

ADMIRAL  
GROUP plc



**2009 Half Year Results**

**25 August 2009**



# Agenda

## ■ Kevin Chidwick, Finance Director

- Highlights
- Group results
- Dividend

## ■ David Stevens, Chief Operating Officer

- UK car insurance market
- Admiral v the market
- Price comparison market and Confused.com

## ■ Henry Engelhardt, Chief Executive Officer

- International businesses
- Summary
- Questions

# Admiral is STILL different

	2004	2005	2006	2007	2008	2009
Highly Profitable	✓	✓	✓	✓	✓	✓
Fast Growing	✓	✓	✓	✓	✓	✓
Low Risk Profits	✓	✓	✓	✓	✓	✓
Strongly Cash Generative	✓	✓	✓	✓	✓	✓



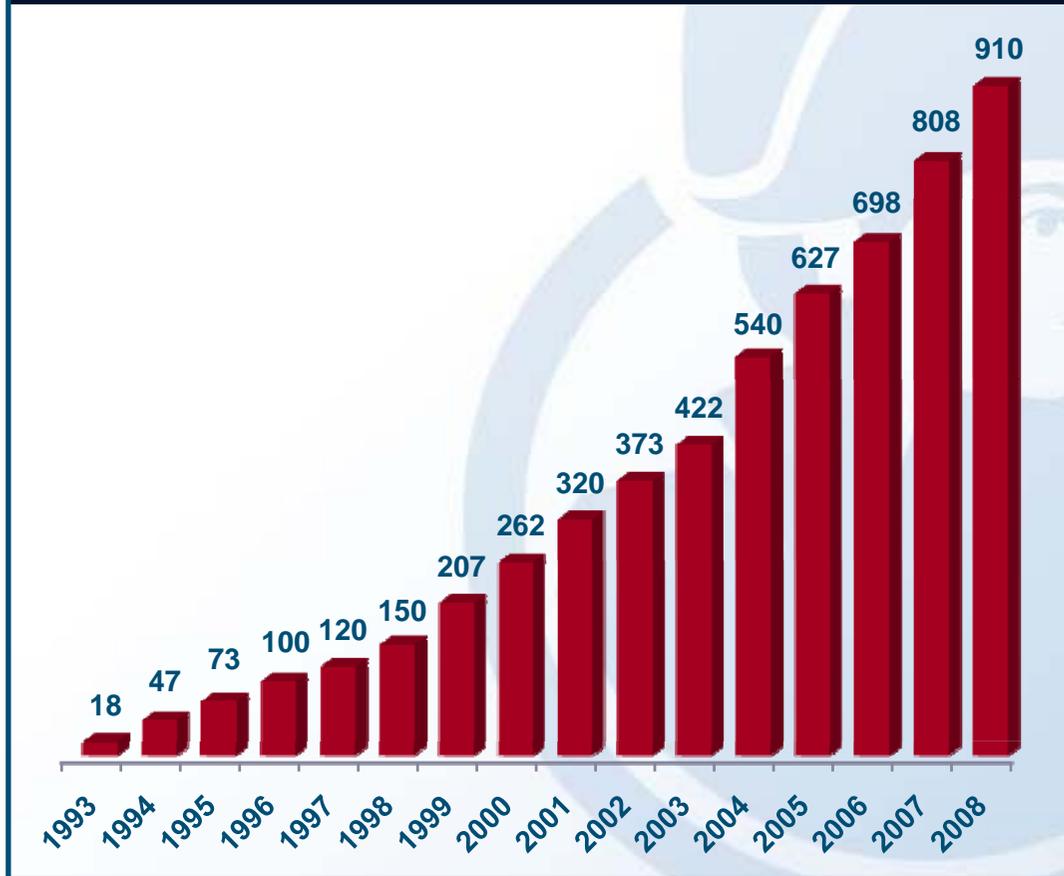
# Highlights

- ❑ Profit before tax up 5% at £105.3 million (H1 2008: £100.3 million)
- ❑ Turnover up 17% at £540.1 million (H1 2008: £463.4 million)
- ❑ Vehicle count up 18% to 1.92 million from 1.63 million at 30 June 2008
- ❑ Profit from UK car insurance up 18% to £101.2m (H1 2008: £86.0m)
- ❑ UK ancillaries per vehicle steady at £71
- ❑ Confused.com increased revenue whilst delivering the first increase in half yearly profits for 2 years
- ❑ Interim dividend of 27.7p per share (2008 interim: 26.0p)

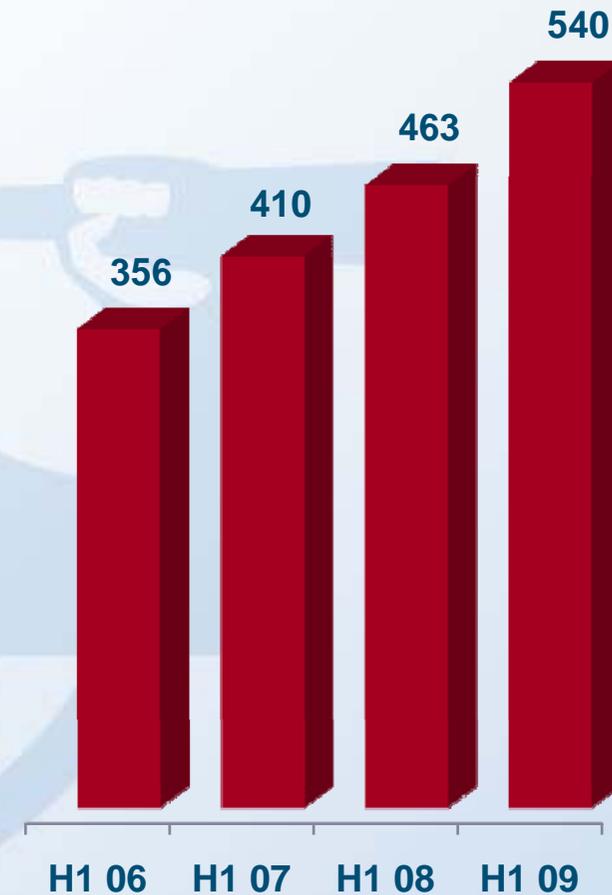


# Fast growing

### Historical Annual Revenue (£m)<sup>(1)</sup>



### Half Yearly Revenue (£m)<sup>(1)</sup>

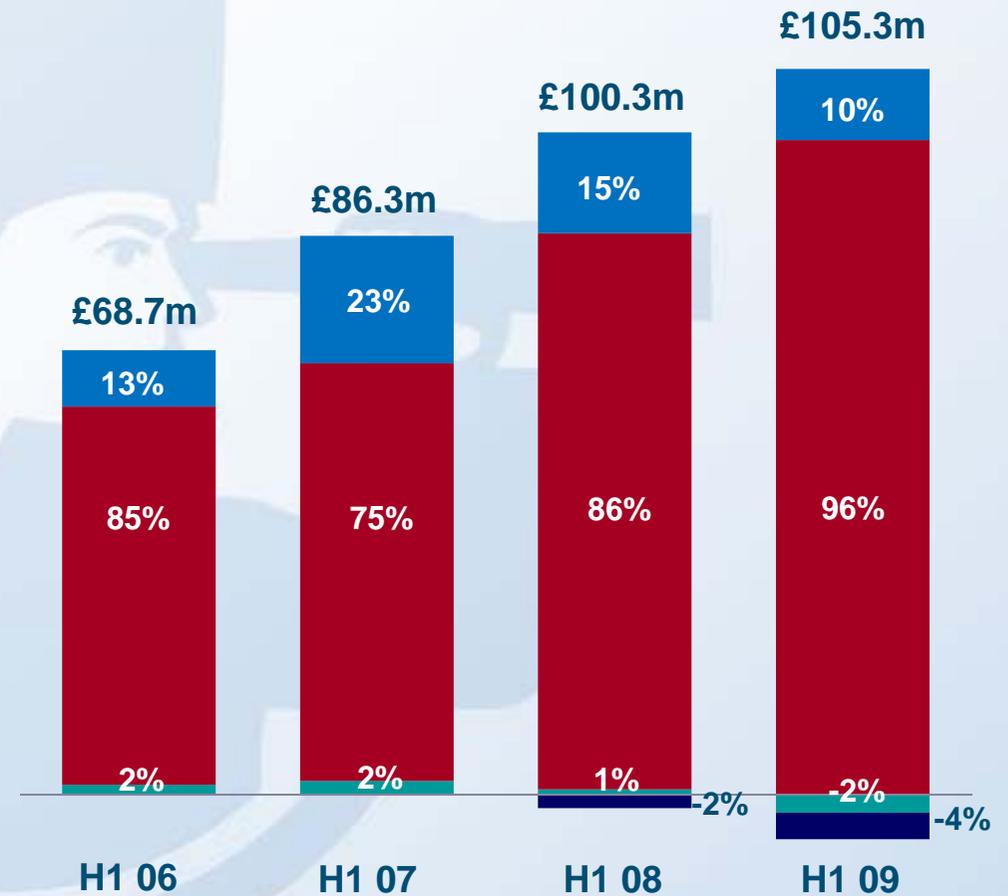


<sup>(1)</sup> Revenue comprises total premiums written + other revenue



# Admiral Group profits

## Half Yearly Profit Before Tax (£m)

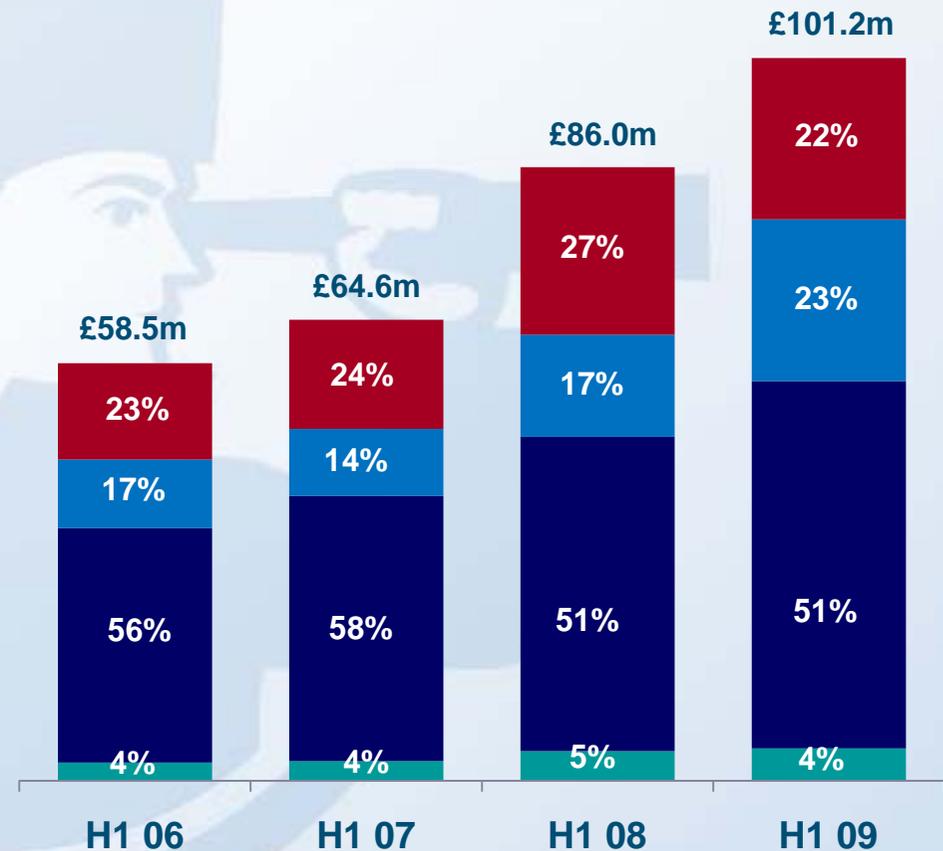
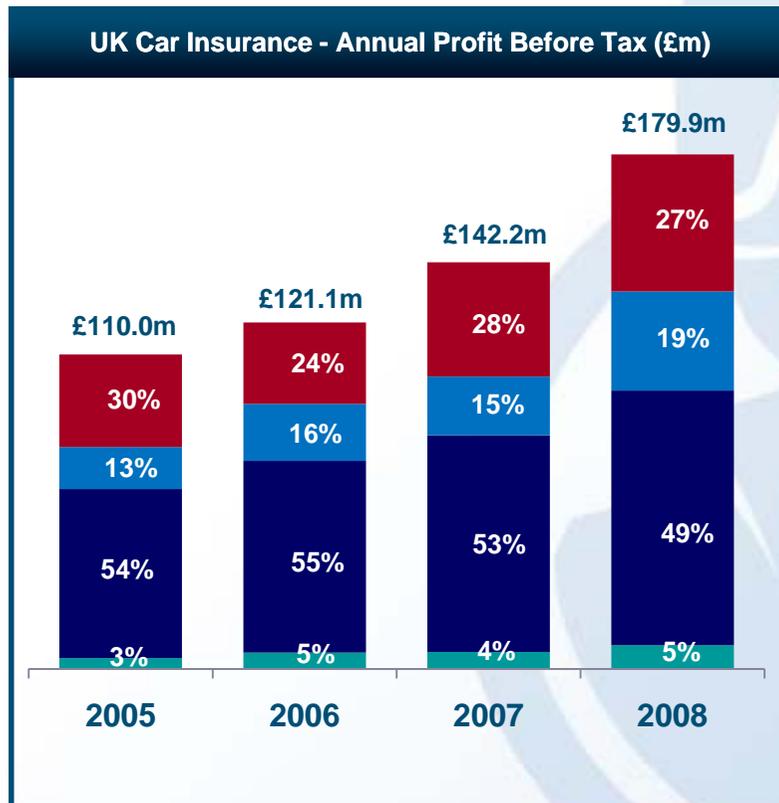


