

ADMIRAL
GROUP plc



2014 Half Year Results

13 August 2014

Financial Results

Henry Engelhardt, CEO
Geraint Jones, CFO

UK Car Insurance

David Stevens, COO
Lorna Connelly, Head of UK Claims

US Car Insurance

Kevin Chidwick, Elephant Auto CEO

US Price Comparison

Andrew Rose, comparenow.com CEO

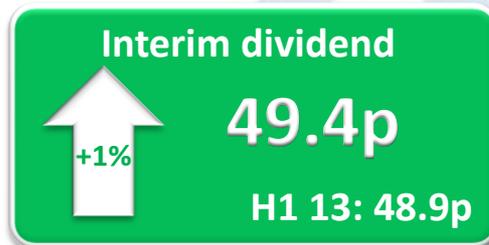
Q&A

All





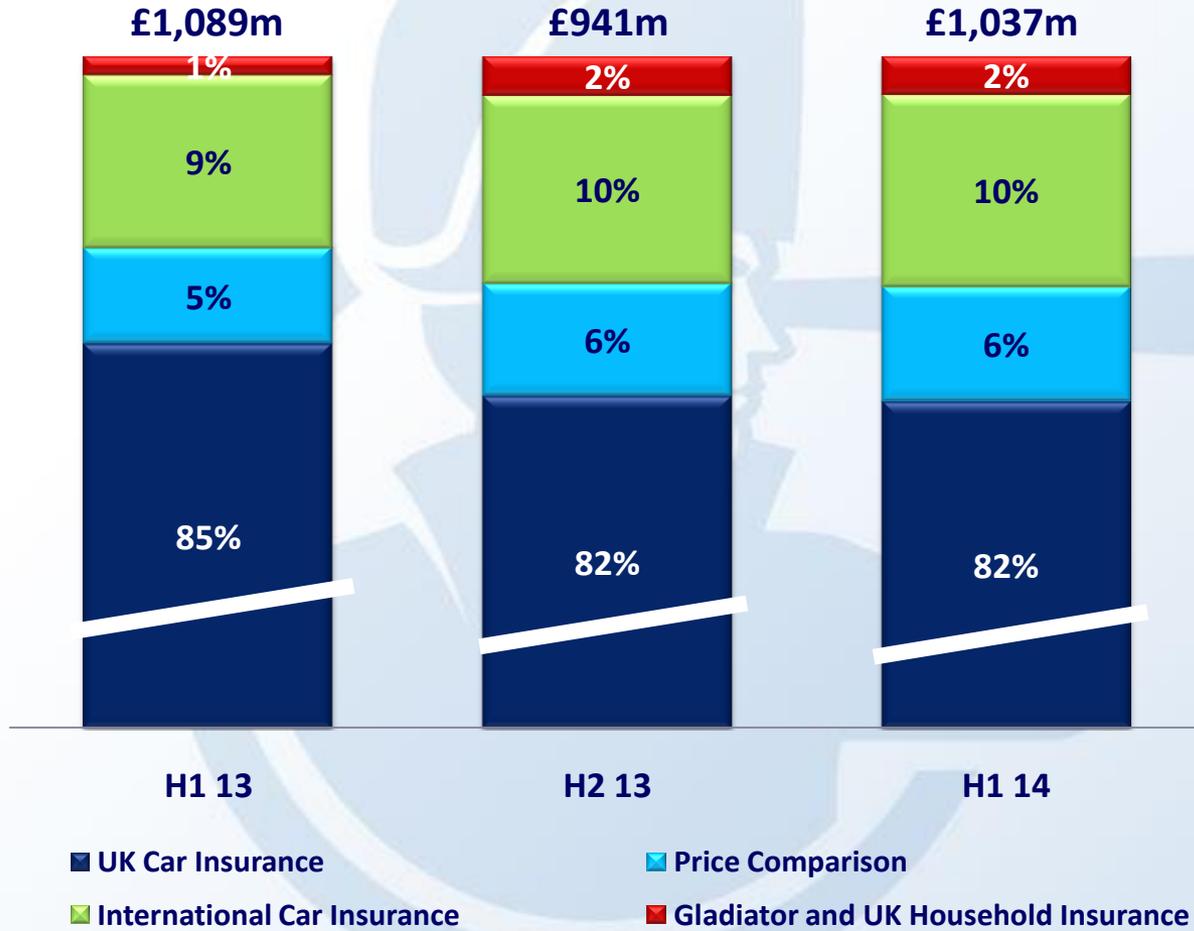
H1 2014 at a glance



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

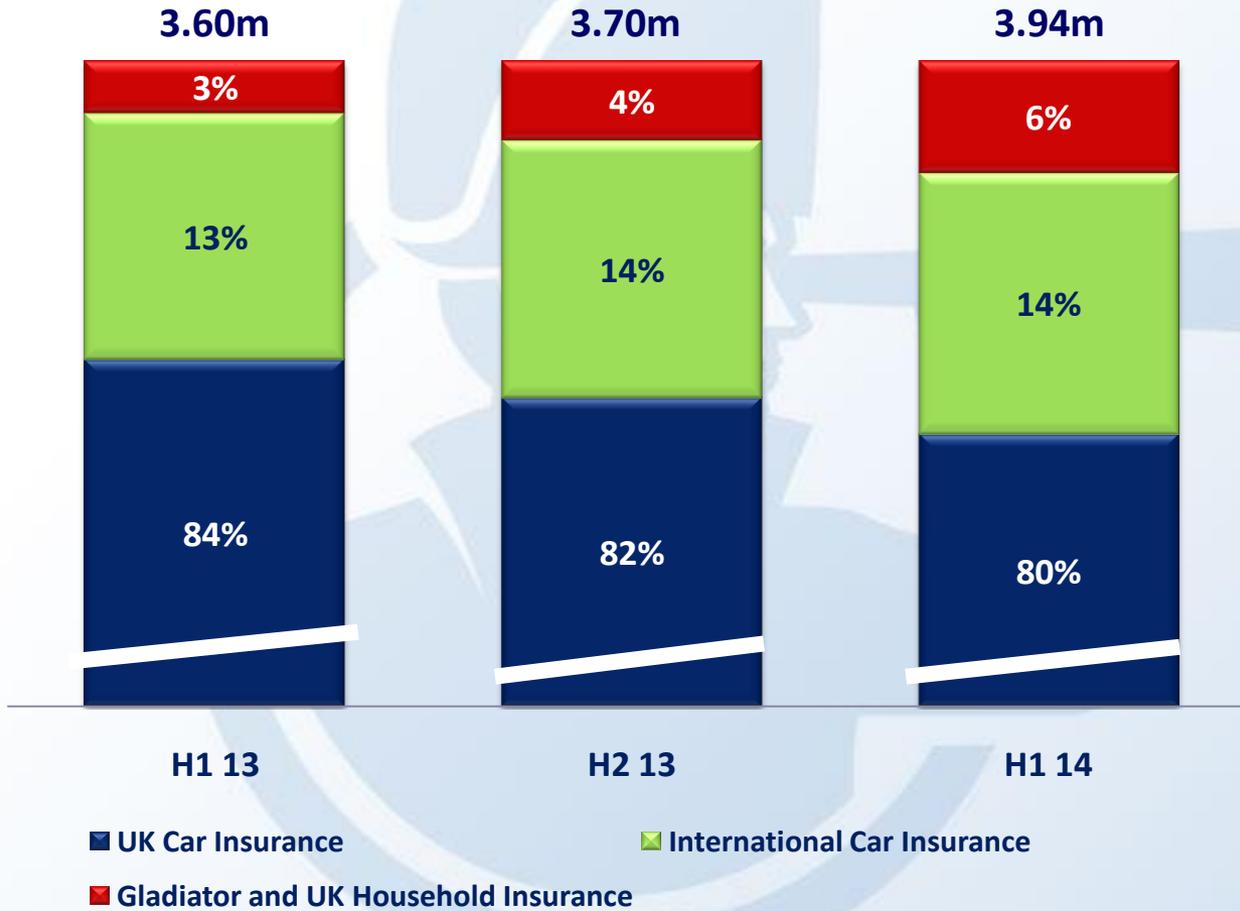


Group Turnover





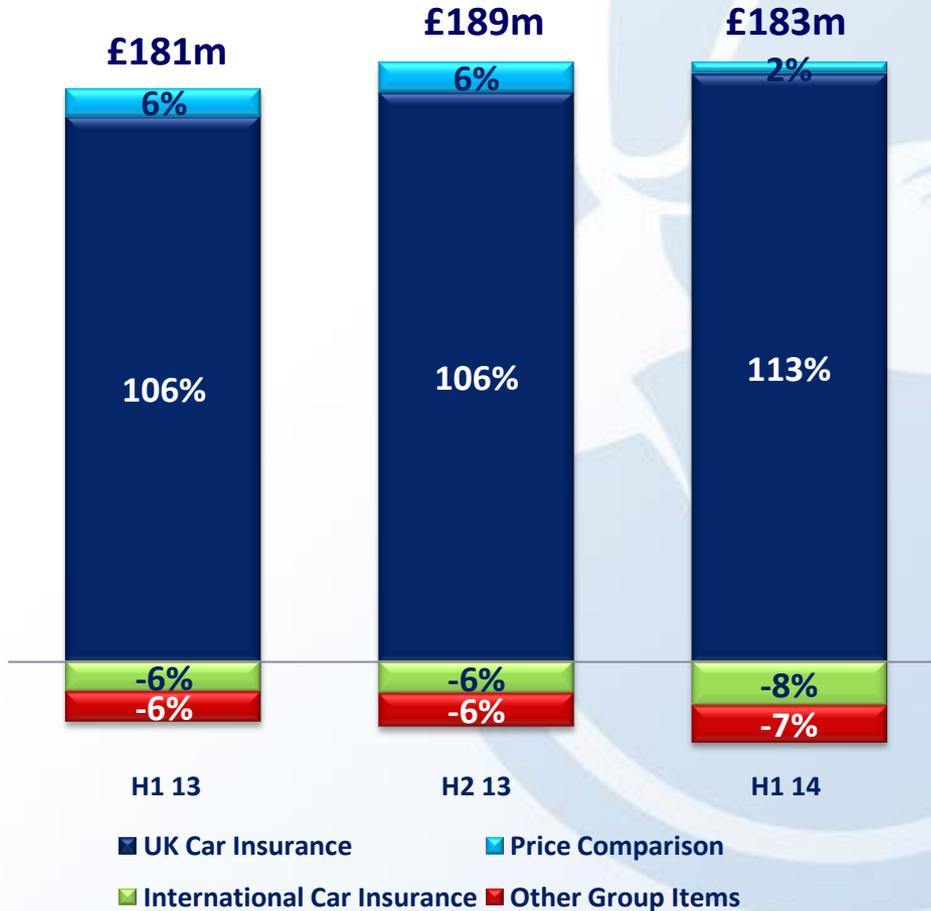
Group Customers





UK Car Insurance continues to contribute over 100% of profits

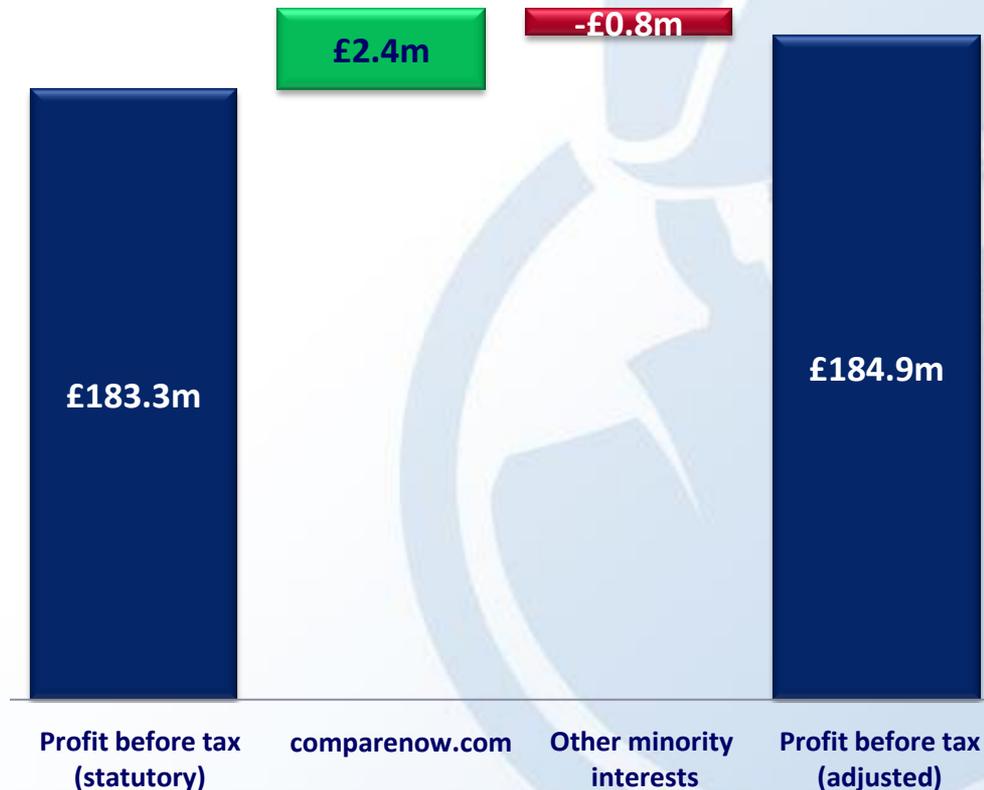
Group Profit Before Tax



- UK Car Insurance profit up 8% at £208 million (H1 13: £193 million).
- Price comparison profit down 60% at £4 million (H1 13: £10 million) due to investment in comparenow.com.
- Continued investment and progress in expanding International Car Insurance. Higher investment in H1 to be offset during H2.
- Other Group Items includes employee share scheme costs, and £0.5 million profit from UK Household Insurance.



