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Presentation

Operator
Hello, and welcome to the RSA A1 2018 Trading update. Throughout the call, all participants will be in a listen-only mode and afterwards there will be a question and answer session. Just to remind you that this call is being recorded. I will now hand you over to Stephen Hester, Group CEO, and Scott Egan, CFO. Please begin your meeting.

Stephen Hester
Yes, good morning, everyone and thank you for joining for our Q1 trading update. Normal format I'll make a couple of remarks. Scott will canter[?] through the financial disclosures we made and then, obviously, we got time for any questions that you might have. Of course, we are very conscious this is only first quarter so, first of all, it's not a very long period of time. Secondly, we don't give absolutely full disclosures as most of our competitors don't. But nevertheless I think, you can see from what we put out that we consider the first quarter to have been another quarter of positive progress for RSA, progress where we wanted to make it on the top line, progress on the bottom line, and on some of the key controllables that lie that progress also – in fact, on most of the key controllable's progress. We continue to want to do more business with customers where it's profitable, which is happening. We continue to want to get better at underwriting, which is happening. We continue to want to get cheaper, which is happening. And then there are one or two things didn't go as well as we wanted last year and we need to improve in those areas and that remediation is happening as well.

So far, so good in the controllables. There are a couple of headwinds for which you can note as well but I think after the first quarter, we feel okay about things, positive about things, probably. Scott, you want to take on from there?

Scott Egan
Good morning everyone. As usual, I'll give a brief summary and a bit more colour on performance for the first quarter. Overall, we're happy with qualitative progress across all of our regions and our underlying business performance is in line with our expectations. The quarter saw good top line momentum in our most profitable businesses, while we continue to hold our discipline on rate where it's needed. Q1 was however characterised by elevated winter weather which impacted all our regions; nonetheless, our pre-tax earnings were higher than Q1 last year.

If I turn to the detail and beginning with top line…net written premiums were up 2% on an underlying basis at constant FX. As a reminder, we renewed our triennial GVC programme in Q1 and, taken together with a reduction in retention for UK & Ireland Motor Casualty and some rate inflation, this dampened net written premiums by circa £200m. These items were included in our 2018 plans.

If I start with Scandinavia, underlying premiums in Sweden were up 4% at constant FX; pleasingly, this was driven by growth of 6% in our Personal Lines business. Premiums were flat year-on-year in Denmark, with growth in Personal Lines offset by contraction in Commercial.

Turning to Canada, where we reported our 5th consecutive quarter of premium growth. Policy count was up in Personal Lines and we're happy to again report organic growth of 2% in Johnson, while volumes grew in Commercial Lines. We continue to observe elevated Motor claims inflation for both bodily injury and repair costs and have been attacking this with rate since mid-2017. Around 3 to 4% went live in Q1, having been filed and agreed in 2017 and further filings have been made or are planned which we hope will bring applied rate to around 7% for the year.

Finally, in the UK, our partnership with Nationwide is doing well in its first full quarter of trading. This has helped to drive an increase in underlying Personal Lines premiums of 12%. That said, we continue to rate strongly in Household to help combat the escape of water issue we saw in 2017 and we are seeing lower new business and policy counts as a consequence. Motor and Pet premiums are also down as we continue to apply rate. In Commercial Lines, while rate was positive across all lines of business, volumes reduced in the quarter with the areas of Property and Marine most affected where we are remediating portfolios.

Turning to the dominant item for Q1…Group weather costs were 5.1% of net earned premiums. This was just over 3 points higher than Q1 of last year, when if you remember domestic weather was particularly benign, and it was around 2 points higher than the 5 year average. All regions were impacted. Both Scandinavia and Canada experienced severe and prolonged winter weather, with lower than average temperatures, although the extra cost in Scandinavia was marginal. In the case of Canada, which has been the worst hit of our regions, the poor weather has continued into April and early May, and only in the weekend we saw a windstorm in Ontario. The UK & Ireland endured Storms Eleanor and Emma, with Emma known locally as the 'Beast from the East' and costing an estimated £40m on pre-tax basis. The most impacted lines of business were Personal Household and Commercial Lines Property. Overall, the Group's weather losses were higher than our plans in Q1 and used around 45% of the weather allowance for the full year. Our weather costs seem better than or in line with those regional competitors who have reported to date, such as Intact in Canada and Direct Line in the UK.

