

# 2015 Full Year Results

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3<sup>rd</sup> March 2016

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# Agenda

**Group results, capital  
and dividends**

**Henry Engelhardt, CEO  
Geraint Jones, CFO**

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**International**

**Henry Engelhardt, CEO  
Andrew Rose, compare.com CEO**

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**UK**

**David Stevens, COO  
Noel Summerfield, Head of Household**

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**Wrap up**

**David Stevens, COO**

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**Q&A**

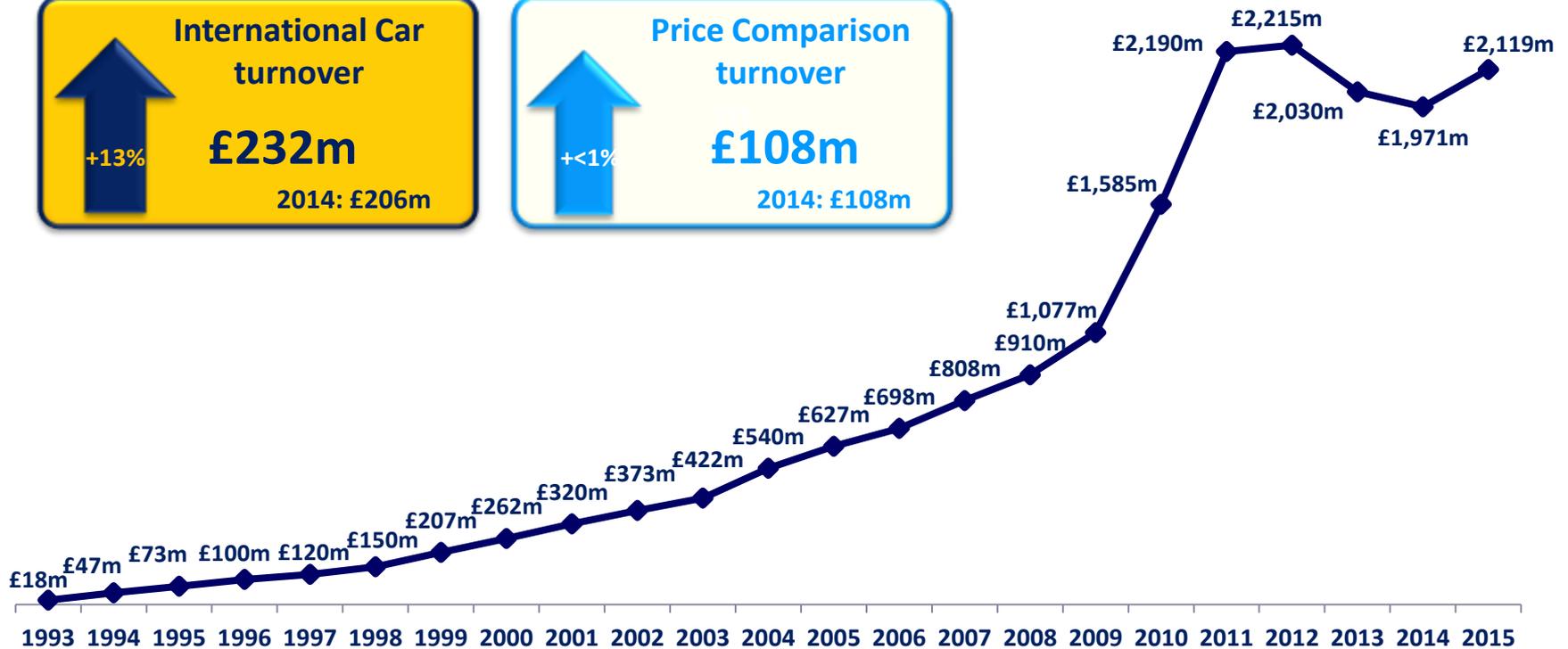
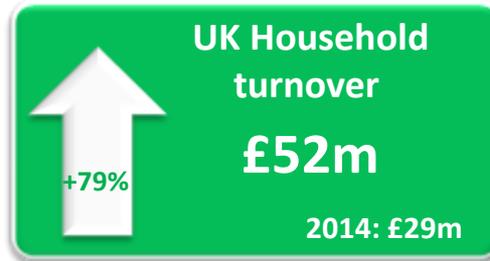
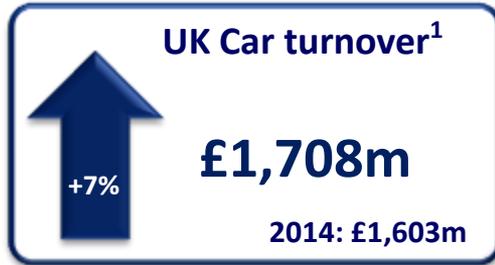
**All**

# 2015: a record year in many areas



Note: (1) Profit before tax adjusted to exclude minority interests' share.

# Turnover up 8% to more than £2 billion



Note: (1) Turnover comprises total premiums written plus other revenue.

# 2015: the year of the uncut diamond



## Financial year

- Record profits
- Record number of policyholders
- Turnover more than £2 billion
- Admiral Seguros achieves break-even<sup>1</sup>
- Second year of profit for ConTe
- UK Household makes first annual profit



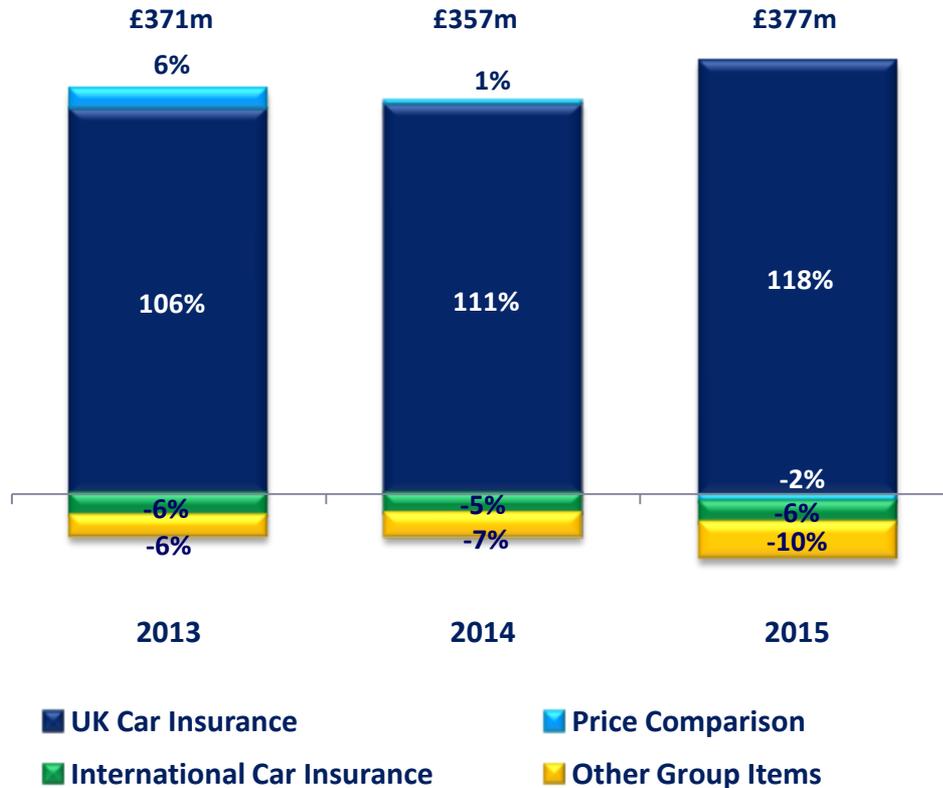
## Underwriting year

- Competitive UK market continues - but rates are increasing...
- Losses in international business - but continued investment for the future...
- Conservative reserving policy has potential for future reserve releases

*Note: (1) Underwriting year basis – see Appendix for key definitions.*

# Analysis of Group profit

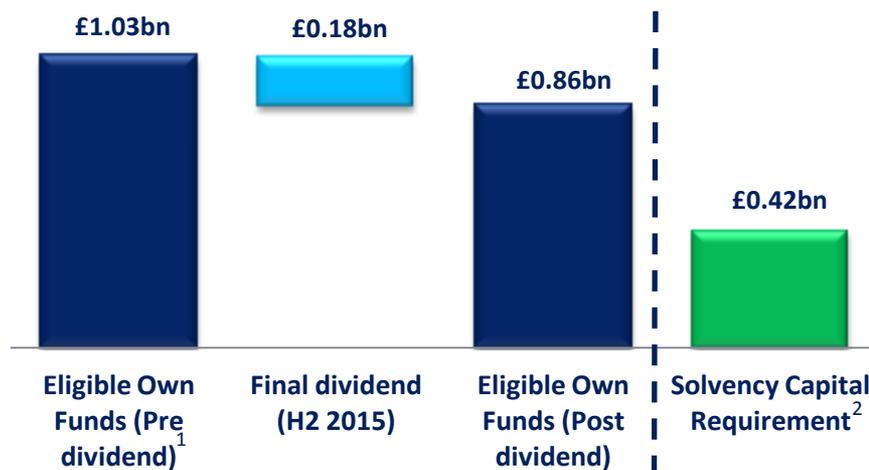
## Group Profit Before Tax



- UK Car Insurance profit up 11% at £443 million (2014: £398 million)
- Overall Price Comparison results impacted by investment in compare.com (Group share of loss £21.5 million)
- Break-even for Admiral Seguros and a second year of profit for ConTe was offset by continued investment in France and the US
- UK Household continues to grow strongly and contributed a profit of £1.2 million
- Other Group items include £11 million debt financing charges (representing a full year in 2015) as well as share scheme costs

# Capital position

## Solvency II capital position



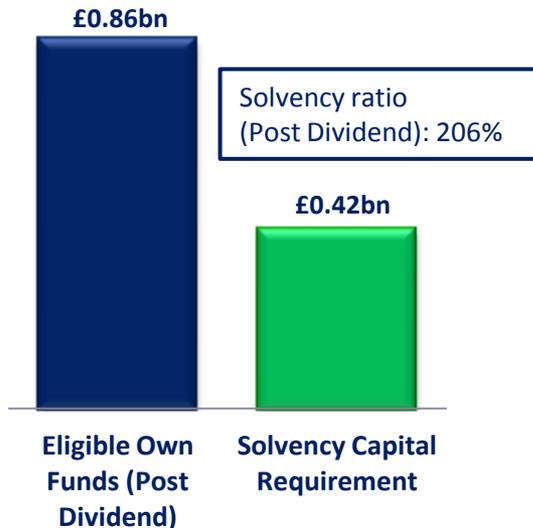
Solvency ratios	
Solvency ratio (Pre Dividend)	248%
Solvency ratio (Post Dividend)	206%

- Group Solvency Capital Requirements (SCR) based on Solvency II Standard Formula plus an agreed Capital Add-On (CAO)
- CAO addresses limitations of the Standard Formula for Admiral, relating to profit commission on the Solvency II balance sheet and risks from Periodic Payment Order (PPO) claims
- Admiral plans to apply for approval to use a partial internal model to calculate SCR during 2017
- Target solvency coverage ratios are to be finalised after model approval, currently expected range of 125% to 150%

Note: (1) Eligible own funds refers to the estimated eligible capital measured under Solvency II rules at the date of this report (unaudited). (2) Impact of deferred tax on SCR still under discussion with PRA. Maximum expected impact c.5% of SCR. SCR is unaudited.

# Additional return of capital to shareholders

## Solvency II capital position



## Return of surplus capital

- Admiral has surplus capital entering Solvency II
- Plan to return additional £150m - £200m to shareholders over two to three years
- Additional capital returns separately identified
- This could change if circumstances change

## Why return the surplus gradually?

- Although Solvency II regime is now live, uncertainty remains, notably:
  - Partial model development and outcome is uncertain
  - Capital Add-On will be reassessed by PRA at least once before model is approved
- Admiral considers it prudent to return the surplus capital as this uncertainty reduces
- Solvency coverage targets will be confirmed as part of model development programme

# Admiral is changing its dividend policy

## New dividend policy

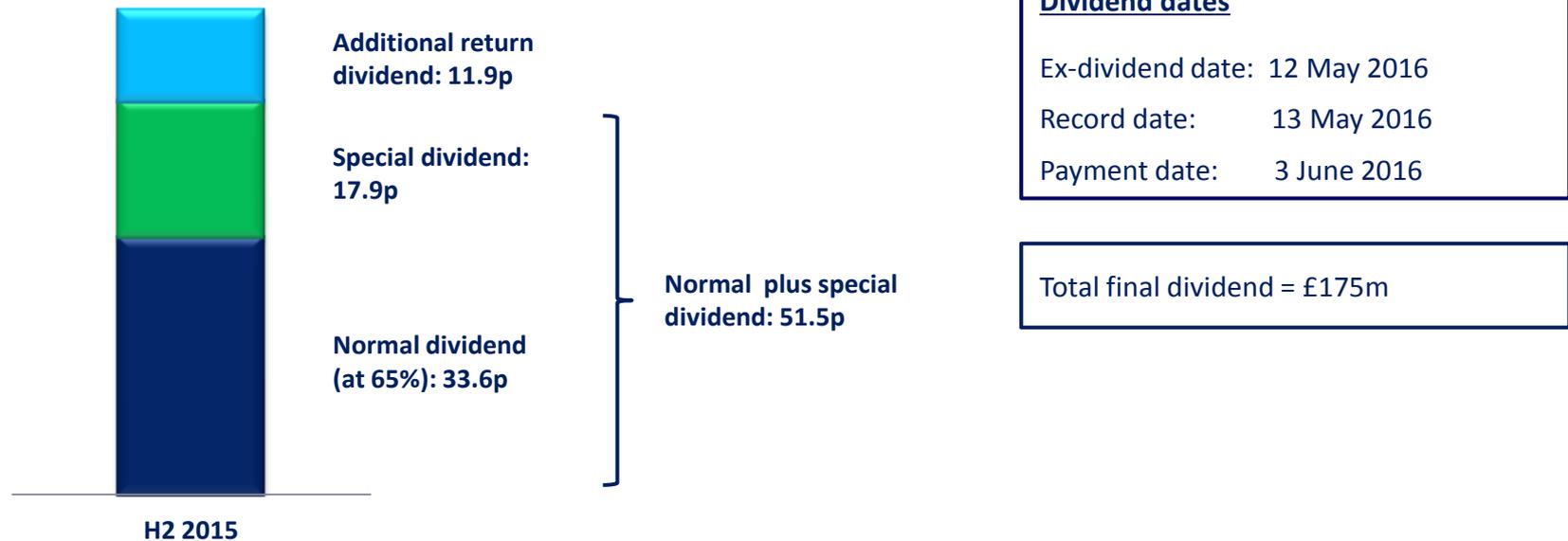
- The revised policy is not expected to change dividend payout ratio for the foreseeable future - expect Normal plus Special (before additional returns of capital) to be in order of 90-95% of earnings for foreseeable future
- Admiral will pay 65% of post-tax profits as a normal dividend each half-year (up from 45%)
- Admiral expects to continue to distribute all earnings not required to be retained for solvency and buffers