Price comparison UK car insurance Non-UK car insurance Other



# UK car insurance profits

## UK Car Insurance - Half Yearly Profit Before Tax (£m)

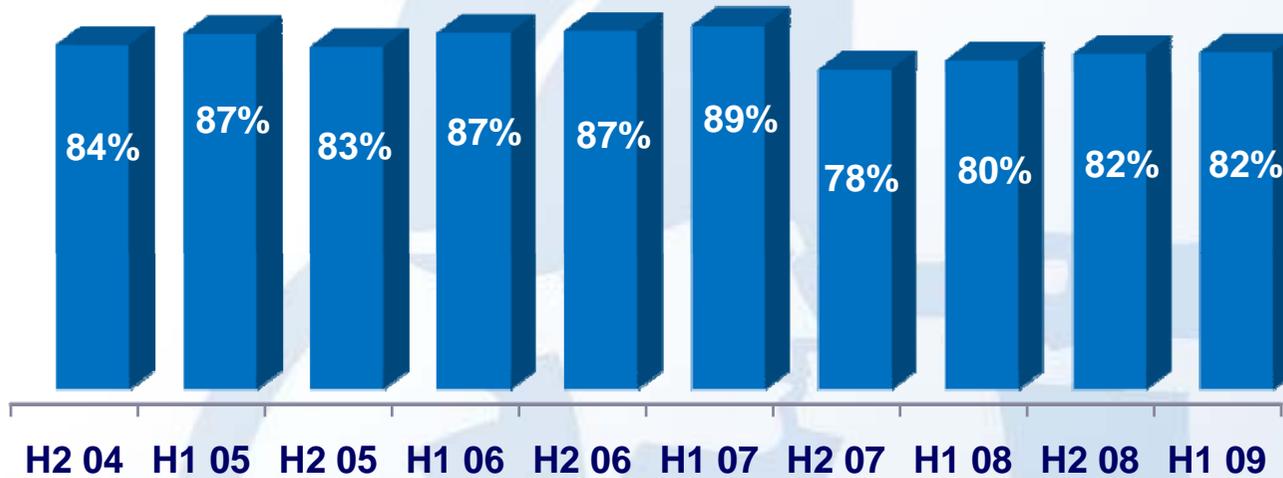


■ Underwriting ■ Profit Commission ■ Ancillary ■ Other



# Conservative reserving

## UK Reported Combined Ratio



## Prior Year Reserve Releases\*



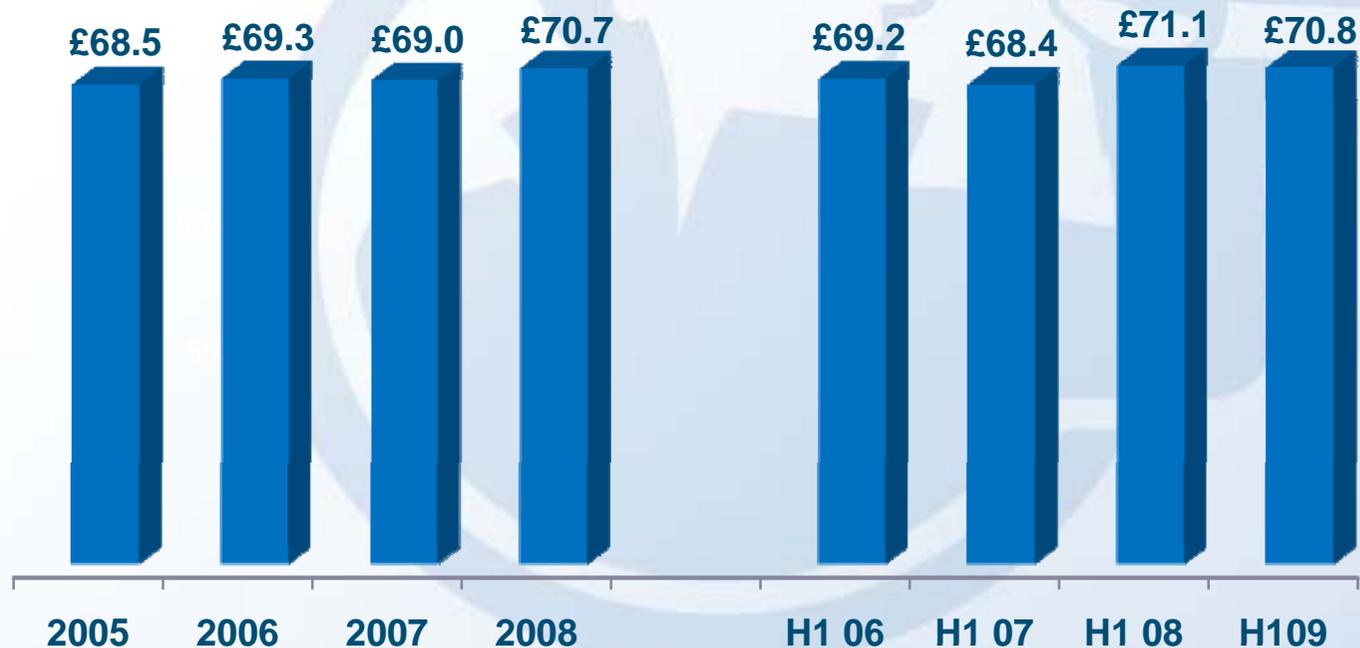
\* As a % of Net Earned Premium



## Growing ancillary income – UK car insurance

- Ancillary contribution<sup>(1)</sup> up by 15% to £61.0 million
- Ancillary contribution per active vehicle<sup>(1)</sup> stable at £71

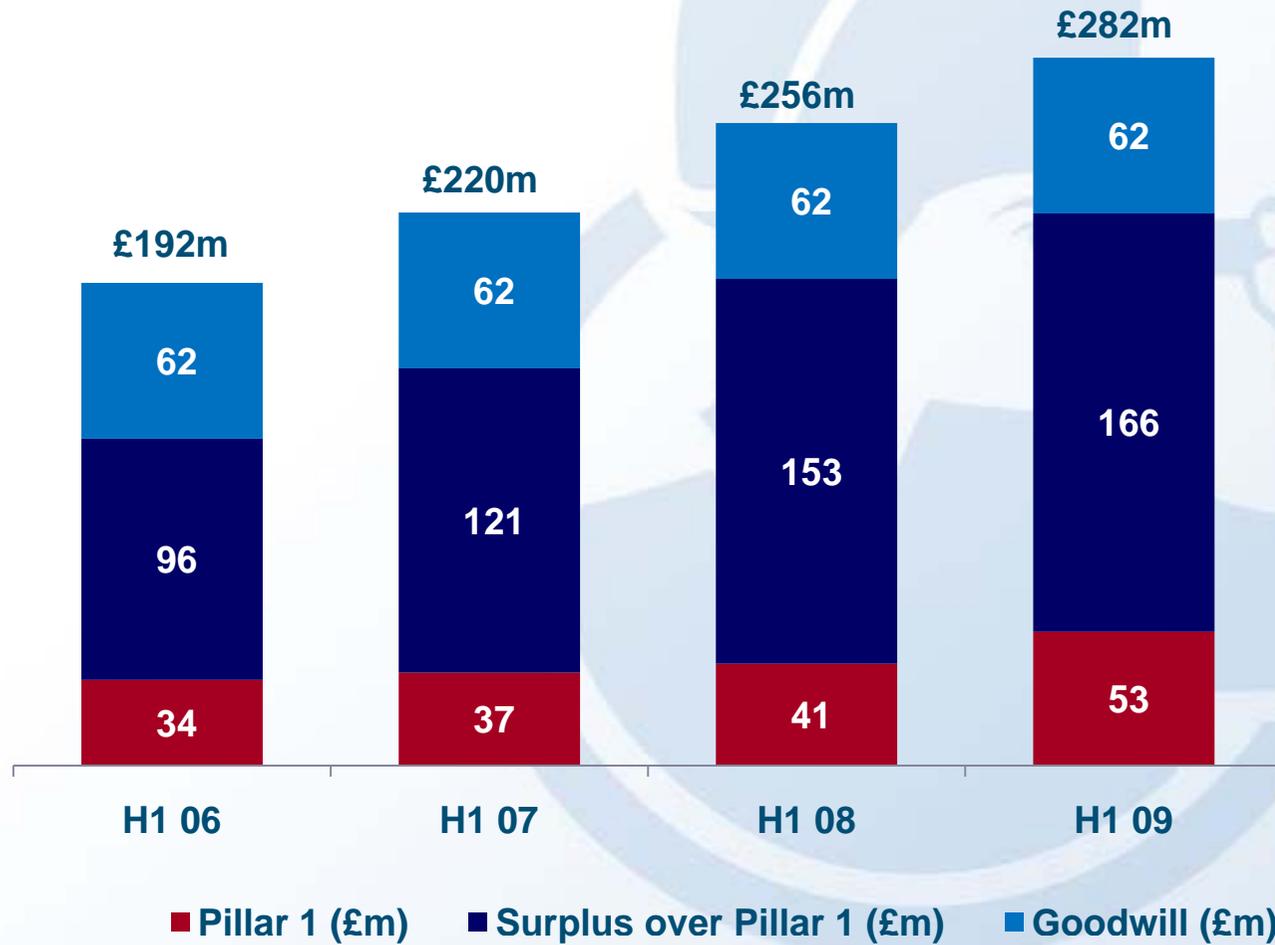
### Ancillary contribution per active vehicle<sup>(1)</sup>