Reconciliation from Statutory to Adjusted Profit Before Tax



- Admiral has four operations with shared ownership: Rastreator; comparenow.com; Admiral Law; and BDE Law.
- Profit or losses in period accruing to our minority parties reduce or increase the results respectively.
- comparenow.com is 32% owned by third parties. Total loss was £7.5 million, therefore £2.4 million is added back to Group Profit Before Tax.



Admiral's inaugural bond issue was a success

- ✓ Opportune time to strengthen and diversify our capital resources.
- ✓ Make a prudent transition into Solvency II in 2016, with the attendant capital requirements and buffers.
- ✓ Sets Admiral up well for the growth expected from all businesses in the coming years.
- ✓ Bond market conditions were favourable.

Bond: £200 million

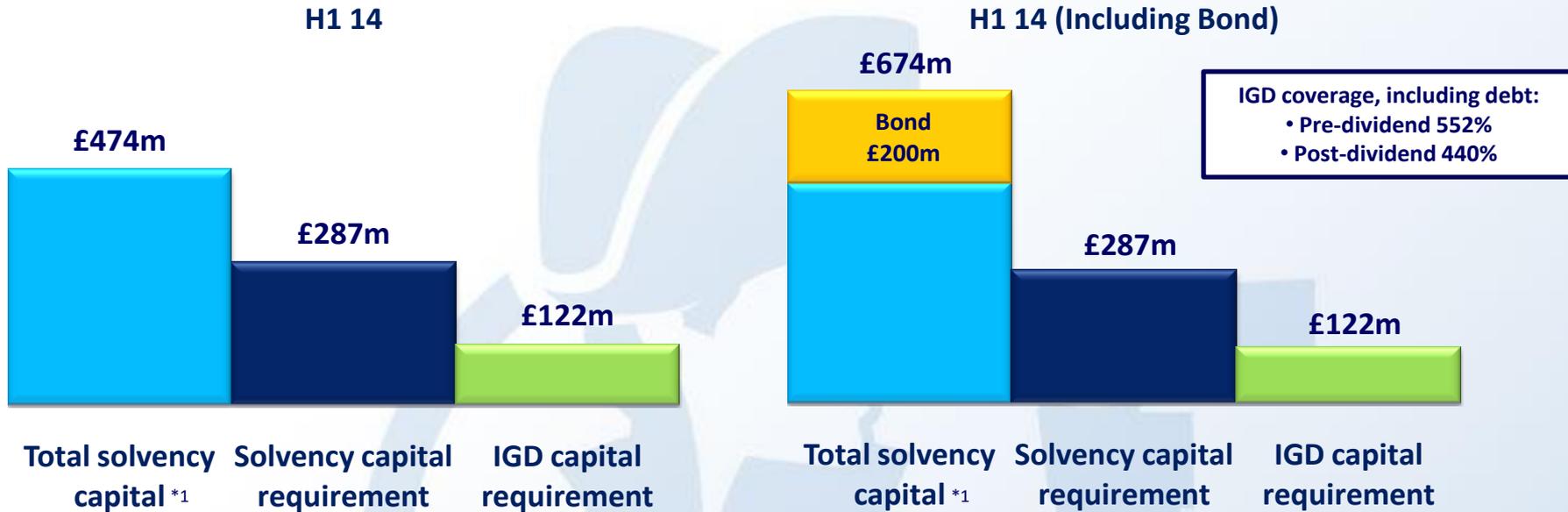
Coupon Rate	5.5%
Investment Return	2.8%
UK Corporation Tax	21.5%



**Estimated post-tax annual cost:
£4.3 million**



Debt contributes to a very material buffer against capital requirements



- Solvency capital requirement is the sum of the individual capital requirements of the Group companies.
- IGD capital requirement is the minimum legal capital requirement for the Group's insurers (mostly Solvency I).

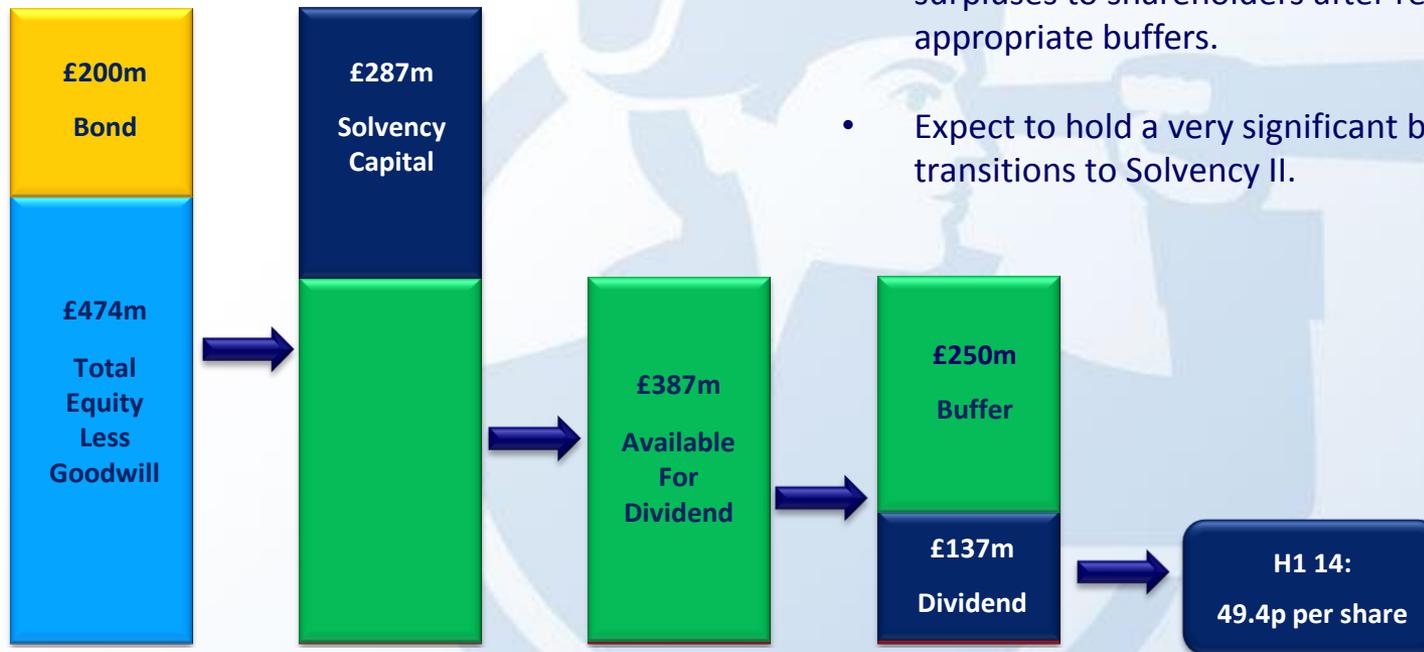
- Bond issue diversifies capital structure and materially increases surplus above requirements.
- Group would have >£300 million surplus if 2015 capital requirements are applied now.
- Forecast significant surplus above Solvency II requirements.

Note: (1) Solvency capital is equity less goodwill



Significant increase to post dividend surplus

H1 2014 Dividend Calculation

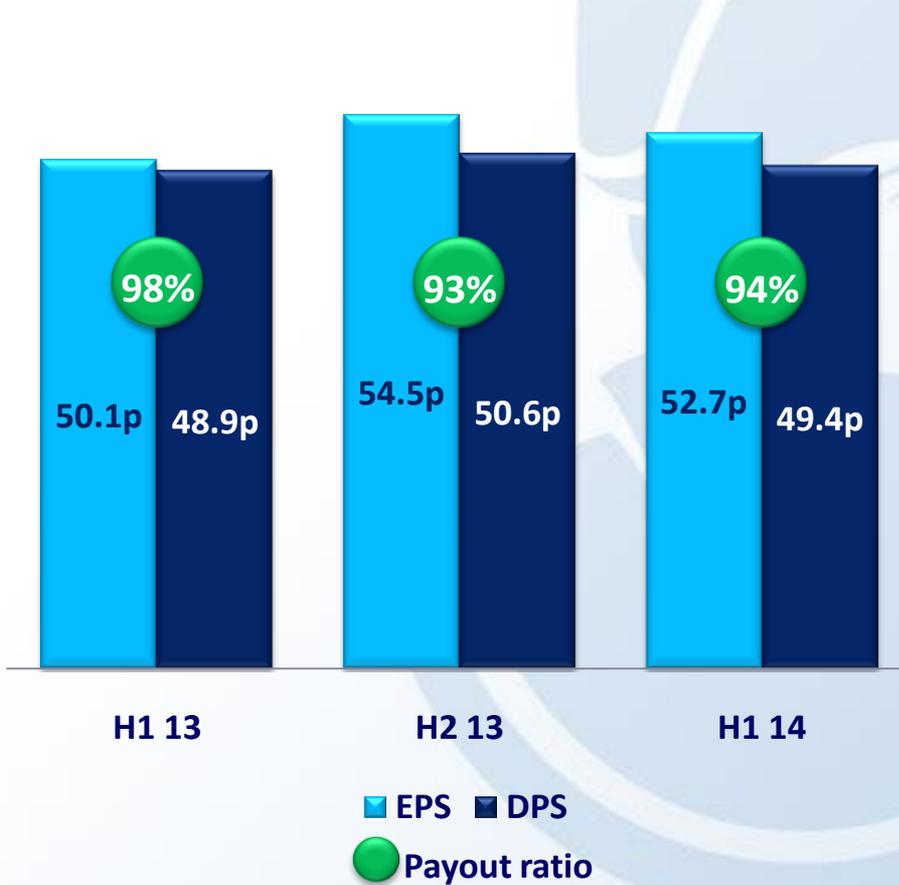


- Admiral's dividend policy is to distribute available surpluses to shareholders after retaining appropriate buffers.
- Expect to hold a very significant buffer as Group transitions to Solvency II.

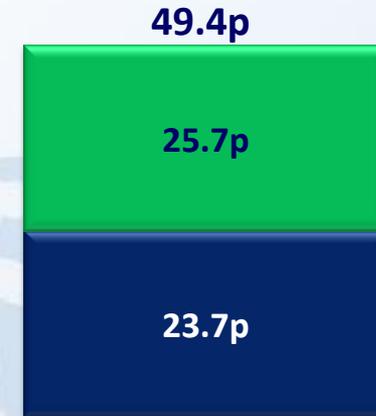


Admiral is paying an interim dividend of 49.4p per share

Interim Earnings and Dividend Per Share



Admiral Group H1 14 Dividend Per Share



■ Normal ■ Special

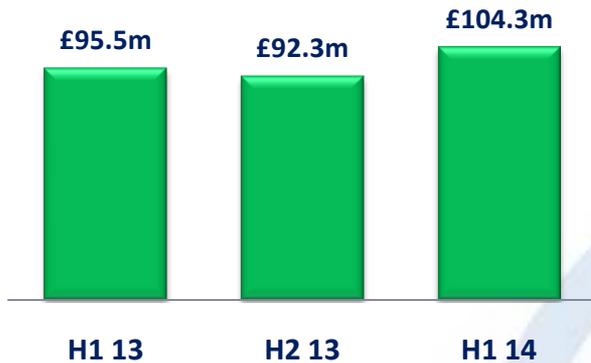
Dividend Dates

Ex-dividend date – 10 September 2014
Record date – 12 September 2014
Payment date – 10 October 2014

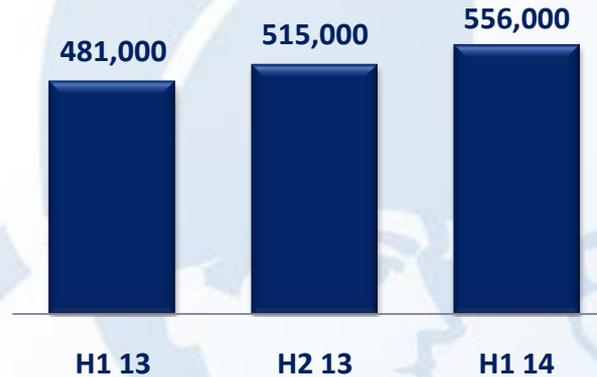


International Car Insurance Results

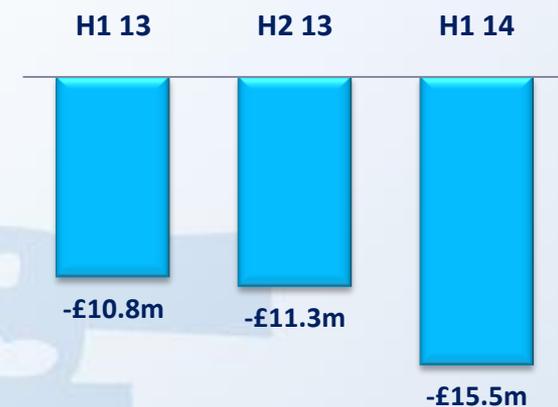
Turnover



Customers



Results Before Tax



TODAY'S HEADLINES...

