

# Admiral 2019 Half Year Results

14<sup>th</sup> August 2019

## Introduction

David Stevens, Group CEO

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## Group

Geraint Jones, Group CFO

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## UK Insurance

Cristina Nestares, UK Insurance CEO

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## International Insurance and Comparison

Milena Mondini, Head of UK and EU Insurance

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## Loans

Scott Cargill, CEO of Admiral Loans  
Duncan Russell, CFO of Admiral Loans

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## Wrap-up

David Stevens, Group CEO

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## Q&A

All



# Group

Geraint Jones – Group CFO



# Highlights

## Customers



**6.74m**

H1 2018: 6.23m

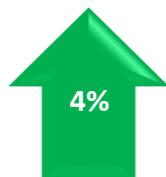
## Turnover<sup>1</sup>



**£1.76bn**

H1 2018: £1.66bn

## Profit before tax<sup>2</sup>



**£220m**

H1 2018: £212m

## Solvency ratio



**190%**

H1 2018: 196%

## Earnings per share



**63.0p**

H1 2018: 61.6p

## Return on equity



**47%**

H1 2018: 54%

## Interim dividend per share



**63.0p**

H1 2018: 60.0p

# Disappointing new Ogden rate adversely impacts 2019 H1

## 0% Ogden Rate

Profit before tax<sup>1</sup>

**£253m**

Return on equity

**53%**

Earnings per share

**73.0p**



## -0.25% Ogden Rate

Profit before tax<sup>1</sup>

**£220m**

Return on equity

**47%**

Earnings per share

**63.0p**

# UK Motor largely flat but strong growth continues elsewhere

## Turnover

## Customers

UK Motor  
Insurance



**£1,255m**

H1 2018: £1,247m



**4.33m**

H1 2018: 4.26m

UK  
Household  
Insurance



**£80m**

H1 2018: £68m



**0.92m**

H1 2018: 0.78m

International  
Insurance



**£320m**

H1 2018: £260m



**1.36m**

H1 2018: 1.12m

## Comparison

## Loans Balances



**£83m**

H1 2018: £77m



**£421m**

H1 2018: £214m

# Group profit higher despite adverse Ogden impact

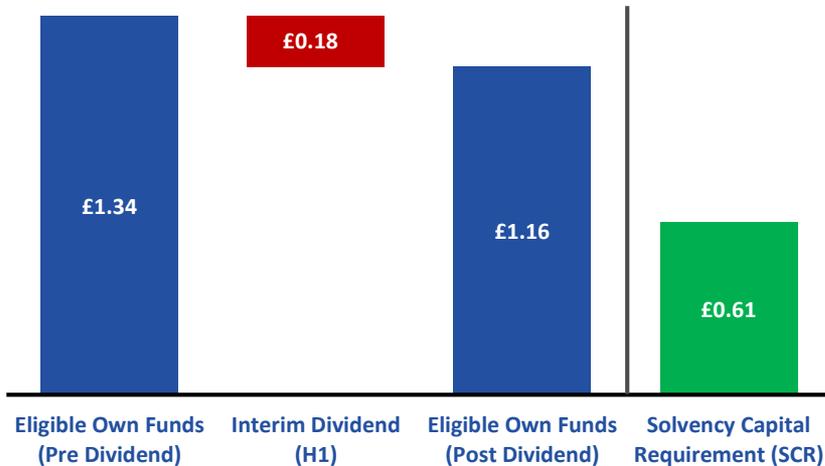
## Group profit before tax<sup>1</sup>

	H1 2019	H1 2018	Change
UK Insurance	£254.7m	£247.0m	+£7.7m
International Insurance	(£2.7m)	(£0.6m)	(£2.1m)
Comparison	£7.4m	£3.5m	+£3.9m
Loans	(£4.3m)	(£6.4m)	+£2.1m
Other Group Items (excl. Loans)	(£34.9m)	(£31.8m)	(£3.1m)
Total	£220.2m	£211.7m	+£8.5m

- £7.7m increase in UK Insurance profit:
  - £2.2m higher Motor profit (despite £33m adverse Ogden impact) reflecting continued positive back year development
  - £4.2m household profit (prior period £1.9m loss) benefitting from better weather and despite continued strong growth
- International loss modestly higher:
  - Continued profitability (and strong growth) in Europe
  - US loss ratio higher (though good growth)
- Comparison profit of £7.4m v £3.5m in prior period
  - Very strong H1 from Confused.com
- Admiral Loans result in line with expectation (and guidance)
- Other Items (excl. Loans) up £3.1m:
  - Share scheme charges +£4.6m (higher share price and better vesting)

# Elevated solvency ratio continues ahead of internal model application

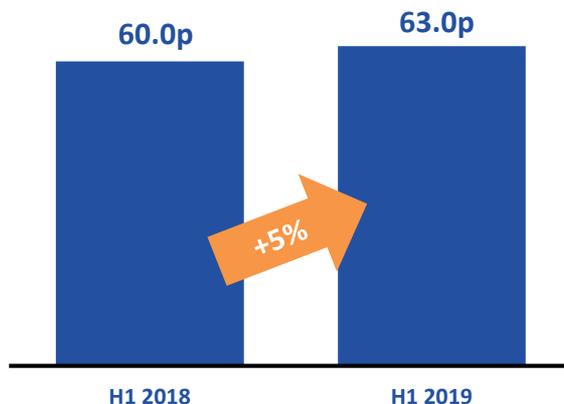
## Capital position (£bn)<sup>1</sup>



- Consistent, strong post-dividend solvency ratio of 190% (H1 2018: 196%, FY 2018: 194%)
- Pre-dividend adverse Ogden impact of 5%-pts on ratio
- Group Solvency Capital Requirement (SCR) based on Solvency II Standard Formula plus Capital Add-On
- Good progress continues on model development
- No change to guidance on timing (not expecting to make formal application in 2019 and possibly not in 2020)
- Post-model approval target solvency range remains at 150% upper-end

# Higher Interim dividend despite Ogden

## 2019 Interim dividend



- 63.0p split into 41.8p normal dividend (65% of post-tax) and 21.2p special dividend (Interim 2018: 40.8p, 19.2p)
- Payment equates to 100% payout ratio on H1 earnings (Interim 2018: 97%)
- No change to policy or guidance

### Dividend policy and guidance

- Admiral will pay 65% of post-tax profits as a normal dividend each half-year
- Admiral expects to continue to distribute all earnings not required to be retained for solvency and buffers
- Therefore expect normal plus special dividend to be in the order of 90-95% of earnings for foreseeable future

### Dividend dates

Ex-dividend date:	5 September 2019
Record date:	6 September 2019
Payment date:	4 October 2019

# Group key messages

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**Group continues to grow top line; UK motor largely flat**



**Interim profit higher despite adverse Ogden rate**



**Consistent and strong solvency position maintained despite full payout of H1 earnings**

# UK Insurance

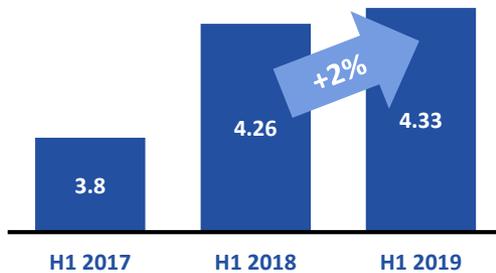
Cristina Nestares – UK Insurance CEO





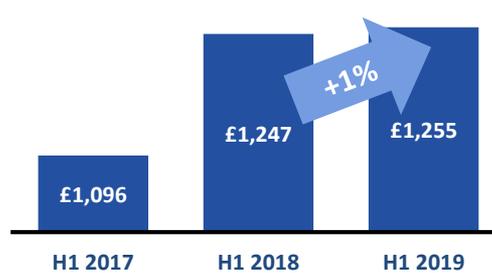
## Customers

### Motor<sup>1</sup> Customers (m)



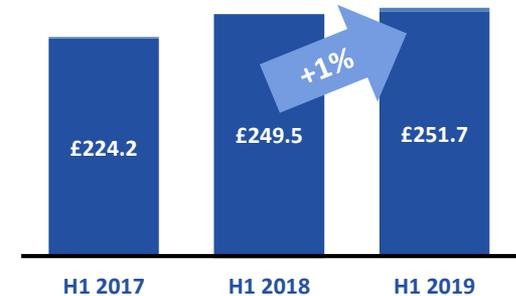
## Turnover

### Motor Turnover (£m)

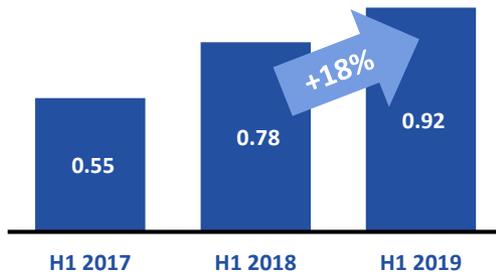


## Profit

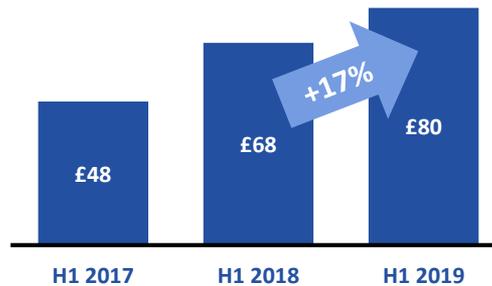
### Motor Profit<sup>2</sup> (£m)