(1) Before allocation of overhead expenses



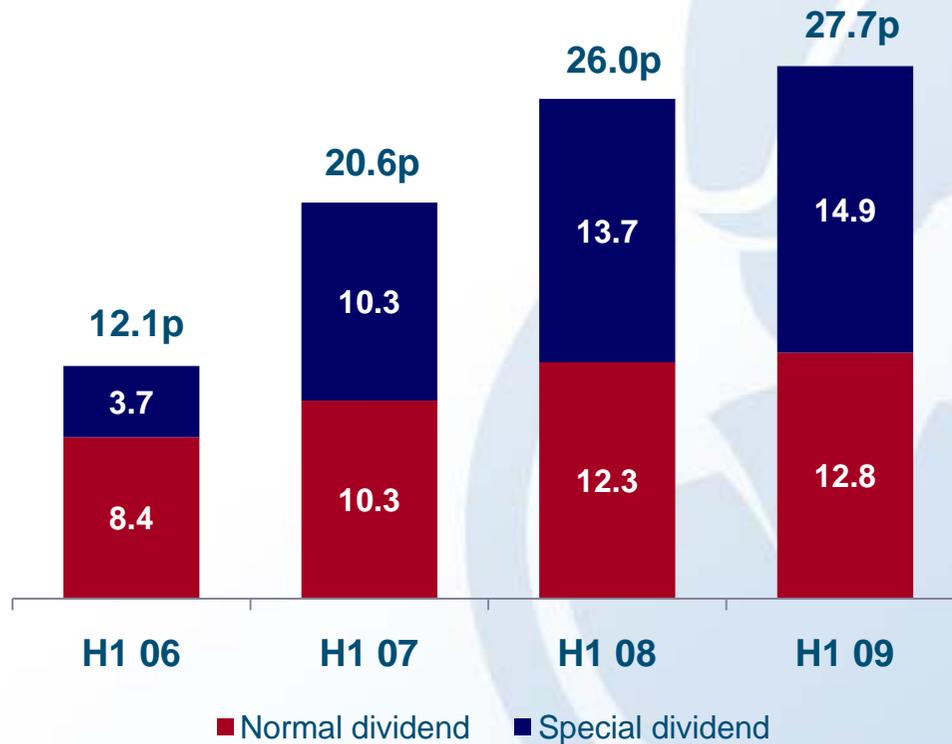
# Admiral Group solvency



	Surplus over Pillar 1
H1 06	280%
H1 07	330%
H1 08	375%
H1 09	315%



# Dividend



	H1 08	H1 09
	£m	£m
Total equity	256	282
Goodwill	(62)	(62)
Solvency capital	(95)	(116)
	<hr/>	<hr/>
	99	104
Buffer	(25)	(25)
International Expansion	(5)	(5)
	<hr/>	<hr/>
<b>Dividend</b>	<b>69</b>	<b>74</b>

H1 2009 – 27.7p per share

Ex-dividend – 7 October 2009 Record date – 9 October 2009

Payment date – 21 October 2009

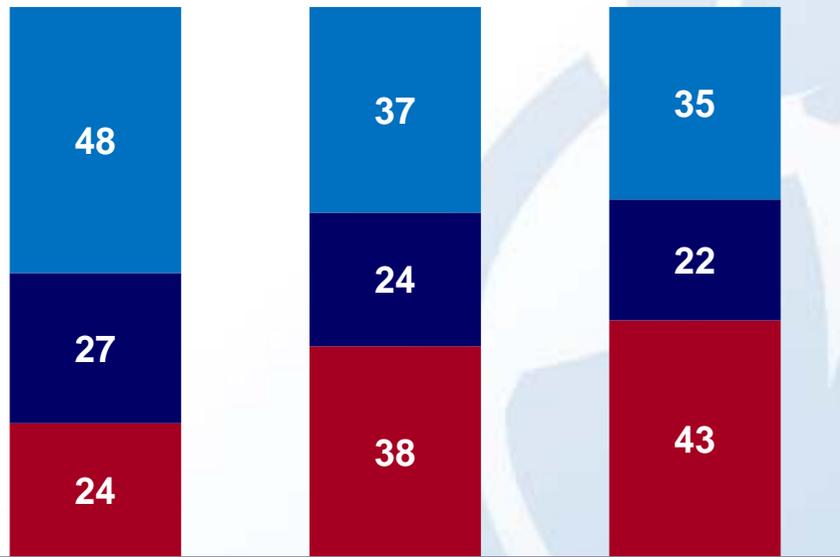


**UK car insurance market**



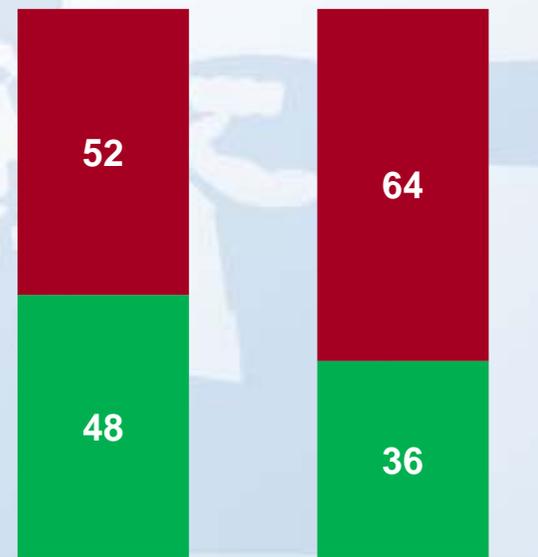
# UK Market - As PC sites grow, success in adapting to them is increasingly key to success

### New Business Sales\* (%)



■ PC Sites ■ Internet Non-PC ■ Off-line

### Marketing Spend\*\*



100% = £154m    100% = £54m

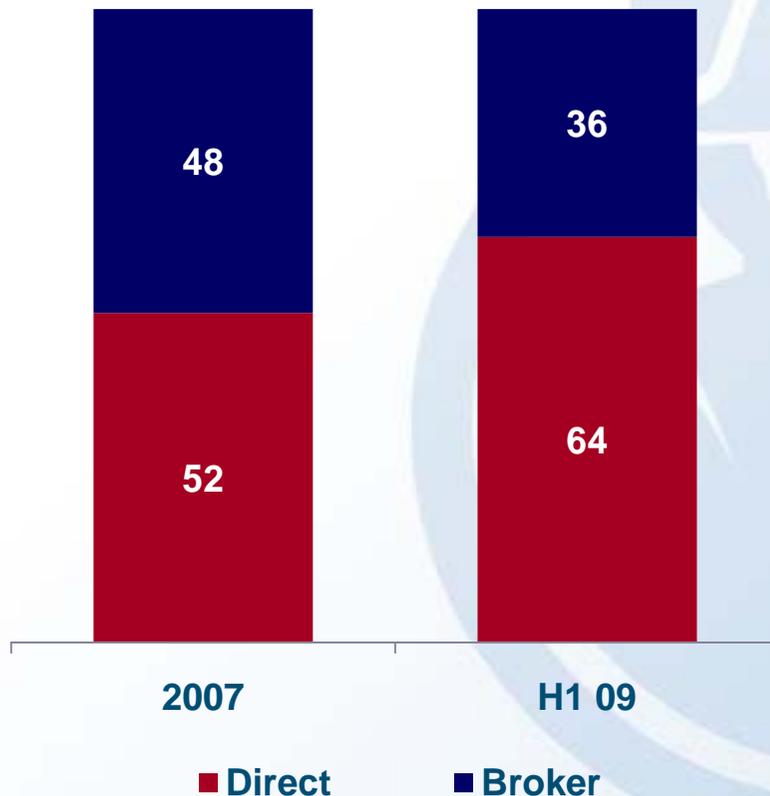
} 23% RBSI

\* Nielsen Press & TV only  
\*\* Management estimate



# UK Market - Broker orientated insurers appear to be struggling on both share and profitability

## Share of Sales (Confused)



## Challenging way to write business....

### 2008 Combined (Net)\* (All channels)

Allianz (1.5%)**	135%
HSBC (1.2%)	126%
MMA (1.2%)	126%
Highway (1.8%)	125%
NIG (3.4%)	115%

....though good results are possible

Fortis (6.3%)	101%
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\* Source EMB analysis of FSA returns

\*\* Market Share (units), based on average policies in force in 2008, source EMB analysis of FSA returns



## UK Market - The growth of PC sites has allowed some direct insurers to grow very rapidly, though not necessarily profitably

	Active on PC Sites	Unit Growth 2008 v 2007**	2008 Combined (Net)
Direct Line (12.1%)*	X	-3%	101%
Churchill (7.1%)	Mid-08	-5%	105%
Aviva (7.1%)	X	-15%	108%
Axa / Swiftcover (3.5%)	✓	+34%	113%
Esure (5.1%)	✓	+28%	116%
Admiral (5.7%)	✓	+13%	82%

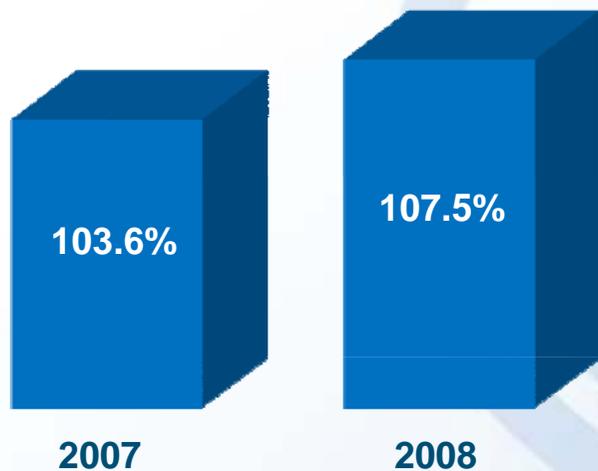
\* Market Share (units), based on average policies in force in 2008, source EMB analysis of FSA returns

\*\* Earned vehicle year growth

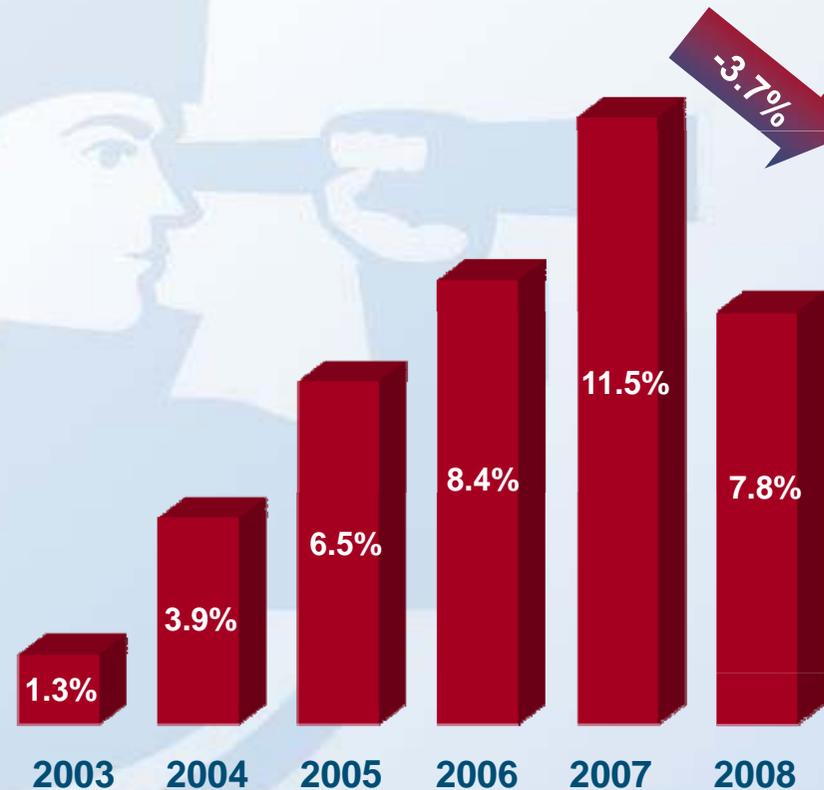


# UK Market - Headline results worsening due to lower releases

Reported Combined Ratio after Releases (% GWP)



Reserve Releases (% GWP)