Qualitas Auto front-loads marketing spend

ConTe maintains vehicle count as market premium rates fall

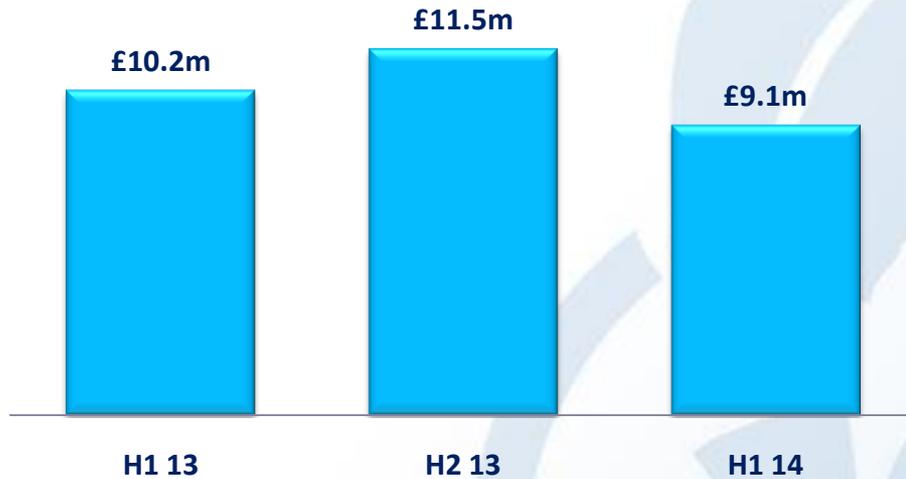
Strong growth in customers for Elephant Auto

L'olivier insourcing on track

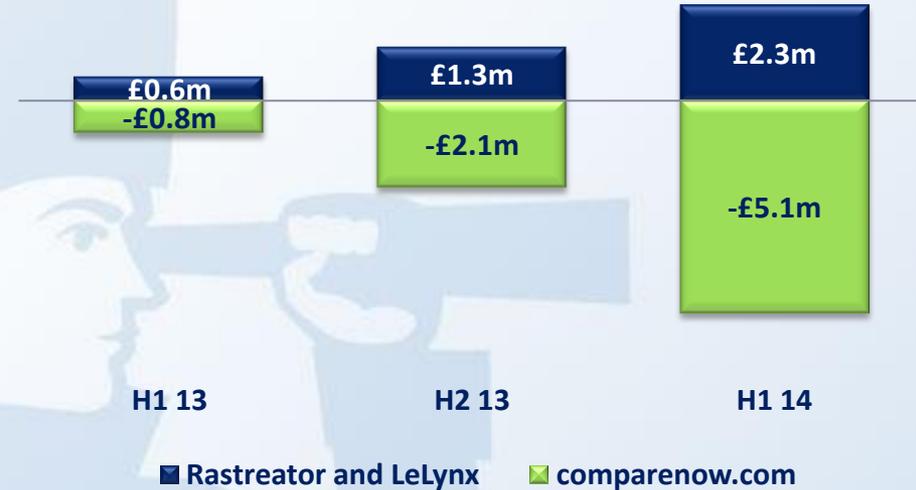


Price Comparison Results

Confused.com Profit Before Tax



International Price Comparison Results*1



TODAY'S HEADLINES...

Confused.com under pressure in competitive environment

Strong profit growth for market leaders Rastreator and LeLynx

Positive early signs for comparenow.com

Note: (1) Adjusted for minority interests' share



UK Car Insurance

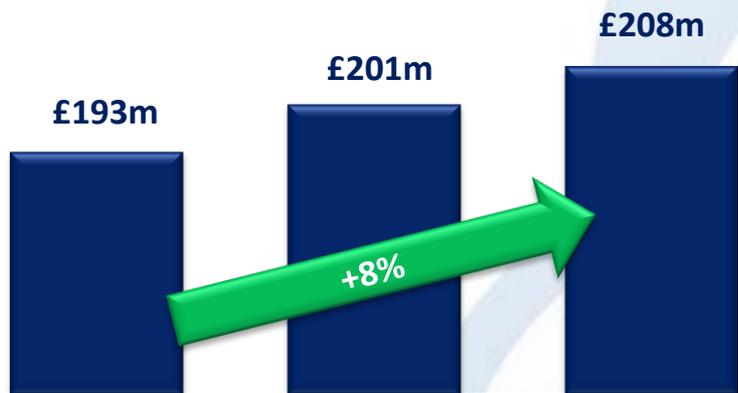
David Stevens, COO

Lorna Connelly, Head of UK Claims



UK Car Insurance Results (1/2)

Profit Before Tax



Turnover and Total Premiums Written



H1 13

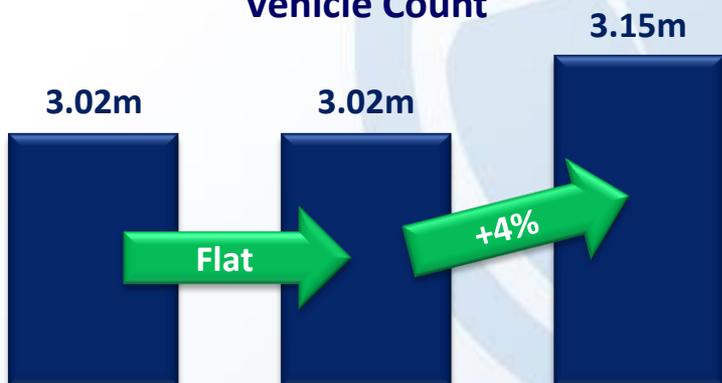
H2 13

H1 14

Turnover

Total Premiums Written

Vehicle Count



H1 13

H2 13

H1 14

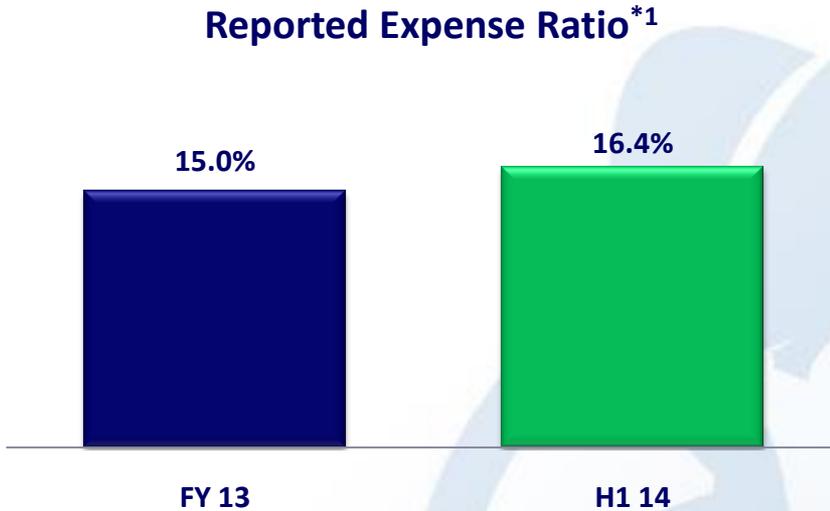
■ H1 13 ■ H2 13 ■ H1 14

- Admiral's rates during H1 2014 have been flat.
- Average premium decreased to £495 (FY 13: £505, H1 13: £555).

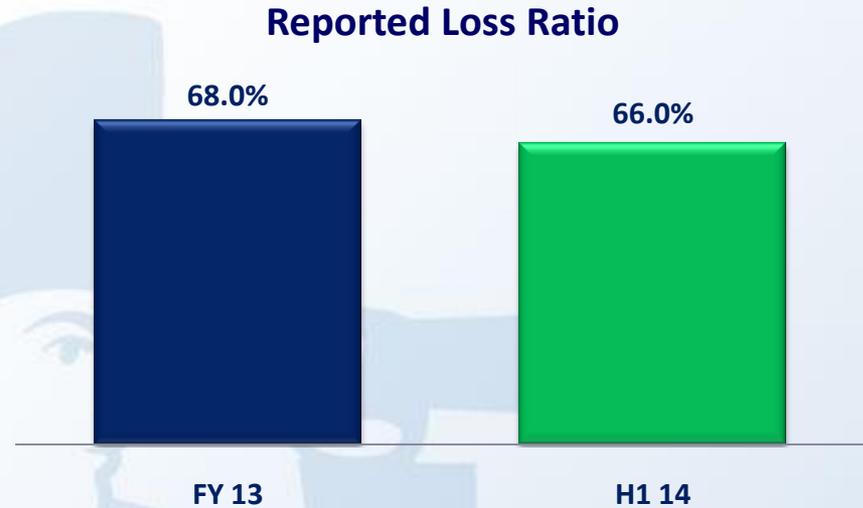


UK Car Insurance Results (2/2)

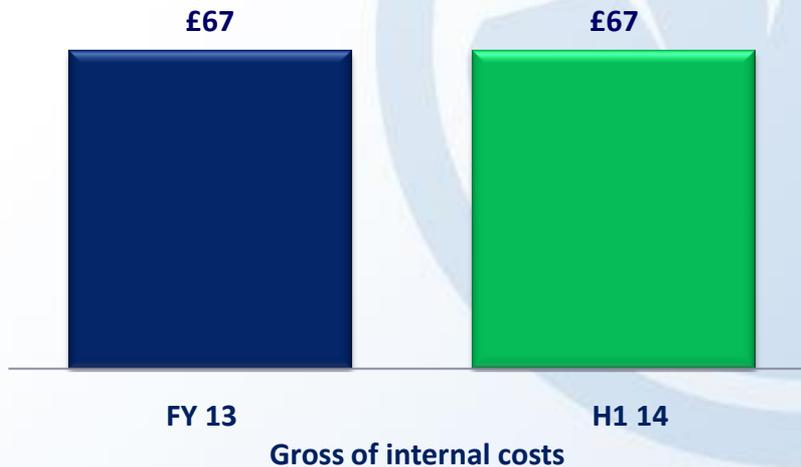
Reported Expense Ratio*1



Reported Loss Ratio



Other Revenue per Vehicle



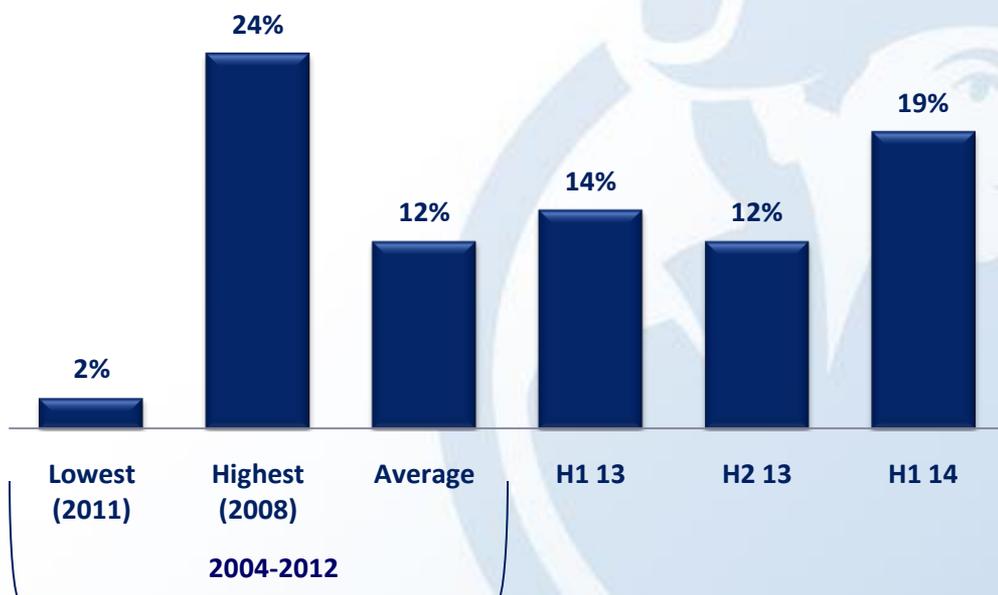
- Other revenue per vehicle net of internal costs £58 (FY 13: £57).
- Credit hire referral fees may be reduced or eliminated from 2015 (H1 14: £7.9 million; c.£5 per vehicle).

Note: (1) H1 14 reported expense ratio was 14.2%, however this benefitted from a one-off adjustment to levy costs as a result of a change in accounting standards. Excluding the adjustment the earned motor expense ratio would have increased to 16.4%.