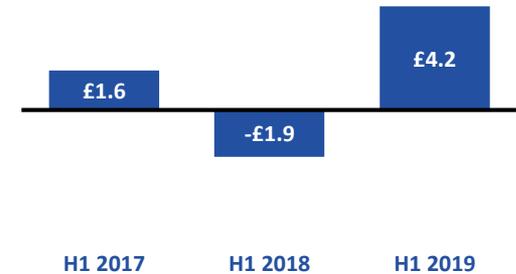
### Household Customers (m)



### Household Turnover (£m)

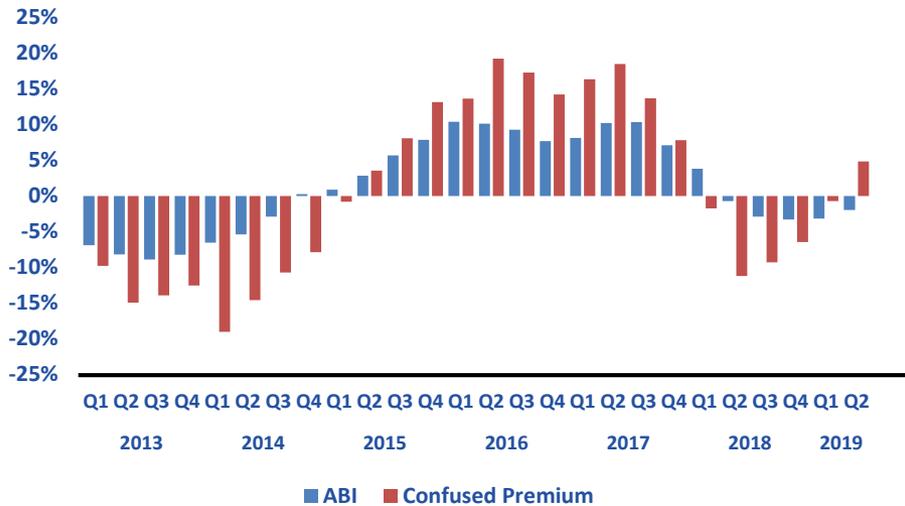


### Household Profit (£m)

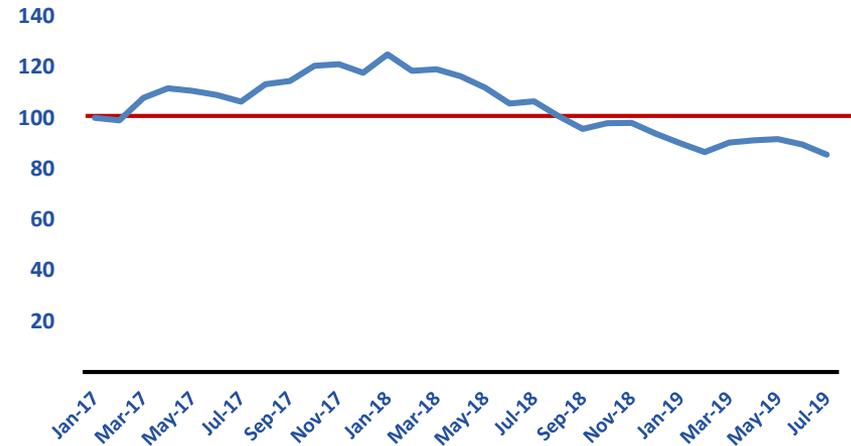




## Market average premium<sup>1</sup> – YoY change



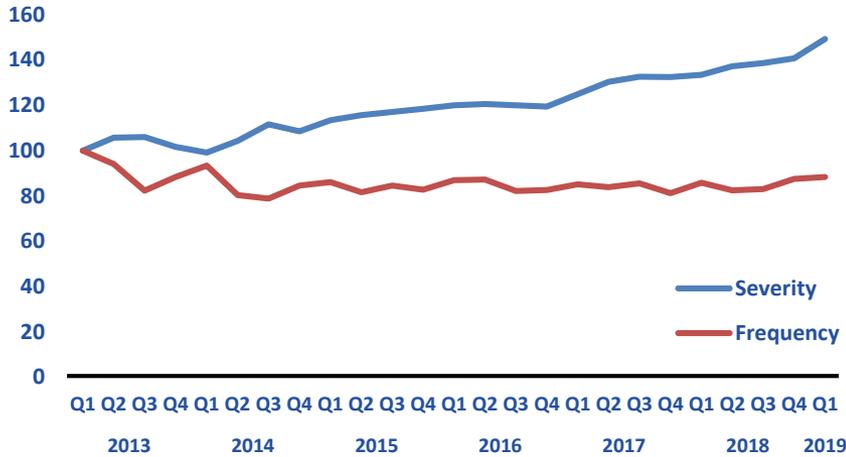
## Admiral 'Times Top'<sup>2</sup> Indexed to 100 Jan 2017



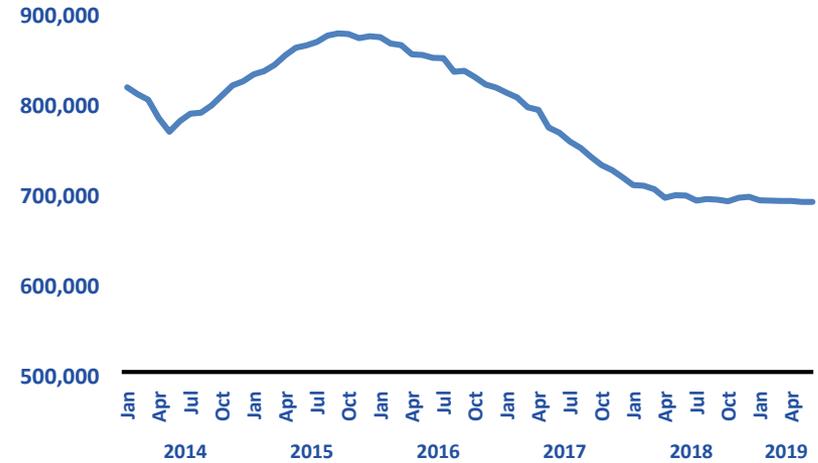
- Potential for premiums to further adjust to claims inflation
  - Confused premium £789: up 5% YoY and up 3% QoQ
  - ABI premium £467: down 2% YoY and up 0.3% QoQ
- Admiral motor rates up low-to-mid single digits in H1 19 with further rises anticipated
  - Focus on margin over volume



**ABI – Damage frequency and severity inflation<sup>1</sup>**



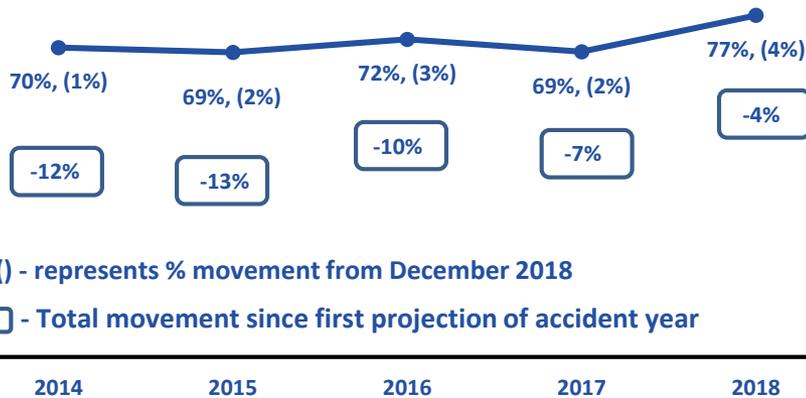
**Volume of market portal notifications<sup>2</sup>**



- Long term trend of YoY damage spend inflation continues into 2019
- Small BI frequency remains stable
- Regulation – Ogden, Whiplash, FCA Pricing Market Review



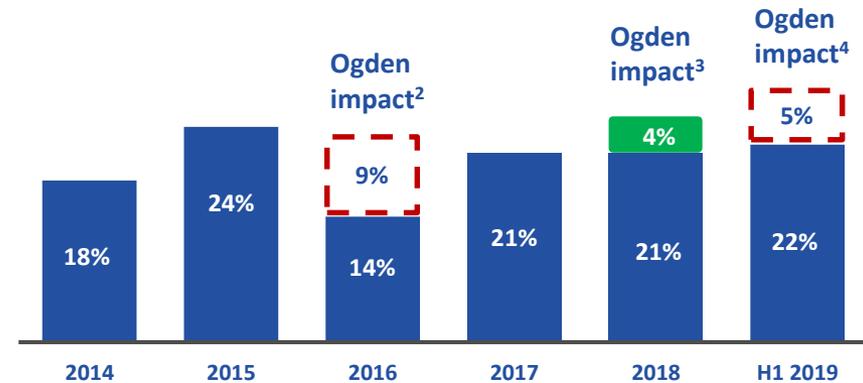
## Admiral projected ultimate loss ratio<sup>1</sup>



