, but nothing – no dramas.

Thomas Seidl

And the Marine, could you comment on the top line development there because we know from others that there's quite some headwind pricing and volume there? What did you experience? Are you also –

Stephen Hester

Yes, no, I mean, Marine – when we say Marine, we include a whole bunch of stuff under that so it's not just hull, but it's also cargo and even exciting things like fish farms which were rather less than exciting in the first quarter of this year. But I would say certainly in the purest version Marine, namely hull, the pricing environment has been incredibly tough i.e. prices falling over the last two or three years, as you can also see in all other aspects of, you know, chartering, prices for ships and so on and so forth. And that remains the case with – and so obviously we're working hard to keep pricing discipline. Hull is reducing as a percentage of our overall Marine book as we don't follow prices on everything. But, you know, I don't think there's anything new this year that wasn't true last year or the year before, to be honest with you.

Thomas Seidl

Okay. Thank you.

Operator
Thank you. As a reminder to participants: if you do wish to ask a question please dial 01 on your telephone keypad now.

Our next question comes from Cameron Hussain of RBC. Go ahead sir, your line is open.

Kamran Hossain
Hi, morning, thanks for taking my questions. First of all, on large losses, obviously you were only a little bit above trends there. Could you just talk, or maybe give some commentary around, how you view large losses and your combined ratio targets? Because your attritional ratios are improving, but your large losses seem to be going the right – the large losses seem to be going the right way, so how you think about that balance between those two numbers?

And the second question, just on the shift of the Marine book out of Scandinavia into the UK. Does this boost for the combined ratio in Scandinavia and if so are there any changes to your kind of longer-term ambition – combined ratio target in that region? Thank you.

Stephen Hester
Our Marine, it's just not big enough to make a difference to really the target combined ratio. It's, you know, something like a 40 million premium and Scandi's 1.7 billion or something like that so it's not completely lost in the rounding to the extent it has a combined ratio impact one way or another.

In terms of large losses, you know, again frankly I just wouldn't sweat it. You know, every single month there's volatility. It's a random walk. Obviously it's not a random walk over the long run but it's a random walk over the short run. April, large losses were below plan. If this fire costs us a lot of money they'll be above plan in May. You know, I think that we have absolutely no reason to believe, as we look at it at the moment, that there's any trend that is other than our – you know, in line with our planned position.

Kamran Hossain
Thanks very much. Cheers.

Operator
Thank you and as that was our final question I'll hand back to our speakers for the closing comments.

Stephen Hester
Terrific. Well, again, thank you very much for joining us. Obviously you know where to find Rupert and the team should you have any more questions during the day. We look forward to meeting you all again in the context of our half-year results and with a bit of luck to report another quarter of delivery. So we're pleased, we're on track, we don't want anyone to get carried away with that, but things are looking positive, both in the headline, and on an underlying basis. Thank you very much for listening. Have a good day.

Operator
This now concludes the conference. Thank you all very much for attending. You may now disconnect your lines.