Large losses were 9.7% in Q1 and at the beginning of every year the majority of the large loss ratio with IBNR ie an accrual for claims we don't know about, and we went into the year with a relatively prudent outlook. However, our plans for the year are in line with the 5 year average and nothing that we know at this stage would suggest that that is unachievable.
The attritional loss ratio improved again, albeit slightly, with all regions tracking in line with our expectations in the round. And finally, the controllable expense ratio continued to improve year-on-year.

Below the underwriting result, there were no real changes from our guidance. There were no restructuring costs, interest costs benefitted from last year's debt restructuring actions and net investment income continue to reflect the low (albeit improving) yield environment.

Turning to the balance sheet and capital, tangible net assets of £2.8bn were broadly flat during the quarter and the Group's Solvency II coverage ratio was 162% compared to 163% at year end. The main Solvency II movements comprised underlying capital generation, market movements and a notional dividend accrual consistent with previous quarters. FX was the only negative. Finally, Sterling strengthened in the quarter versus Q1 last year, particularly against the Swedish Krona and the Canadian Dollar. Current spot rates imply a headwind of around 3% to our plans for 2018.

So in summary…FX headwinds aside, underlying business performance is tracking in line with expectations. Weather costs are likely to adversely impact when H1 is compared to last year's benign first half, but on a full year basis there remains all to play for.

That concludes my review of the quarter. I'll now hand back to Stephen.

Stephen Hester
Scott, thank you very much. Let's go straight into Q&A.

Q&A

Operator
Thank you. If you do wish to ask a question, please press 01 on your telephone keypad. If you would like cancel your question, you may do so by pressing 02 to cancel. And our first question comes from the line of Arjan Vanveen from UBS. Please go ahead. Your line is open.

Arjan Vanveen
Thank you, gentlemen. In terms of premium growth, you called out the 12% growth in UK personal and 6% in Scandinavian retail. Can you just give a bit of indication where some of the other movements are coming from? Are you shedding blocks? I mean, you talked a bit about Home. Can you, maybe, just give a bit more colour on that front?

And secondly, just on the reinsurance impact. Can you give a bit of colour how we should think about that in terms of the top line reduction, the sort of bottom line impact of that? Are you giving away more to the reinsurers or is the bottom line impact more modest?

Stephen Hester

I'll ask Scott to talk about the areas of premium contraction, although as I said in my opening introduction, the only place is where we got premium contraction is where we're deliberately rating higher than the market in order to improve on areas where we were disappointed with last year's results. In terms of the reinsurance impact, we expect no impact from reinsurance on our full year profits guidance. The triennial GVC is the overwhelming majority of it, which every three years happens, but obviously is then, in terms of the earned ratio, spread over three years. And the other things are a bit lost in the rounding, with obviously Ogden, reinsurance rates being the largest item in the Other, which was priced for through motor price increases last year, which are coming through the earn now. So, I don't expect reinsurance to be an impactor of profits, other than the protector of profit, of course, during the year.

But Scott, you wanted to talk a bit more about the portfolio that we are remediating?

Scott Egan

Yeah. I mean, look, if you go around the regions, in Scandinavia if we start there, we feel positive in the Personal Lines space, as I said, in terms of our Personal Lines books, both in PA and in motor, which obviously are the two dominant classes, and obviously where we're showing good growth in Q1.

In Canada, we've seen decent growth in the Commercial Lines book which is both rate and volume. As I articulated the organic growth in our Johnson's business, which is Personal Lines, continues. Personal Lines broker have seen slightly tougher kind of volume and rating environment in Q1.

And coming back to the UK, I don't think I can add a huge amount more colour than I said, other than obviously we've got the Nationwide book coming in which is incremental year on year. But we are holding a rate discipline across our three Personal Lines book in Household, Motor and in Pet. And we've seen a corresponding reduction in predominantly new business volumes.

And in Commercial, it's very specific to the two areas I highlighted where we're taking underwriting actions, which is really going to flow through from some of last year's underwriting performance.

So, in the round, we are happy that the overall top line is heading in the right direction. Our actions are targeted on the right and specific areas. And the other areas, I think we're seeing a good response, both in new business and retention, from the kind of customer actions that we're taking. So, that would be the additional colour I would present.

Stephen Hester

And if you look at it up, all of those people who've reported against whom we compete, the Scandinavians have reported, Intact has reported, there's a couple of reports in the UK, I don't think we're seeing anything different than anyone else as everyone's in a pack of that sort of growth rate, apart from, if you like, narrow mono-line people.