() - represents % movement from December 2018

□ - Total movement since first projection of accident year

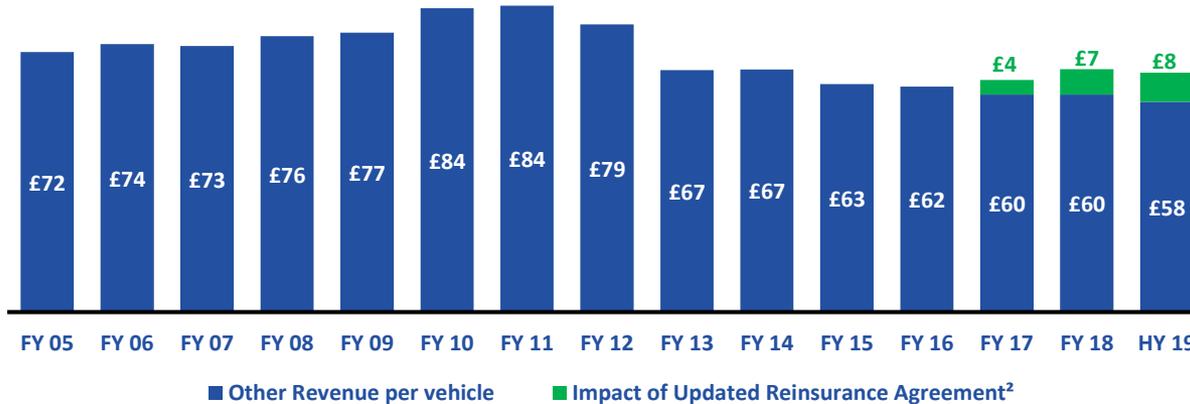
## Releases on original Admiral net share



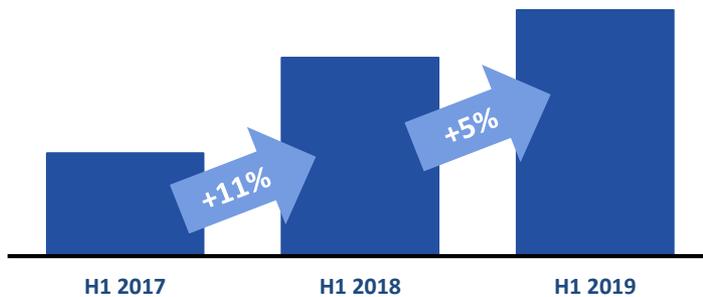
- Positive prior year development in H1 as claims have developed favourably as expected
- H1 19 reserve releases remain strong
- Margin remains broadly flat in past 6 months with unchanged level of prudence



## Other Revenue per vehicle<sup>1</sup>



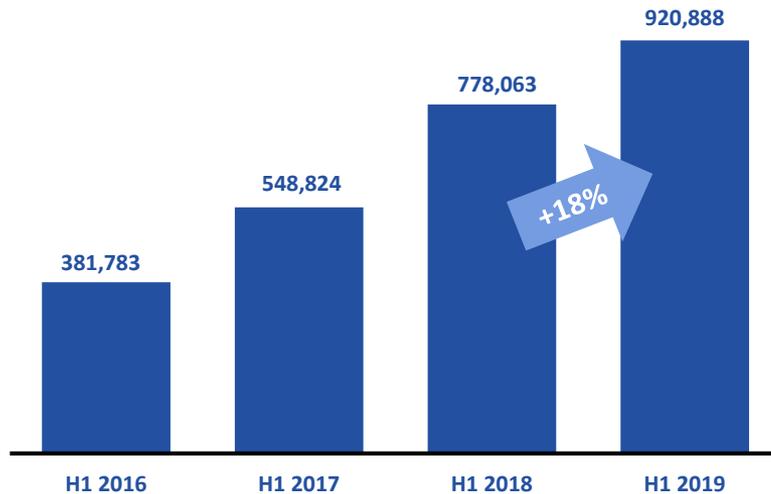
## Sales closed online (%)



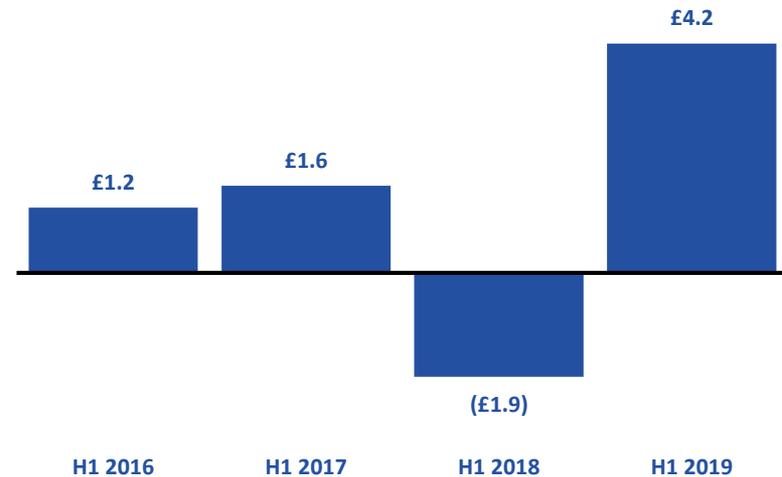
- Additional income likely to be impacted by a few pounds in the next few years
  - Growth of sales completed online
  - Whiplash reform
  - Other regulation
- Potential benefits from shift to online - improved customer experience, increased conversion, cost efficiencies



## Active Customer Base



## Household profit/loss (£m)



- Strong growth continues particularly through cross-sell and price comparison channel
- Continued increase in customer shopping and switching
- Back to profitability after 2018 weather event



Growth in profit, despite Ogden impact



Modest customer/turnover growth in line with prudent approach, prioritising margin over volume



Strong growth in Household continues

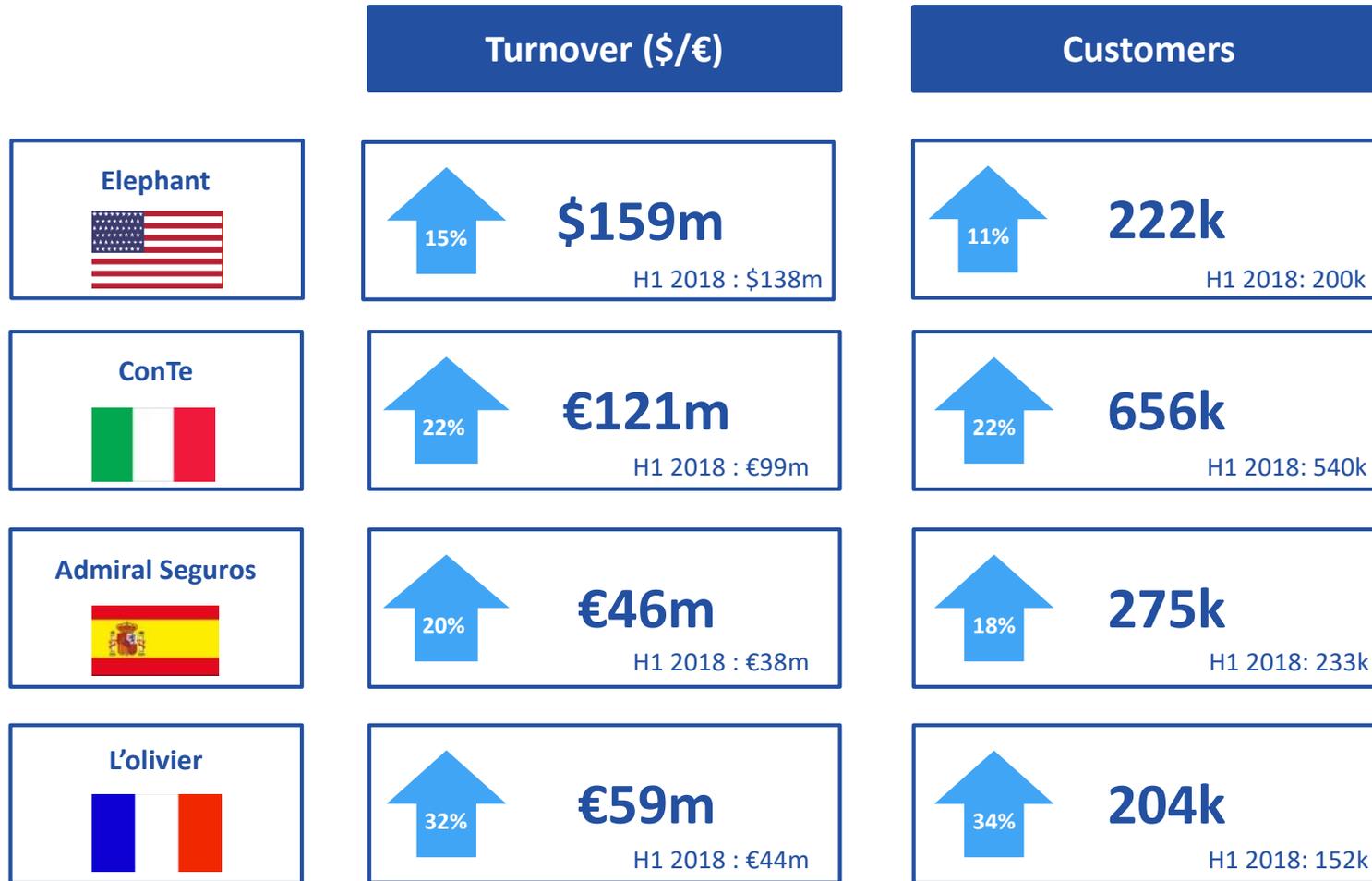


# International Insurance and Comparison

Milena Mondini – Head of UK and EU Insurance



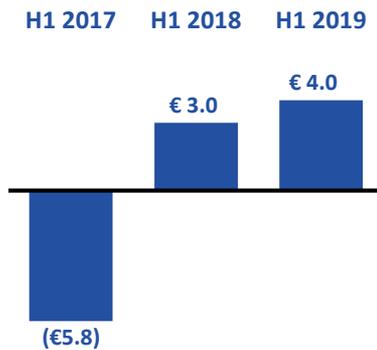
# International Insurance – Strong growth