Claims trends support continued reserve releases

Claims reserve releases (Admiral net share*¹)



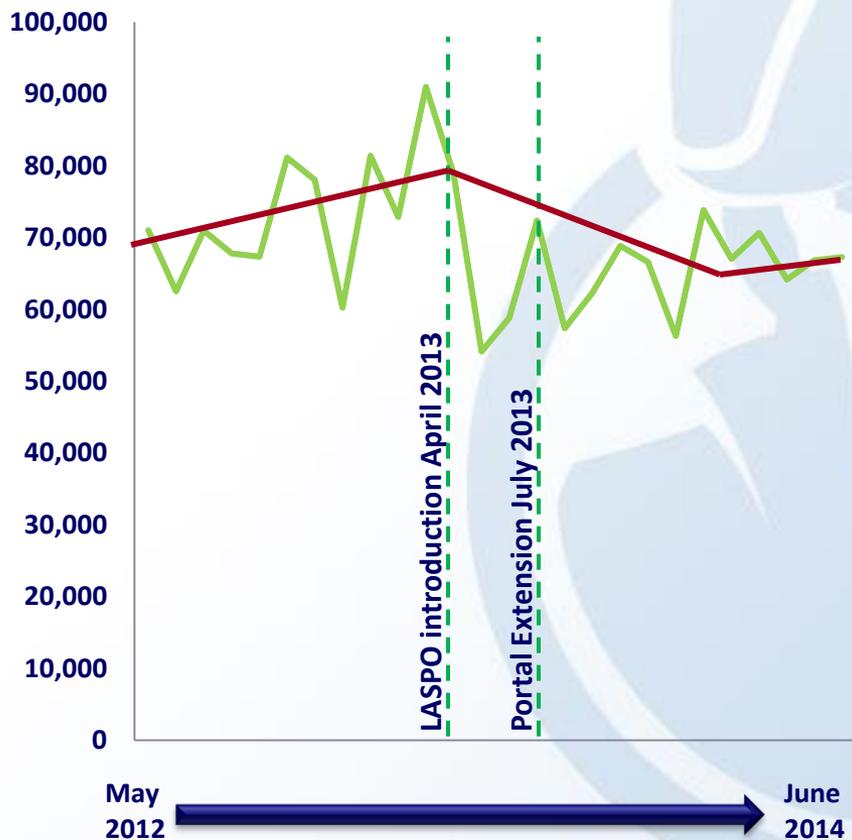
- Increase in reserve releases in 2014 due to positive developments on back years.
- Despite releases in the first six months of 2014 the size of the claims margin remains the same.
- If claims develop as expected, there will be scope for material reserve releases going forward.

Note: (1) Claims reserve releases calculated as Admiral's original net share reserve releases divided by motor net earned premium (H1 2014: £35.4 million / £183.5 million)



LASPO one year on: after initial positive impact, frequency benefits seem to be eroding

After initial positive impact, frequency benefits seem to be eroding*¹ (Market Data)



Average general damages costs settled through the portal continue to increase*¹ (Market Data)

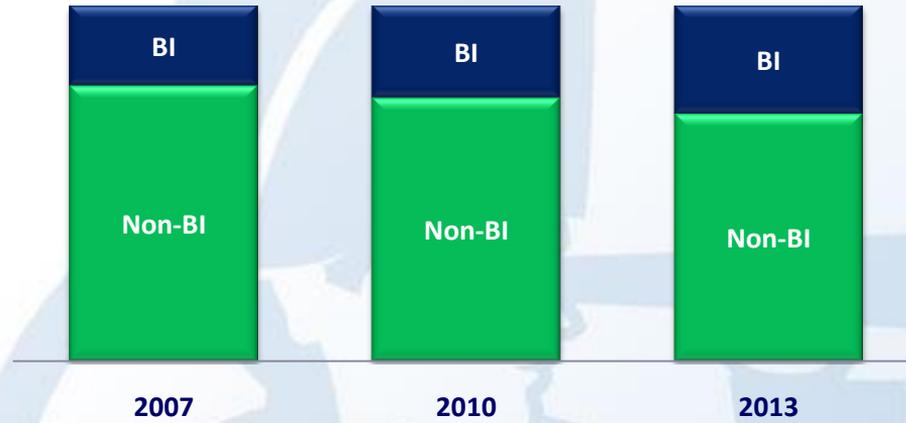


Source: (1) Road Traffic Accident Portal Management Data (Market Data)



Small bodily injury claims are only a small part of the picture

Frequency of BI and Non-BI claims*¹



Market overall claims frequency YoY/QoQ movement*²



Split of claim costs between Non-BI, Small-BI, and Large BI claims*³



Source: (1) Management information (Admiral)

Source: (2) ABI Motor claims frequency (Qtr 1 versus Qtr 1)

Source: (3) Management information (Admiral)



The cost of large bodily injury has increased significantly, and it continues to increase

Illustrative Claim Schedule

A young claimant who suffered a severe brain injury, a dislocation of the right hip, fractured ribs, and punctured lungs. The claimant suffers with right sided weakness, impaired cognitive functioning, restrictions on mobility and cannot live independently.

2007



Claim Schedule	
Damages for pain and suffering	£150,000
Past Losses	£255,000
Future Losses	
Future loss of earnings	£450,000
Future care	£2,200,000
Future case management	£235,000
Future deputy costs	£205,000
Future miscellaneous losses	£240,000
Total	£3,735,000
Legal Costs	£125,000

2014



Claim Schedule	
Damages for pain and suffering	£200,000
Past Losses	£300,000
Future Losses	
Future loss of earnings	£700,000
Future care	£3,400,000
Future case management	£400,000
Future deputy costs	£450,000
Future miscellaneous losses	£870,000
Total	£6,320,000
Legal Costs	£500,000



How does Admiral manage claims?



**“Following a claim,
I would renew with
Admiral”^{*1}**

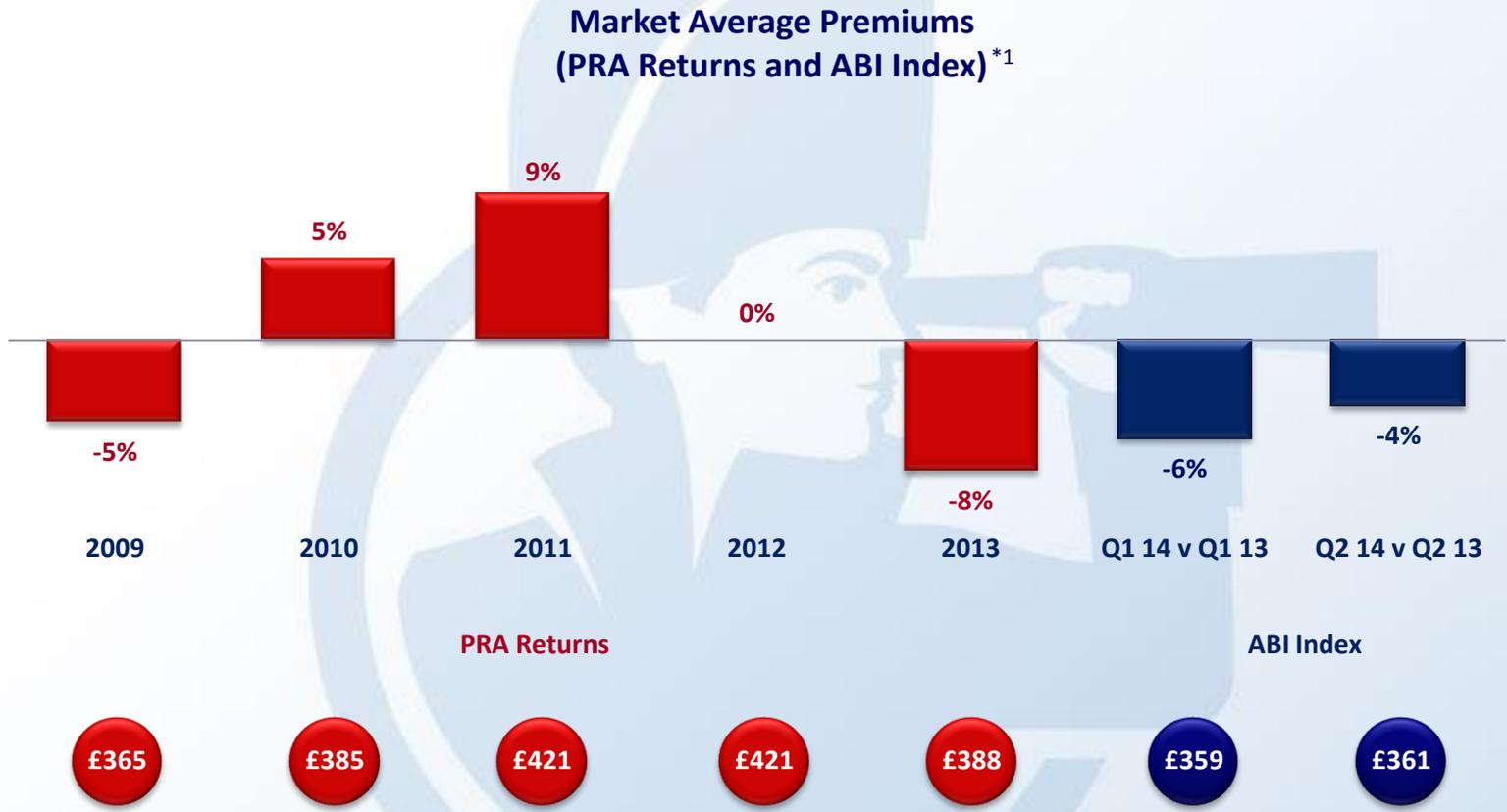
Positive response >90%



2010	✓
2011	✓
2012	✓
2013	✓



Market premiums have potentially overshot on downward side

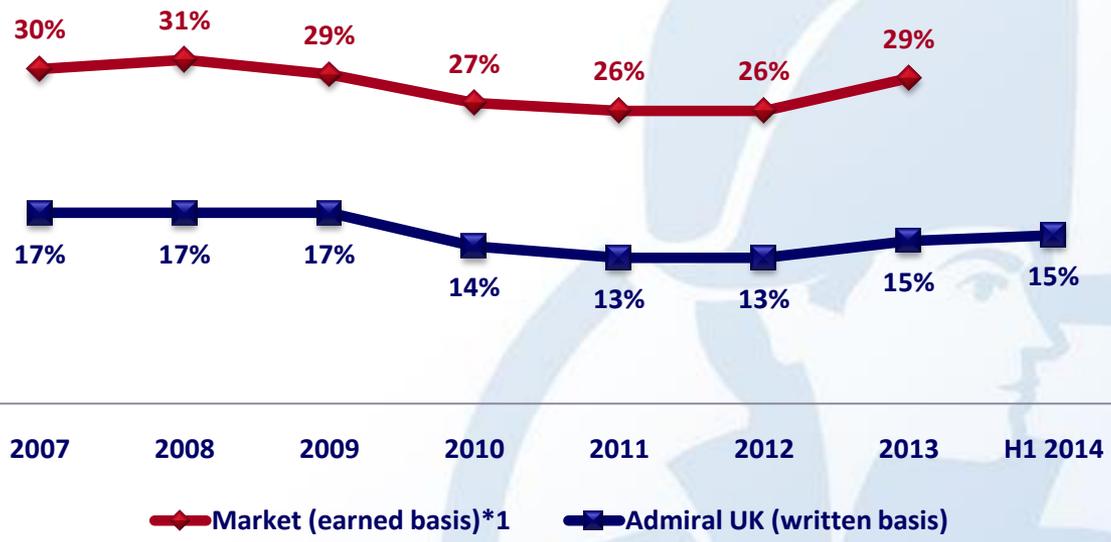


Source: (1) Prudential Regulatory Authority returns and ABI average motor insurance premium tracker (PRA is earned, ABI is written and comprehensive policies only).



Admiral has maintained a significant expense ratio advantage versus the market, despite higher average premium business being more costly to service

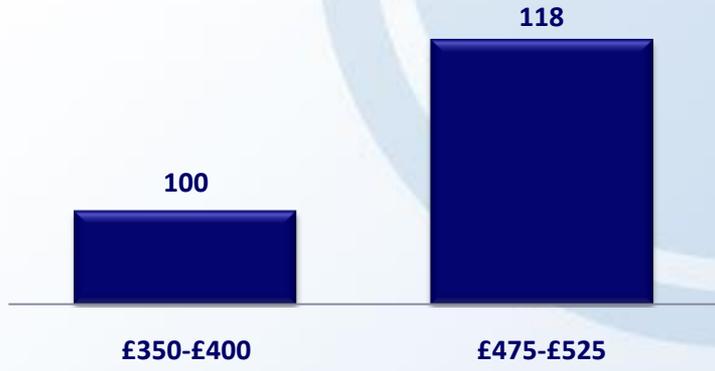
Expense Ratio: Admiral vs Market



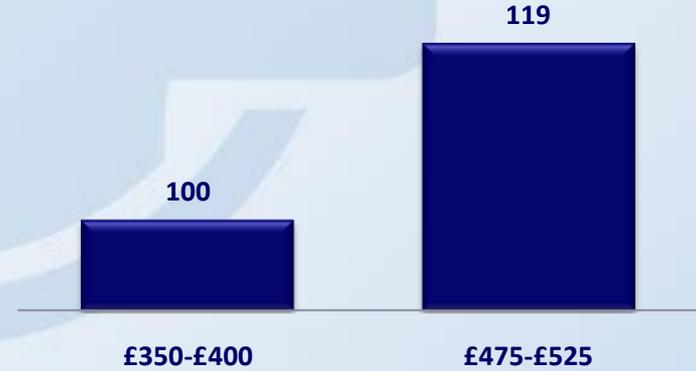
Expenses per policy (2013)



Cancellations by premium band
(indexed £350-£400 = 100)



Claims frequency by premium band
(indexed £350-£400 = 100)



Source: (1) Analysis of PRA returns as at 31st December 2013, adjusted to remove UKI.
 Note: The market expense ratio is adjusted to exclude the impact of UKI (due to unusually high or low expense ratios) in 2010, 2011, 2012 and 2013. If UKI was included the results would be 24%, 28%, 30%, and 31% respectively.