Arjan Vanveen

I appreciate that. And just to round it up, just Scandi commercial, you were reporting that you were reducing that a bit. That's ongoing right, I assume?

Stephen Hester

Well, there were some underwriting actions. We need to do a bit more work on the profitability in Denmark. So, there was a few underwriting actions there but nothing really that we would call out.

Arjan Vanveen

Okay, great. Thanks very much.

Operator

Thank you. Our next question comes from the line of Thomas Seidl from Bernstein. Please go ahead. Your line is open. Thomas from Bernstein, please go ahead. Your line is open.

Thomas Seidl
Hello?

Operator
Hello. Hello, Thomas. We can hear you. If you can ask your question, please?

Thomas Seidl
Can you hear me now?

Operator
Yes, we can.

Thomas Seidl
Okay. So, the first question is on Home. The last time we spoke, you were quite bullish on the rate increase you were able to push through. I think you spoke about double digits. Can you give us an update basically what has changed since then, in terms of average premium and policy count? I couldn't quite hear acoustically what's got explained earlier.

Second on large losses, at the full year results, you saw nothing structural in the increasing trend of large losses now 9.7. My simple question is what is your financial year 2018 and 2019 budget for large losses?

And thirdly, maybe because you didn't cover it, can you also talk about your trading in Norway year to date? Thanks.

Stephen Hester
I'm sorry. I didn't catch your last one, your last question.

Thomas Seidl
Trading conditions in Norway, claims and pricing, please.

Stephen Hester
Yeah. Well, on large losses, I don't think we have anything new to say. Our goal for this year is to be broadly in line with the five-year average, i.e. for last year to prove to be an aberration, part volatility and part things that we fix in our underwriting. And at the end of – what are we now, four months through the year as we speak, that doesn't seem an unachievable ambition. And as Scott said, more than half of the large loss provision in the first quarter always every year is IBNR, i.e. it's a provision from losses you haven't actually been notified about and may never or may get. So, I don't think there's anything much we have to say about large losses at this stage of the year. Obviously, it's a volatile series but there's nothing we're alarmed about.

I'll ask Scott to talk about Norway. In terms of Home, I assume you just mean UK Home, which obviously for us is something like 6% of what we do. And so on a 12-month rolling basis, we are rating at double digits in home. I think it's fair to say that we are rating stronger than the market as a whole. Why that is, you'll have to ask other people who aren't rating so much. And as a consequence, we're prepared to sacrifice some top line, although, obviously, we're trying to take the top line that we're sacrificing in terms of its net present value.

And we've always said that, that we intend to behave much more like our Scandi peers than some other companies. We will always prioritise bottom line over top line. But we think we can do both. On an overall basis, obviously in the first quarter, we could. But in Household, and in fact in the UK Personal Lines, in general, ex the nationwide, we're rating ahead of the market. And so, that will help our margins and will help our volumes but we're comfortable with that.

Scott, if you want to…

Scott Egan
I think your question, Thomas, on Norway's trading conditions, I think we'd say trading conditions in Norway in Q1 have been relatively tough in the ability to carry rate, etc., in the marketplace. I think obviously we're focused on retention and our

retention rates have broadly held up. But I think new business in Norway is obviously a hard fight and impacted slightly by the fact that our business in Norway is of a smaller scale relative to others. But I think we're doing all the right things. We're focused on upgrading the IT infrastructure, which we're in the process of doing at the moment. These will all be things that help in the long term. But I think in the moment, trading conditions are quite tough in Norway.

Stephen Hester

And I suppose, as we're talking about the small operations, it's also worth saying that Ireland and Middle East had very good first quarters, the first of which is pleasing, obviously, as a continuation of last year's trends. Next question please.

Thomas Seidl

On large losses – maybe on large losses, is your planning assumption then the 9%, despite the average you're disclosing, or what is the –?

Stephen Hester

I can't – you're very muffled. Can you speak up please?

Thomas Seidl

I said on the large losses, is it the 9%, is this the planning assumption despite the average?

Stephen Hester

What I said was we are planning, subject to volatility, on large losses being in line with the five-year average, plus or minus.

Thomas Seidl

Okay. Thank you.

Stephen Hester

Thank you.

Operator

Thank you. Our next question comes from the line of Dhruv Gahlaut from HSBC. Please go ahead. Your line is open.