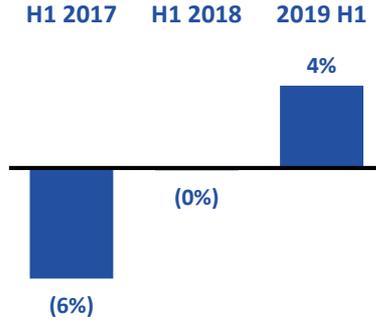
# International Insurance



## EU combined result (€m)<sup>1</sup>

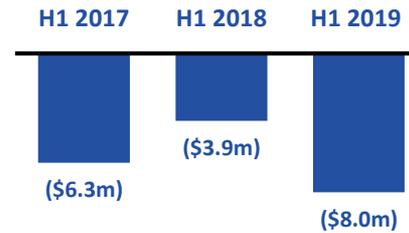


## Whole account profit/loss (% of turnover)

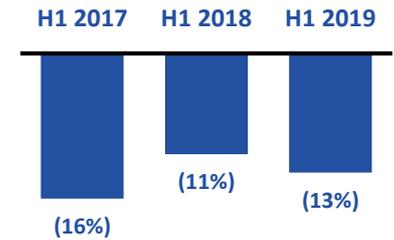


- Continue to increase profit while growing customer base
- Improvements in customer and digital experience

## Admiral share of loss (\$m)<sup>2</sup>



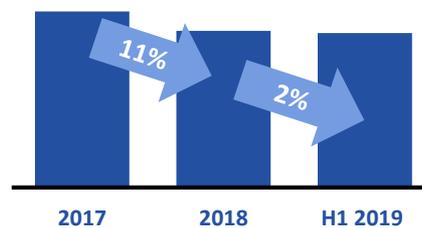
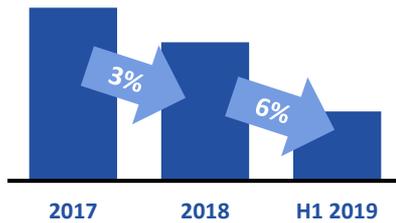
## Whole account loss (% of turnover)



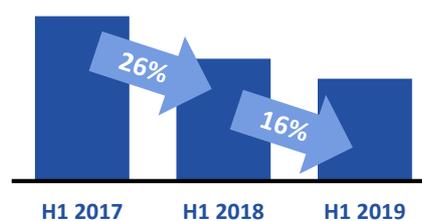
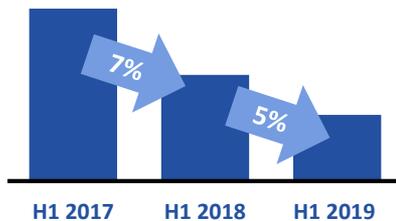
- Positive expense ratio (-2% v H1 18) offset by higher claims ratio (+5% v H1 18)
- Elephant response:
  - Price increases
  - Stay cautious on growth until underlying claims ratio more certain
  - Maintain progress on persistency and efficiency

# International Insurance: Building Economies of Scale

## Expense ratios<sup>1</sup>



## Cost per policy<sup>2</sup>



## Expanding online functionality

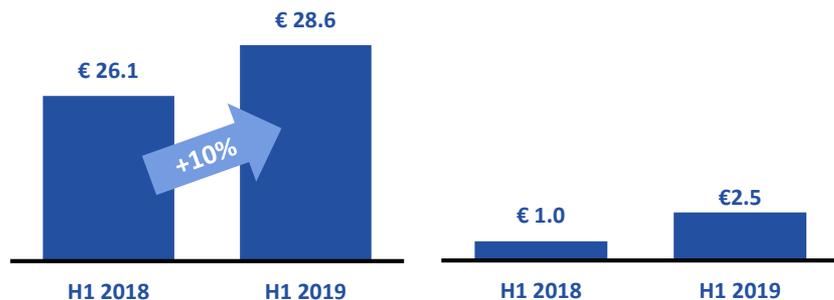
	ConTe.it	Admiral	L'olivier	Elephant
Online policy purchase	✓	✓	✓	✓
Download policy documents	✓	✓	✓	✓
Upload documents		✓	✓	✓
Mid-term adjustments	✓		✓	✓
Online claims registration	✓		✓	✓

# International Comparison



## Turnover (€m)

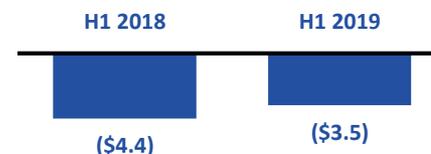
## Profit before tax (€m)



- Investment in product and customer experience
- Awaiting approval for Acierto deal<sup>1</sup>



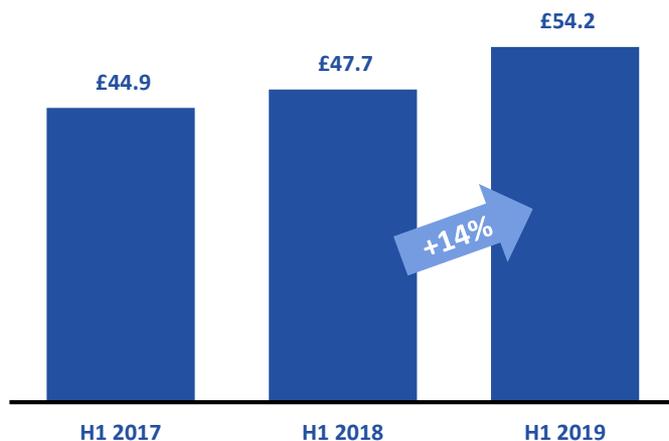
## Admiral share of loss (\$m)



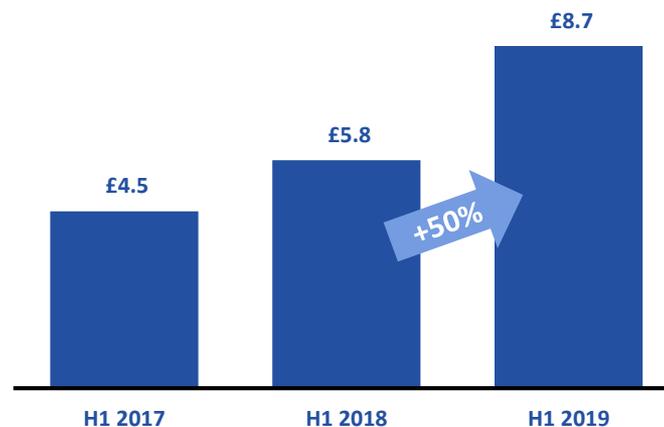
- Business downsized to adapt to market – smaller and more agile approach
- Expected one-off reduction on fixed costs of 40% within the next year or so
- Challenging market conditions continue, particularly cost of leads and acquisition cost
- Impairment<sup>2</sup> of £25.7m

# UK Comparison

## Turnover (£m)



## Profit before tax (£m)



- Confused.com further increases revenue and profit
- Market share of home insurance aggregator sales grew from approx. 8% in H1 2018 to 11% in H1 2019<sup>1</sup>
- Improvements in product offering and experience for customers



# International Insurance and Comparison summary

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**Strong growth in International Insurance operations**



**Slightly higher International Insurance loss, with  
European insurance profitable**



**Strong first half for Comparison**

# Loans

Scott Cargill – CEO of Admiral Loans

Duncan Russell – CFO of Admiral Loans



# Admiral Loans Overview

- Loans business launched in 2017
- Investment of approx. £22m<sup>1</sup>
- Loan book outstanding of £421m
- Approx. 45% of loans are for car financing. Approx. 20% existing Admiral insurance customers
- Team of 140 based in Cardiff – combination of external and internal hires

## Product Overview

- Prime focus
- 1.5% market share<sup>2</sup>
- Distributed mainly through PCWs and fixed cost channels – 99% loans digitally acquired

## Average Loan Profile

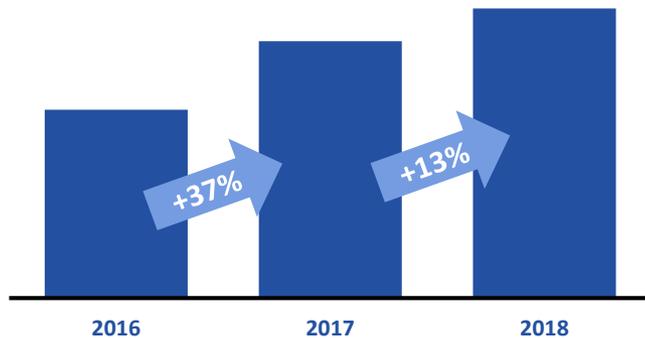
- Mainly unsecured fixed term loans, secured used car finance also offered
- Average loan size: approx. £8,000
- Average APR: approx. 8%
- Average term: 47 months



# Large, growing market where digital channels are taking share and customers are demanding acceptance certainty and pricing accuracy

Loan sales through price comparison channels & credit score marketplaces

Increasingly ranking on acceptance certainty and pricing accuracy



Guaranteed  
APR

Representative  
APR

Loan amount: £ 5,000 | Loan length: 5 years | Sort results by: Chance of approval

Provider	Rate type	Cost	Eligibility	Guarantee
Admiral	8.9% APR	£157.95 per month	100%	Rate Guarantee
Clydesdale Bank	3.3% APR Representative	£145.96 per month	95%	
Yorkshire Bank	3.3% APR Representative	£145.96 per month	95%	