## Why change?

- Admiral has distributed 90%+ of earnings each half year since flotation
- New 65% normal dividend level reflects a more appropriate balance between normal and special dividend
- 65% leaves adequate flexibility to retain funds for growth

# Final 2015 dividend of 63.4 pence per share

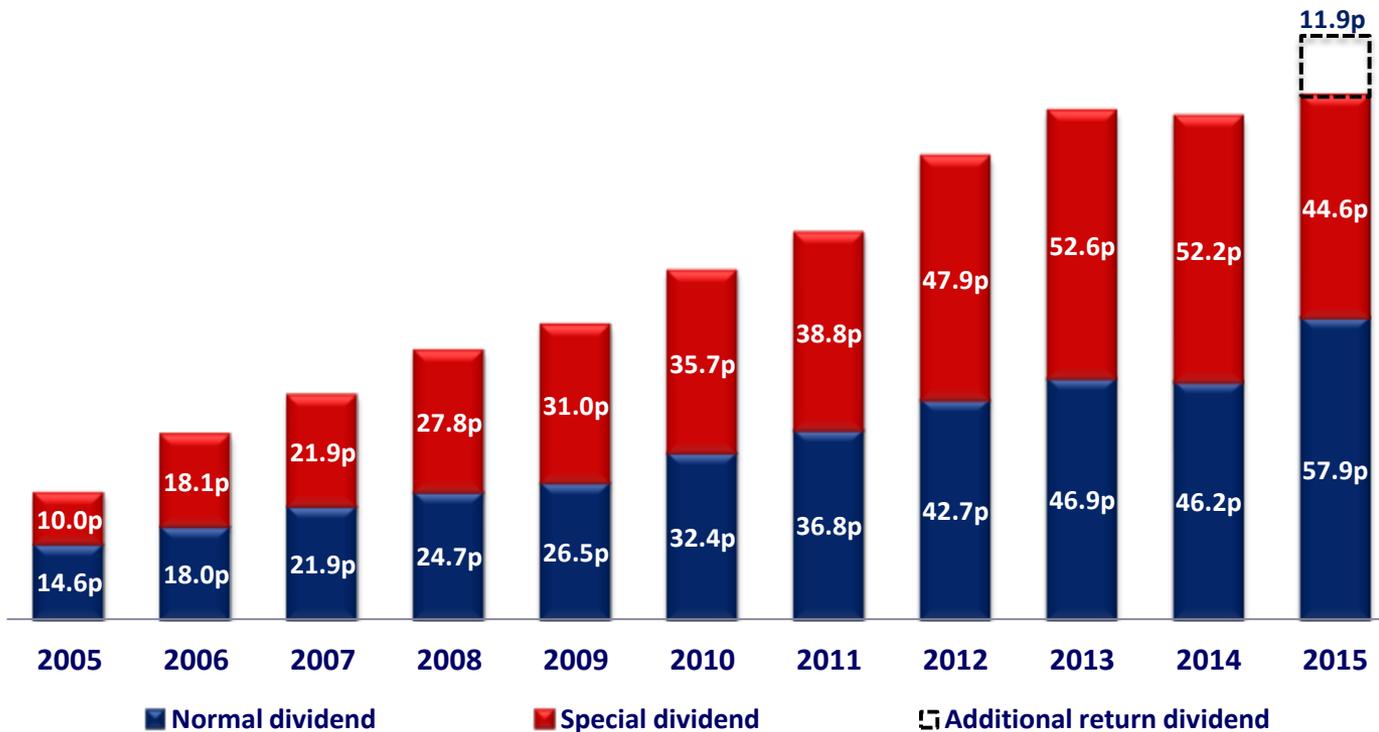
## Final 2015 dividend



- Normal plus Special dividend (H2 2015) = 51.5p per share
- H2 2015 payout ratio = 98%
- Additional return with final 2015 dividend = 11.9p per share; £33m

# 2015 full year dividend totals 114.4 pence per share

## Full Year Dividend History



Full year payout ratio: 96%  
(2014 = 95%)<sup>1</sup>

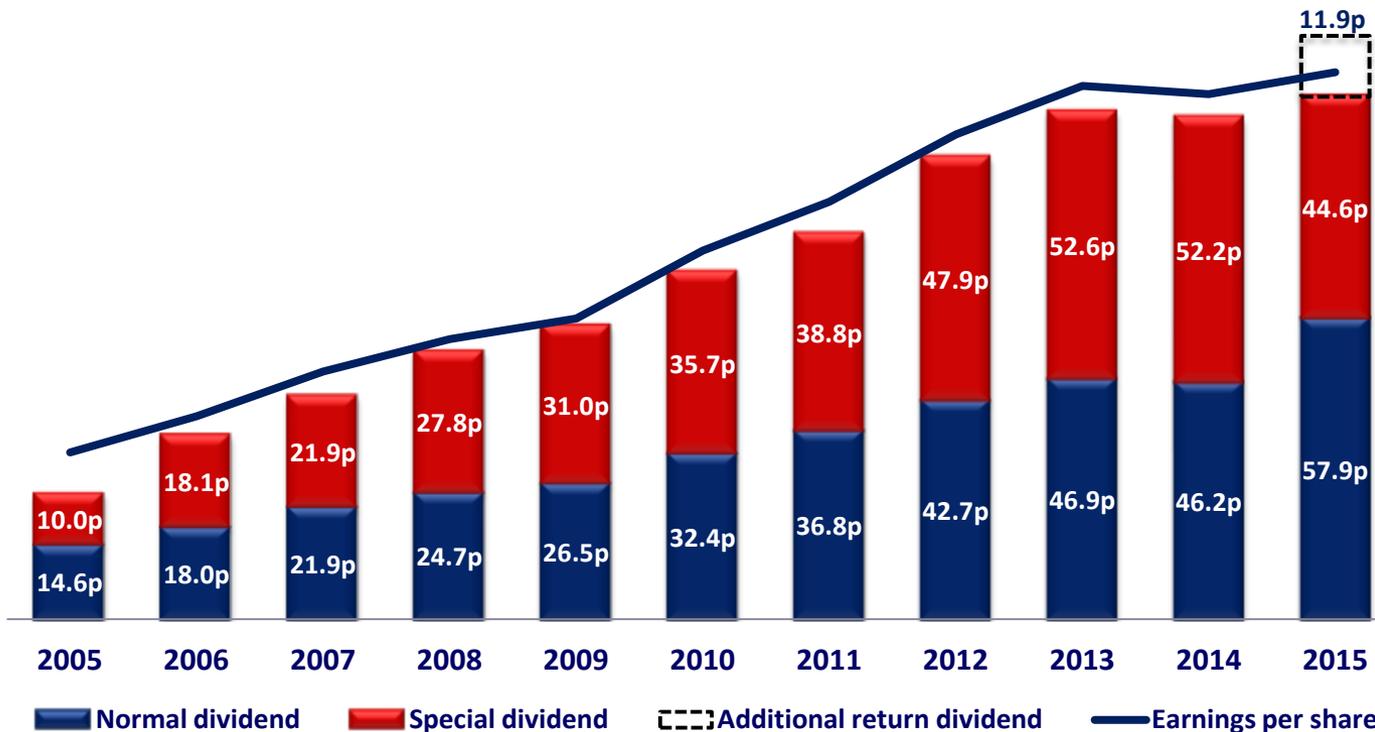
**Cumulative dividends since flotation**

Normal:	£0.97bn
Special:	£1.10bn
Total:	£2.10bn

Note: (1) Payout ratio excludes additional return dividend.

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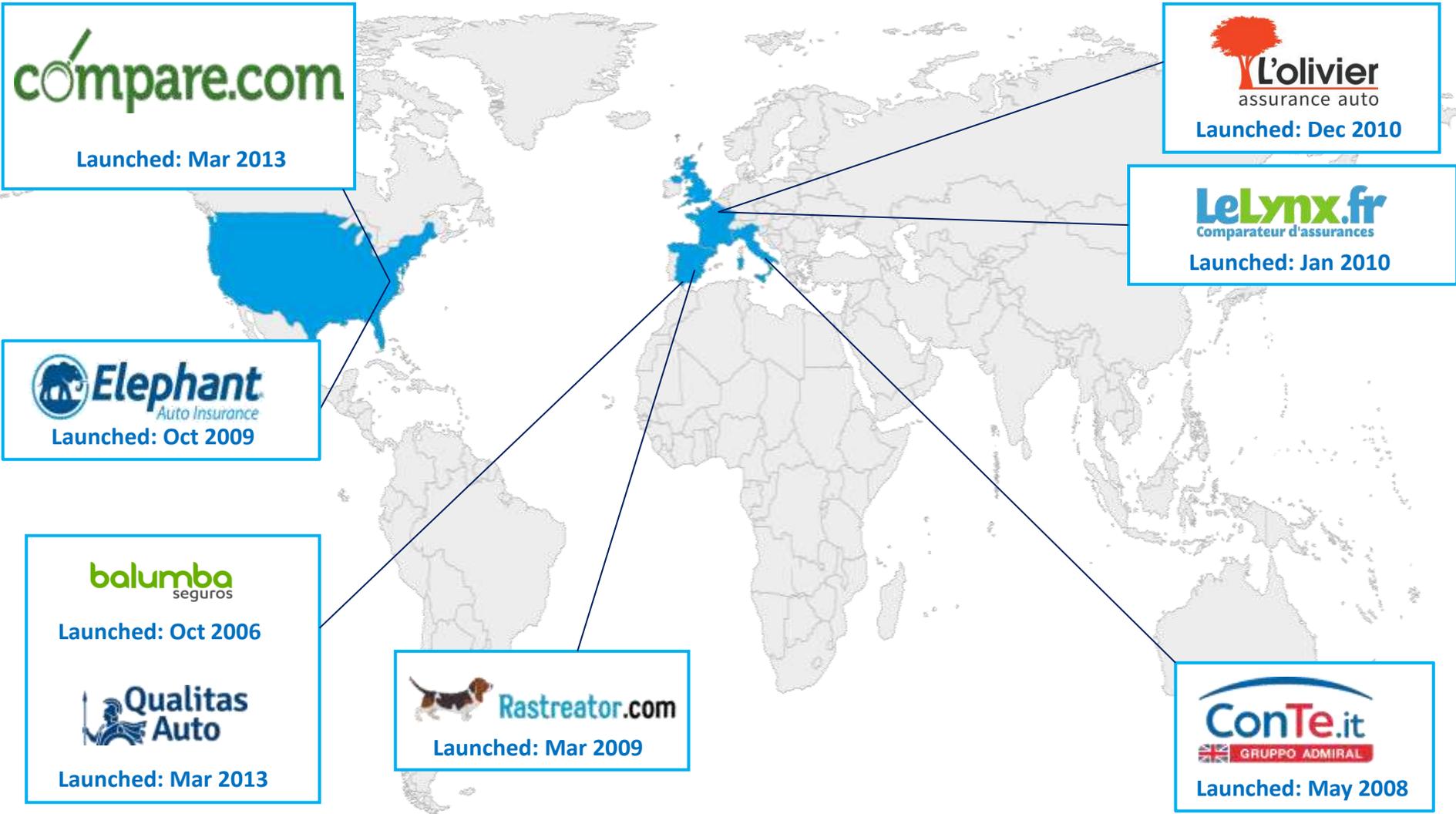
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Q&A

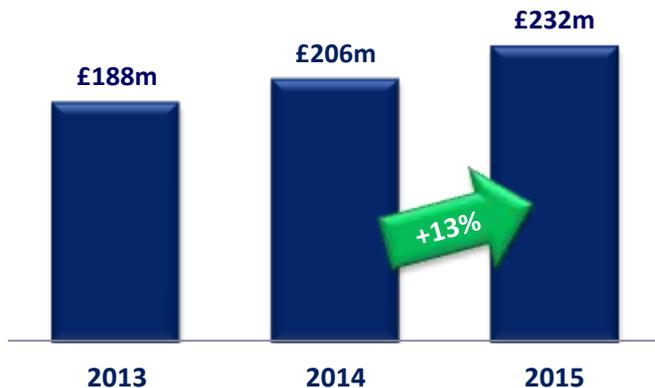
All

# International operations



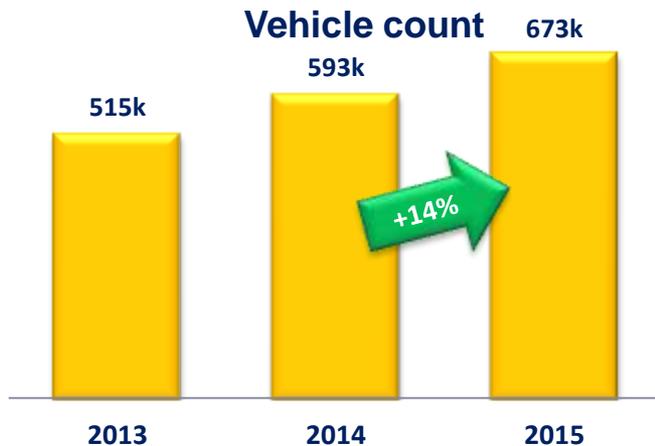
# International car insurance highlights