Dhruv Gahlaut

Good morning guys. A couple of questions. Firstly, could you just update on the reserve margin? You've mentioned another quarter of favourable development there. Is it still around the 5% which was the number at full year?

Secondly, thanks for giving an update on individual market. Is it possible to know at the group level what is the volume, how much has the volume gone up in terms of policy count?

And lastly, just going back on UK Home, since clearly you guys are taking actions around rates, etc., could you also say what happened on claim inflation? How does that compare this quarter, vis à vis maybe the last quarter or Q3 of last year? Thank you.

Stephen Hester

I'll have Scott comment on the reserve margin. On volume and rate, we're only going to give that at a half year. We don't even collect it on a completely comparable basis ourselves every quarter because each country is a bit complicated. But on…

Scott Egan

Household claims.

Stephen Hester

Household claims inflation, again, I think the first quarter, it's hard to give a good answer for that because all Q1s in our territory experience winter weather. And in winter weather, you always have a higher attritional cost of escape of water which is all part of our normal plan. And so, slightly different weather patterns change it. So, I think at this stage, we have nothing new to say. I mean, the lead indicators suggest that our claims actions will act to moderate Household, the underlying Household inflation. But I think it won't be until we get the half-year reserve reviews that we have a clearer line of sight over exactly what the numbers are. Scott, do you want to talk about reserve margins?

Scott Egan
Yeah. And just I'd say one other thing, Dhruv, just on what Stephen said, which is I've remained – and I think we've said this before, that escape of water claims in the UK in general would take a period of time to settle. So, just to reconfirm Stephen's point, it takes a period of time before you start to see them coming through –

Stephen Hester
But there's nothing we're alarmed about at this stage, I think is a fair point to –

Scott Egan
And on the reserve margin, it's a really short answer, yes, is what I would say.

Dhruv Gahlaut
Perfect. Thanks so much for that.

Operator
Thank you. Our next question comes from the line of Ivan Bokhmat from Barclays. Please go ahead. Your line is open.

Ivan Bokhmat
Hi, thank you very much. My first question would be on the UK. Thinking broader, I think the guidance for 2018 was to get back to the 2016 combined ratio of 95%. Weather impact aside, do you think the underlying business is trending towards achieving that goal for this year?

And then the second question, I'm just wondering on the triennial pension review, could you provide any colour on where we stand? Thank you.

Stephen Hester
No news at all on the triennial pension review but we wouldn't have expected to. It won't be – I don't think the trustees are likely to present us with a balance sheet until the third quarter in the normal course. So, there won't be any engagement on that until the second half of the year. And it remains our goal to have clear news at our full year results in early next year. But, again, we continue to have no cause for alarm on the subject. And with respect to how the UK is doing at this very early stage of the year, there's nothing in our full year outlook that we're alarmed about, bar the normal volatility of ups and downs, things – which at the moment, weather was the negative, volatile thing in the first quarter.

Operator
Thank you. Our next question comes from the line of Greig Paterson from KBW. Please go ahead, your line is open.

Greig Paterson
Morning everyone. Just one comment, please. Could you reintroduce –?

Stephen Hester
Greig, could you speak up?

Scott Egan
Greig, can you speak up, we can't hear you?

Greig Paterson
Can you hear me now?

Scott Egan
Just.

Greig Paterson
Alright, just one second. Can you hear me now?

Stephen Hester
Yes.

Greig Paterson
Alright, hello. Just in terms of these trading updates, just a request, could you reintroduce the detail on the net written premiums? I spent my whole time trying to figure out the underlying miss[?] versus my number. And if we had the numbers it would just take instantaneous, we wouldn't have to ask questions on it.

Stephen Hester
Greig, when you get Aviva to even do a trading update, we'll talk to you about it but at the moment the answer is no.

Greig Paterson
No, I'm just talking about the quality.

Stephen Hester
No, it's an unhealthy obsession on irrelevant trends –

Greig Paterson
No, sure –

Stephen Hester
– and we're happy with our disclosure first quarter and we're not going to change it.

Greig Paterson
Yeah, what I'm trying to say is I wasn't able to figure out whether the issue was around the price of the aggregate cover or whether the issue was around the reinsurance, etc., etc. So basically I spent a whole bunch of time trying to figure out. But anyway, let's take it offline. I'll chat to you further. I think it actually hurts the investment case but anyway.