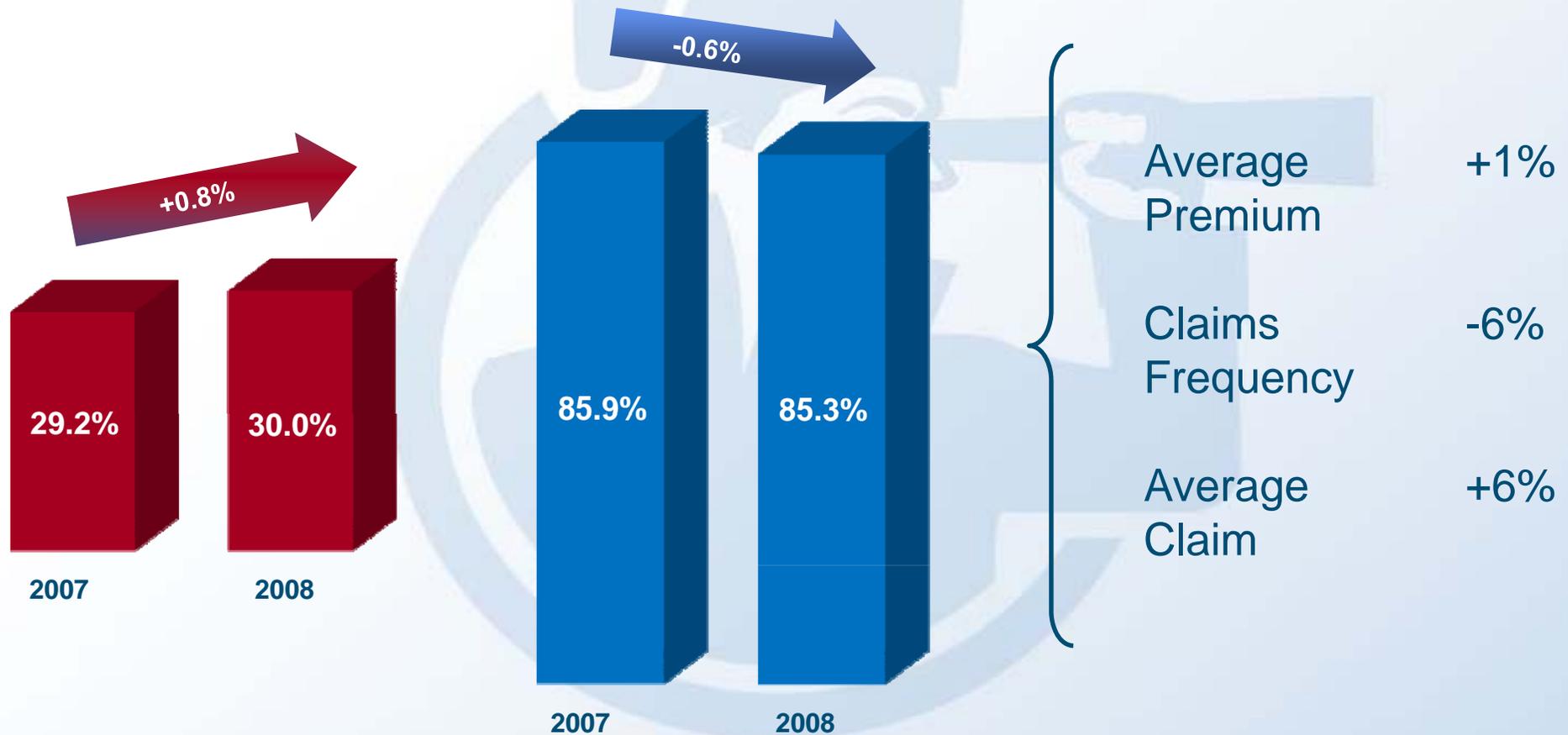


# UK Market - At a gross level a poor expense outcome offsets a slight improvement in loss ratios

Expense Ratio (% GWP)

Pure Year Loss Ratio (% GWP)

2008 v 2007

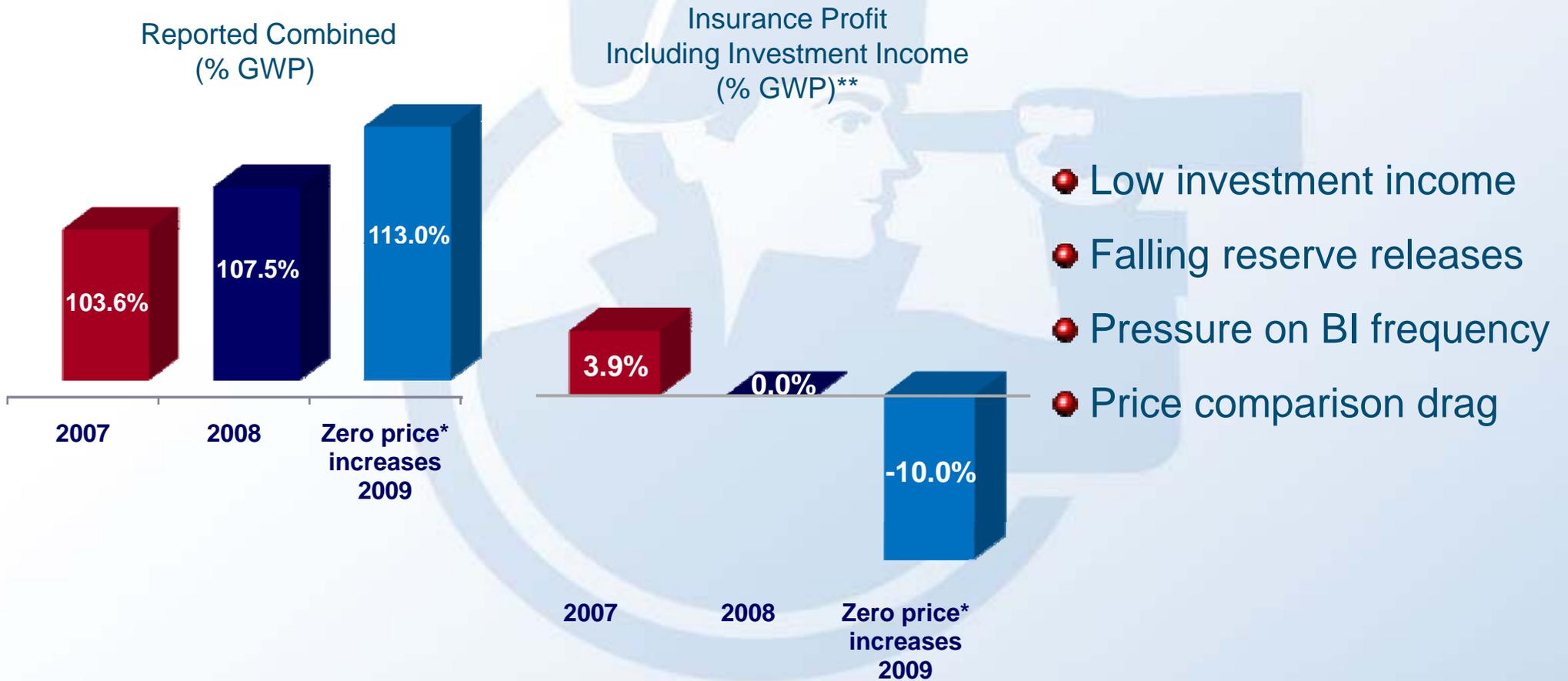


Source EMB analysis of FSA returns



# UK Market - There is substantial pressure on both reported and actual market profitability

## Zero Increase Scenario



\* Assume 2.5% cost per vehicle inflation and 5% reserve release in 09  
\*\* Assume reserves = 150% of GWP and return = 5% for 07/08 and 2% for 09



## UK Market - Insurers are responding to these pressures by accelerating price increases

Year	Calendar Year Changes (%)		Increases In Average Earned Premium (%)		
	AA Shoparound	Deloitte	Implied	Actual*	Difference (% points)
2005	1.9	1.8			
2006	0.8	-0.8	1	-1.7	-2.7
2007	4.8	4	2.2	0.2	-2
2008	7.2	7.6	6	1	-5
H1 09	5.5	6.4			