## Turnover

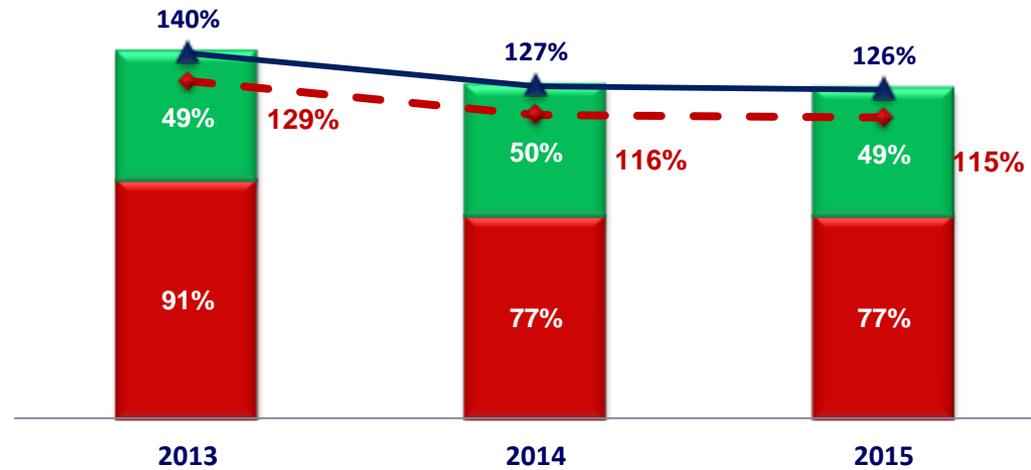


- International insurance business continues to grow
- Stable combined ratio:
  - ConTe prior year improvements
  - Higher premiums
  - Continued investment in L'olivier and Elephant
- Losses are expected until necessary scale is achieved

## Vehicle count



## Reported combined ratio<sup>1</sup>



Loss ratio

Expense ratio

Combined ratio

Combined ratio including ancillaries

Note: (1) Reported combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue. It excludes the impact of reinsurer caps.

# Admiral Seguros: break-even in a challenging market



## Market

- Challenging!
- Increased claims frequency
- Baremo law change
- Fierce price competition
- Upward trend in market combined ratio

## Turnover



## Vehicles



## Admiral Seguros performance

- Achieved break-even<sup>1</sup>
- 4th Best Workplace in Spain<sup>2</sup>



## Future outlook

- Focus on growth
- Increase market share within aggregator channel
- Grow consumer awareness for Qualitas brand

balumbra  
seguros



Note: (1) Break-even on an underwriting year basis - see Appendix for key definitions. (2) Great Places to Work Best Workplaces Survey, 2015.

# ConTe: focus on growth and profitability



## Market

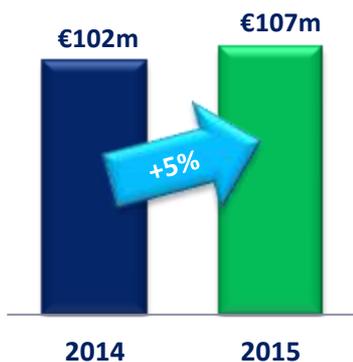
- Lowest average market premium in over 10 years: c.13% decrease in past 2 years
- Aggregator quotes up from 2014
- Ban on automatic renewals



## ConTe performance

- Second full-year profit
- Positive development of 2012 and 2014 underwriting years
- Growth in revenue and customer count
- Growth in telematics
- Investment in TV and Serie B football league
- 2<sup>nd</sup> Best Workplace in Italy<sup>1</sup>

## Turnover



## Vehicles



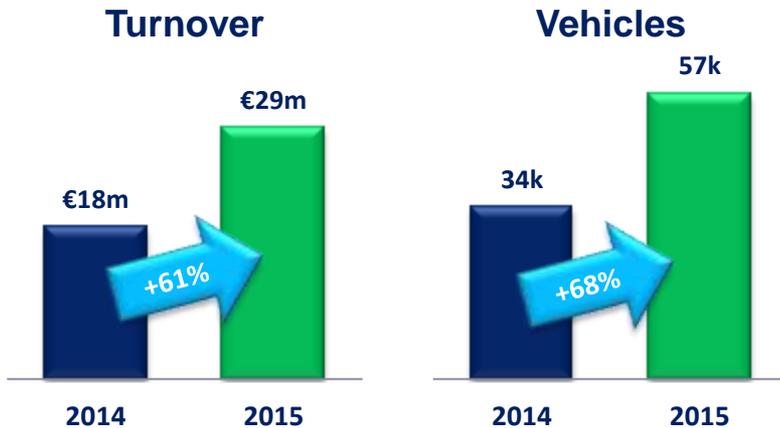
## Future outlook

- Increased investment in brand and technology
- Target growth in customer base and net written premium



Note: (1) Great Places to Work Best Workplaces Survey, 2016.

# L'olivier - assurance auto: growth and more growth



## L'olivier performance

- Growth in policy base of 68%
- Brand awareness strengthened and first TV advert launched
- Implementation of new IT system
- Fully in-sourced operations
- Encouraging underwriting evolution

## Future outlook

- Accelerate growth and build scale
- Increase brand awareness
- Continue to pursue service excellence



# Elephant Auto: growth continues



## Turnover



## Vehicles



## Market

- Stable market with reduced cyclicity
- Market premium growth
- Modest claims inflation
- Large players are increasing prices

## Elephant performance

- Vehicles grew by 28% to 140k
- New marketing campaign performed well
- Top 100 auto insurer in US
- Market share grew to 0.1%

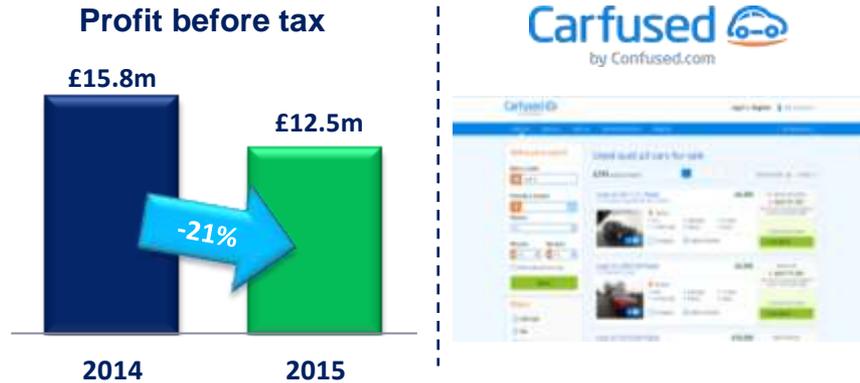
## Future outlook

- Continued growth
- Expansion into new states
- Improving combined ratio from scale and efficiency



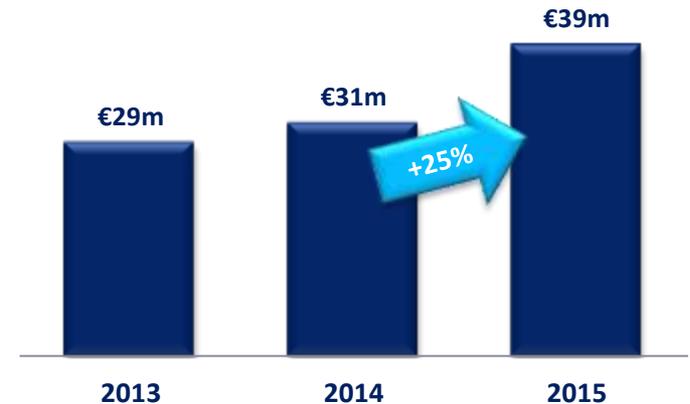
# Price Comparison: a mixed result...

## Confused.com

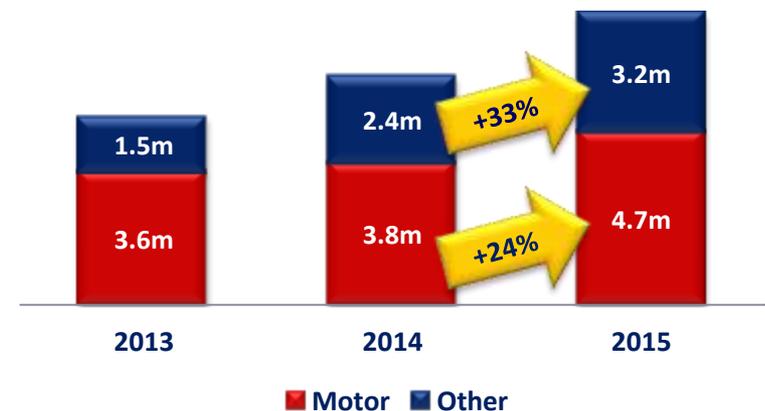


- Confused
  - Lower profit in a competitive market
  - Continued investment including Carfused
- Rastreator and LeLynx
  - Both are profitable with market-leading positions and strong brand recognition
  - Expansion into other products - increase in non-motor quotes
- Ongoing investment in compare.com
- Other price comparison opportunities via joint venture with Mapfre

## Rastreator and LeLynx turnover



## Rastreator and LeLynx quotes



# Rastreator and LeLynx: growth continues



## Rastreator performance

- New TV campaign
- Increased turnover and quote volumes
- Multiproduct strategy - further expansion into non-motor insurance products
- 5<sup>th</sup> Best Workplace in Spain<sup>1</sup>



## Rastreator future outlook

- Growth in core business and increase aggregator market share
- Maintain brand leadership and awareness
- Data strategy – Spanish motor insurance price index and big data

## LeLynx performance

- Increased marketing investment - take advantage of Loi Hamon
- Growth in turnover and quote volumes
- Maintained leadership position



## LeLynx future outlook

- Continue to drive consumers towards aggregator use by taking advantage of the new law
- Increased advertising and brand awareness

Note: (1) Great Places to Work Best Workplaces Survey, 2015.

# compare.com: not yet profitable, but favourable trajectory

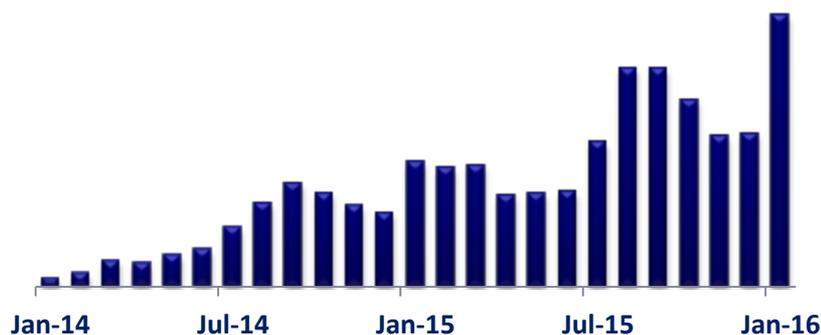


## Insurer panel

- Largest player in US insurance comparison market<sup>1</sup>
- Covers 49 of 51 states
- Increase in number of carriers
  - Nearly half of top 25 have now joined
  - Over 60 auto insurance brands
  - Doubled carrier numbers in past 12 months
- New entrants with varied models



## Total quotes



## compare.com performance

- More than 1m quotes cumulatively
- Substantially improved acquisition economics
- National advertising campaigns
- Positive consumer and partner feedback

**compare.com**

Note: (1) Admiral management information based on external market data.



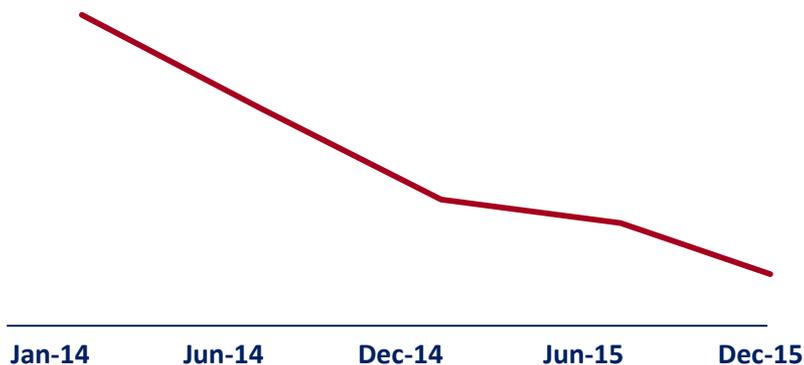
## Key metrics

- Cost efficiencies
  - Cost per quote decreased by 77% in past 18 months
  - Cost per sale declined by 86% in past 18 months
- Improved conversion
- Strong revenue growth

## Conversion



## Cost per quote trend



## Cost per sale





## Brand focus

- Continued focus on brand building
- Multiple national advertising campaigns
  - Original test - acquisition costs improved by 50%
  - Similar results for subsequent test
- Continued investment
  - Estimated 2016 loss of \$30-35m

## Positive partner feedback

100%

Partners that rated their overall relationship with compare.com as 'excellent' or 'good'

*"Overall, the integration process was smooth"*

*"Very attentive to our questions and requests, always prompt to find an answer or solution"*

*"Overall process has moved well and communication is frequent and effective"*

## Positive customer feedback

*"...fact that it took less than 15-20 minutes was a huge win for me."*

*"... able to compare multiple quotes from multiple companies in one shot."*

*"The process ... was extremely easy."*



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All

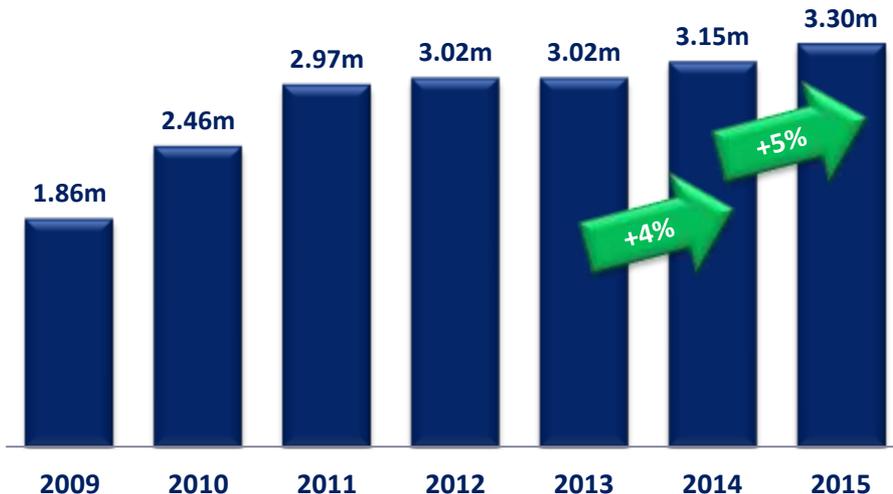
# Strong performance for the UK car insurance business

## Profit before tax

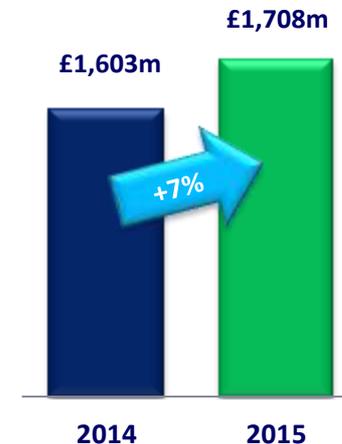


- Profit increased by 11% mainly due to higher than average reserve releases
- Record vehicle count of 3.3 million and strong retention
- Turnover increased by 7% reflecting an increase in average premiums

## Customers

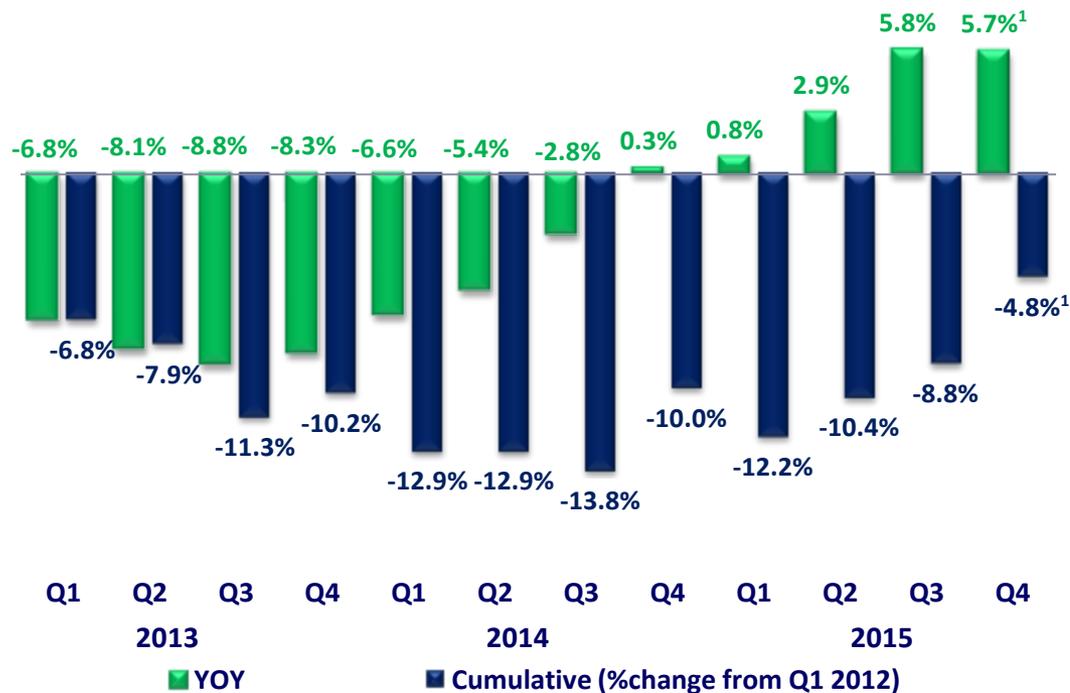


## Turnover

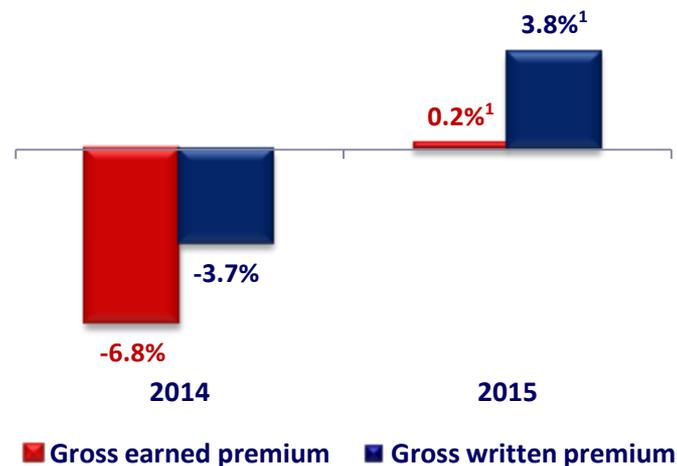


# Premiums continue to increase on written basis

## ABI motor insurance premium tracker



## Market written and earned premium

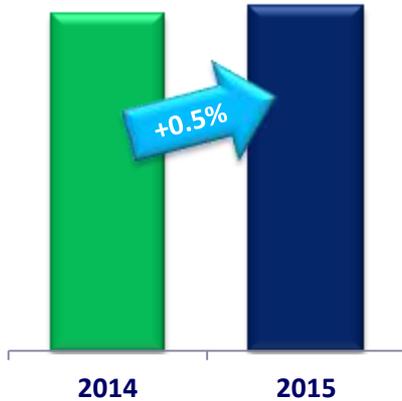


Source: ABI Motor Insurance Premium Tracker as published on 1 February 2016 (quarterly data, year-on-year change).

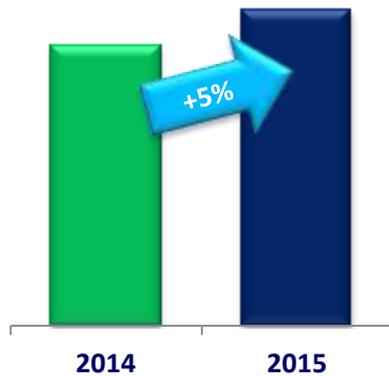
Note: (1) Impact of IPT increase to 9.5% in November 2015 is removed for 2015 numbers.

# Mixed drivers of market claims costs and inflation in 2015

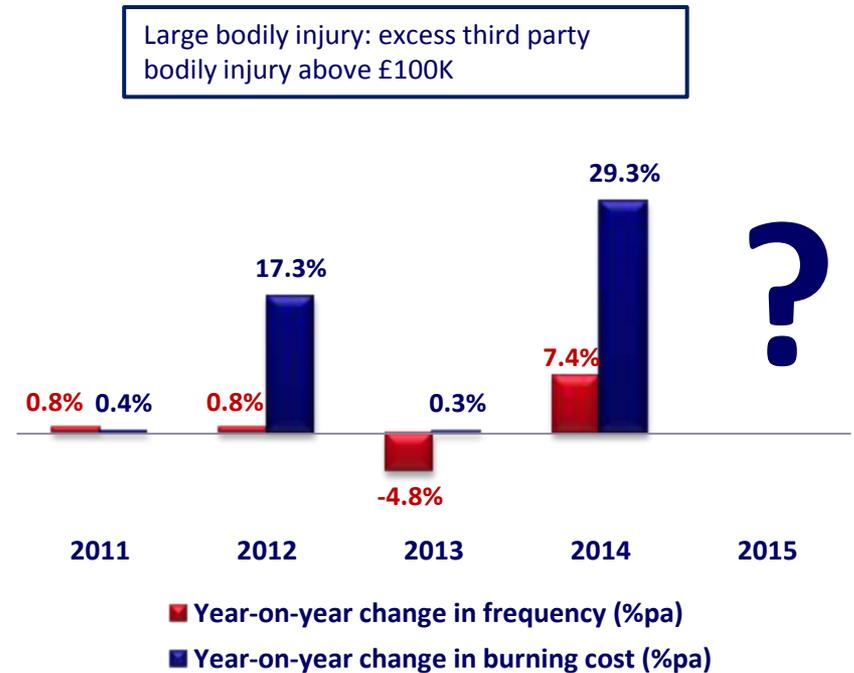
Total motor claims (market)<sup>1</sup>



MOJ<sup>2</sup> Claims portal notifications



Market year-on-year change in large bodily injury frequency and burning cost<sup>3</sup>

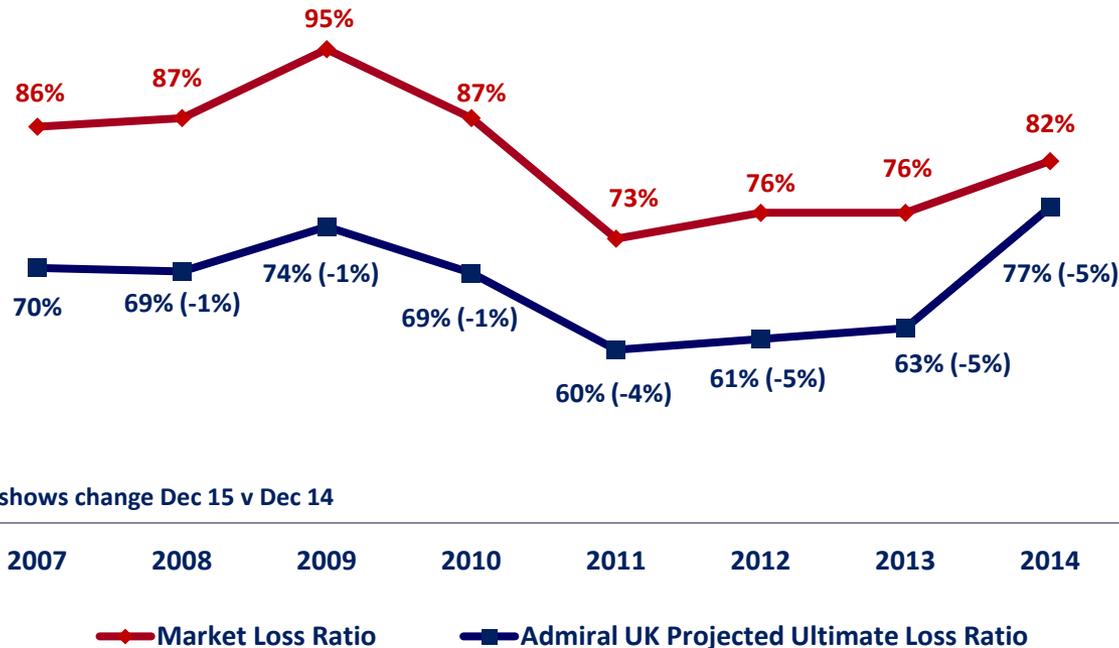


Source: Institute and Faculty of Actuaries, Update from the Third Party Working Party on Motor Insurance Claims, January 2015.

Note: (1) 2015 ABI data. (2) MOJ refers to Ministry of Justice; includes claims above £25,000. (3) Burning cost refers to the average cost of insurance claims per vehicle, which is the combined value of the frequency and the average cost of a claim.

# For Admiral, back years continue to develop positively

Projected ultimate loss ratio (Admiral<sup>1</sup> vs Market<sup>2</sup>)

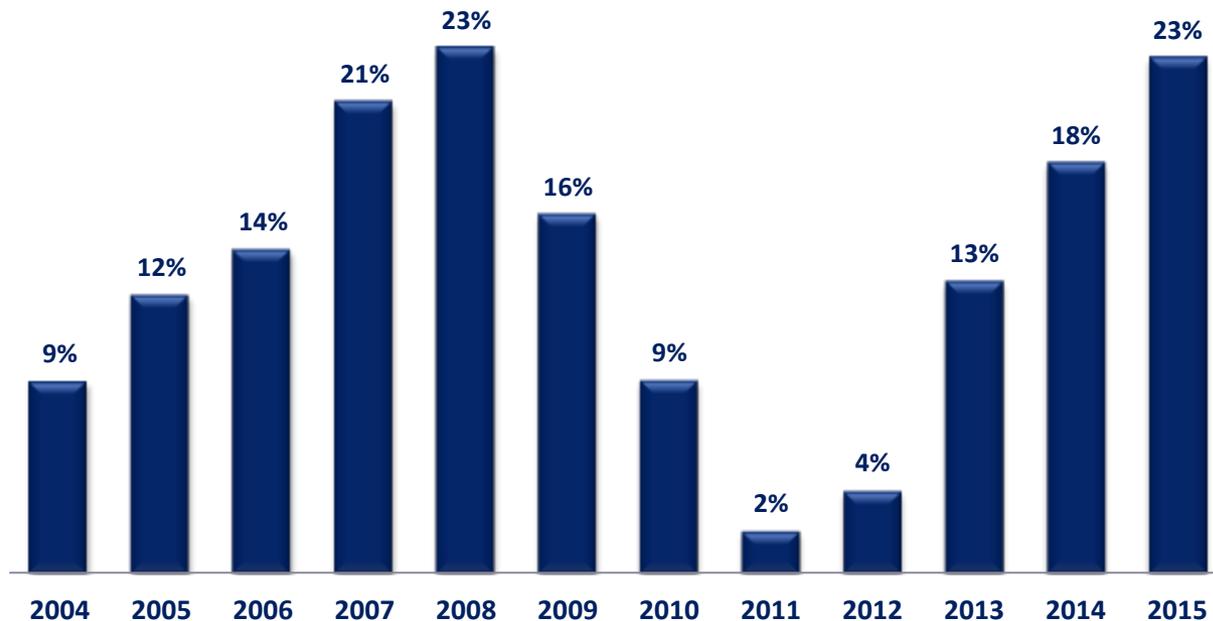


- 2011 to 2013 continue to show strong positive development
- Cautious reserving on 2014 reflecting higher proportion of large bodily injury claims
- 2015 first projection for ultimate loss ratio (82%) is consistent with 2014

Note: (1) Management estimate based on independent actuarial projection of ultimate loss ratio on accident year basis. (2) Analysis of PRA returns as at 31 December 2014. Market excludes Admiral. Loss ratio: accident year.

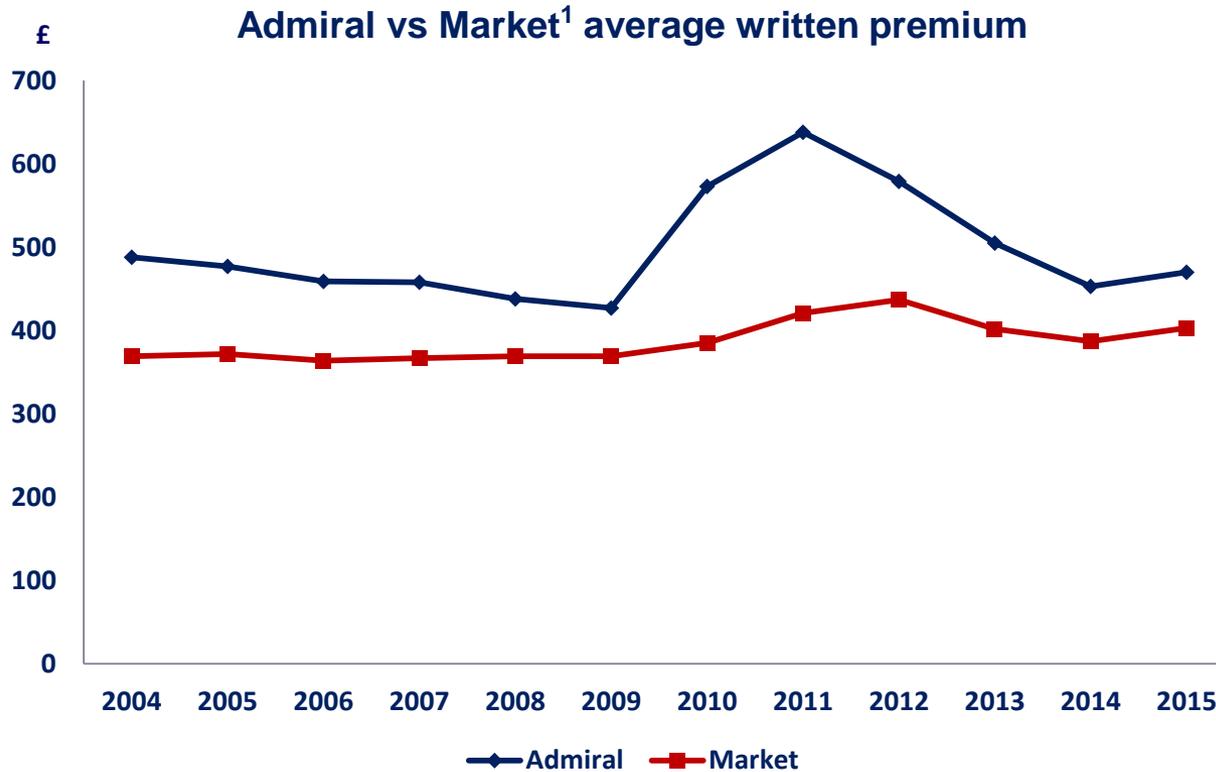
# Releases are a substantial part of Admiral profits

Admiral reserve releases as % of premium



- Higher reserve releases due to positive claims development for 2011 to 2013
- Reserve margin slightly lower than at 30 June 2015 but consistent with 31 December 2014
- Expect future reserve releases if claims development continues as expected

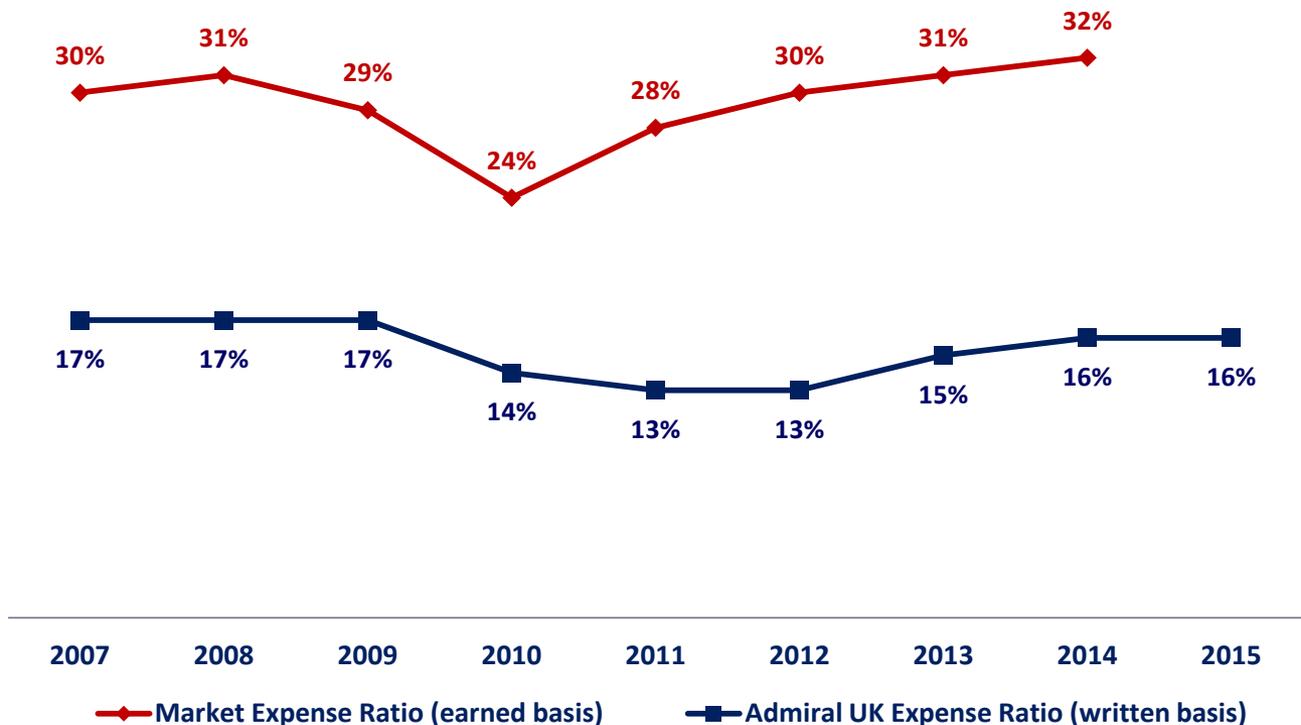
# The portfolio continues to shift towards relatively low premium risks



- Combination of Admiral and competitor rating actions
- Increased ratio in 2010-2012 reflects competitor withdrawal from high risk segments

# Admiral maintains our expense ratio advantage

## Admiral<sup>1</sup> and Market<sup>2</sup> expense ratios



Note: (1) Admiral expense ratio is on a written basis. (2) Analysis of PRA returns as at 31 December 2014. These numbers include UKI (due to unusually high or low expense ratios, UKI numbers may distort market data).

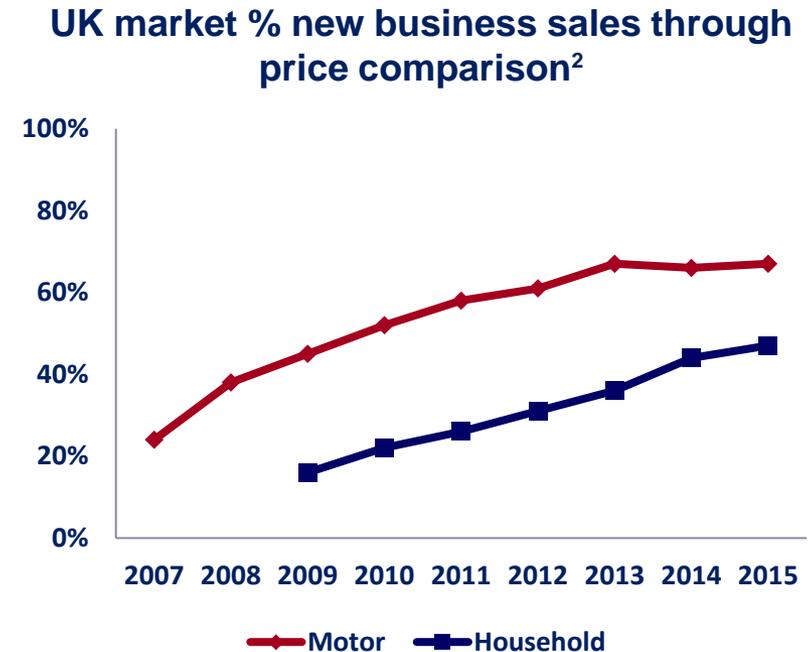
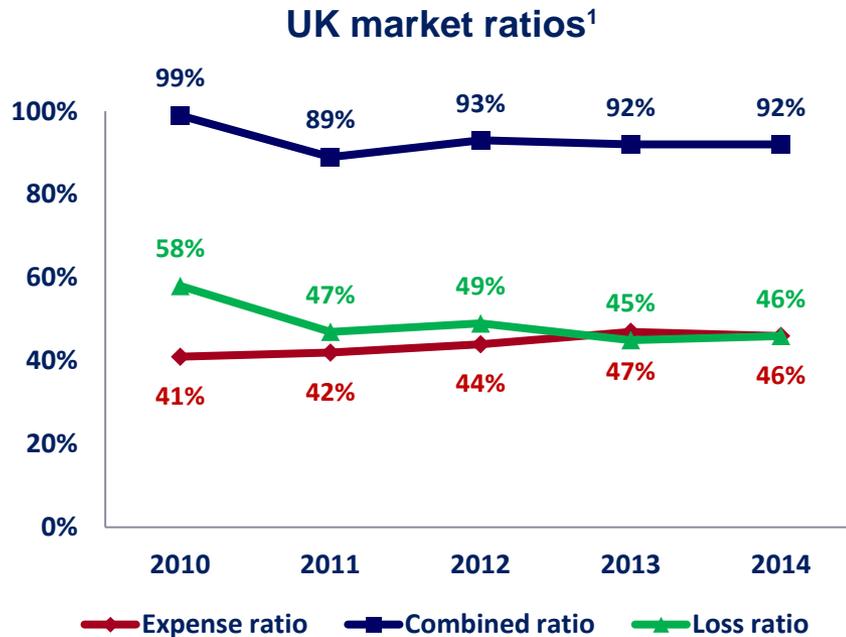
# Prospects for future

- Continued premium increases likely in 2016, though prospects for small bodily injury reform creates uncertainty
- Pure year market combined ratios likely to peak in 2015 well below previous peaks
- Admiral results likely to be supported by sustained material reserve releases in 2016

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*Note: (1) Admiral expense ratio is on a written basis. (2) Analysis of PRA returns as at 31 December 2014. These numbers include UKI (due to unusually high or low expense ratios, UKI numbers may distort market data).*

# The household insurance market is generally profitable with more shoppers using price comparison

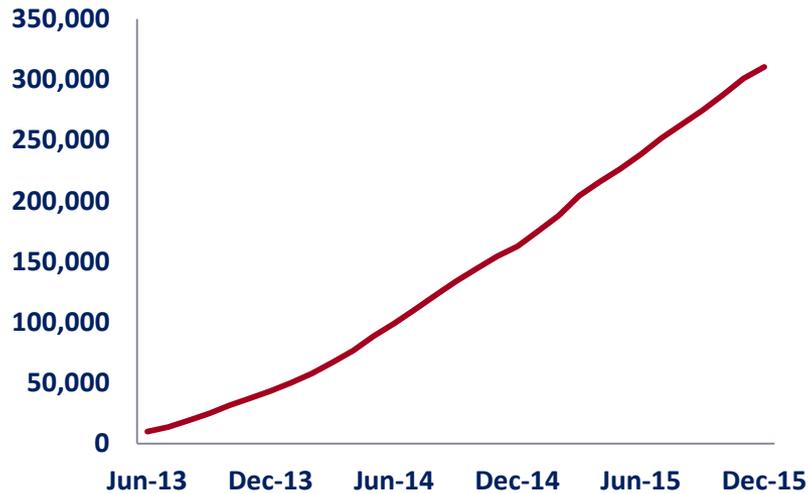


- Household is the second largest personal lines market in the UK behind motor
  - Market size over £6bn
- Relatively stable market
- Increased customer migration online, in particular to price comparison

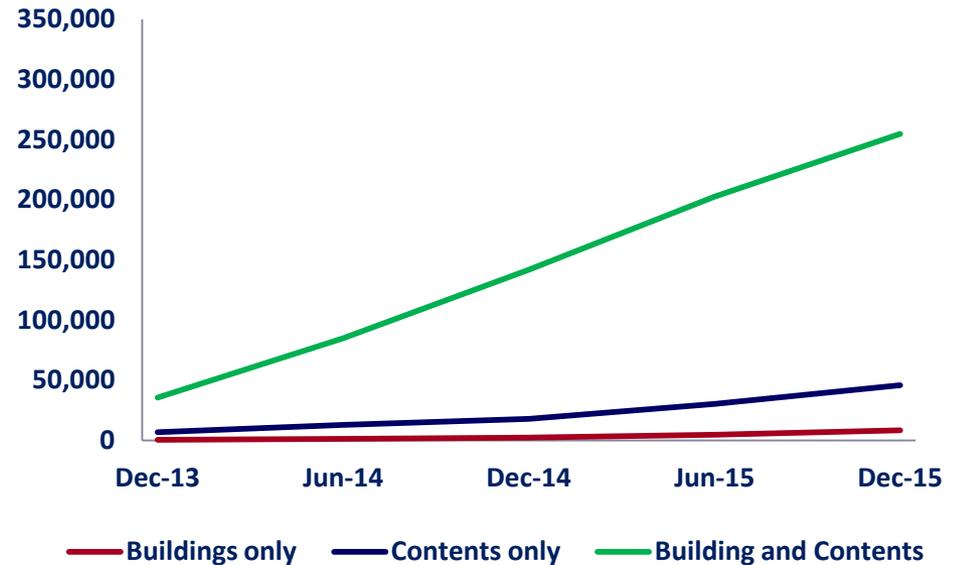
Note: (1) Deloitte Household Insurance Seminar 2012-2015. (2) Admiral management information.

# Admiral Household insurance overview

## Active policy base



## Active policy base by cover type



- Strong growth in policy base
- Portfolio mix of cover types is fairly typical with the majority being combined building and contents
- Admiral in top three for share of aggregator market sales
- Test and learn approach as we build knowledge of the market

# Tiered offering provides customers with choice, facilitating rapid growth through price comparison

Confused.com Home insurance quote

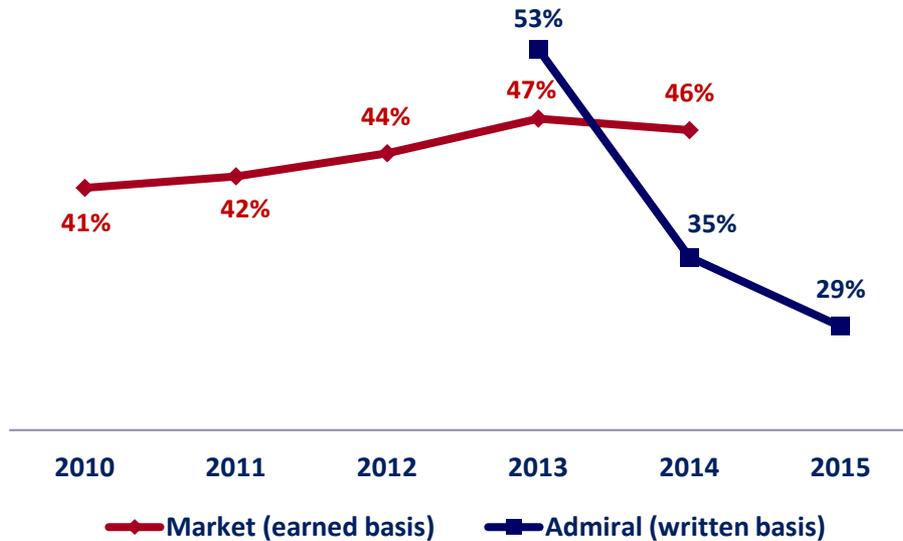
Buildings voluntary excess - £250 Buildings accidental - Yes Contents voluntary excess - £250 Contents accidental - Yes Apply changes

Sort prices by Annual premium

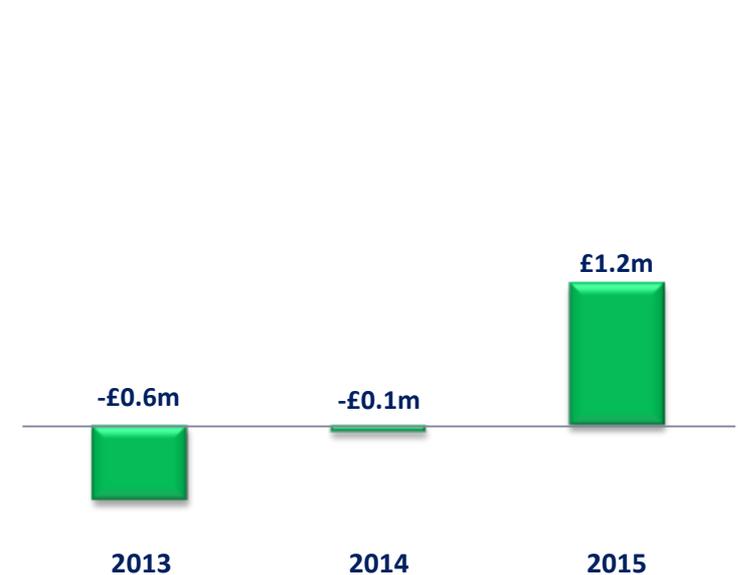
Provider	Premium	Excess	Legal cover	Home emergency	Emergency helpline	Personal belongings cover	
 Admiral	Annual premium: <b>£117.85</b> Monthly premium: 10 to £11.16, 11 to £11.05 Total: <b>£132.71</b>	Buildings: <b>£350</b> Contents: <b>£350</b>	£19.95 extra	£44.95 extra	✓	✓	BUY ONLINE PHONE
 churchill	Annual premium: <b>£119.35</b> Monthly premium: 12 to £10.94 Total: <b>£131.26</b>	Buildings: <b>£290</b> Contents: <b>£290</b>	£25.19 extra	£56.94 extra	✓	✓	BUY ONLINE PHONE
 Admiral GOLD	Annual premium: <b>£141.31</b> Monthly premium: 10 to £13.10, 11 to £12.06 Total: <b>£155.88</b>	Buildings: <b>£325</b> Contents: <b>£325</b>	£19.95 extra	✓	✓	✓	BUY ONLINE PHONE
 AXA	Annual premium: <b>£162.24</b> Monthly premium: 10 to £29.99, 10 to £15.91 Total: <b>£180.09</b>	Buildings: <b>£350</b> Contents: <b>£350</b>	£20.20 extra	£35.92 extra	✓	✓	BUY ONLINE PHONE
 LIVERPOOL VICTORIA	Annual premium: <b>£163.51</b> Monthly premium: 10 to £24.53, 10 to £15.27 Total: <b>£178.23</b>	Buildings: <b>£250</b> Contents: <b>£250</b>	£24.89 extra	£48.35 extra	✓	✓	BUY ONLINE PHONE
 Admiral PLATINUM	Annual premium: <b>£172.60</b> Monthly premium: 10 to £16.07, 11 to £15.89 Total: <b>£190.86</b>	Buildings: <b>£300</b> Contents: <b>£300</b>	✓	✓	✓	✓	BUY ONLINE PHONE

# Lower expense ratio has led to Admiral Household reaching profitability within three years from launch

Admiral<sup>1</sup> and Market<sup>2</sup> expense ratios



Household profit before tax<sup>3</sup>



- Expense ratio already below market average
- Low acquisition costs through price comparison
- Loss ratio for 2015 of 66%

- Quota share arrangements similar to UK motor, with some differences
- Admiral retains 30% of business
- Prudent reserving philosophy, but releases less material than motor

Note: (1) Written basis, excludes ancillaries. (2) Deloitte Household Insurance Seminar 2013-2015. (3) 2013 number includes household prelaunch costs of £0.5 million.

# Household claims performance is encouraging and there are still more opportunities to realise

## Impact of winter storms

- Granular approach to flood risk
- Market estimates for storms from Abigail to Frank - £850m incurred cost for household insurance market
  - Admiral significantly outperformed estimated losses (only c. 20% of expected) based on average size of our book

## Future opportunities

- Aggregator channel growth
- Flood Re
- Cross-sell to current UK motor portfolio

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**Wrap up**

**David Stevens, COO**

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Q&A

All



# 2 months from now...



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**Q&A**

**All**

# Appendix

# A great place to work!



**European Business Awards 2015 - Finalist - Employer of the Year**

**European Business Awards 2015 - National Champion  
United Kingdom (Employer of the Year)**

**4<sup>th</sup> Great Place to Work Best Workplaces in Europe**

**6<sup>th</sup> Sunday Times Best Companies To Work For**

**Sunday Times Best Companies To Work For  
Special Award 2015 – Best Leader – Henry  
Engelhardt**



**Sunday Times Best Companies To Work For  
Special Award 2015 – 15 Years – Special  
Recognition Award**

**4<sup>th</sup> Great Place to Work Institute UK's Best  
Workplaces**

**2<sup>nd</sup> Prince's Trust Million Makers Challenge**

**Prince's Trust presented Admiral Million  
Makers with a very unique award for  
Outstanding Supporter**

**4<sup>th</sup> and 5<sup>th</sup> Great Place to Work Best  
Workplaces 2015**



**50<sup>th</sup> Virginia Business Best Places to  
Work 2015**



**22<sup>nd</sup> Great Place to Work Best Workplaces  
2015**



**2<sup>nd</sup> Great Place to Work Best  
Workplaces**



**Nova Scotia's Top Employers 2015 -  
Admiral Insurance Services**

# Admiral Group key performance indicators

KPI	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Group Financial</b>										
Turnover £m	698	808	910	1,077	1,585	2,190	2,215	2,030	1,971	2,119
Customers m	1.3	1.5	1.7	2.1	2.7	3.4	3.6	3.7	4.1	4.4
Group pre-tax profit £m	147.3	182.1	202.5	215.8	265.5	299.1	344.6	370.7	356.5	376.8
Earnings per share	39.8p	48.6p	54.9p	59.0p	72.3p	81.9p	95.1p	104.6p	103.0p	107.3p
Dividend per share	36.1p	43.8p	52.5p	57.5p	68.1p	75.6p	90.6p	99.5p	98.4p	114.4p
<b>UK Car Insurance</b>										
Vehicles covered (000)	1,240	1,382	1,587	1,862	2,459	2,966	3,019	3,021	3,154	3,302
Total premiums £m	566	617	690	805	1,238	1,729	1,749	1,553	1,453	1,540
Reported <sup>1</sup> combined ratio	87.2%	83.4%	81.0%	84.9%	83.5%	91.9%	90.0%	83.0%	83.0%	81.0%
Other revenue per vehicle £				77	84	84	79	67	67	63
UK car insurance pre-tax profit £m	121.1	142.2	179.9	206.9	275.8	313.6	372.8	393.9	398.0	443.0
<b>International Car Insurance</b>										
Vehicles covered	2,200	46,900	73,700	121,000	195,000	306,000	436,000	515,300	592,600	673,000
Total premiums £m	0.6	14.2	26	43	71	112.5	148.5	168.3	185.4	213.3
Reported <sup>2</sup> combined ratio	-	232%	198%	204%	173%	164%	177%	140%	127%	126%
International car insurance result £m	(0.1)	(0.7)	(4.1)	(9.5)	(8.0)	(9.5)	(24.5)	(22.1)	(19.9)	(22.2)
<b>Price Comparison</b>										
Total revenue £m	38.5	69.2	66.1	80.6	75.7	90.4	103.5	112.7	107.5	108.1
Operating profit £m	23.1	36.7	25.6	24.9	11.7	10.5	18	20.4	3.6	(7.2)

Note: (1) Reported combined ratio has been adjusted to exclude impact of reserve releases on commuted reinsurance contracts for all periods from 1 January 2011.  
(2) International car insurance combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue. It excludes the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be 2015: 146%; 2014: 145%.

# Summary income statement

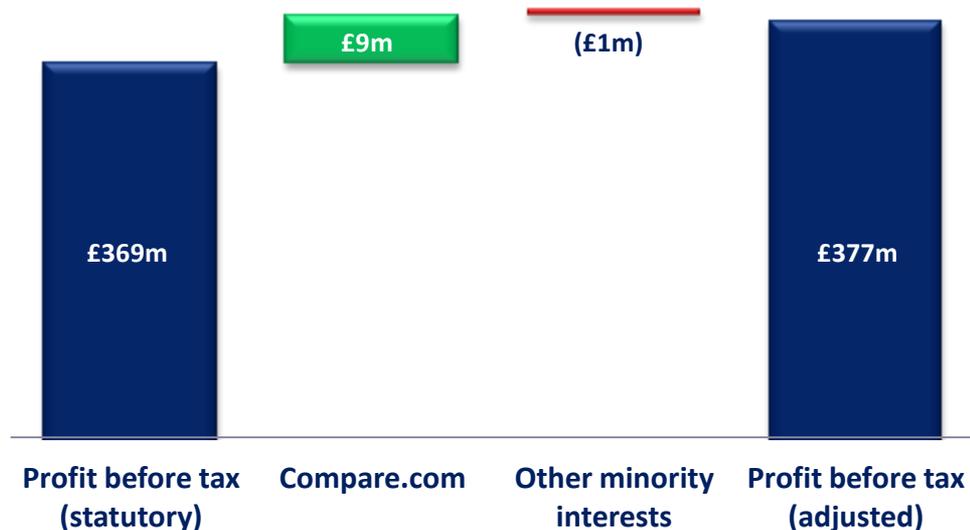
£m	UK Car Insurance			International Car Insurance			Price Comparison			Other			Admiral Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Turnover</b>	<b>1,698.9</b>	<b>1,602.7</b>	<b>1,708.2</b>	<b>187.8</b>	<b>206.2</b>	<b>232.4</b>	<b>112.7</b>	<b>107.5</b>	<b>108.1</b>	<b>30.8</b>	<b>54.6</b>	<b>70.1</b>	<b>2,030.2</b>	<b>1,971.0</b>	<b>2,118.8</b>
<b>Total premiums written</b>	1,553.0	1,453.1	1,539.7	168.3	185.4	213.3				16.3	37.1	52.3	1,737.6	1,675.6	1,805.3
Gross premiums written	930.4	888.5	944.9	141.7	176.5	199.3				16.3	37.1	52.3	1,088.4	1,102.1	1,196.5
Net premiums written	403.2	381.3	406.6	55.4	61.5	72.1				9.6	14.4	12.6	468.2	457.2	491.3
<b>Net earned premium</b>	425.1	394.3	386.5	54.1	58.1	62.3				3.8	12.5	16.0	483.0	464.9	464.8
Investment income	12.4	11.5	26.1	0.0	0.2	-				0.0	2.2	5.3	12.4	13.9	31.4
Net insurance claims Insurance related expenses	(251.3)	(198.3)	(161.3)	(49.1)	(50.5)	(50.9)				(2.6)	(10.3)	(13.7)	(303.0)	(259.1)	(225.9)
	(52.1)	(44.6)	(52.1)	(32.9)	(34.0)	(40.1)				(1.7)	(4.2)	(4.0)	(86.7)	(82.8)	(96.2)
<b>Underwriting result</b>	<b>134.1</b>	<b>162.9</b>	<b>199.2</b>	<b>(27.9)</b>	<b>(26.2)</b>	<b>(28.7)</b>				<b>(0.5)</b>	<b>0.2</b>	<b>3.6</b>	<b>105.7</b>	<b>136.9</b>	<b>174.1</b>
Profit commission	99.3	71.8	85.2	-	0.0	0.0				-	-	0.2	99.3	71.8	85.4
Gross ancillary revenue	170.4	177.8	171.9	6.3	6.9	7.5				0.3	0.9	1.3	177.0	185.6	180.7
Ancillary costs	(33.6)	(37.1)	(40.0)	(0.8)	(0.8)	(1.2)				0.0	0.0	0.0	(34.4)	(37.9)	(41.2)
Instalment income	23.7	22.6	26.7	0.3	0.2	0.2				0.2	0.2	0.6	24.2	23.0	27.5
Gladiator contribution										2.4	3.0	1.9	2.4	3.0	1.9
Price comparison revenue							112.7	107.3	102.9				112.7	107.3	102.9
Price comparison expenses							(92.3)	(110.3)	(110.1)				(92.3)	(110.3)	(110.1)
Interest income										1.9	1.5	1.2	1.9	1.5	1.2
Other (mainly share scheme)				0.0	0.0	0.0				(26.3)	(25.8)	(34.5)	(26.3)	(25.8)	(34.5)
Interest payable										-	(4.6)	(11.1)	-	(4.6)	(11.1)
<b>Profit / (loss) before tax</b>	<b>393.9</b>	<b>398.0</b>	<b>443.0</b>	<b>(22.1)</b>	<b>(19.9)</b>	<b>(22.2)</b>	<b>20.4</b>	<b>(3.0)</b>	<b>(7.2)</b>	<b>(22.0)</b>	<b>(24.6)</b>	<b>(36.8)</b>	<b>370.2</b>	<b>350.5</b>	<b>376.8</b>

# Balance sheet

	Dec-13 £m	Dec-14 £m	Dec-15 £m
<b>ASSETS</b>			
Property, plant and equipment	12.4	32.3	34.9
Intangible assets	92.8	107.2	142.3
Reinsurance contracts	821.2	829.8	878.7
Financial assets	1,896.9	2,194.1	2,323.5
Deferred income tax	17.0	22.9	20.6
Insurance and other receivables	445.6	435.3	508.7
Cash and cash equivalents	187.9	255.9	265.3
<b>Total assets</b>	<b><u>3,473.8</u></b>	<b><u>3,877.5</u></b>	<b><u>4,174.0</u></b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	502.6	540.6	599.6
Other reserves	(0.2)	13.2	2.7
Total Equity (shareholders)	<b><u>515.8</u></b>	<b><u>567.2</u></b>	<b><u>615.7</u></b>
Non-controlling interests	8.3	13.7	17.2
<b>Total equity</b>	<b>524.1</b>	<b>580.9</b>	<b>632.9</b>
<b>LIABILITIES</b>			
Insurance contracts	1,901.3	2,097.4	2,266.6
Subordinated liabilities	-	203.8	223.9
Trade and other payables	1,013.7	965.8	1,015.0
Corporation tax liabilities	34.7	29.6	35.6
<b>Total liabilities</b>	<b>2,949.7</b>	<b>3,296.6</b>	<b>3,541.1</b>
<b>Total liabilities and equity</b>	<b><u>3,473.8</u></b>	<b><u>3,877.5</u></b>	<b><u>4,174.0</u></b>

# Group profit before tax reconciliation

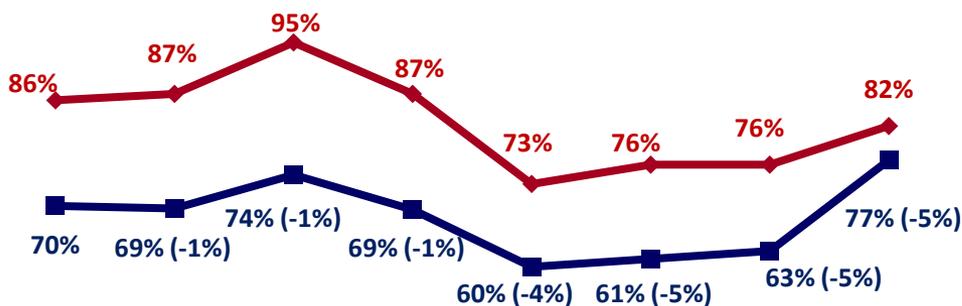
## Reconciliation from statutory to adjusted profit before tax



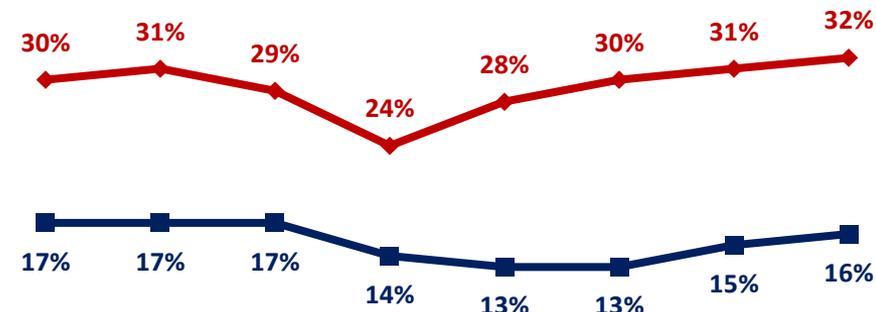
- Admiral has operations with shared ownership: Rastreator (Admiral share of ownership 75.0%); compare.com (71.1%); Admiral Law and BDE Law (90.0%)
- Profit or losses in period accruing to minority parties reduce or increase the results respectively
- Investment in compare.com has resulted in a more significant adjustment
- compare.com is 28.9% owned by third parties. Total loss was £30.3 million, therefore £8.8 million is added back to Group Profit Before Tax

# UK car insurance: Admiral vs Market ultimate loss ratio, expense ratio and combined ratio

## Projected ultimate loss ratio: Admiral vs Market



## Expense ratio: Admiral vs Market



( ) shows change Dec 15 v Dec 14

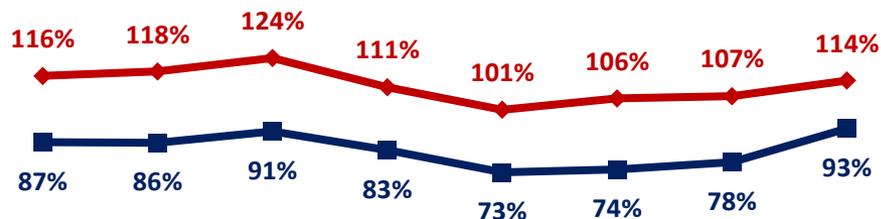
2007 2008 2009 2010 2011 2012 2013 2014

◆ Market Loss Ratio<sup>1</sup> ■ Admiral UK Projected Ultimate Loss Ratio<sup>2</sup>

2007 2008 2009 2010 2011 2012 2013 2014

◆ Market Expense Ratio (earned basis)<sup>3</sup>  
■ Admiral UK Expense Ratio (written basis)<sup>4</sup>

## Ultimate combined ratio: Admiral vs Market

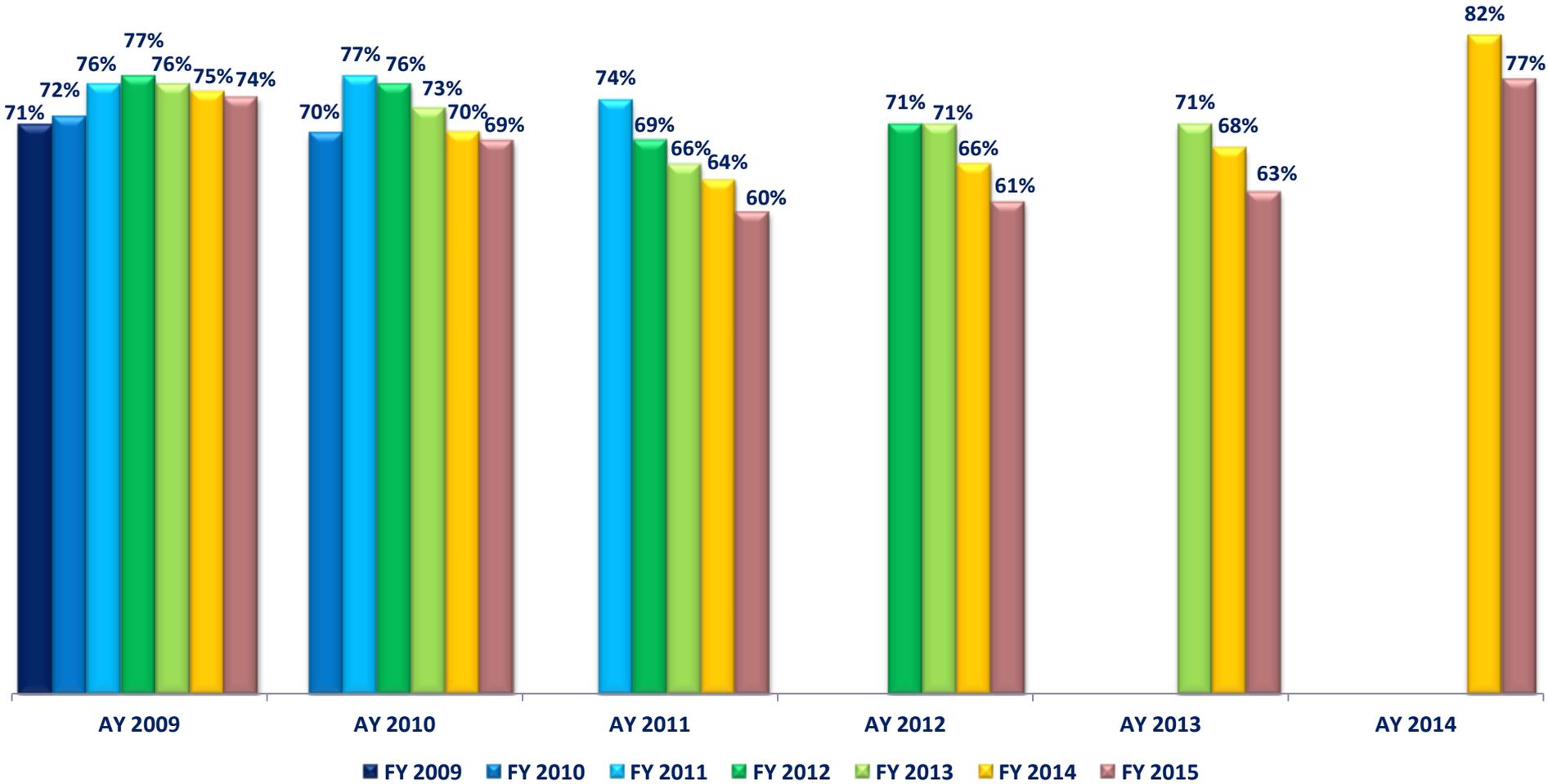


2007 2008 2009 2010 2011 2012 2013 2014

◆ Market Combined Ratio ■ Admiral UK Combined Ratio

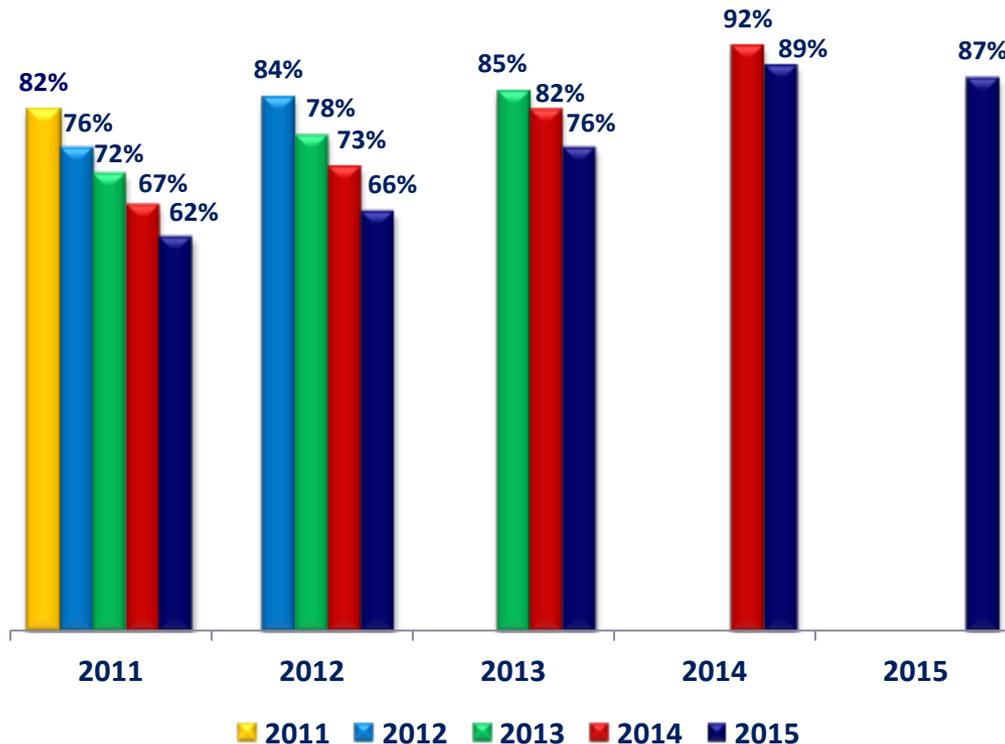
Note: (1) Analysis of PRA returns as at 31 December 2014. Market excludes Admiral. Loss ratio: accident year. (2) Independent actuarial projection of ultimate loss ratio on accident year basis. (3) Analysis of PRA returns as at 31st December 2014. These numbers include UKI (due to unusually high or low expense ratios, UKI numbers may be distorted). (4) Admiral expense ratio is on a written basis.

# UK Car Insurance – ultimate loss ratio development by accident year



# 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)



Sensitivity of booked loss ratio

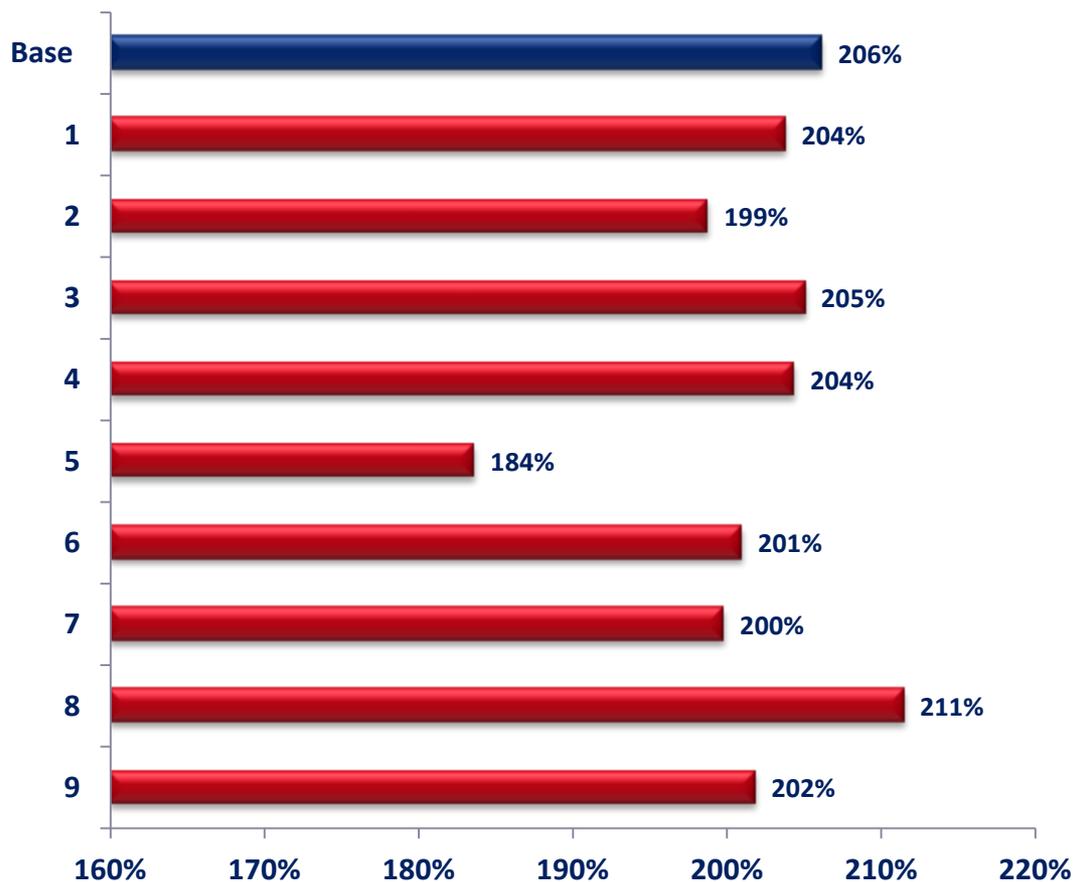
Underwriting year	2012	2013	2014	2015
Booked loss ratio	66%	76%	89%	87%
PAT Impact of 1% improvement	£13m	£11m	£3m	£3m

- The impact of a 1% improvement can also increase as the combined ratio drops and Admiral receives a higher share of the available profit.
- The impact includes the change in net insurance claims along with the associated profit commission movements that result from changes in loss ratios. The figures are stated net of tax at the current rate.
- The impact is not linear due to the nature of the profit commission arrangements e.g. the impact of a 5% move cannot be calculated by multiplying the 1% impact by five.

Note: Underwriting year basis, therefore direct comparison to ultimate loss ratios on accident year basis is inappropriate.

# Solvency ratio - sensitivity analysis

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.



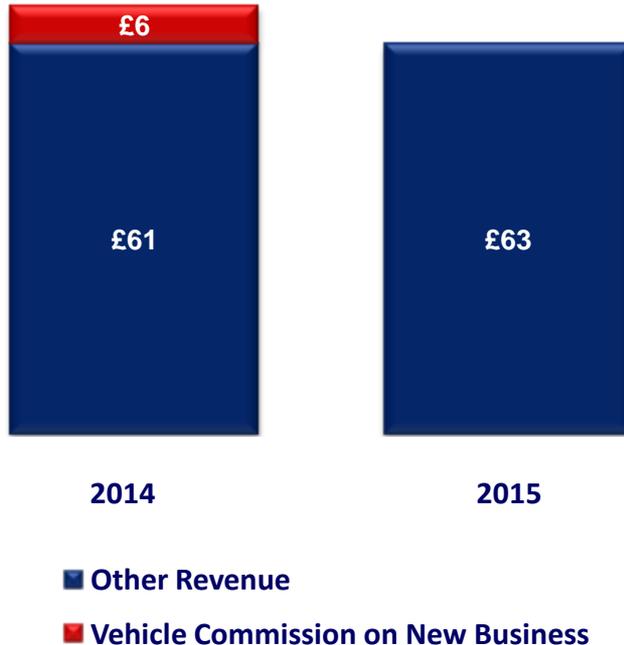
## Scenarios

1. Currency – 25% movement in € and \$
2. ASHE – long term ASHE +0.5%
3. UK Motor – CAT 1 in 200 event
4. UK Household – CAT 1 in 200 event
5. UK Motor – incurred loss ratio +5% (2014 & 2015 u/w years)
6. UK Motor – incurred loss ratio +1% (2014 & 2015 u/w years)
7. Interest rate – negative yield curve (Dec 2015 to Jan 2016)
8. Interest rate – positive yield curve (opposite Dec 2015 to Jan 2016)
9. Credit – spread +100 bps

Note: Solvency II capital figures are estimated at dividend proposal date. Impact of deferred tax on SCR still under discussion with PRA. Maximum impact c.5% of SCR.

# Other revenue

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



### 2015 drivers of change

- Reinsurer Vehicle Commission removed for new business policies from January 2015
- Offset by increased future profit commissions

### Approach to add-on products

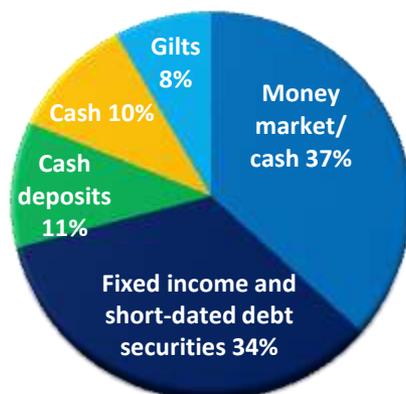
- Invest in product benefits
- In-house underwriting gives control and flexibility
- Strong claims capture and service

Note: (1) Other Revenue per vehicle is calculated as Other Revenue (before internal costs) divided by average active vehicles, rolling twelve month basis.

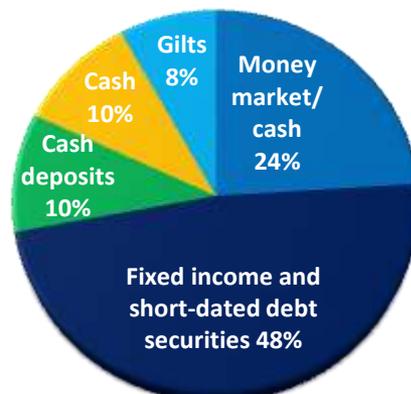
# Investment update

## Investment analysis

2014: £2,450m



2015: £2,589m



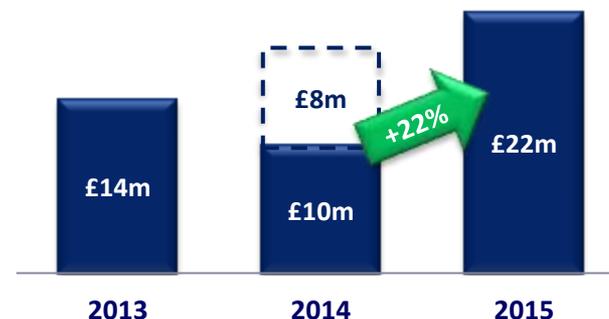
## Asset allocation

- 2015 saw a continued shift from money market funds to short dated debt securities
- No material changes in underlying credit quality, all investment grade
- 2015 year-end position consistent with 30 June 2015

## Investment income

- 2014 interest income distorted by adjustment (c.£8m) relating to reinsurance funds withheld balances
- Key contributors to growth:
  - Increased allocation to short-dated debt from money market funds
  - Impact of full year interest cost on bond and interest income on gilts

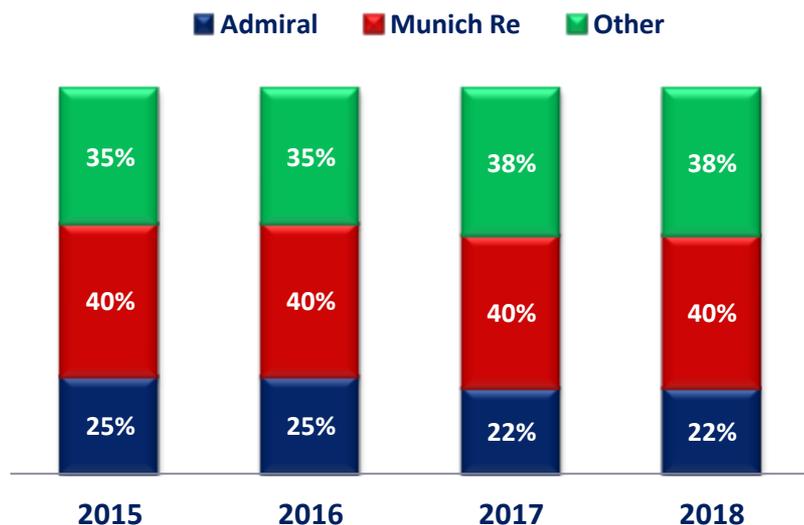
## Net investment income<sup>1</sup>



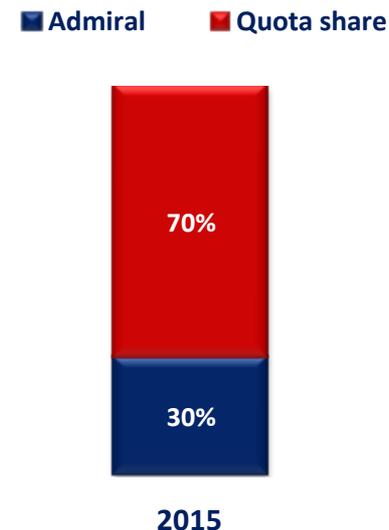
Note: (1) Gross investment income net of interest cost on bond.

# Reinsurance arrangements

## Motor



## Household



- Fully placed reinsurance arrangements until the end of 2018
- Similar contract terms and conditions
- Planned 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 2018

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

# International car insurance market statistics



(2015)



(2015)



(2015)



(2015)

**Gross Written Premium**



£8bn

£12bn

£128bn

£12bn

**Direct insurer share of market**

**21%**  
of total market

**3%**  
of total market

**26%**  
of total market

**11%**  
of total market

**Vehicles**



22m

35m

220m

44m

**Combined Ratio**



99%

107%

105%

94%-96%

# Key definitions

Term	Definition
<b>Accident Year</b>	The year in which an accident takes place. It is also referred to as the earned basis or the calendar year basis. Claims incurred are allocated to the calendar year in which the accident took place.
<b>Underwriting Year</b>	The year in which the policy was incepted. It is also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was written.
<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 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.
<b>Loss Ratio</b>	The ratio can be calculated on an accident year or underwriting year basis. Expressed as a percentage, of (i) claims incurred divided by (ii) net premiums.
<b>Ultimate Loss Ratio</b>	The ratio can be calculated on an accident year or underwriting year basis. It is the projected ratio for a particular accident or underwriting year. It is an estimate (calculated using actuarial analysis) of where the loss ratio ends when all claims are settled.
<b>Reported / Booked / First-Picked Loss Ratio</b>	The ratio can be reported on an accident year or underwriting year basis. This is the ratio reported in the financial statements for a particular accident or underwriting year. It is used to calculate underwriting profit and profit commissions.
<b>Expense Ratio</b>	The ratio can be calculated on an earned or written basis. Expressed as a percentage, of (i) net operating expenses, either divided by (ii) written or earned premiums, net of reinsurance.
<b>Combined Ratio</b>	The sum of the loss ratio and expense ratio.
<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>Reinsurance</b>	An arrangement in which a reinsurance company agrees to indemnify another insurance company, against all or a portion of the insurance risks underwritten by the ceding company under one or more policies. Reinsurance does not legally discharge the primary insurer from its liability with respect to its obligations to the insured.
<b>XOL Reinsurance</b>	An arrangement in which a reinsurance company agrees to indemnify another insurance company for claims above a certain level. For example if XOL reinsurance level is in excess of £5m, for any individual claim that is in excess of £5m the reinsurance company covers all the costs above £5m.
<b>Total / Gross / Net Premiums Written</b>	Total = total premiums written including coinsurance Gross = total premiums written including reinsurance but excluding coinsurance Net = total premiums written excluding reinsurance and coinsurance

# Admiral's brands

**balumba**  
seguros

 **Qualitas**  
Auto

  
**ConTe.it**  
 GRUPPO ADMIRAL

 **Elephant**  
Auto Insurance

 **L'olivier**  
assurance auto

 **Admiral**

**Diamond**

  
**elephant**

 **Bell**

**BDE**Law

 **GLADIATOR**

**Confused.com**

**Carfused**   
by Confused.com

 **Rastreator.com**

 **seguros.es**  
el comparador de seguros

**LeLynx.fr**  
Compareteur d'assurances

**compare.com**

 **Admiral**law

ADMIRAL  
GROUP plc

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