And just three questions: Motor, just telematics, I was wondering whether the growth was continuing there, whether you were getting a rate through – just given that we've seen an uptick in the competitive environment in the first quarter. I wonder if you could just talk about your experience in telematics in terms of the top line.

And then just in terms of Deeks, I think that's a new announcement. Could you just give us an idea what the plan is in, what the price was you paid?

And then thirdly, your comment about the attritional loss ratio only slightly down. If I remember correctly, you were saying that, as far as a written premium, you are sort of getting written premium through at equal to rate across the book and that's been a theme. So I would have expected attritional loss ratio to come down further and more marked. Should I start assuming that all the reengineering that you have been doing in claims and underwriting has now run its course and we're back to a steady state and I shouldn't assume any extra delta from that, going forward?

Stephen Hester
On telematics, I would say that the first quarter – we think our market share is leading; it's in the low 20% and it's higher than a year ago. The market, as a whole, I think was smaller, the telematics bit, in the first quarter and the first quarter last year. We think it might be associated with weather and how many young drivers are choosing to pass their test and buy cars when the

winter is very bad. So we don't have a worry about our market share and we certainly don't have a worry about our profitability, which is very strong in the first quarter. But the premiums are a bit softer than the first quarter last year, taking telematics as a whole.

Deeks – we have, over time, bought small personal brokerage books of business which we then integrate fully into our Johnson direct affinity business. And we did one small one, I think, for about £10 million of premium about a year ago. And so this is just slightly bigger than that, say £48 million of premium, albeit that won't start coming in until half way through the year. And then it'll come in through next year. We haven't disclosed the price but it's not an excessive price, it's value-accretive for us. And Deeks specialises in big affinity programmes, which fit like a glove with what Johnson already does. And so, it's just adding to the organic growth that Johnson's already got.

In terms of attritional, I think that it's true to say that the scale of attritional gains between 2014 and 2017, over those three years, we would think unlikely to repeat between 2018 and 2020. And if you work through our various discussions on our ambitions for combined ratios, and look at where each of the regions are, and look at where our attritional loss ratios are relative to competitors in each of the regions, that's a self-evident statement. And so, while we do think that we can make attritional gains, we do think that they will be more modest than the gains over the last three years. And obviously we're always trading – if we become better underwriters, do we reinvest that in staying competitive in markets and in top line growth, an example of which would be in Sweden? For example, one of the ways that we got 6% top line growth in our Personal lines was by reinvesting some underwriting gains on selectively becoming more price competitive in some areas. So the Sweden result gained but it gained in a different way. So, I think that would be the way I'd think about attritional loss ratio. We think there can be some more gains, but they will be less than over the last three years.

Greig Paterson
Excellent. Thank you.

Operator
Thank you. Our next question comes from the line of Dom O'Mahony from BNP Paribas. Please go ahead, your line is open.

Dominic O'Mahony
Good morning, just two questions from me, if that's alright? One follow-up on the large loss line. As I understand it, there's nothing sort of important to note in terms of your experience there. And the reason that you're above the five-year average is the IBNR piece. I just wonder if you could explain why the IBNR is high. Is that essentially just a mechanical effect of the experience last year flowing through and that's why actually, over the full year, you don't expect it to be – you don't have any reason to expect it to be different from the average?

Just a second question on Canadian Auto. From the way you describe it, in line with your competitors, pricing is going up. Two of your biggest competitors have had some reserving challenges, I would describe them as, in the second half of 2017; you don't seem to have had anything like that. I just thought I'd invite you to comment on that, whether you think actually there are market-wide trends you'd already dealt with by that point, or whether actually these weren't market-wide issues in terms of farming of the back books and that sort of thing. Thank you.

Stephen Hester
I'll ask Scott to talk about the large losses. On Canada Auto, to be honest, I'm very reluctant to sort of declare any victories in Canada Auto because it's a difficult space. It's a difficult market anyway and it's made much more difficult with the vagaries of provincial regulation, which tends to make it challenging to align prices with loss experienced, except with time lags. So, I think the whole market is now in a hardening cycle, but the hardening cycle is being held back by various regulatory obstacles, which is why, for the whole market, combined ratios in Canada Auto are poor. But the objective, obviously, of the price rises is to restore them to respectability. You might have seen Intact saying that its goal is to have a run rate by the end of the year on a respectable basis, and our price rises are not going to be that dissimilar to Intact.