↑ Admiral +5.5%

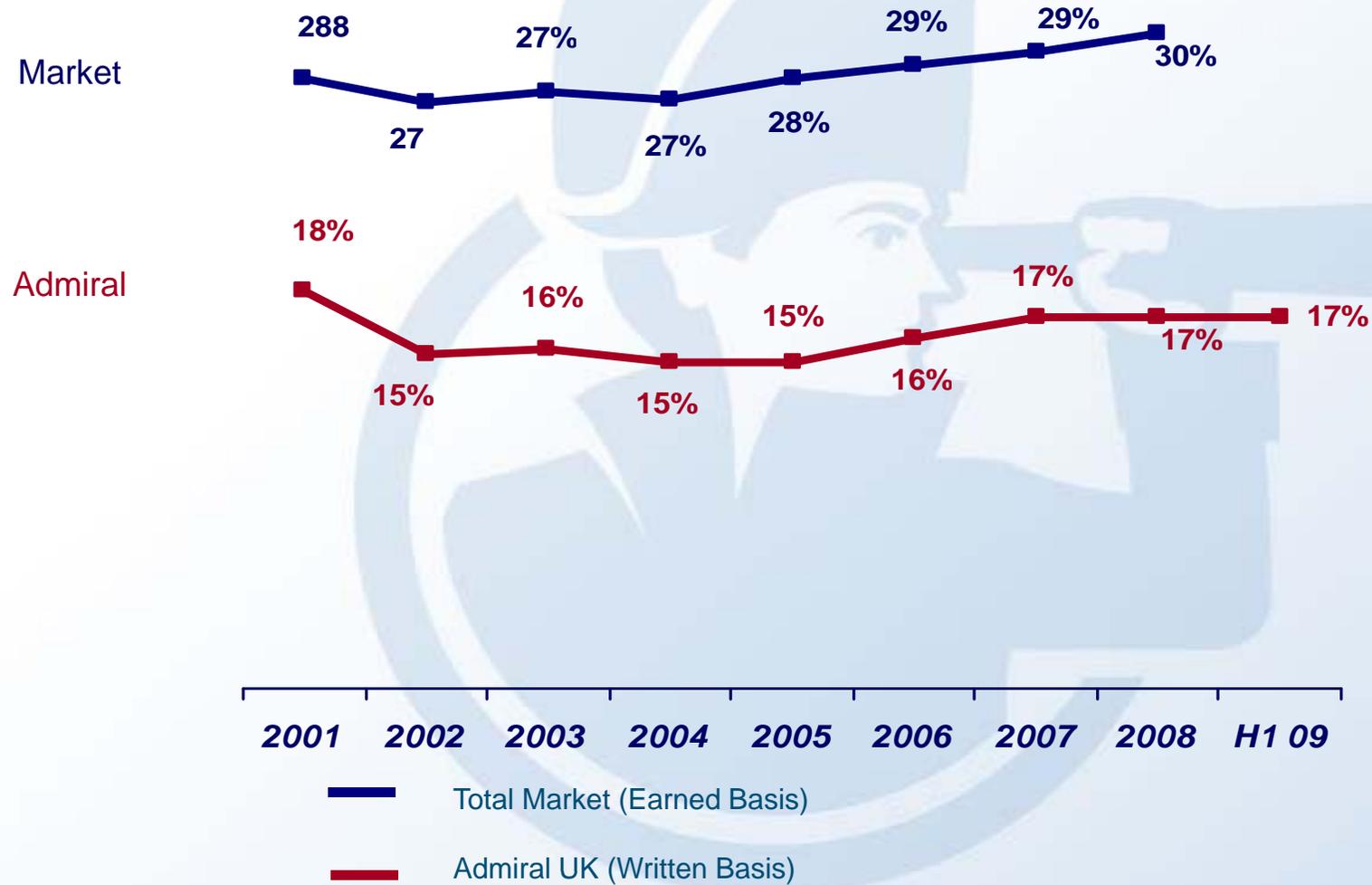
\* Source EMB analysis of FSA returns



## Admiral v. market

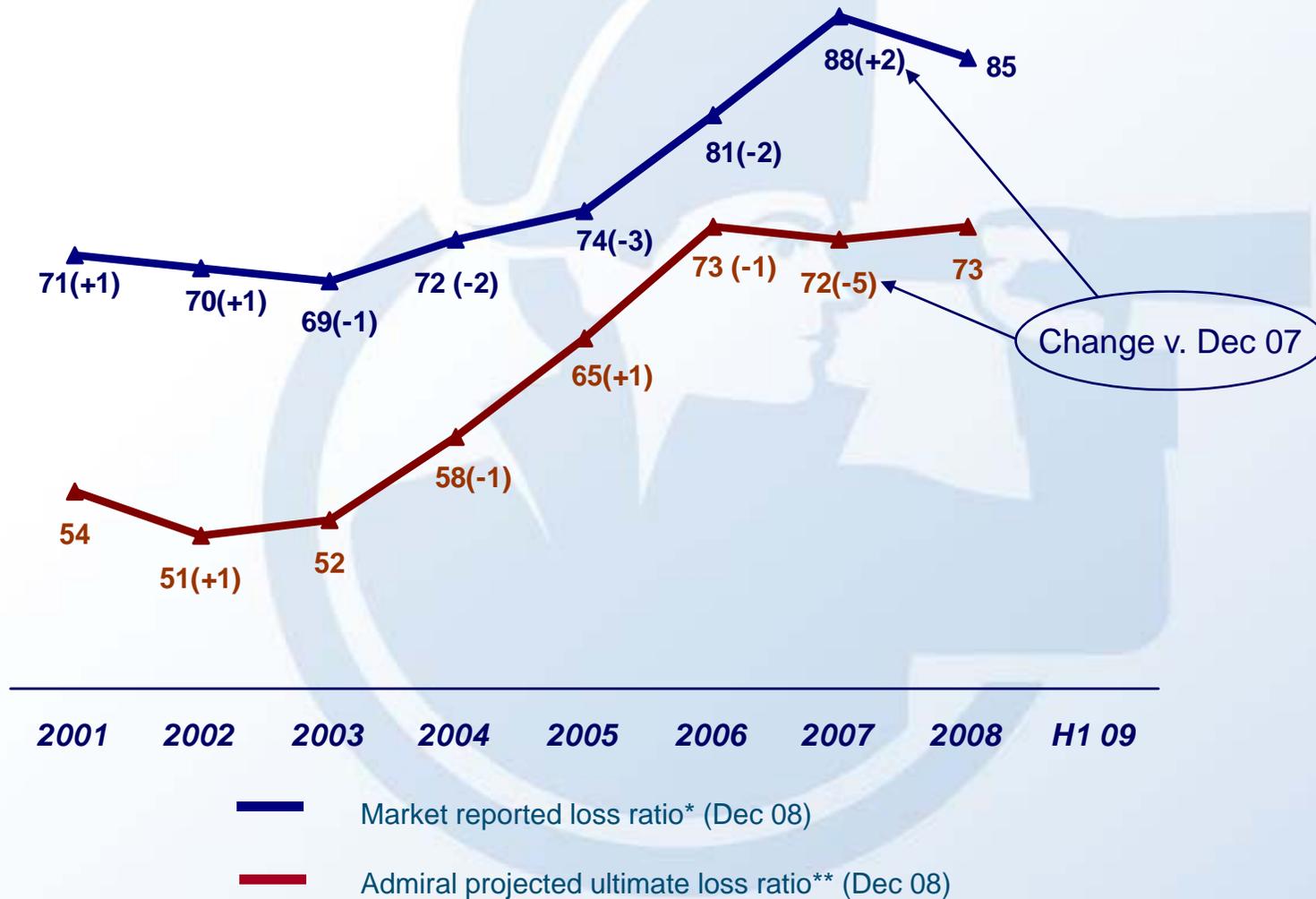


# Stable expense ratio





# Loss ratio projection – end 2008

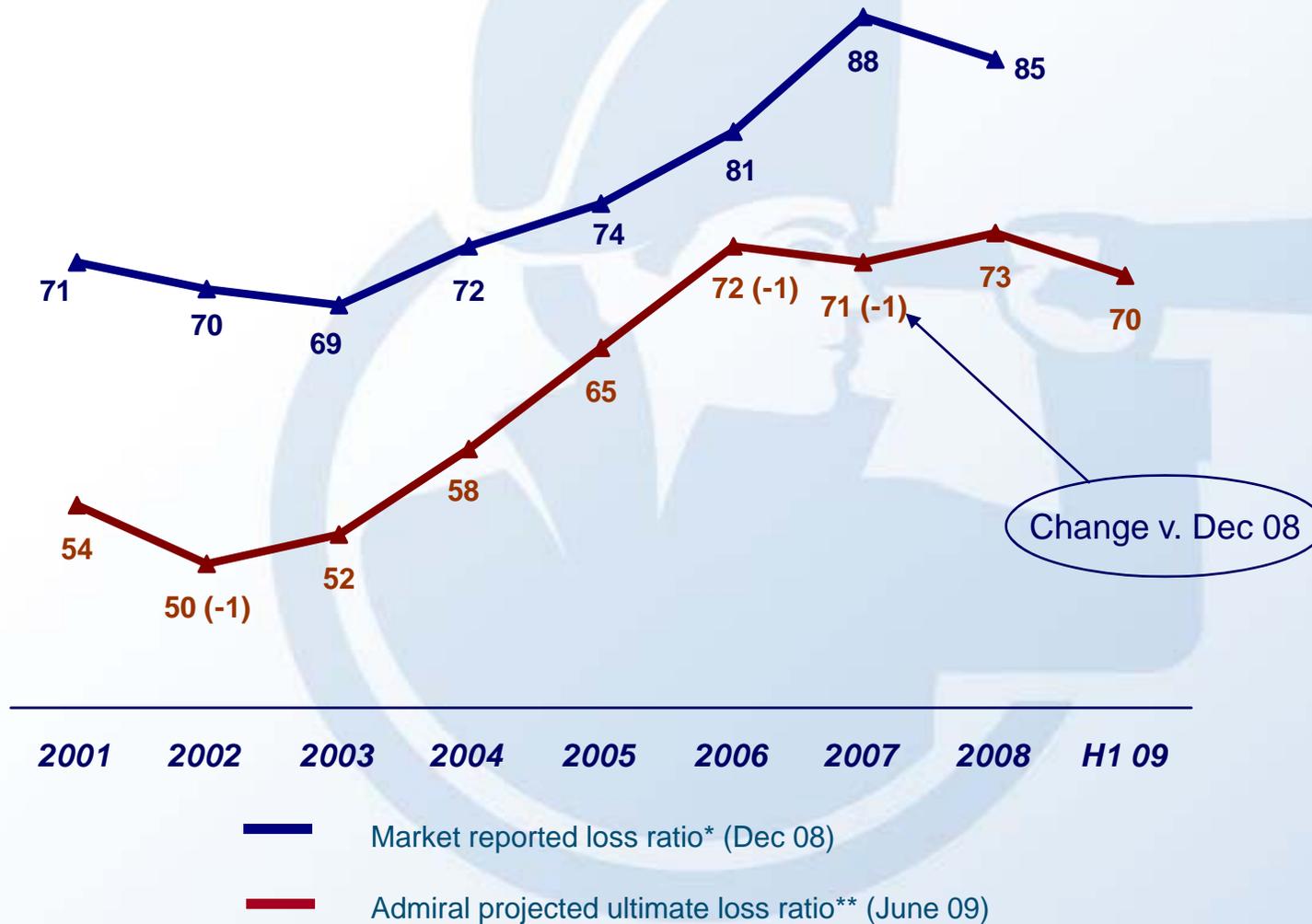


\* Reported accident year loss ratio with reserve releases allocated back to relevant accident year, source: EMB Analysis of FSA returns

\*\* Ernst & Young projected ultimate loss ratios



# Loss ratio projection – H1 2009



\* Reported accident year loss ratio with reserve releases allocated back to relevant accident year, source: EMB Analysis of FSA returns

\*\* Ernst & Young projected ultimate loss ratios



# Combined ratio v market



- Market (excl Admiral) reported loss ratio (before releases) as at Dec 08, plus expense ratio.
- Admiral projected ultimate loss ratio as at June 09, plus written expense ratio.

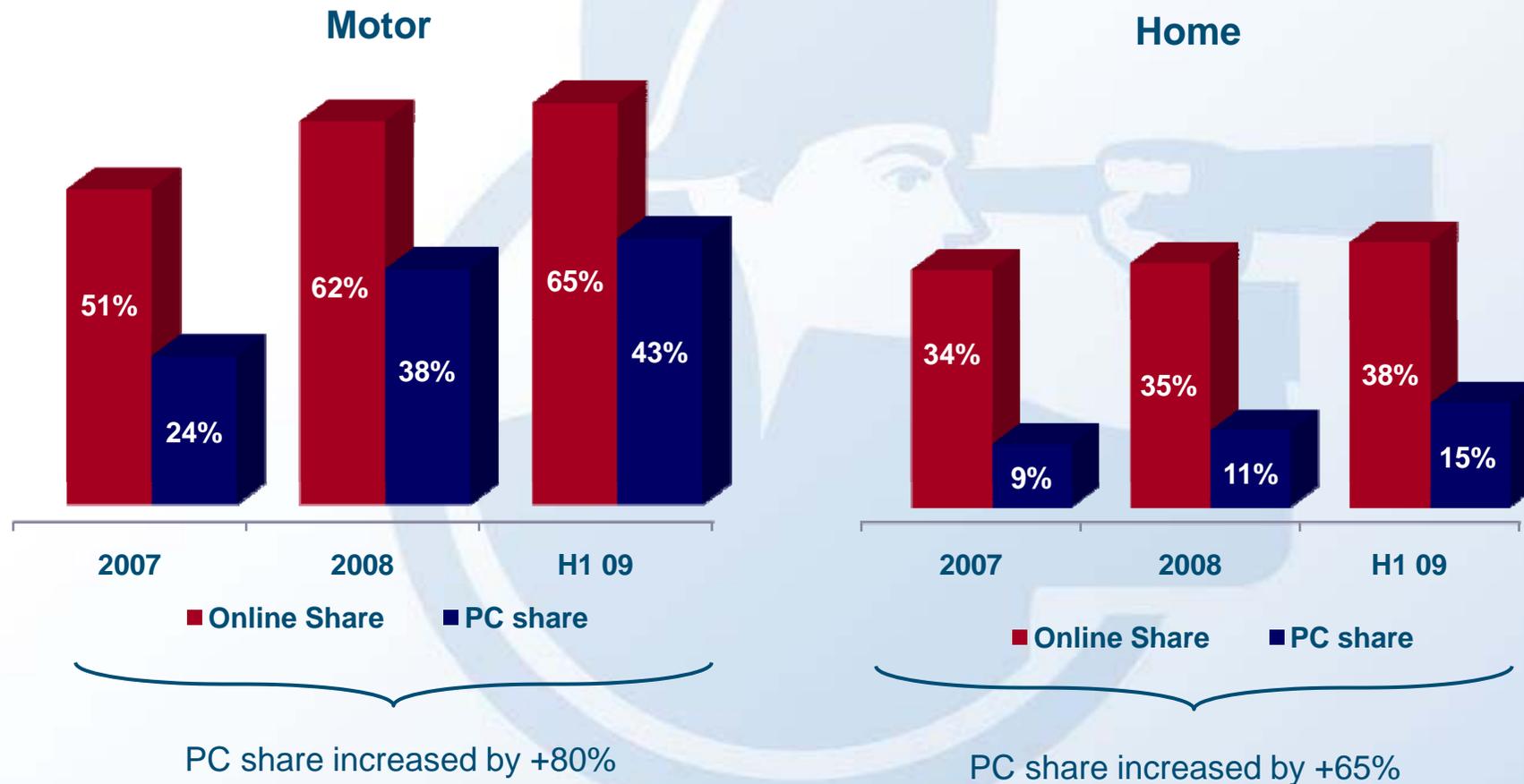


## UK price comparison & Confused.com



# Price comparison is increasingly important in the distribution of insurance

## Share of New Business (%)



Source: Management estimate.