100%  
Eligibility

- Shift away from traditional banks
- Growth in digital acquisition
- Shift to pre-approval and guaranteed rates
- Change in used car finance acquisition channels

# Emphasis on data analytics, technology and product innovation

## Risk Selection & Data Analytics

- New data sources
- Multiple & rapid price changes
- Using insights from insurance pricing

## Expense Efficiency

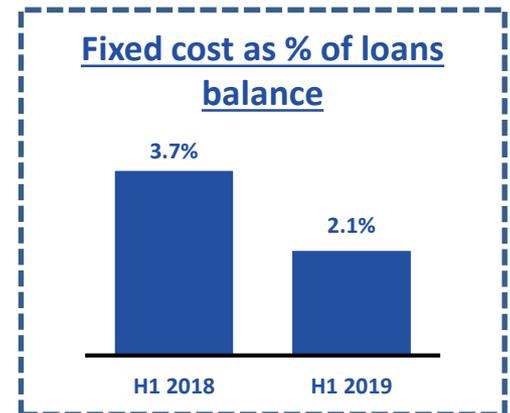
- Cost per sale distribution approx. 1%
- Expect meaningful expense advantage with scale

## Product Development & Innovation

- Flexible, convenient products
- Direct to customer (no dealer) used car finance options

## Technology

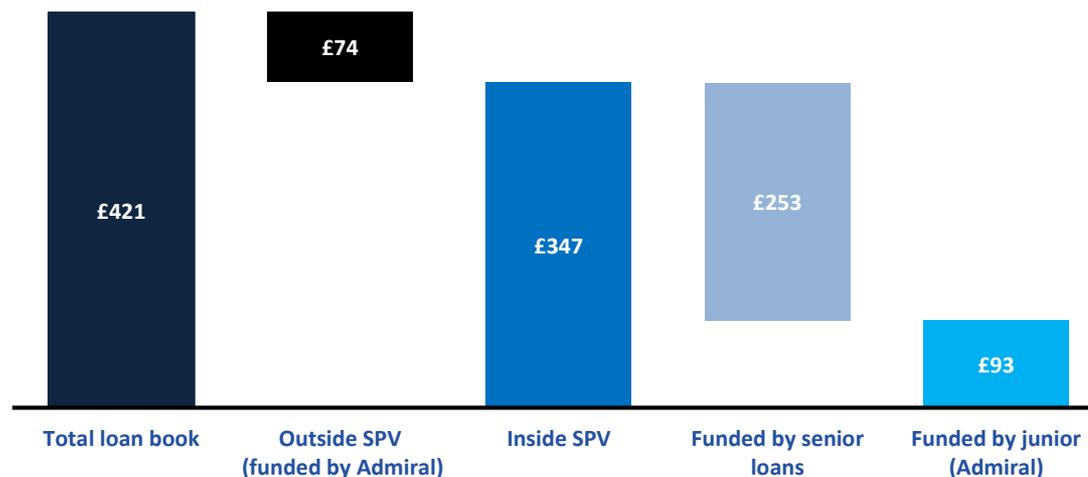
- Micro service infrastructure including proprietary pricing capability
- Invested in technology allowing for 99% of Loans acquired digitally



# Funded through a mix of internal and external sources

- Current/short-term funding – combination of banking warehouse facility and loans from Admiral Group
- Medium term, as data and track record is established, public securitisation markets could be opened
- As part of an insurance group, Loans has a notional capital requirement:
  - Currently calculated using Basel banking rules
  - Requirement is added to the Group's insurance SCR

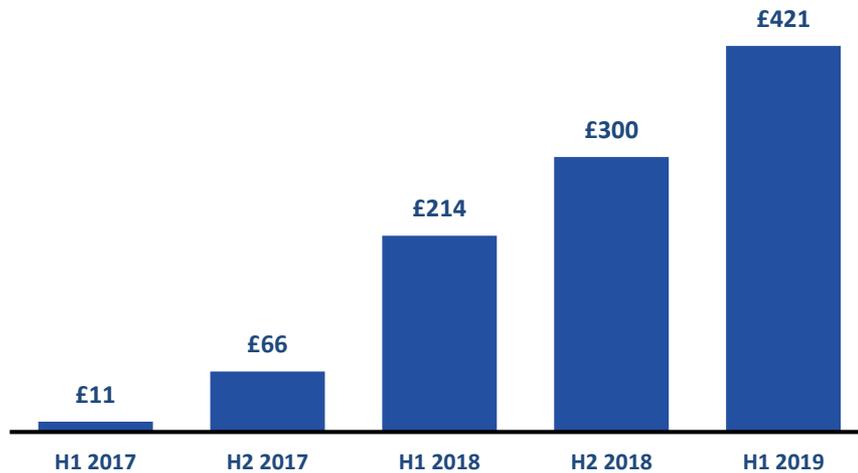
## Admiral Loans Funding (£m)



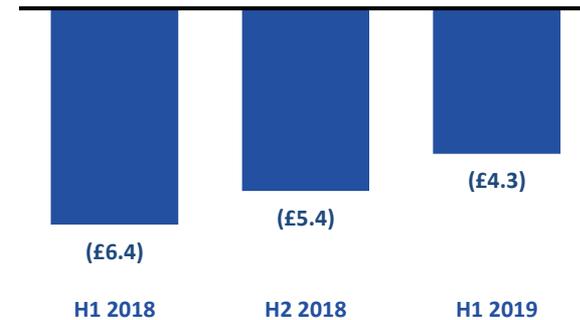


# Strong controlled growth in balances over time

Loans Stock Balances (£m)

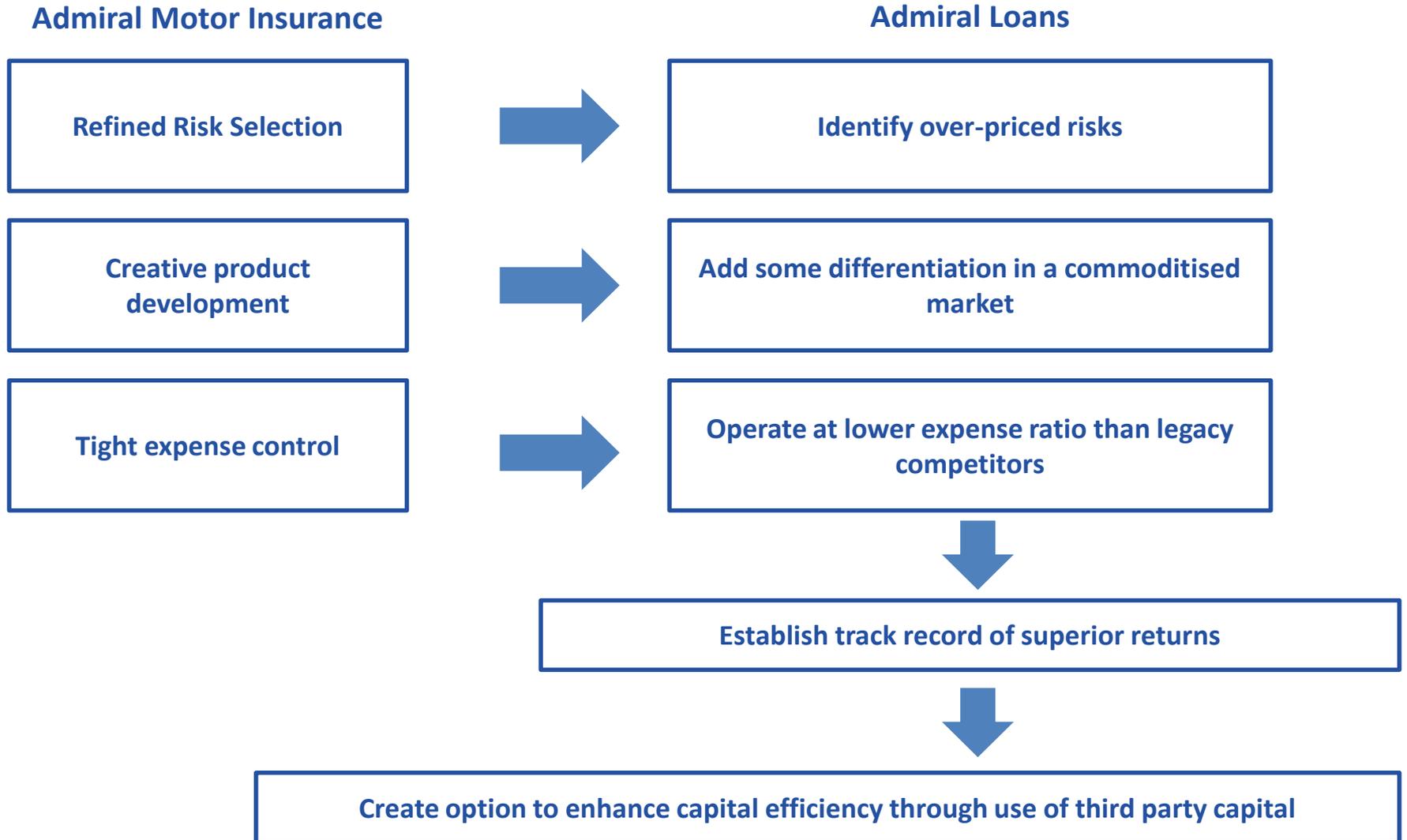


Loans Profit/Loss (£m)