In terms of reserve movements, to be honest, after the first quarter you don't have any useful data; we don't spend a whole lot of time on these things after just three months of data. So, I think we'll have a better idea if there's anything to be alarmed about on reserves at the end of the second quarter. But at this stage, I'm neither flagging that we're immune – we're certainly not immune – nor flagging anything that's specific that we know about, that's a big problem.

Scott Egan

And Dom, just on the large, I think it's a good segue, which is it's three months into the year, which is what I was trying to say in my voiceover. By definition, you always end up with a high level of IBNR in the first quarter, as the year hasn't developed. I think the backdrop to that is we've come into the year off the back of a more volatile 2017, and so therefore our IBNR picks will be more on the prudent side. And therefore, as I say, I think the message to take is on an underlying basis, sitting here today, there is nothing that we know about that wouldn't bring us back to a more long-run average, which is our ambition and plan.

Dominic O'Mahony

Thank you very much.

Stephen Hester

Saying [inaudible], that's true.

Scott Egan

Yeah.

Operator

Thank you. Ladies and gentlemen, as a reminder, if you do wish to ask a question, please press 01 on your telephone keypad now. And our next question comes from the line of Andrew Crean from Autonomous. Please go ahead, your line is open.

Andrew Crean

Good morning everyone. I just had one question on UK Home. You were talking about raising rates double digit. I think the market is flat to down. That's a hell of a gap and I'm just wondering what's happening to your retention ratio, whether it is possible to sit outside the market pricing to such a degree?

Stephen Hester

Andrew, I don't think your – first of all, the number I gave was a 12-month trailing as opposed to what we plan to do over the next 12 months, and the great majority of what we felt we needed to do on rate we've now done.

Andrew Crean

Right.

Stephen Hester

And so my information on new business pricing – there's no transparency on renewal pricing – was that the market as a whole over that same 12-month period was more than 5% but not more than 10%. But maybe there are several indices you could look at. And obviously we're not giving retention rates because that would be more disclosure than we're giving in the first quarter but our retention rate clearly is down. One of the things that everyone, I think, in the market will review at the half-year, which is when your actuaries spend more time than they do at the quarter, is what the inflation trends are. And if they're moderating then you'll see price action moderate. Obviously it may be that winter weather impacts some people more than others in the way they think about pricing, so we'll have to see.

Andrew Crean

Okay, thank you.

Stephen Hester

At this stage, on the face of it, we have been a bit more determined in rating than some others. There are also, of course, some people in the market who don't have sizeable Home books who are trying to grow them, who therefore may not be looking as strictly at profitability as us. But we'll continue to watch it.

Andrew Crean

Okay, thank you.

Operator

Thank you. Our next question comes from the line of Pat Denosi[?] from Medio Banca. Please go ahead, your line is open.

Speaker

Hello, hi, can you hear me?

Stephen Hester

Yeah.

Speaker

Right, sorry, it was the – it's a weird name. It's [inaudible] for Medio Banca. Just a quick follow-up on Canada. You mentioned that April and May, the weather is still bad. Could we just get some context behind that, in terms of is it now or do you expect it to run above the five-year average for Q2?

Stephen Hester

Well, a) we have absolutely no reason to believe that we're experiencing anything different from the rest of the industry and certainly you saw Intact's first quarter announcement. And our winter losses, pro rata to our size, were in line with Intact's winter losses, pro rata to the size, in the first quarter. The damage in April and May so far appears to be in the Ontario province, which is by far the most densely populated. And in both months there has been a big weather event – not big, massive big but – so if you asked us to guess today, we would guess that we would be above the five-year average in the second quarter. But as I've said many times, this is the nature of Canada. Canada is a natural – both in terms of the provincial regulation on Motor and in terms of the weather patterns, by far the most volatile territory that we write. And it's for that reason that we try to stay disciplined, that we try to have low expenses, that we try to have good attritional loss ratios so that we can absorb the volatility over time.

Speaker

Okay, thank you.

Operator

Thank you. And as there are no further questions, I will hand back to our speakers for any closing remarks.

Stephen Hester

Terrific. Well, thank you very much for joining us. You know where to find us if you have more questions. Obviously we're only dealing with the first quarter so hopefully the patterns for the year will be much clearer at the end of the first half when we speak to you in more detail. But at this stage the levers over which we have some influence are being pulled as well as we know how, and progress is being made. Thank you for joining us.

Operator

This now concludes our conference call. Thank you all for attending. You may now disconnect your lines.