## In car insurance, the market is dominated by four players

### Share of Admiral's price comparison sales from top four price comparison sites\*

(Top Four / All PC Site Sales)



### Recent Withdrawals

#### Closure:

- Confidentcover (Saga)
- Lloyds TSB Compare

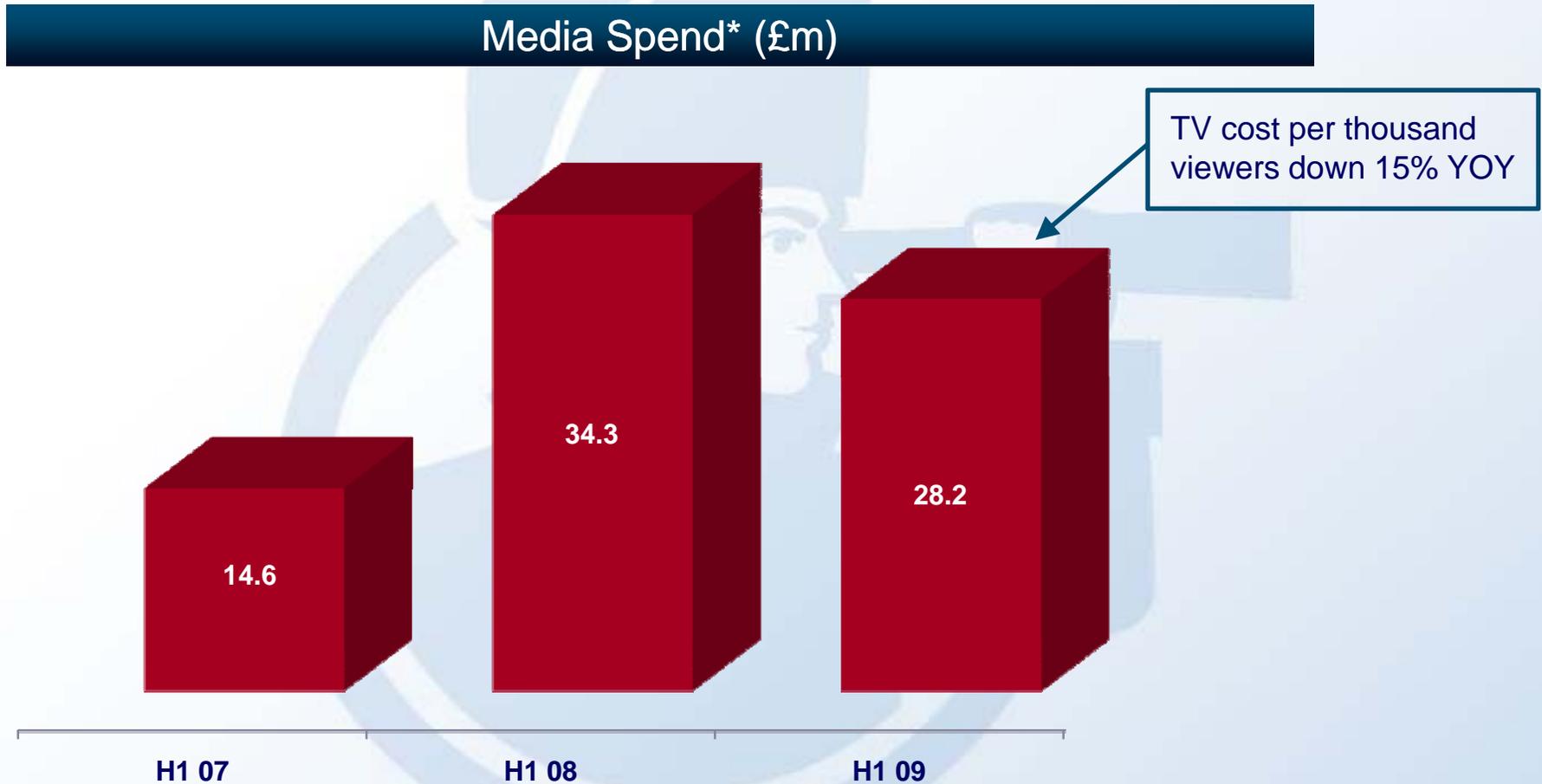
#### For Sale:

- uSwitch
- Insurancewide

\* Top four are Confused, CompareTheMarket, GoCompare, Moneysupermarket



Overall marketing spend didn't grow in the first half (though partly due to media deflation)



\* Source: Nielsen; 50% of Moneysupermarket's spend allocated to insurance



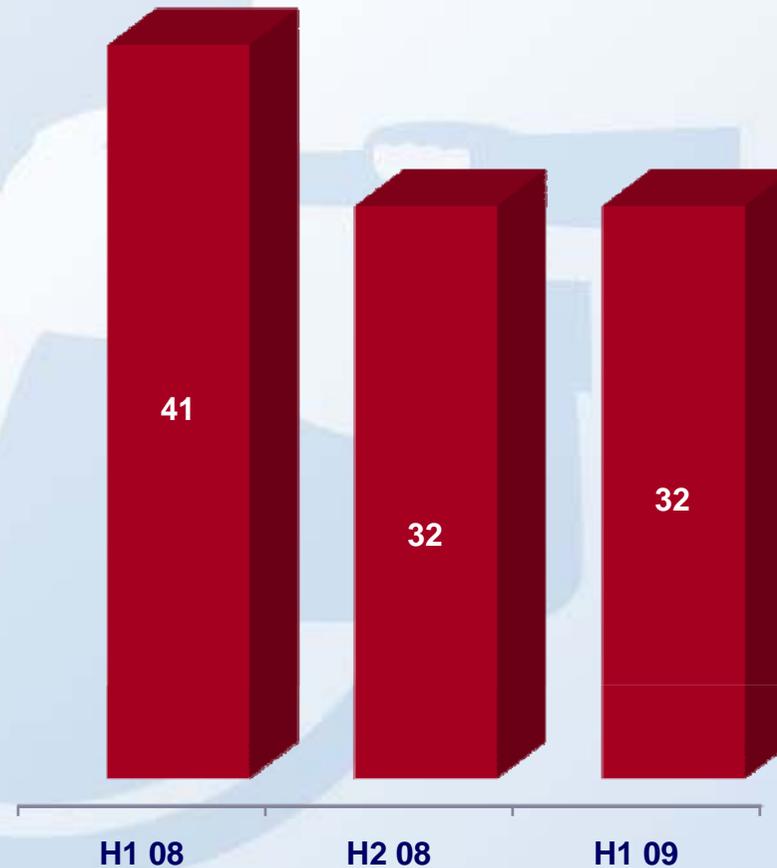
# Confused share of the car insurance market has stabilised...

Confused Market Share (% Estimate)\*

## Key Actions

- Site re-design
- New creative
- Increased media spend
- Investment beyond car insurance:

	Revenue Growth H1 09 v H1 08
Car insurance	+5%
Other	+31%



\* Share of car insurance PC sales, source – management estimate



... despite a very successful competitor TV campaign

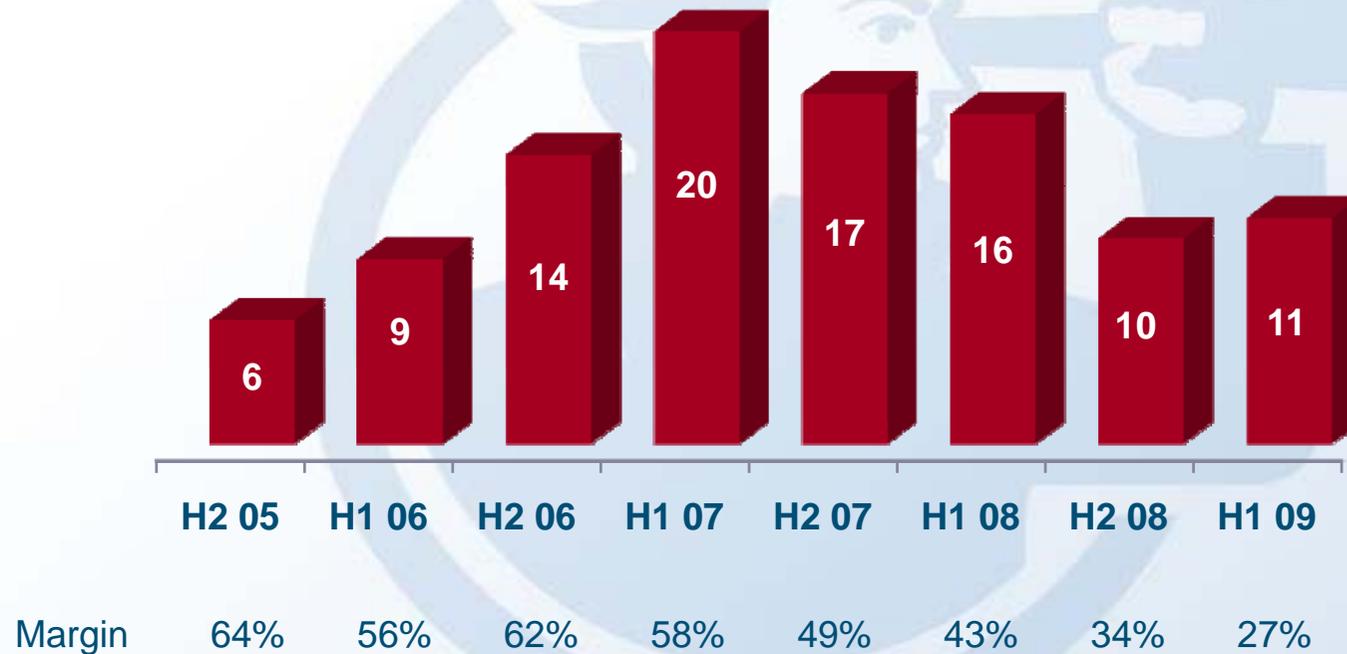
**Share of Admiral PC site sales**  
*(Indexed to 100 in Sep 08)*

	Sep 08	Dec 08	Mar 09	Jun 09	Change
<b>Confused</b>	100	95	104	104	+4%
<b>CompareTheMarket</b>	100	99	259	289	+189%
<b>GoCompare</b>	100	106	76	74	-26%
<b>Moneysupermarket</b>	100	112	74	69	-31%



# Profitability at Confused has also stabilised in absolute terms

Confused Profits (£m)



Non-UK in 2008



**International**



## Building insurance operations takes time

	LINEA DIRECTA		BALUMBA	
Age Yrs	Year	PAT* €m	Year	PAT €m
2.5	1997	(7)	12m to June 2009	(1.5)
3.5	1998	(3)		
...	...	...		
...	...	...		
12.5	2007	61		

- Organic growth takes time
- Admiral's investment is small

\* PAT has been adjusted to today's values using annual Retail Prices Index: annual index numbers of retail prices 1948-2008 (RPI)



# Spain

	Jun 08	Jun 09
Active customers at period end	59,500	48,100
Total written premium (12 months)	€27.9m	€21.5m
Total written premium (6 months)	€13.8m	€9.1m
Underwriting year loss ratio	108%	79%
Written expense ratio	38%	56%
Combined Ratio	146%	135%
Ancillary contribution per vehicle	€73	€73
Admiral result (PBT)	(€1.2m)	(€1.1m)



**balumba.es**

parte de Admiral Group

## Underwriting Year Loss Ratio Development

Month	2007	2008	2009
6	149%	108%	79%
12	137%	102%	
18	136%	108%	
24	135%		
30	134%		





# Germany

	Jun 08	Jun 09
Active customers at period end	10,200	37,500
Total written premium (12 months)	€3.0m	€14.8m
Total written premium (6 months)	€3.0m	€12.5m
Underwriting year loss ratio	118%	124%
Written expense ratio*	171%	92%
Combined Ratio	289%	216%
Admiral result (PBT)	(€1.5m)	(€2.5m)



Underwriting Year Loss Ratio Development		
Month	2008	2009
6	118%	124%
12	142%	
18	134%	



\* Written expense ratios are based on policies incepted in the last 12 months to avoid distortion due to seasonality of German market (majority of policies incepting on 1<sup>st</sup> January). This is a different basis to the expense ratio shown in the 2008 FY results which was calculated based on policy sales in the year.

# ConTe.it

® Admiral Group plc UK

	Dec 08*	Jun 09
Active customers at period end	3,400	14,800
Total written premium (12 months)	€1.1m	€4.6m
Total written premium	€1.1m	€3.5m
Loss Ratio (for all business since inception)		79%
Written expense ratio		139%
Combined Ratio		218%
Admiral result (PBT)	(€0.7m)	(€1.0m)



\* ConTe.it launched at the end of May 2008, hence the period to Dec 08 is around 7 months



U.S.A.