- Controlled growth continues
- Expect Loans 2019 loss at single digit millions unless a significant downturn in the economy
- Loans balance expected in range of £700-900m in next 2 years

# Loans: An Admiral-like aspiration for the long term



# Wrap up

David Stevens – Group CEO



# Wrap Up

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 **Loans – an option on a potentially attractive business long-term**

 **Record European growth along with continued profits**

 **Further demonstration of strength of the UK business**

# Appendix



# Group key performance indicators<sup>1</sup>

KPI	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	H1 16	H1 17	H1 18	H1 19
<b>Group Financial</b>														
Turnover £m	1,077	1,585	2,190	2,215	2,030	1,971	2,119	2,576	2,958	3,283	1,261	1,446	1,662	1,756
Customers m	2.1	2.7	3.4	3.6	3.7	4.1	4.4	5.2	5.7	6.5	4.8	5.5	6.2	6.7
Group pre-tax profit <sup>1</sup> £m	215.8	265.5	299.1	344.6	370.7	356.5	376.8	284.3	405.4	479.3	193.3	194.5	211.7	220.2
Earnings per share	59.0p	72.3p	81.9p	95.1p	104.6p	103.0p	107.3p	78.7p	117.2p	137.1p	55.9p	57.3p	61.6p	63.0p
Dividend per share	57.5p	68.1p	75.6p	90.6p	99.5p	98.4p	114.4p	141.4p	114.0p	126.0p	62.9p	56.0p	60.0p	63.0p
<b>UK Insurance</b>														
Customers (000s)	1,862	2,459	2,966	3,019	3,065	3,316	3,612	4,116	4,616	5,238	3,900	4,342	5,075	5,319
Total premiums £m	805	1,238	1,729	1,749	1,562	1,482	1,590	1,863	2,098	2,270	933.6	1,022.5	1,167.1	1,186.0
Reported combined ratio	84.9%	83.5%	91.9%	90.0%	81.0%	80.0%	79.0%	88.4%	79.7%	83.6%	72.1%	82.4%	80.1%	85.6%
UK insurance pre-tax profit £m	206.9	275.8	313.6	372.8	393.7	397.9	444.2	338.5	466.6	556.7	224.0	226.2	247.0	254.7
Other revenue per vehicle £	77	84	84	79	67	67	63	62	64	67	64	61	67	66
<b>International Car Insurance</b>														
Customers (000s)	121	195	306	436	515	593	673	864	1,035	1,221	758	961	1,125	1,356
Total premiums £m	43.0	71.0	112.5	148.5	168.3	185.4	213.3	331.3	401.4	484.3	142.9	197.2	234.0	288.0
Reported <sup>2</sup> combined ratio	204%	173%	164%	177%	140%	127%	126%	125%	121%	116%	131%	123%	117%	115%
Int'l car insurance result £m	(9.5)	(8.0)	(9.5)	(24.5)	(22.1)	(19.9)	(22.2)	(19.4)	(14.3)	(1.1)	(12.9)	(10.1)	(0.6)	(2.7)
<b>Comparison</b>														
Total revenue £m	80.6	75.7	90.4	103.5	112.7	107.5	108.1	129.2	143.6	151.0	64.0	72.5	76.6	83.4
Operating profit/(loss) £m	24.9	11.7	10.5	18.0	20.4	3.6	(7.2)	2.7	5.4	8.7	(1.1)	3.1	3.5	7.4

# Statutory Summary Income Statement<sup>1</sup>

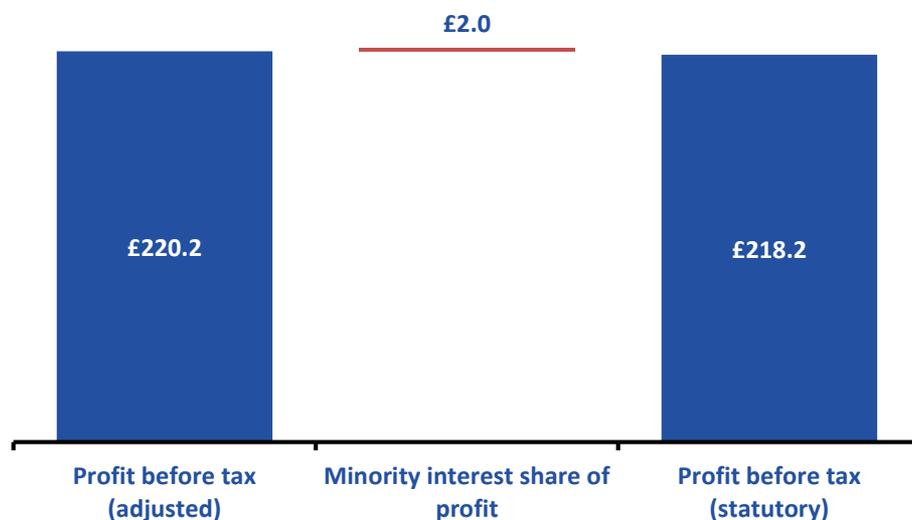
	UK Insurance			International Car Insurance			Price Comparison			Other			Admiral Group		
	H1 17	H1 18	H1 19	H1 17	H1 18	H1 19	H1 17	H1 18	H1 19	H1 17	H1 18	H1 19	H1 17	H1 18	H1 19
<b>Turnover</b>	<b>1,144.1</b>	<b>1,319.1</b>	<b>1,338.8</b>	<b>221.9</b>	<b>260.1</b>	<b>319.5</b>	<b>72.5</b>	<b>76.6</b>	<b>83.4</b>	<b>7.2</b>	<b>6.2</b>	<b>14.5</b>	<b>1,445.7</b>	<b>1,662.0</b>	<b>1,756.2</b>
<b>Total premiums written</b>	1,022.6	1,167.1	1,186.0	197.2	234.0	288.0				0.0	0.0	0.0	1,219.8	1,401.1	1,474.0
Gross premiums written	737.4	856.8	878.1	188.5	224.8	277.0				0.0	0.0	0.0	925.9	1,081.6	1,155.1
Net premiums written	236.0	274.4	279.7	63.4	74.5	91.9				0.0	0.0	0.0	299.4	348.9	371.6
<b>Net earned premium</b>	<b>241.0</b>	<b>254.7</b>	<b>264.7</b>	<b>58.2</b>	<b>66.2</b>	<b>80.6</b>				<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>299.2</b>	<b>320.9</b>	<b>345.3</b>
Investment income	15.8	15.8	15.9	0.2	0.6	0.9				7.1	0.7	1.7	23.1	17.1	18.5
Net insurance claims	(116.5)	(129.1)	(130.2)	(47.3)	(49.7)	(66.0)				0.0	0.0	0.0	(163.8)	(178.8)	(196.2)
Insurance related expenses	(34.6)	(39.8)	(43.7)	(28.1)	(25.3)	(26.7)				0.0	0.0	0.0	(62.7)	(65.1)	(70.4)
<b>Underwriting result</b>	<b>105.7</b>	<b>101.6</b>	<b>106.7</b>	<b>(17.0)</b>	<b>(8.2)</b>	<b>(11.2)</b>				<b>7.1</b>	<b>0.7</b>	<b>1.7</b>	<b>95.8</b>	<b>94.1</b>	<b>97.2</b>
Profit commission	30.0	29.6	36.1	0.0	0.0	0.0				0.0	0.0	0.0	30.0	29.6	36.1
Gross ancillary revenue	96.2	109.1	105.3	6.8	7.7	8.7				0.0	0.0	0.0	103.0	116.8	114.0
Ancillary costs	(28.2)	(30.8)	(35.9)	(1.2)	(1.4)	(1.6)				0.0	0.0	0.0	(29.4)	(32.2)	(37.5)
Instalment income	22.5	38.1	42.8	1.3	1.3	1.4				0.0	0.0	0.0	23.8	39.4	44.2
Gladiator contribution										0.7	(0.4)	0.6	0.7	(0.4)	0.6
Comparison revenue							72.5	76.6	83.4				72.5	76.6	83.4
Comparison expenses							(70.1)	(74.0)	(78.0)				(70.1)	(74.0)	(78.0)
Loans contribution										(1.6)	(6.4)	(4.3)	(1.6)	(6.4)	(4.3)
Interest income										0.2	0.4	1.0	0.2	0.4	1.0
Other (mainly share scheme)										(25.9)	(27.6)	(33.0)	(25.9)	(27.6)	(33.0)
Interest payable										(5.6)	(5.6)	(5.5)	(5.6)	(5.6)	(5.5)
<b>Profit/(loss) before tax</b>	<b>226.2</b>	<b>247.6</b>	<b>263.0</b>	<b>(10.1)</b>	<b>(0.6)</b>	<b>(2.7)</b>	<b>2.4</b>	<b>2.6</b>	<b>5.4</b>	<b>(25.1)</b>	<b>(38.9)</b>	<b>(39.5)</b>	<b>193.4</b>	<b>210.7</b>	<b>218.2</b>

# Balance Sheet

	Jun-18 £m	Dec-18 £m	Jun-19 £m
<b>ASSETS</b>			
Property, plant and equipment	28.1	28.1	163.0
Intangible assets	162.8	162.0	158.9
Reinsurance contracts	1,608.5	1,883.5	1,885.9
Financial assets	2,876.3	2,969.7	2,945.6
Deferred income tax	4.4	0.2	5.3
Insurance and other receivables	1,124.8	1,082.0	1,192.4
Loans and advances to customers	214.2	300.2	420.8
Cash and cash equivalents	309.5	376.8	461.4
<b>Total assets</b>	<b>6,328.6</b>	<b>6,802.5</b>	<b>7,233.3</b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	620.0	713.5	740.0
Other reserves	37.0	31.4	57.7
<b>Total Equity (shareholders)</b>	<b>670.4</b>	<b>758.3</b>	<b>811.1</b>
Non-controlling interests	8.3	12.8	11.5
<b>Total equity</b>	<b>678.7</b>	<b>771.1</b>	<b>822.6</b>
<b>LIABILITIES</b>			
Insurance contracts	3,543.5	3,736.4	3,929.1
Subordinated liabilities	404.0	444.2	484.5
Trade and other payables	1,664.0	1,801.5	1,811.1
Lease liabilities	-	-	143.0
Corporation tax liabilities	38.4	49.3	43.0
<b>Total liabilities</b>	<b>5,649.9</b>	<b>6,031.4</b>	<b>6,410.7</b>
<b>Total liabilities and equity</b>	<b>6,328.6</b>	<b>6,802.5</b>	<b>7,233.3</b>

# Group profit before tax reconciliation

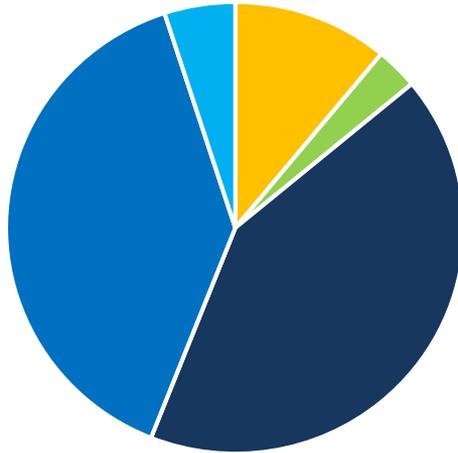
## Reconciliation from statutory to adjusted profit before tax



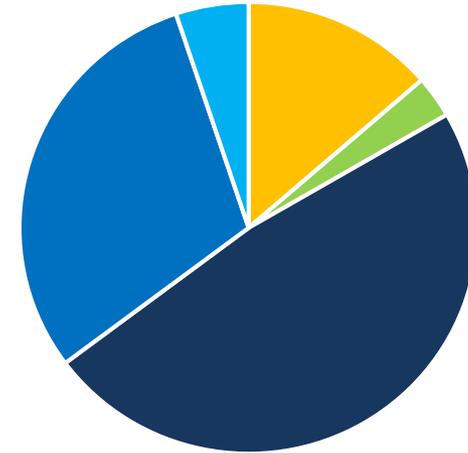
- Admiral has four operations with shared ownership: Rastreator (Admiral share of ownership 75.0%); compare.com (59%); Admiral Law (95.0%); Preminen (50.0%)
- Following additional investment in 2018 compare.com is 41% owned by third parties.
- Profit or losses in period accruing to minority parties reduce or increase the results respectively

# Investment update

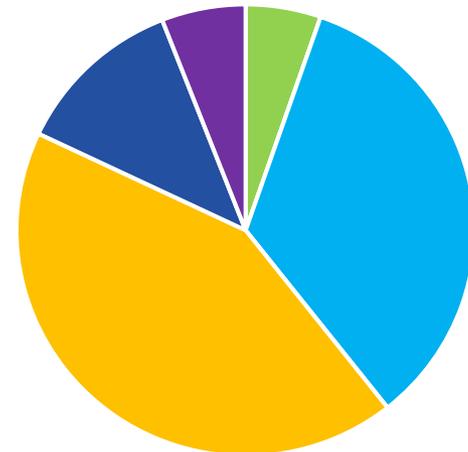
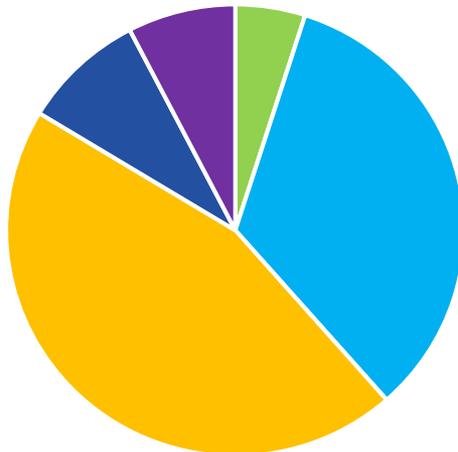
Dec '18: £3,347m



June '19: £3,409m



- Cash
- Deposit
- Fixed Income Investments
- Money Market Funds
- GILTS



- AAA
- AA
- A
- BBB
- Not Rated<sup>1</sup>

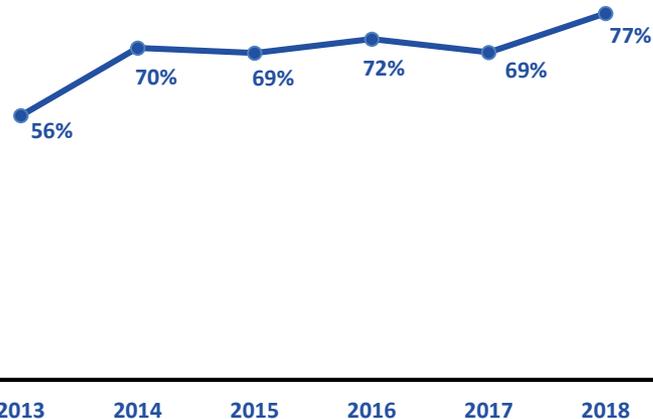
# Analysis of Other Group items

	H1 2019	H1 2018
Admiral Loans	(4.3)	(6.4)
Other interest & investment income	2.7	1.1
Share scheme charges	(26.2)	(21.6)
Business development	(0.4)	(2.0)
Other central overheads	(5.5)	(3.7)
Finance charges	(5.5)	(5.6)
<b>Total</b>	<b>(39.2)</b>	<b>(38.2)</b>

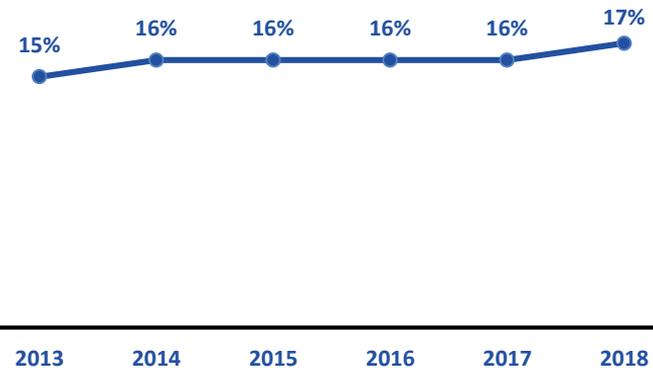
- Admiral Loans – Loss in line with expectation and guidance
- Other interest and investment income – Increase mainly due to reduced unrealised losses from forward contracts
- Share scheme charges – Increase mainly due to improvement in the vesting assumptions for variable awards in general due to strong financial performance and shareholder return, and a higher share price period on period
- Business development costs – Represents costs associated with potential new ventures. Decrease mainly due to Preminen costs now included in Comparison result.
- Central overheads – Increased due to several ad-hoc items including the impact of adverse foreign exchange rate movements and some significant Group projects e.g. internal model, IFRS17
- Finance charges – Represent interest on the £200 million subordinated notes issued in July 2014

# UK Car Insurance: Ultimate loss ratio, expense ratio and combined ratio

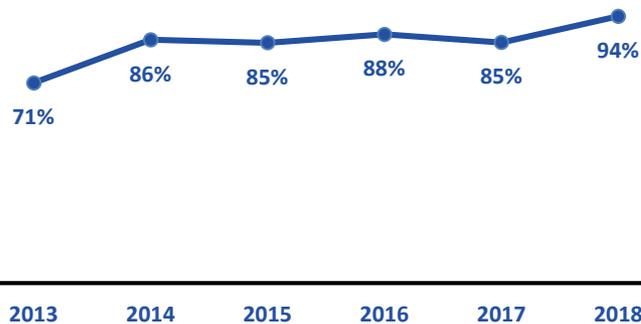
Admiral projected ultimate loss ratio<sup>1</sup>