Admiral is one of the biggest providers of telematics in the UK

1

A range of customer offers

- ✓ Smartphone applications
- ✓ Hard install
- ✓ Self install



2

Market size and share estimates

c250k or 2.5% of Total Market New Business Sales (Per Annum)*¹



3

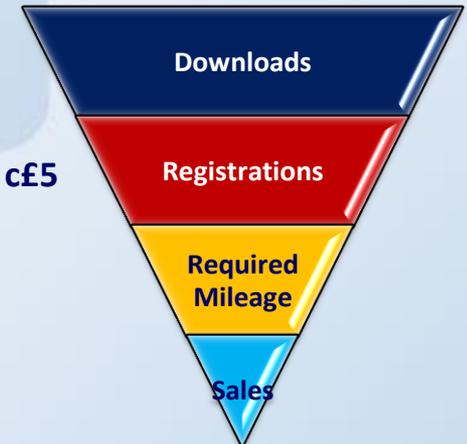
Relative profitability remains a challenge, we are working on:

- Customer friendly options
- Lower technology costs
- Squeezing extra value from the data

4

Smartphone app download costs c£5

Actual cost per sale is c£235



Source: (1) Management information



- Competitive UK market but early signs that premium rates are no longer falling.
- Margin expectations for business earned this year are lower than in recent years, in the main as a consequence of the decline in premiums. Much of the impact of the reduced margin will be reflected in earnings of subsequent years.
- Continuing potential for material reserve releases, if claims develop as expected.



US Car Insurance and US Price Comparison

Kevin Chidwick, Elephant Auto CEO
Andrew Rose, comparenow.com CEO



US car insurance market

Big opportunity market

- c.\$180bn premiums
- Less churn than UK c.30% shop and c.10% switch

Continuously evolving towards the direct market

- c.26% market is direct
- c.40% new business is direct, and this is growing

High acquisition costs

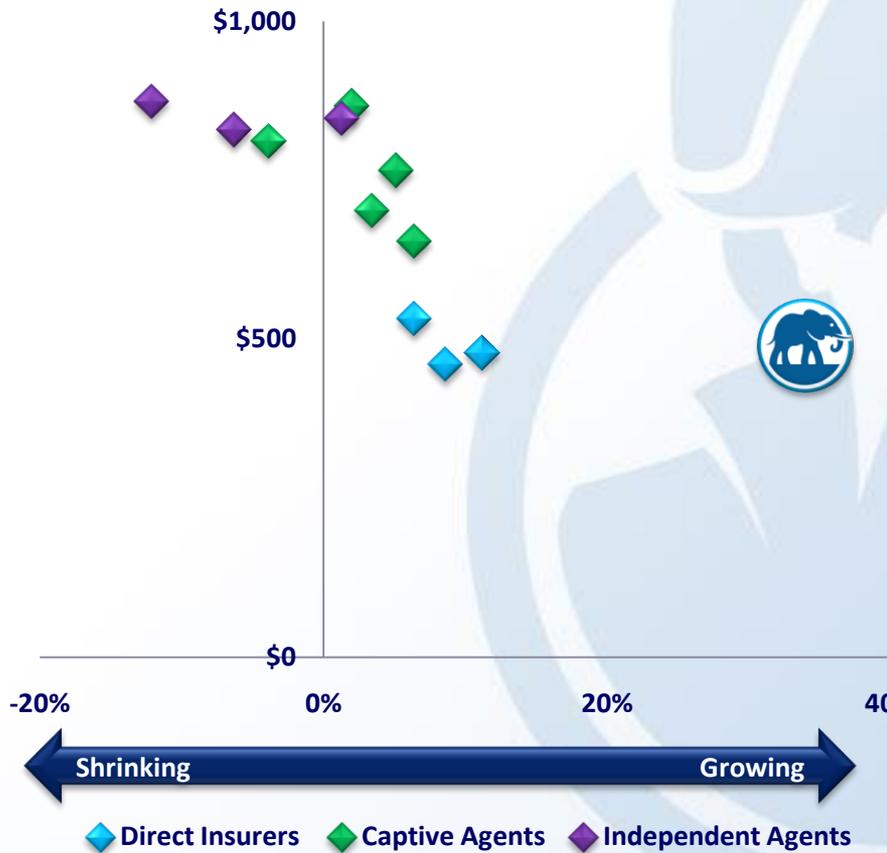
- Significant marketing spend from the top 4
- A lot of competition for new business

Customer segmentation

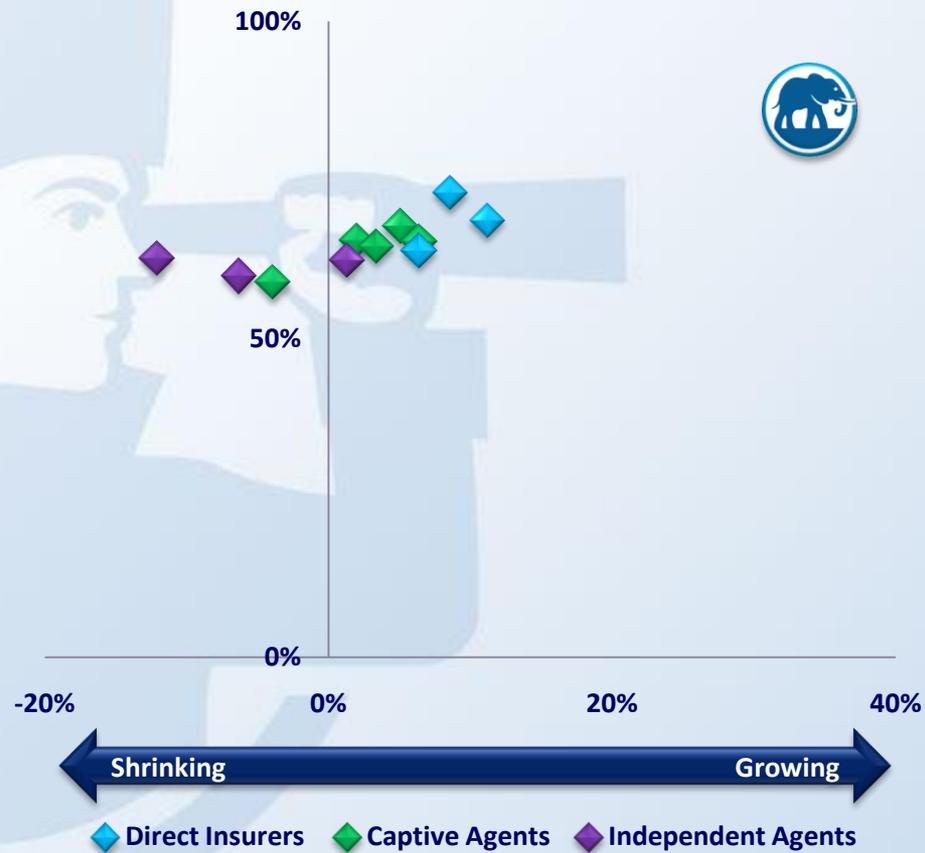
- Insurers tend to focus on either standard or non-standard business
- Standard providers need to have a brand that people remember and trust



Acquisition Costs vs. Premium Change



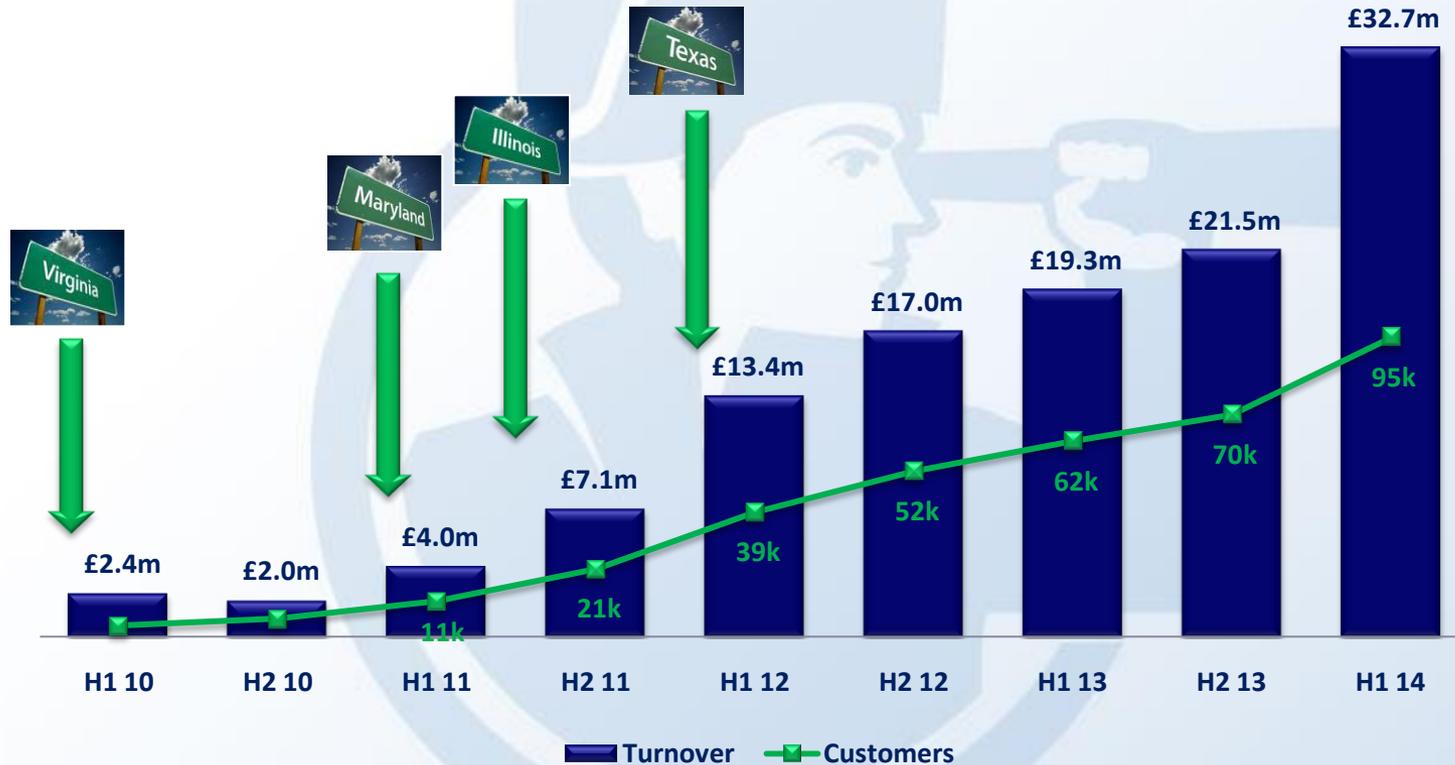
Loss Ratio vs. Premium Change



Sources: Auto Insurance Report; William Blair & Management Information

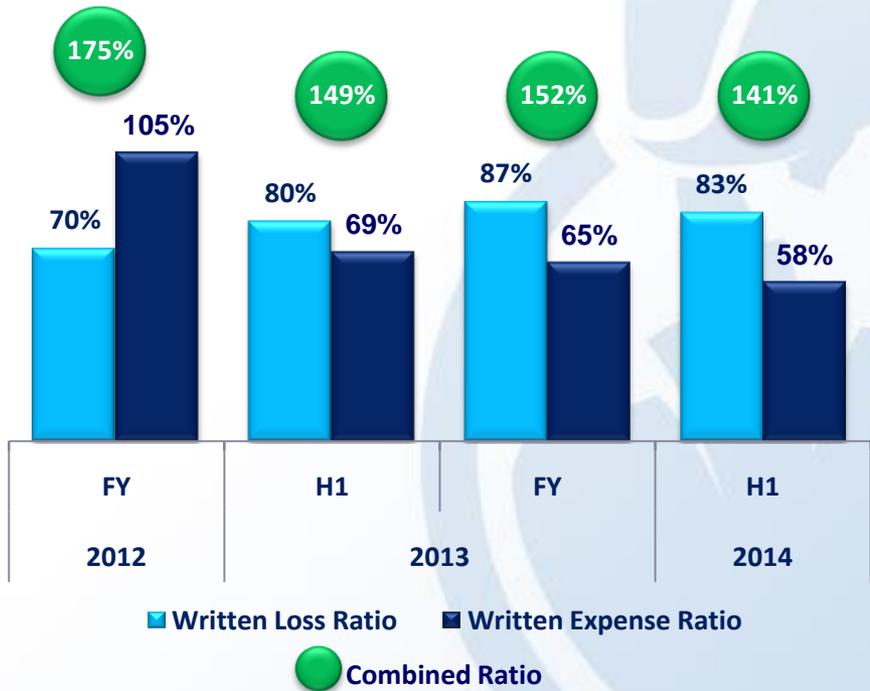


Elephant Turnover and Customer Numbers





Underwriting Ratios



Result Before Tax





Simple strategy

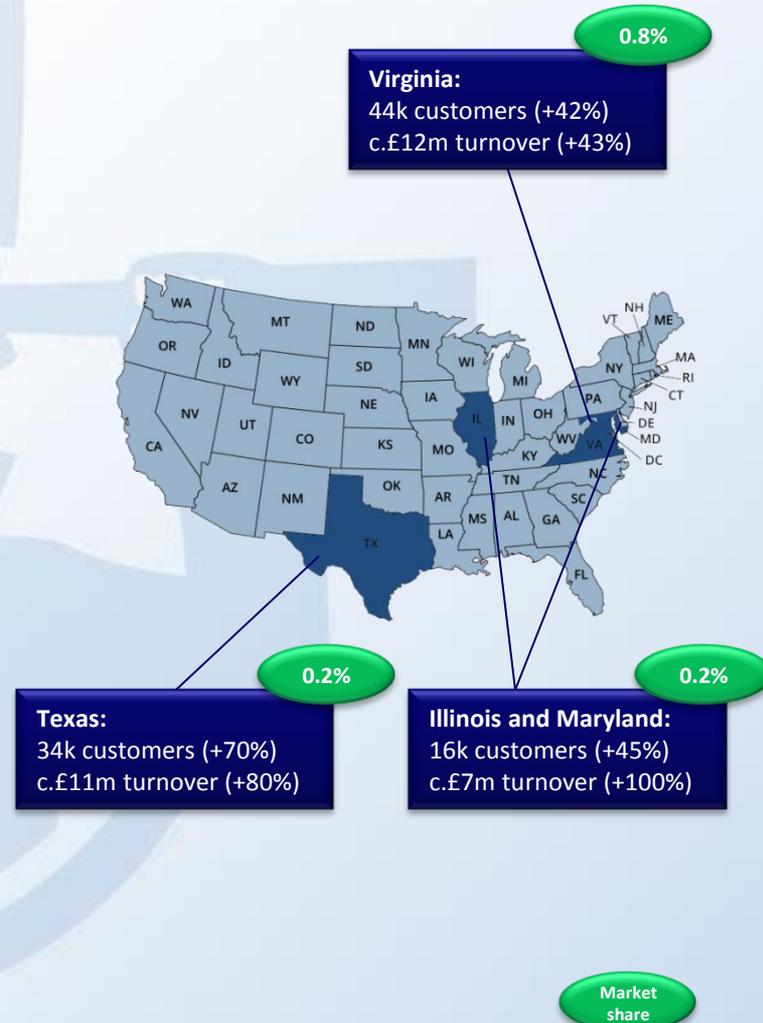
- Build a direct to consumer platform that makes it easy for customers to deal with us and save money.
- Create a business that looks like Admiral in the USA. In other words:
 - ✓ is low cost
 - ✓ has an efficient marketing engine
 - ✓ gains loyal customers
 - ✓ has market beating pricing and claims handling

Strong achievements

- Achieved economic goals while continuing to build brand and test strategy.
 - ✓ 95k customers (+53% YoY)
 - ✓ >£30m turnover (+74% over H1 13)
 - ✓ 58% expense ratio (-16% over H1 13)
- Focused on attractive geographies.

Clear outlook

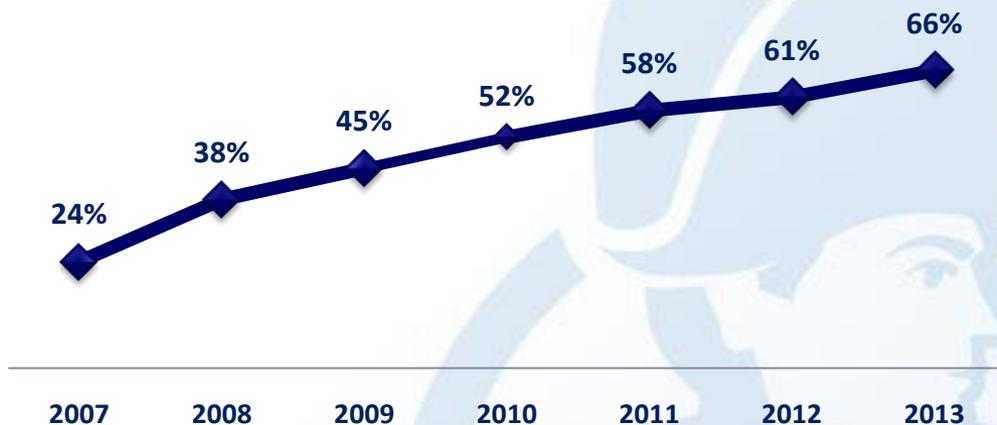
- Keep growing strongly.
- Continue to build brand awareness and consideration.
- Keep getting better at pricing and claims management.
- Improved ratios from growth and retention.
- Embrace European style price comparison.





Spain and France are replicating the success of UK insurance comparison

UK Market % New Business Sales Via Comparison Sites (Car Insurance) *1



% of Market's New Business Sales Via Comparison Sites *1



2013

2010

2009

2002

Source: (1) Management Information



Customers

Americans shop for everything but less so for auto insurance



Insurers

Many insurers are looking for a new way to compete in a challenging market environment

comparenow.com has great potential to transform the insurance shopping process and lead a market change





US consumers' shopping processes are inefficient, limiting choice

Lead Generation and Single Entity Shopping

versus

True Comparison

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Thank you for visiting. Our representatives are gathering quotes for you now. For instant quotes, click on the links below.



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- You Could Save 15% or More
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Virginia Multivehicle drivers save 20% with Elephant

- Discounts up to 20% on multivehicle quotes
- Bundle Auto & Home for extra savings
- Nationwide claims service with Local Repair Network
- 9 out of 10 customers recommend Elephant!

GO



Allstate® Auto Insurance Quotes in Virginia

- Are you Overpaying?
- Get a Free Online Auto Ins
- People who Switched Sa
- Lower Your Rates, Not Yo

GO



Like great rates? Do you want more discounts!

- Double Check for discoun
- Get the savings and serv
- Get an Auto Quote



Looking to save? Look here!

- Find out about all our grea
- Drive well, save more with
- Save on your terms with

GEICO

Customer Vehicles Drivers Discounts Quote

Customer Information

Talk to an Agent
1-800-861-8380

Associated with the Military? Call us at:
1-800-720-2198

We need to ask you for some personal information to provide you with an accurate quote. This information is kept *private* and *secure*, and will not be sold.

First name

Last name

Address Apt

ZIP Code 23060

City, State Glen Allen, VA

Date of birth MM / DD / YYYY

Select 'Yes' if ANY of the following apply to you:

- I need to insure more than one driver
- I need to insure more than one vehicle
- I am married

Yes No



Edit Details

+Change your package

Elephant

Gold | Coverages Summary



Start today for
\$148.48

Monthly payment
\$77.57

Pay in full and save!
\$762.45 for 12 months

OR
You could save **\$161.73**

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Gold | Coverages Summary



Start today for
\$95.25

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Monthly payment
\$107.07

Pay in full and save!
\$1151.60 for 12 months

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You could save **\$131.23**

Buy on the phone

+ View more info

Scroll down for more results





US auto insurers today

Acquisition cost per policy for selected auto insurers*¹



comparenow.com's value proposition

- Decrease and make certain an insurer's acquisition cost.
- Give insurers exposure to and consideration by more of the consumers they want.
- Present all insurers in a fair and equal manner.
- Provide insurers access to data that they would not otherwise have.

How can comparenow.com lower these acquisition costs?

- Higher response rates
- Simpler consumer process
- Higher aggregate conversion

Source: (1) William Blair

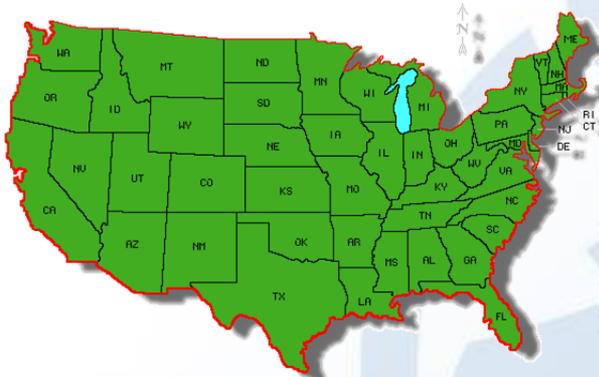


Offers comparison services nationally

Insurers are embracing comparenow.com

National Coverage

- Available in 49 of 51 markets



Focused Marketing



- California
- Virginia
- Illinois
- Texas

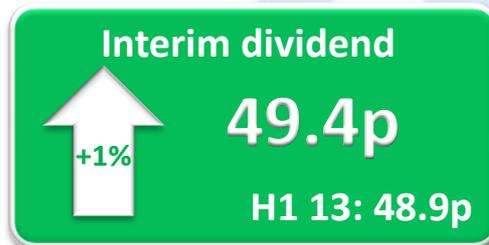




Recap



H1 2014 at a glance



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



Q&A



Appendix



- **Admiral Group**
 - The Big Picture
 - Key Performance Indicators
 - Summary Income Statement
 - Balance Sheet
 - Investments

- **UK Car Insurance**
 - Underwriting arrangements
 - Co- and reinsurance 2014 terms
 - Booked loss ratio development by underwriting year
 - Admiral v Market ultimate loss ratio, expense ratio and combined ratio
 - Motor regulatory reforms update

- **International Car Insurance**
 - European Car Insurance Results

- **Key Definitions**

- **Admiral's Brands**

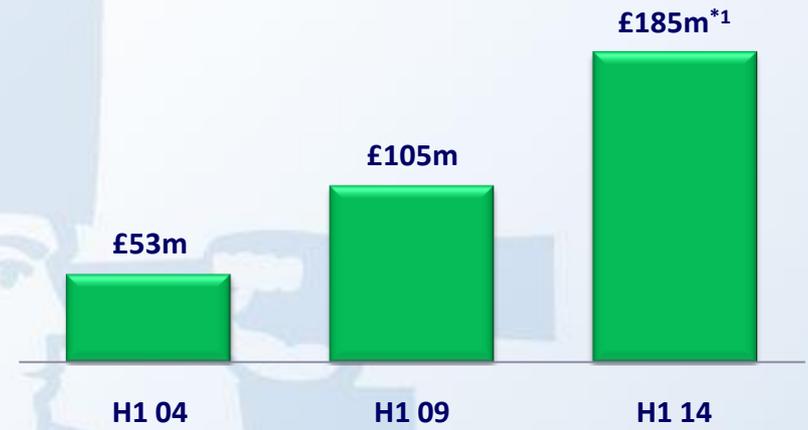
- **Disclaimer Notice**



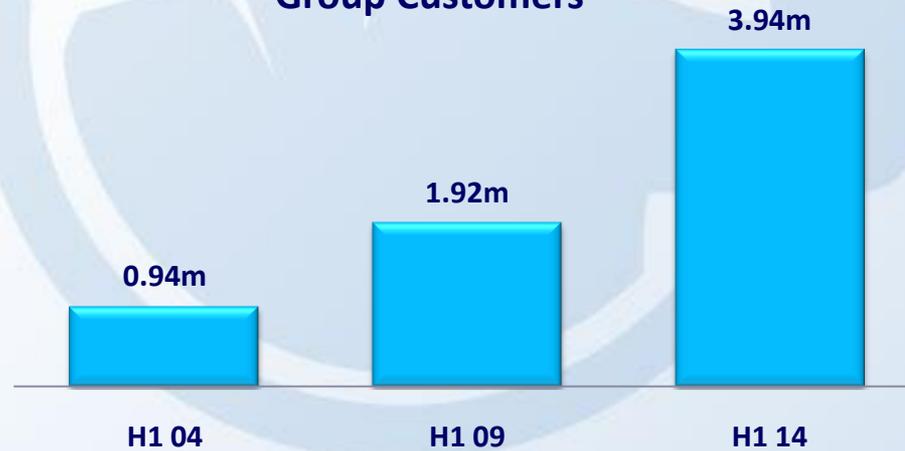
Group Turnover



Group Profit Before Tax



Group Customers



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



Admiral Group Key Performance Indicators

KPI	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	H1 11	H1 12	H1 13	H1 14
Group Financial														
Turnover £m	540	627	698	808	910	1,077	1,585	2,190	2,215	2,030	1,104	1,169	1,089	1,037
Customers (000)	1,041	1,141	1,285	1,491	1,746	2,076	2,748	3,360	3,550	3,698	3,154	3,502	3,610	3,940
Statutory Group pre-tax profit £m	98.1	119.5	147.3	182.1	202.5	215.8	265.5	299.1	344.6	370.2	160.6	171.8	181.4	183.3
Adjusted Group pre-tax profit £m	98.1	119.5	147.3	182.1	202.5	215.8	265.8	298.9	344.5	370.2	160.6	171.6	181.6	184.9
Earnings per share	28.4p	32.7p	39.8p	48.6p	54.9p	59.0p	72.3p	81.9p	95.1p	104.6p	43.3p	47.3p	50.1p	52.7p
Dividend	9.3p	24.6p	36.1p	43.8p	52.5p	57.5p	68.1p	75.6p	90.6p	99.5p	39.1p	45.1p	48.9p	49.4p
UK Car Insurance														
Customers (000)	1,008	1,105	1,240	1,382	1,587	1,862	2,459	2,966	3,019	3,021	2,827	3,025	3,016	3,149
Total premiums £m	470.4	533.6	566	617	690.2	804.7	1,237.6	1,728.8	1,748.7	1,553.0	881.7	922.8	851.7	776.0
Reported combined ratio*1	82.0%	84.9%	87.2%	83.4%	81.0%	84.9%	83.5%	91.9%	90.0%	83.0%	90.2%	89.7%	82.2%	80.2%
Other revenue per vehicle £						77	84	84	79	67	86	82	73	67
UK car insurance pre-tax profit £m	94.7	110.0	121.1	142.2	179.9	206.9	275.8	313.6	372.8	393.9	168.2	183.3	192.7	207.7
International Car Insurance														
Customers			2,200	46,900	73,700	121,000	195,000	306,000	436,000	515,300	236,000	385,600	481,400	555,600
Total premiums £m			0.6	14.2	26.0	43.0	71.0	112.5	148.5	168.3	49.5	74.4	85.5	94.1
Reported combined ratio			-	232%	198%	204%	166%	162%	168%	140%	158%	160%	137%	139%
International car insurance result £m			(0.1)	(0.7)	(4.1)	(9.5)	(8.0)	(9.5)	(24.5)	(22.1)	(3.2)	(8.9)	(10.8)	(15.5)
Price Comparison														
Total revenue £m	3.2	12.0	38.5	69.2	66.1	80.6	75.7	90.4	103.5	112.7	45.4	53.3	57.5	57.1
Operating profit £m	1.3	6.9	23.1	36.7	25.6	24.9	11.7	10.5	18	20.4	5	8.1	9.9	4.0
Operating margin – Confused.com only	41%	58%	60%	53%	39%	32%	24%	21%	22%	25%	20%	19%	23%	20%

*1 Reported combined ratio has been adjusted to exclude impact of reserve releases on commuted reinsurance contracts for all periods from 1 January 2011.



Summary Income Statement

£m	UK Car Insurance			International Car Insurance			Price Comparison			Other			Admiral Group		
	H1 12	H1 13	H1 14	H1 12	H1 13	H1 14	H1 12	H1 13	H1 14	H1 12	H1 13	H1 14	H1 12	H1 13	H1 14
Turnover	1,030.0	924.5	849.8	79.7	95.5	104.3	53.3	57.5	57.1	6.3	11.6	25.9	1,169.3	1,089.1	1,037.1
Total premiums written	922.8	851.7	776.0	74.4	85.5	94.1						16.8	997.2	937.2	886.9
Gross premiums written	553.7	504.4	471.2	60.0	71.9	89.6						16.8	613.7	576.3	577.6
Net premiums written	228.8	220.4	202.5	24.7	28.6	30.9						8.2	253.5	249.0	241.6
Net earned premium	226.8	214.6	197.9	19.7	26.4	27.8						6.0	246.5	241.0	231.7
Investment income	5.9	5.6	6.0	0.1	-	0.1						-	6.0	5.6	6.1
Net insurance claims	(179.7)	(125.2)	(92.6)	(20.5)	(23.3)	(28.1)						(4.3)	(200.2)	(148.5)	(125.0)
Insurance related expenses	(21.9)	(26.3)	(21.7)	(12.6)	(16.9)	(18.4)						(2.1)	(34.5)	(43.2)	(42.2)
Underwriting result	31.1	68.7	89.6	(13.3)	(13.8)	(18.6)						(0.4)	17.8	54.9	70.6
Profit commission	47.8	40.4	35.8										47.8	40.4	35.8
Gross ancillary revenue	108.0	86.2	89.6	5.1	3.3	3.4						0.6	113.1	89.5	93.6
Ancillary costs	(17.9)	(15.0)	(18.4)	(0.8)	(0.4)	(0.4)						-	(18.7)	(15.4)	(18.8)
Instalment income	14.3	12.4	11.1	0.2	0.1	0.1						0.3	14.5	12.5	11.5
Gladiator contribution										1.3	1.4	1.5	1.3	1.4	1.5
Price comparison revenue							53.3	57.5	57.1				53.3	57.5	57.1
Price comparison expenses							(45.2)	(47.6)	(53.1)				(45.2)	(47.6)	(53.1)
Interest income										0.9	1.1	0.6	0.9	1.1	0.6
Other (mainly share scheme)				(0.1)	-	-				(12.9)	(12.9)	(15.5)	(13.0)	(12.9)	(15.5)
Profit / (loss) before tax	183.3	192.7	207.7	(8.9)	(10.8)	(15.5)	8.1	9.9	4.0	(10.7)	(10.4)	(12.9)	171.8	181.4	183.3



Balance Sheet

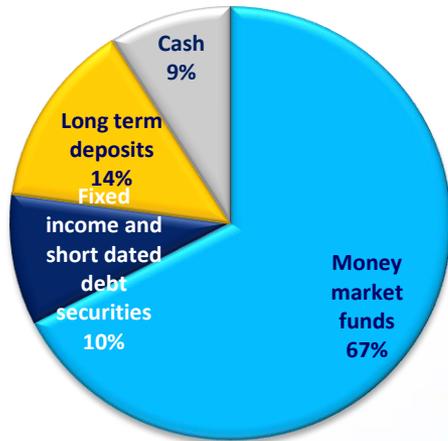
	June 2013 £m	December 2013 £m	June 2014 £m
ASSETS			
Property, plant and equipment	15.3	12.4	28.4
Intangible assets	92.8	92.8	98.6
Reinsurance contracts	733.3	821.2	697.6
Financial assets	2,194.0	2,265.0	2,332.9
Deferred income tax	15.9	17.0	19.8
Trade and other receivables	75.4	77.5	91.2
Cash and cash equivalents	205.6	187.9	247.7
Total assets	<u>3,332.3</u>	<u>3,473.8</u>	<u>3,516.2</u>
EQUITY			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	471.9	502.6	527.0
Other reserves	8.3	8.1	6.7
Total equity	493.6	524.1	547.1
LIABILITIES			
Insurance contracts	1,836.8	1,901.3	2,010.0
Trade and other payables	961.4	1,013.7	925.6
Corporation tax liabilities	40.5	34.7	33.5
Total liabilities	2,838.7	2,949.7	2,969.1
Total liabilities and equity	<u>3,332.3</u>	<u>3,473.8</u>	<u>3,516.2</u>



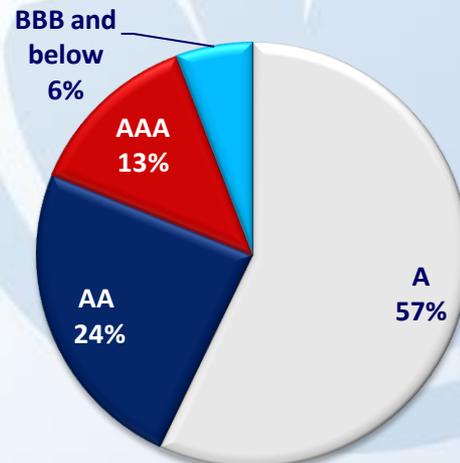
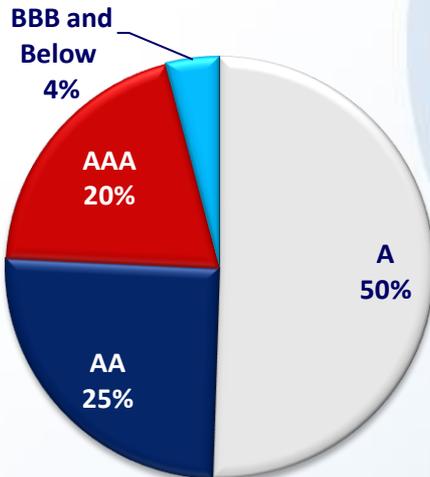
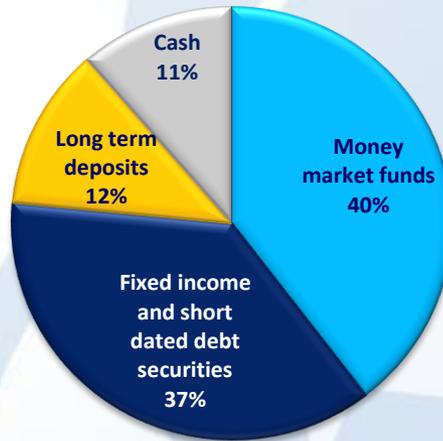
Admiral's investment strategy is low risk

Investments Breakdown

FY 13: £2,085m



H1 14: £2,173m



Investment and Interest Income



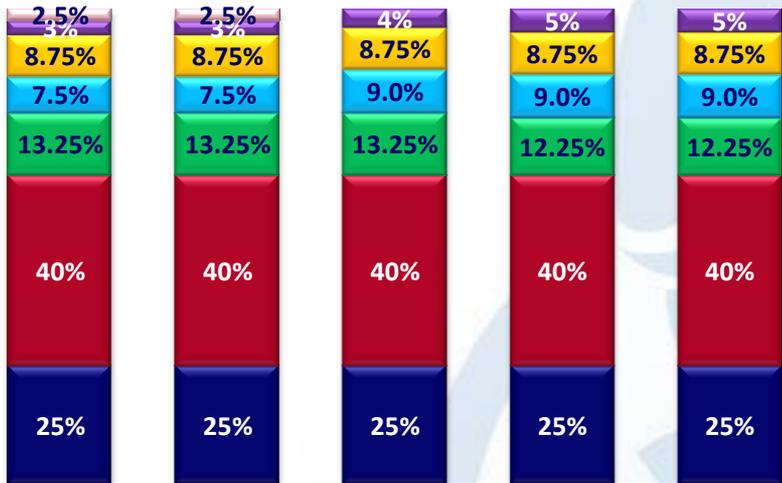
Admiral's Investment Approach

- Funds continue to be held in money market funds, short dated debt securities, term deposits or cash.
- Our key focus is capital preservation, with additional priorities being low volatility of investment return and high levels of liquidity.

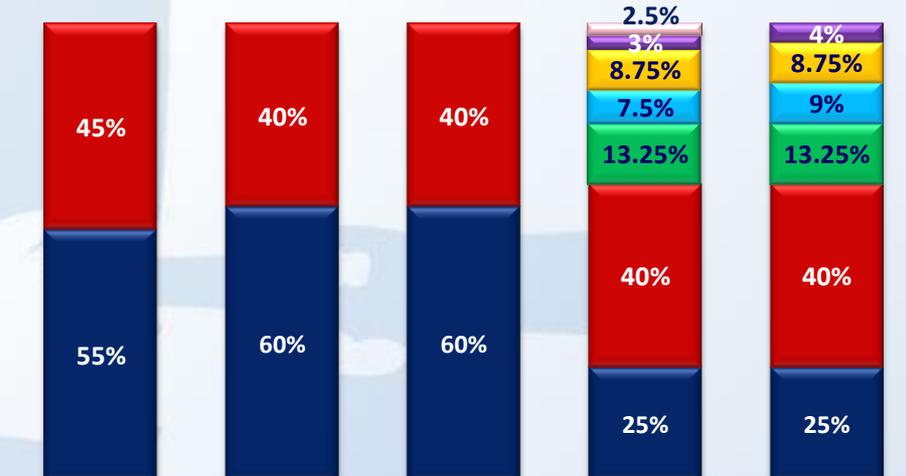


UK Car Insurance - underwriting arrangements

Reinsurance arrangements – pre-commutations



Post commutations (at 30 June 2014)



2012 2013 2014 2015 2016

2010 2011 2012 2013 2014

Admiral Munich Re New Re Swiss Re
Hannover Re Mapfre Re XL Re

Admiral Munich Re New Re Swiss Re
Hannover Re Mapfre Re XL Re

- New Re, Swiss Re, Hannover Re and Mapfre Re agreements all extend to at least the end of 2016
- Agreement with Munich Re runs to at least the end of 2018
- Admiral typically commutes reinsurance deals after two to three years of an underwriting year's development
- Little or no impact on profit or timing of profit recognition from commutation
- Minimal impact on solvency requirements
- Post commutation – loss ratio movements result in claims cost movements, not profit commission

Note: Admiral's original net share in 2010 to 2011 was 27.5%.



UK Car Insurance – proportional co- and reinsurance 2014 terms

	Munich Re	Swiss Re	New Re	Mapfre Re	Hannover Re
Type	Proportional* co-insurance	Proportional* reinsurance			
Share of premium	40%	9%	13.25%	4%	8.75%
Cost to Admiral	Variable, depending on combined ratio	Fixed – c2% of premium			
Risk protection	Co-insurance	Starts at 100% combined ratio + Investment Income			
Profit commission	Profit share % based on combined ratio Different %'s operate in tranches Calculated with written basis expense ratio	Fixed fee to reinsurer, then 100% profit rebate to Admiral thereafter Below 98% combined ratio = 100% Calculated with earned basis expense ratio			
Funds withheld	No	Yes			
Investment income	Munich Re	Admiral (provided combined ratio <100%)			
Instalment income	Munich Re	Admiral			
Commutation	Not applicable	Admiral has option to commute contracts and typically does this after 2 years.			
Other		In 2015 Mapfre Re's share will increase to 5% and New Re's share will decrease to 12.25%			

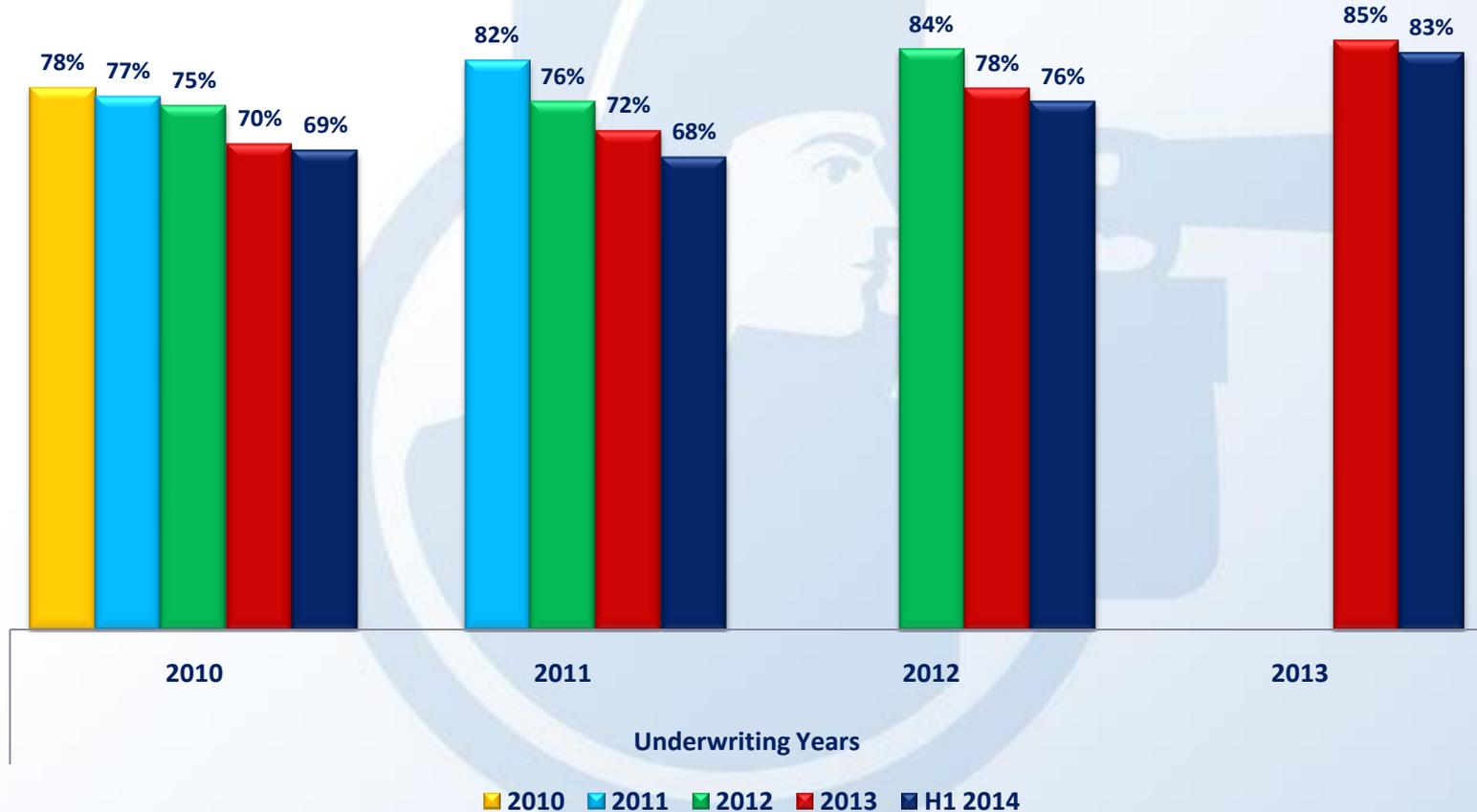
- In 2014 Admiral extended contracts with Swiss Re, New Re, Mapfre Re and Hannover Re to at least the end of 2016.
- In 2013 Admiral extended agreement with Munich Re to underwrite 40% until at least the end of 2018.

*Proportional means that every policy written by Admiral is shared between the co- and reinsurers according to the % share of premium. Eg policyholder A is 40% co-insured by Munich Re, 9.0% reinsured by Swiss Re, 13.25% reinsured by New Re etc.



UK Car Insurance - Booked loss ratio development by underwriting year

UK Booked Loss Ratio (%)
Development by Financial Year (colour-coded)
Split by Underwriting Year (x axis)

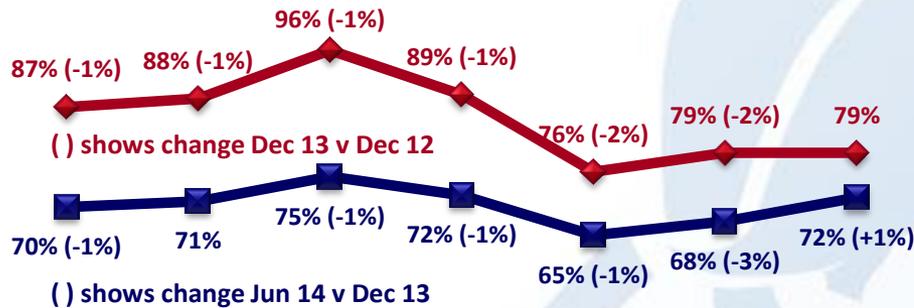


Note: Underwriting year basis, therefore direct comparison to ultimate loss ratios on accident year basis is inappropriate.

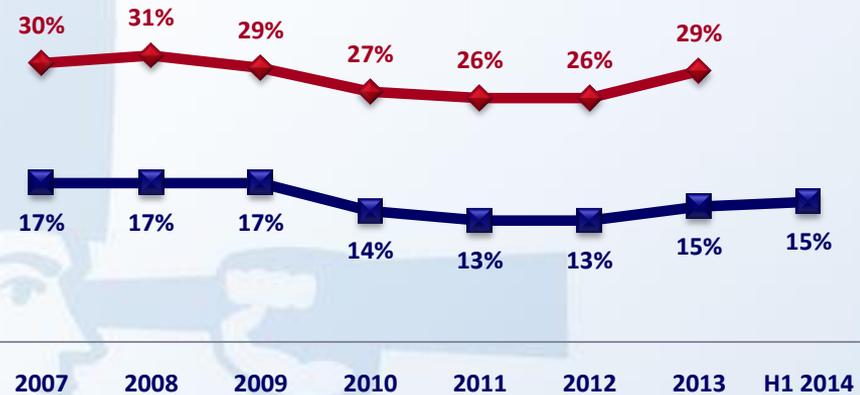


Admiral v Market Ultimate Loss Ratio, Expense Ratio and Combined Ratio

Projected Ultimate Loss Ratio: Admiral vs Market



Expense Ratio: Admiral vs Market*ⁱ



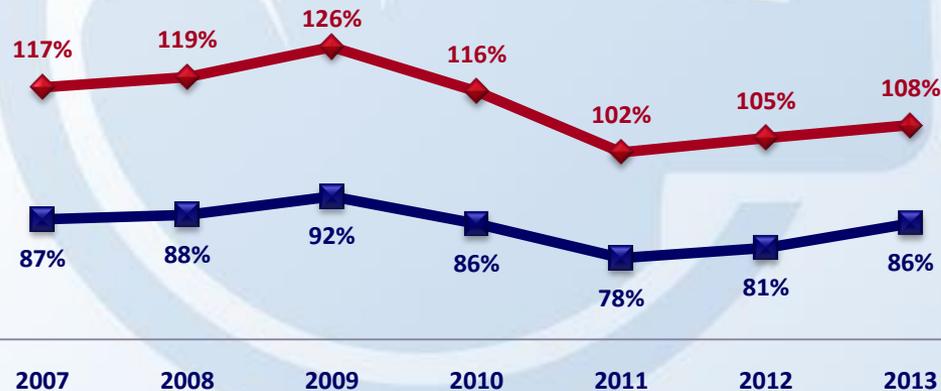
◆ Market Loss Ratio *1

■ Admiral UK projected ultimate loss ratio (June 2014) *2

◆ Market (earned basis)*3

■ Admiral UK (written basis)

Ultimate Combined Ratio: Admiral vs Market



◆ Market Combined Ratio

■ Admiral UK Combined Ratio

Source: (1) Analysis of PRA returns as at 31st December 2013, pure accident year loss ratio. (2) Independent actuarial projection of ultimate loss ratio on accident year basis. Note: Ultimate loss ratios include allowance for future PPO and potential future Ogden discount rate changes. (3) Analysis of PRA returns as at 31st December 2013, adjusted to remove UKI (2013 including UKI: 31%). Note: Market excludes Admiral. Note: (i) The market expense ratio is adjusted to exclude the impact of UKI (due to unusually high or low expense ratios) in 2010, 2011, 2012, and 2013. If UKI was included the results would be 24%, 28%, 30%, and 31% respectively.



UK Car Insurance - motor regulatory reforms update

Key Regulatory Reviews	Implications
<p>Competition and Markets Authority</p> <p>Due to publish a final decision in September 2014. Key areas being addressed:</p> <ul style="list-style-type: none"> A. credit hire costs including rates; B. transparency of information concerning no claims bonus; and C. wide most favoured nations clauses between price comparison websites and insurers. 	<p>All insurers and price comparison websites impacted:</p> <ul style="list-style-type: none"> A. potentially a reduction in claims costs and also a reduction or elimination of credit hire referral fees. In H1 2014 Admiral earned £7.9 million in credit hire referral fees; B. changes to disclosure; and C. neither Admiral nor Confused.com have these clauses
<p>Financial Conduct Authority</p> <p>1. General Insurance Add-Ons Market Study Final findings published in July 2014. Relevant areas for Admiral:</p> <ul style="list-style-type: none"> A. transparency of product margins; B. improving sales of add-ons through price comparison websites; and C. the FCA will potentially ban 'opt-out' sales. <p>The FCA will continue their work in this area with input from industry and consumer groups and issue a consultation paper on proposed remedies in Q4 2014.</p>	<p>All insurers and price comparison websites impacted:</p> <ul style="list-style-type: none"> A. public disclosure of claims ratio by product; B. changes to disclosure and process; and C. Admiral does not operate an opt-out model.
<p>2. Price Comparison Website Review Thematic review findings were published in July 2014. Relevant areas for Admiral:</p> <ul style="list-style-type: none"> A. appropriate information – clear and consistent information to customers; and B. role and services supplied. 	<p>All price comparison websites impacted. Confused have taken into account all relevant findings and will ensure it adheres to regulatory requirements.</p>
<p>3. Premium Finance Review In its 2014 Business Plan the FCA highlighted that they would be conducting a review of premium finance within the GI market. GI firms offer finance to clients wishing to pay for their cover by monthly instalment. The FCA plans to focus on sales practices and disclosures when selling premium finance to consumers.</p>	<p>Admiral will ensure it adheres to regulatory requirements.</p>



European Car Insurance Results



Turnover

£21.5m +11%¹

£43.0m -15%¹

£7.1m +9%¹

Customers

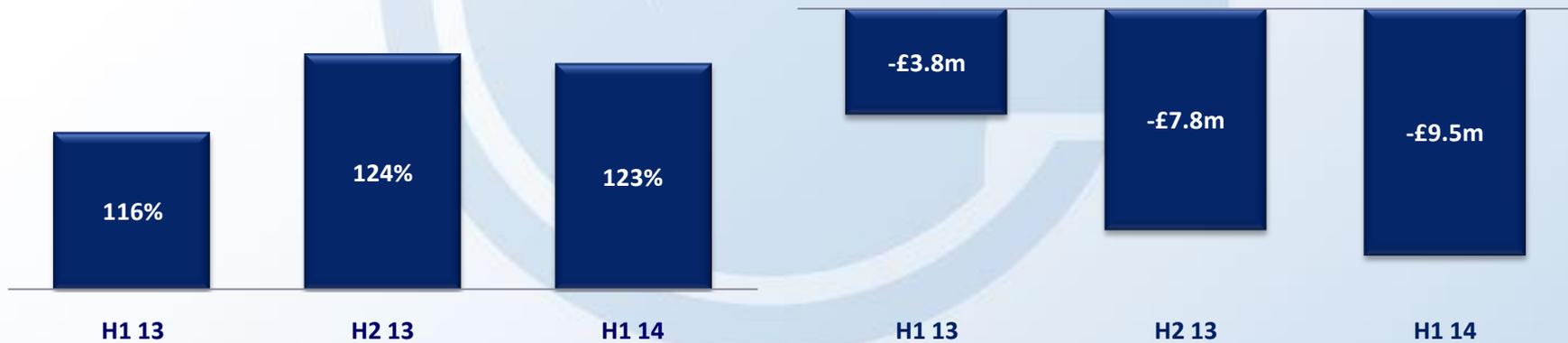
151,300 +28%¹

278,550 0%¹

31,000 +39%¹

Combined ratio*²

Result before tax



Note: (1) % change over H1 2013

Note: (2) Combined ratio is calculated on the earned basis and includes the results from the sale of additional products, services and fees.



Key definitions

Term	Definition
Accident Year	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 accident took place.
Underwriting Year	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.
Written / Earned Basis	A policy can be written in one calendar year but earned over a subsequent calendar year.
Loss Ratio	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.
Ultimate Loss Ratio	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.
Reported / Booked / First-Picked Loss Ratio	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.
Expense Ratio	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.
Combined Ratio	The sum of the loss ratio and expense ratio.
Co-insurance	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.
Reinsurance	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.
XOL Reinsurance	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 £5m, for any individual claim that is in excess of £5m the reinsurance company covers the costs above £5m.
Total / Gross / Net Premiums Written	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





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