- New trading name – Elephant
- Will launch in Virginia
  - Nearly 7.7 million people
  - Over 6 million private cars
  - Over \$4 billion premium
- 25 staff have moved into permanent office in Richmond, Virginia
- Current activities include:
  - Seeking state regulatory approvals
  - Working on pricing model & systems





# Growth of price comparison outside the UK

**Rastreator**<sup>.com</sup>  
Tu Comparador de Seguros

- Launched Rastreator.com in Spain, March 09
  - Now have 9 insurance companies on the car insurance panel
  - TV marketing planned for Q3/Q4 2009
- Opportunities in other markets
- We are preparing for operations in France and Italy:
  - France
    - PC already profitable and growing; ~7% of new business
  - Italy
    - Customers are moving online; 80% of ConTe's sales from internet
    - PC have initial presence; ~0.2% of new business



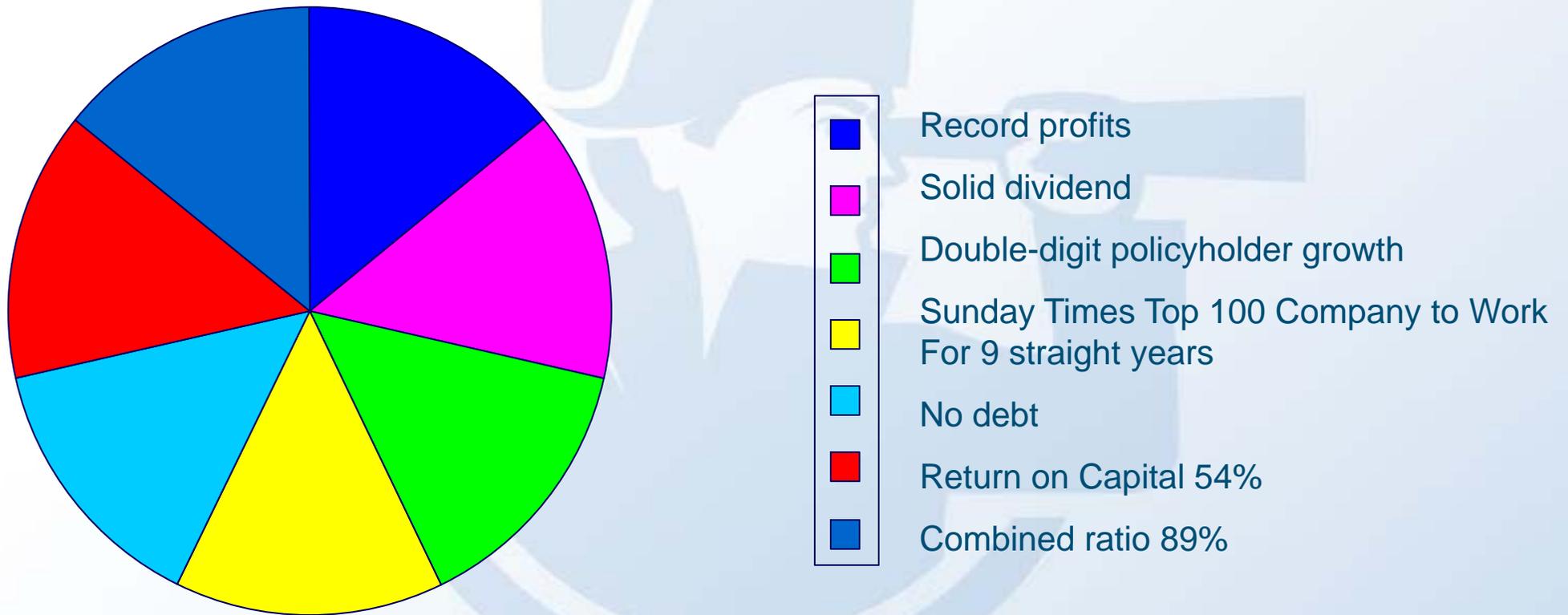
## Clarity over where we are going

- **UK Car Insurance**
  - 7% market share, plenty of room for continued, profitable growth
- **Non-UK Car Insurance**
  - Take what we know & do well
  - Create profitable, growing, sustainable businesses
  - Be patient, building insurance operations takes time
- **Price comparison**
  - Defend market share in UK car insurance whilst growing other product offerings
  - Opportunities for price comparison in new markets

**THE INTERNET - AN IRRESISTIBLE FORCE**



## Wow! 2009 - Great start!





# Appendix



# Appendices

- Summary income statement
- Balance sheet
- Group key performance indicators
- UK car insurance – underwriting year loss ratio development
- UK car insurance co-insurance and reinsurance 2009
- UK car insurance underwriting – 2003 to 2012 years
- UK car insurance market cycle
- Admiral's brands



# Summary income statement

	UK car insurance			Price comparison			Non-UK car insurance			Other			Admiral Group		
	H1 07	H1 08	H1 09	H1 07	H1 08	H1 09	H1 07	H1 08	H1 09	H1 07	H1 08	H1 09	H1 07	H1 08	H1 09
<b>Turnover</b>	<b>367.5</b>	<b>407.2</b>	<b>470.1</b>	<b>34.3</b>	<b>36.6</b>	<b>40.2</b>	<b>5.1</b>	<b>14.7</b>	<b>24.5</b>	<b>3.6</b>	<b>4.9</b>	<b>5.3</b>	<b>410.5</b>	<b>463.4</b>	<b>540.1</b>
<b>Total premiums written</b>	<b>320.1</b>	<b>350.1</b>	<b>404.6</b>				<b>4.5</b>	<b>13.0</b>	<b>22.6</b>				<b>324.6</b>	<b>363.1</b>	<b>427.2</b>
Gross premiums written	128.1	157.6	202.3				4.5	12.7	19.9				132.6	170.3	222.2
Net premiums written	71.5	94.6	109.5				1.5	4.4	7.8				73.0	99.0	117.3
<b>Net earned premium</b>	<b>65.5</b>	<b>73.5</b>	<b>94.6</b>				<b>0.3</b>	<b>3.5</b>	<b>5.9</b>				<b>65.8</b>	<b>77.0</b>	<b>100.5</b>
Investment income	7.3	8.9	5.7				0.1	0.2	0.1				7.4	9.1	5.8
Net insurance claims	(48.5)	(48.0)	(63.6)				(0.4)	(4.5)	(6.6)				(48.9)	(52.5)	(70.2)
Insurance related expenses	(9.0)	(10.9)	(14.2)				(0.6)	(2.7)	(5.2)				(9.6)	(13.6)	(19.4)
<b>Underwriting result</b>	<b>15.3</b>	<b>23.5</b>	<b>22.5</b>				<b>(0.6)</b>	<b>(3.5)</b>	<b>(5.8)</b>				<b>14.7</b>	<b>20.0</b>	<b>16.7</b>
Total profit commission	9.3	14.3	22.7				0.0	0.0	0.0				9.3	14.3	22.7
Gross ancillary revenue	44.7	53.0	61.0				0.6	1.6	1.8				45.3	54.6	62.8
Ancillary costs	(7.5)	(8.8)	(9.6)				(0.1)	(0.3)	(0.3)				(7.6)	(9.1)	(9.9)
Instalment income	2.7	4.1	4.5				0.0	0.1	0.2				2.7	4.2	4.7
Gladiator contribution										1.0	1.5	1.4	1.0	1.5	1.4
Confused.com revenue				34.3	36.6	40.2							34.3	36.6	40.2
Confused.com expenses				(14.6)	(21.0)	(29.2)							(14.6)	(21.0)	(29.2)
Other charges										(0.6)	(0.8)	(0.8)	(0.6)	(0.8)	(0.8)
Interest income										4.0	3.5	1.1	4.0	3.5	1.1
Share scheme charges										(1.5)	(3.0)	(3.4)	(1.5)	(3.0)	(3.4)
Expansion cost										(0.6)	(0.4)	(1.0)	(0.6)	(0.4)	(1.0)
Interest payable										(0.2)	0.0	0.0	(0.2)	0.0	0.0
<b>Profit / (loss) before tax</b>	<b>64.5</b>	<b>86.1</b>	<b>101.1</b>	<b>19.7</b>	<b>15.6</b>	<b>11.0</b>	<b>(0.1)</b>	<b>(2.1)</b>	<b>(4.1)</b>	<b>2.1</b>	<b>0.8</b>	<b>(2.7)</b>	<b>86.2</b>	<b>100.4</b>	<b>105.3</b>



# Balance sheet

	30 June 2009 £m	31 December 2008 £m	30 June 2008 £m
<b>ASSETS</b>			
Property, plant and equipment	11.5	11.0	8.8
Intangible assets	78.2	75.7	71.3
Financial assets	688.2	586.9	536.6
Reinsurance contracts	195.9	170.6	155.9
Deferred income tax	0.0	0.0	1.5
Trade and other receivables	36.3	25.5	26.8
Cash and cash equivalents	<u>96.2</u>	<u>144.3</u>	<u>153.3</u>
<b>Total assets</b>	<b><u>1,106.3</u></b>	<b><u>1,014.0</u></b>	<b><u>954.2</u></b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	0.0
Retained earnings	264.5	251.8	241.0
Other reserves	<u>3.8</u>	<u>10.3</u>	<u>14.3</u>
<b>Total equity</b>	<b>281.7</b>	<b>275.6</b>	<b>255.6</b>
<b>LIABILITIES</b>			
Insurance contracts	491.2	439.6	412.8
Trade and other payables	293.3	270.1	255.1
Deferred income tax	16.6	10.3	0.0
Corporation tax liabilities	<u>23.5</u>	<u>18.5</u>	<u>30.7</u>
<b>Total liabilities</b>	<b>824.6</b>	<b>738.4</b>	<b>698.6</b>
<b>Total liabilities and equity</b>	<b><u>1,106.3</u></b>	<b><u>1,014.0</u></b>	<b><u>954.2</u></b>