Admiral expense ratio<sup>2</sup>



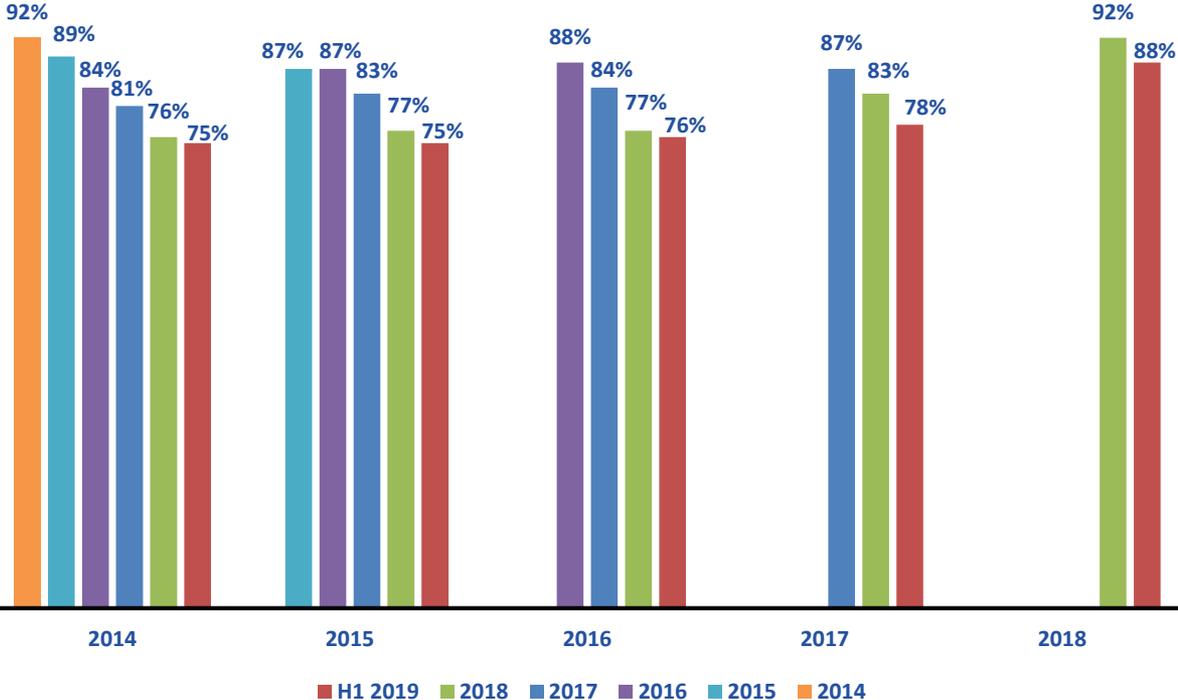
Admiral ultimate combined ratio



- Recent accident year projections tend to be prudent, particularly when adversely influenced by large bodily injury

# UK Car Insurance: Booked loss ratio development by underwriting year

UK car insurance booked loss ratio (%)  
 Development by financial year (colour-coded)  
 Split by underwriting year (x axis)



Ultimate loss ratio by underwriting year	
2018	85%
2017	72%
2016	69%
2015	70%
2014	72%

# UK Car Insurance: Booked loss ratio sensitivity

Sensitivity of booked loss ratio (£m)

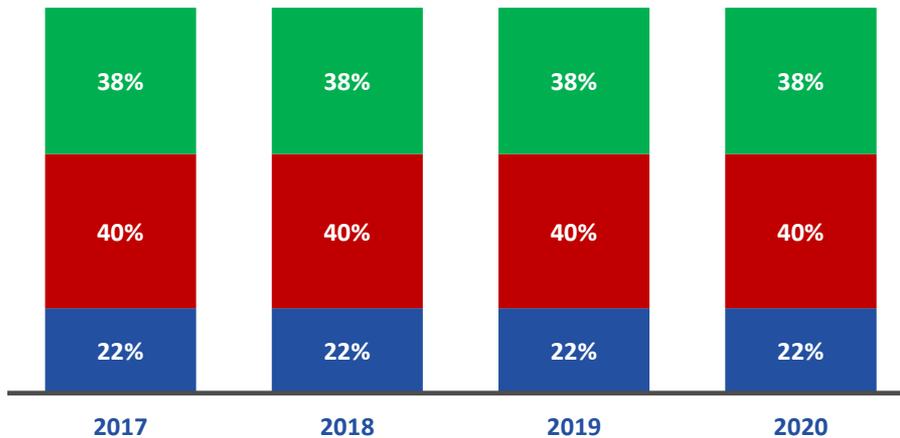
Underwriting year	2014	2015	2016	2017	2018
Booked loss ratio	75.1%	75.0%	75.5%	78.0%	88.2%
PBT impact of +1% move	-12.8	-13.4	-15.6	-12.0	-3.9
PBT impact of +3% move	-35.3	-40.2	-46.8	-41.2	-11.6
PBT impact of +5% move	-52.3	-66.2	-78.0	-62.0	-19.4
PBT impact of -1% move	12.8	13.5	16.2	12.5	3.9
PBT impact of -3% move	38.3	41.5	48.8	50.2	11.6
PBT impact of -5% move	65.0	69.4	81.4	83.4	19.4

- The impact includes the change in net insurance claims along with the associated profit commission movements that result from changes in loss ratios
- The impact is not linear due to the nature of the profit commission arrangements eg. the impact of a 5% move cannot be calculated by multiplying the 1% impact by five

# UK Reinsurance arrangements

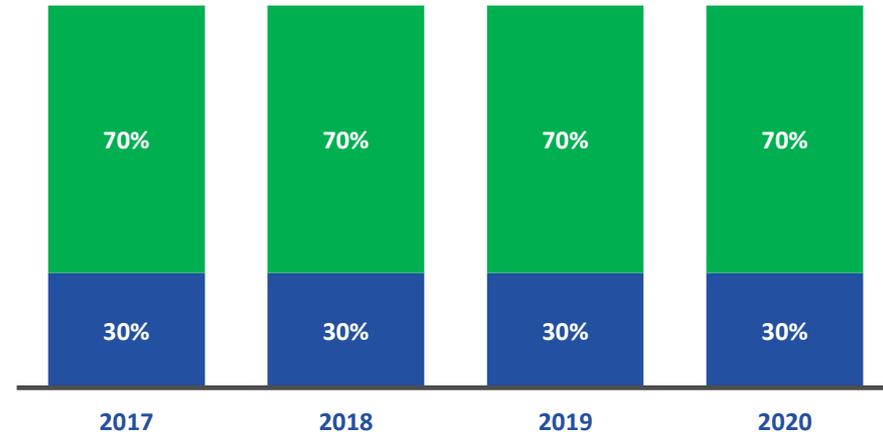
## Motor

■ Admiral ■ Munich Re ■ Other



## Household

■ Admiral ■ Quota share



- Fully placed reinsurance arrangements until the end of 2020
- Similar contract terms and conditions
- Reduction of underwriting share from 25% to 22% with effect from 2017
- Munich Re continues to underwrite 40% of the UK business until at least the end of 2020

- Similar long term quota share contracts to UK motor
- Admiral retains 30%

# Solvency Ratio Sensitivities

The sensitivities below have been selected to show a range of impacts on the reported base case solvency ratio. They cover the two main material risk types - insurance risk and market risk. Within each risk type the sensitivities performed cover the underlying drivers of the risk profile. The sensitivities have not been calibrated to individual return periods.



## Scenarios

1. UK Motor – incurred loss ratio +5%
2. UK Motor – 1 in 200 catastrophe event
3. UK Household – 1 in 200 catastrophe event
4. Interest rate – yield curve down 50 bps
5. Credit spreads widen 100 bps
6. Currency – 25% movement in euro and US dollar
7. ASHE – long term inflation assumption up 0.5%

# Admiral UK Car Co- and Reinsurance<sup>1</sup>

<b>Type</b>	Munich Re Proportional <sup>2</sup> co-insurance – 30%	Proportional reinsurance (quota share) – 48% (10% Munich Re, 38% other reinsurers)
<b>Cost to Admiral</b>	Variable, depending on combined ratio	Fixed – c2% of premium
<b>Risk protection</b>	Co-insurance	Starts at 100% combined ratio + Investment Income
<b>Profit commission</b>	<p>Key items in profit commission calculation include premium, claims, expenses, share scheme costs, investment income</p> <p>Profit share % variable based on combined ratio and calculated in tranches with a maximum profit share of ca 65%</p>	<p>Fixed fee to reinsurer, then 100% profit rebate to Admiral thereafter</p> <p>Below ~98% combined ratio = 100%</p>
<b>Funds withheld</b>	No	Vast majority
<b>Investment income</b>	Munich Re	Admiral (provided combined ratio <100%)
<b>Instalment income</b>	Admiral	Admiral
<b>Commutation</b>	Not applicable	Admiral has option to commute contracts and typically does this 2 years after the start of the underwriting year

# Key definitions

Term	Definition
<b>Accident year</b>	The year in which an accident occurs, also referred to as the earned basis.
<b>Co-insurance</b>	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co-insurer is directly liable to the policyholder for their proportional share.
<b>Combined ratio</b>	The sum of the loss ratio and expense ratio.
<b>Commutation</b>	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a particular reinsurance contract.
<b>Expense ratio</b>	Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums.
<b>Ogden discount rate</b>	The discount rate used in calculation of personal injury claims settlements. The rate is set by the Lord Chancellor, the most recent rate of minus 0.25% implemented on 05 August 2019.
<b>Loss ratio</b>	Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums.
<b>Periodic Payment Order (PPO)</b>	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
<b>Total / Gross / Net Premium</b>	Total = total premiums written including coinsurance Gross = total premiums written including reinsurance but excluding coinsurance Net = total premiums written excluding reinsurance and coinsurance
<b>Reinsurance</b>	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
<b>Ultimate loss ratio</b>	The projected ratio for a particular accident year or underwriting year, often used in the calculation of underwriting profit and profit commission.
<b>Underwriting year</b>	The year in which the latest policy term was inception.
<b>Underwriting year basis</b>	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
<b>Written/Earned basis</b>	A policy can be written in one calendar year but earned over a subsequent calendar year.

# Admiral brands

**balumba**  
seguros

 **Qualitas**  
**Auto**

  
**ConTe.it**  
GRUPPO ADMIRAL

 **Elephant**  
Auto Insurance

 **L'olivier**  
assurance auto

 **Admiral**

**Diamond**

 **elephant**

 **Bell**

 **Admiral**law

**Confused.com**

 **Rastreator.com**

**LeLynx.fr**  
Comparateur d'assurances

**compare.com**

 **seguros.es**  
el comparador de seguros

 **GLADIATOR**

 **Admiral**  
LOANS

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