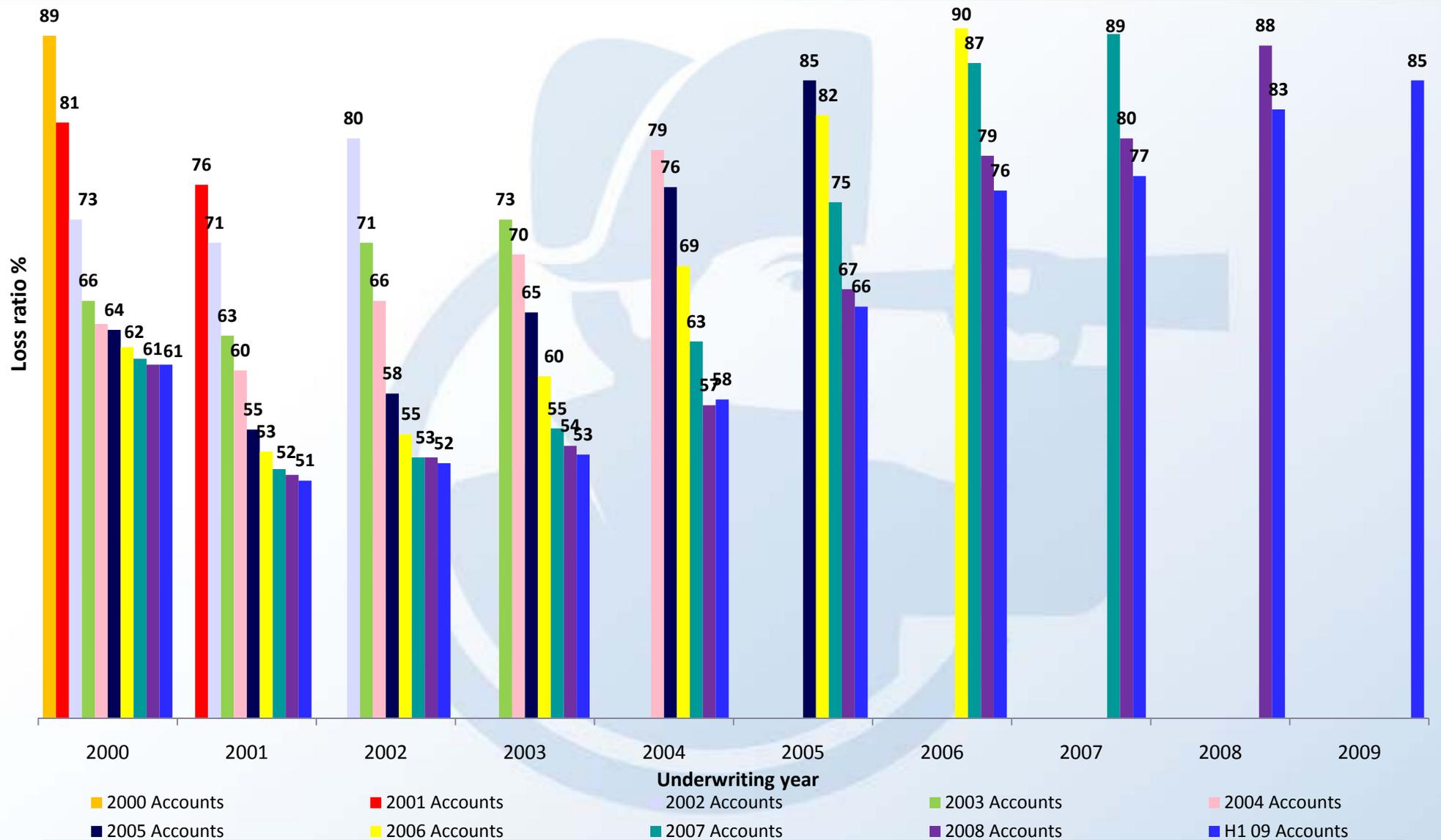


# Admiral Group Key Performance Indicators

	KPI	2004	2005	2006	2007	2008	H1 08	H1 09
Group Financial	Revenue £m	540	627	698	808	910	463	540
	Customers	1,040,700	1,141,000	1,284,700	1,490,800	1,745,800	1,629,500	1,921,500
	Group pre-tax profit £m	98.1	119.5	147.3	182.1	202.5	100.3	105.3
	Earnings per share	28.4p	32.7p	39.8p	48.6p	54.9p	27.3p	28.5p
	Dividend	9.3p	24.6p	36.1p	43.8p	52.5p	26.0p	27.7p
UK Car Insurance	Vehicles covered	1,007,600	1,104,500	1,240,200	1,381,700	1,587,200	1,483,900	1,731,600
	Total premiums £m	470.4	533.6	566.0	617.0	690.2	350.1	404.6
	Reported combined ratio	82.0%	84.9%	87.2%	83.4%	81.0%	80.1%	82.1%
	Ancillary contribution per policy £	66.3	68.5	69.3	69.0	70.7	71.1	70.8
	UK car insurance pre-tax profit	94.7	110.0	121.1	142.2	179.9	86.0	101.2
Price Comparison	Total revenue £m	3.2	12.0	38.5	69.2	66.1	36.6	40.2
	Operating profit £m	1.3	6.9	23.1	36.7	25.6	15.6	11.0
	Operating margin	41%	58%	60%	53%	39%	43%	27%
Non-UK Car Insurance	Vehicles covered			2,200	46,900	73,700	69,900	100,500
	Total premiums £m			0.6	14.2	26.0	13.0	22.6
	Reported combined ratio				232%	198%	206%	201%
	Ancillary contribution per policy £				45	47	46	36
	Non-UK car insurance result £m			(0.1)	(0.7)	(4.1)	(2.1)	(4.1)



# Loss ratio development by underwriting year – UK motor



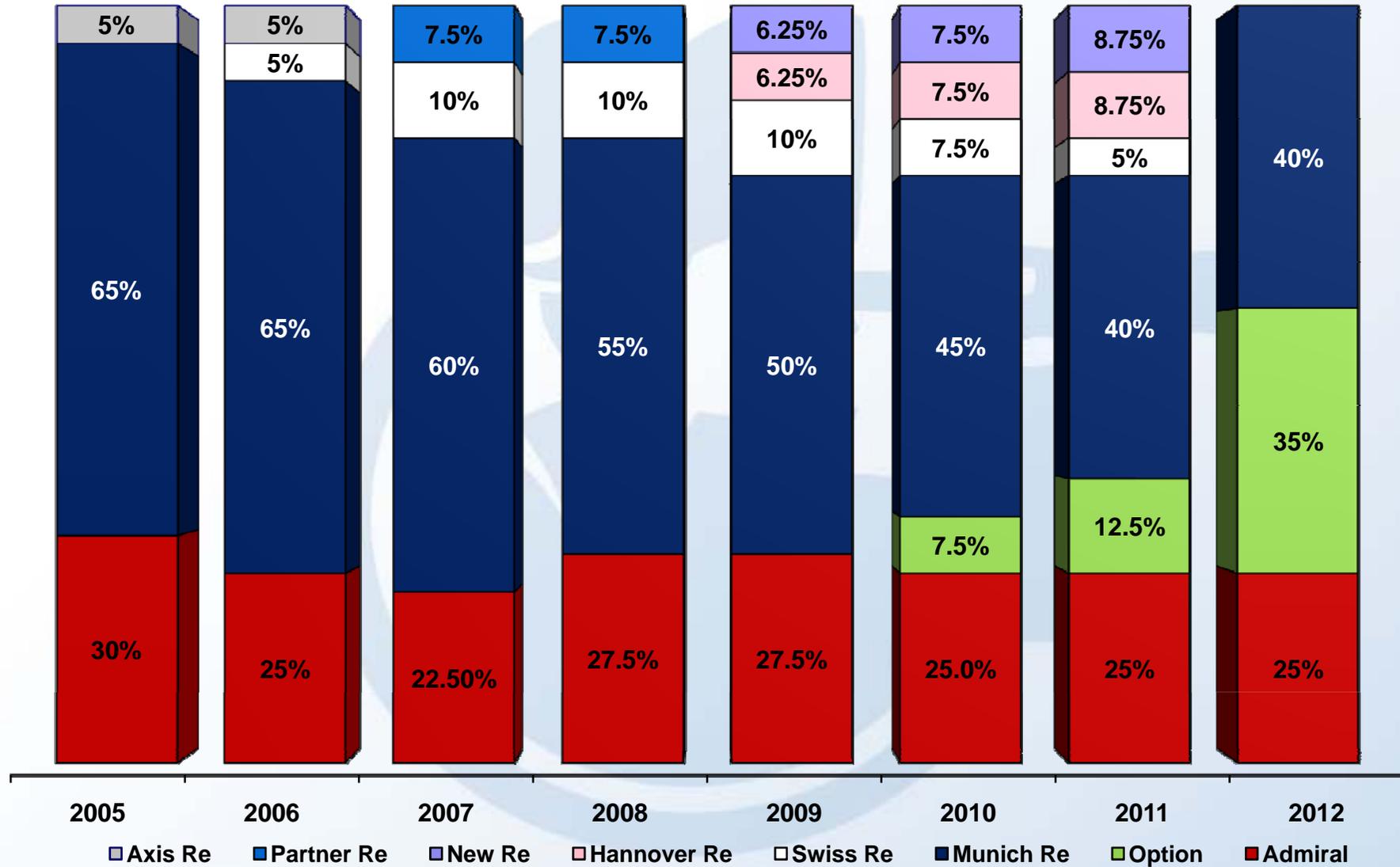


# UK car insurance co-insurance and reinsurance 2009

	Munich Re	Swiss Re	New Re	Hannover Re	Munich Re (pre 2007)
<b>Share of premium</b>	50%	10%	6.25%	6.25%	65%
<b>Term</b>	To at least Dec 2014	Ends December 2011			2002 to 2006
<b>Cost to Admiral</b>	Variable, depending on combined ratio	Fixed (not disclosed)	Fixed – 1.7% of premium	Fixed – 1.7% of premium	Variable, depending on combined ratio
<b>Risk protection</b>	Co-insurance	Starts at approximately 104%			Co-insurance
<b>Profit commission</b>	Profit share % based on combined ratio. Different %'s operate in tranches	Starts at 100%. Fixed allocation to Swiss Re, then 100% profit rebate to Admiral thereafter <b>Below "x"% = 100%</b>	Same as Swiss Re (though at different cost) <b>Below 98.3% = 100%</b>		Profit share % based on combined ratio <b>Maximum = 29.5%</b>
<b>Funds withheld</b>	No	No	Yes	Yes	No
<b>Investment income</b>	Munich Re	Admiral (provided combined ratio <100%)			Munich Re
<b>Instalment income</b>	Munich Re	Admiral			Munich Re
<b>Ancillary income</b>	Admiral	Admiral			Admiral
<b>Other terms</b>	Reduces to 45% in 2010, 40% in 2011. Improved PC terms from 2010	Reduces to 7.5% in 2010, 5.0% in 2011	Increases to 7.5% in 2010 and 8.75% in 2011. Admiral option to give further 2.5% in 2010 and 5% in 2011		



# UK car insurance underwriting 2003 - 2012

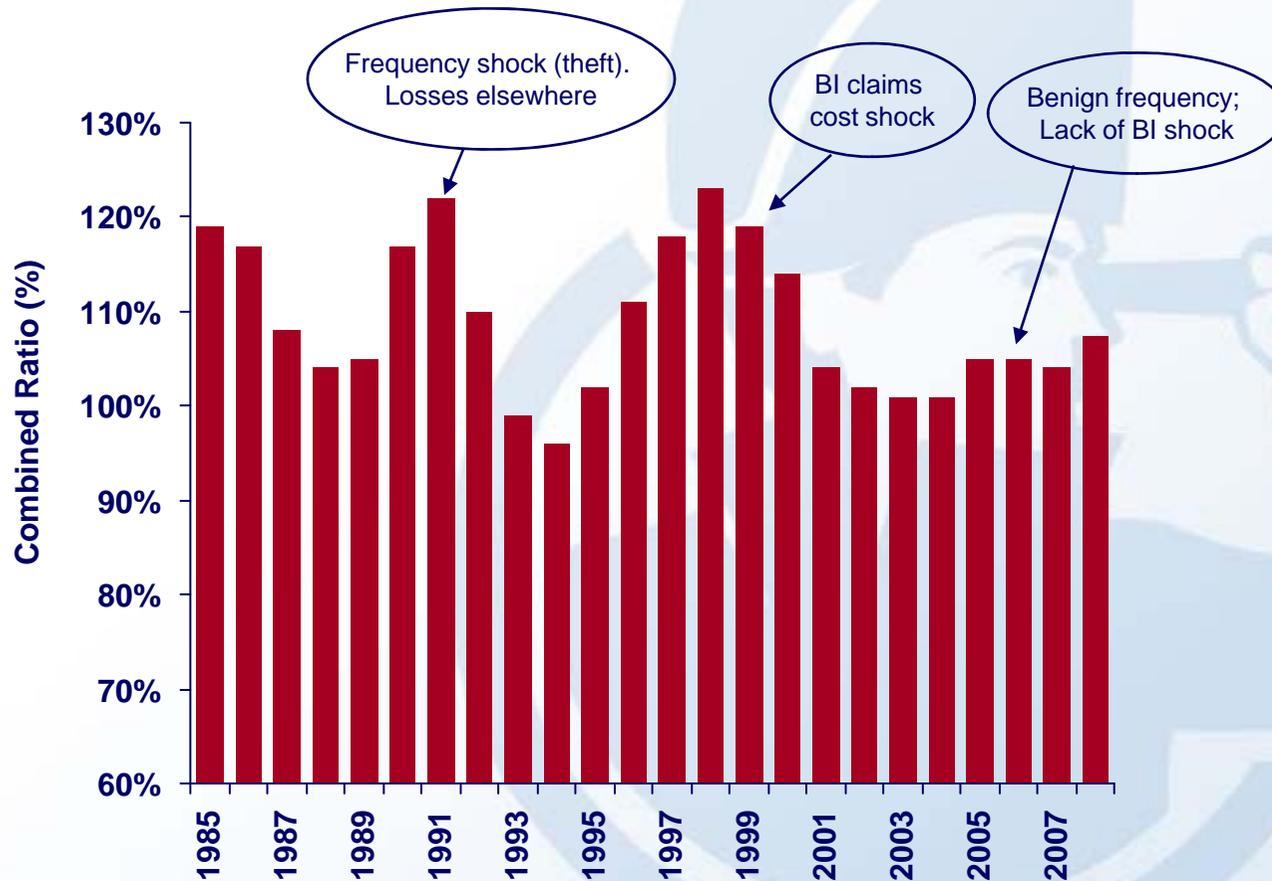




# UK market cycle

Price increase accelerated by:

Prices held back by:



**2009**

Faster premium inflation driven by:

- Lower investment returns
- Lower reserve releases

Impact of these factors tempered by further growth in PC site share

Source: 1985 to 1991 Merrill Lynch Research analysis of DTI returns; 1991 to 2007 Deloitte analysis of FSA returns



# Admiral's brands

**Rastreator**<sup>.com</sup>  
Tu Comparador de Seguros



**Confused.com**

 **Elephant**<sup>®</sup>  
Auto Insurance

**Diamond**

  
**Admiral**

  
**ConTe.it**  
© Admiral Group plc UK

 **balumba.es**  
parte de Admiral Group

 **elephant.co.uk**

 **Bell**

 **GLADIATOR**

  
**AdmiralDirekt.de**



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The financial information set out in the presentation does not constitute the Company's statutory accounts in accordance with section 240 Companies Act 1985 for the half year ended 30 June 2009. The statutory accounts for the year ended 30 June 2009 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement.