

ADMIRAL  
GROUP plc



## **2013 Full Year Results**

**5 March 2014**

<b>Right Now</b>	<b>Henry Engelhardt, CEO</b> <b>Geraint Jones, Deputy CFO</b>
<b>Round the Corner</b>	<b>David Stevens, COO</b> <b>Martin Coriat, Confused.com CEO</b>
<b>In the Future</b>	<b>Kevin Chidwick, CFO &amp; Elephant Auto CEO</b> <b>Milena Mondini, ConTe CEO</b>
<b>Wrap Up</b>	<b>Henry Engelhardt, CEO</b>
<b>Q&amp;A</b>	<b>All</b>





- Group profit before tax up 7% at £370 million (2012: £345 million)
- Return on capital of 58% (2012: 60%)
- Group turnover down 8% at £2.03 billion (2012: £2.22 billion)
- Group customers up 4% to 3.7 million (2012: 3.55 million)
- Earnings per share up 10% at 104.6 pence (2012: 95.1 pence)
- Record final dividend of 50.6 pence per share; bringing the total dividend to 99.5 pence per share up 10% (2012: 90.6 pence)



# Dividends to shareholders since IPO: £1.5 billion

## Annual Dividend Per Share



- Dividends CAGR: 30%
- Admiral's share price at IPO: £2.75
- Dividends per share since IPO: £5.58
- Total shareholder return: > 700%\*1

## Total Dividends Declared



## 2013 Final Dividend Per Share: 50.6p

Normal Dividend: 24.4p

Special Dividend: 26.2p

Ex-dividend date – 30 April 2014

Record date – 2 May 2014

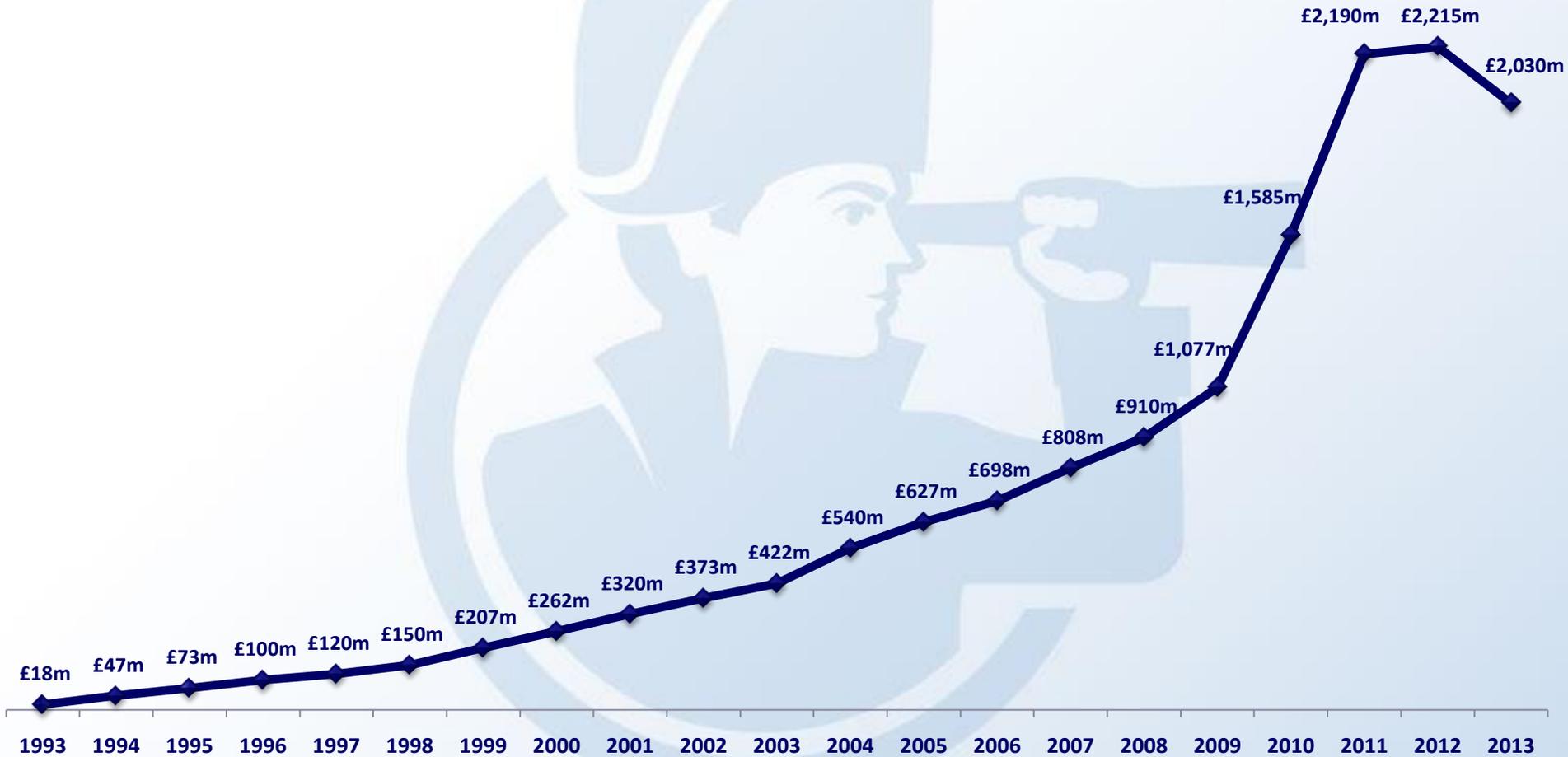
Payment date – 30 May 2014

[\*1] Calculations: Total shareholder return measured from IPO through to the 2013 final dividend.



# Disciplined approach to growth

## Admiral Group Turnover Year on Year



\*Calculation: Turnover comprises total premiums written plus other revenue

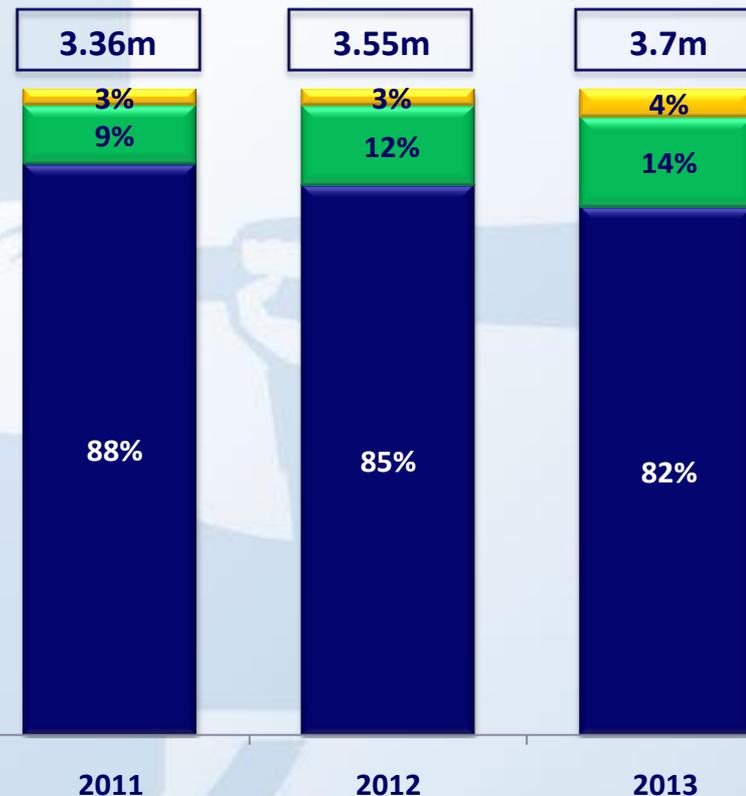


# Increasing contributions from international operations

### Group Turnover



### Group Customers



■ UK Car Insurance    ■ Price Comparison  
■ International Car Insurance    ■ Other Group Items

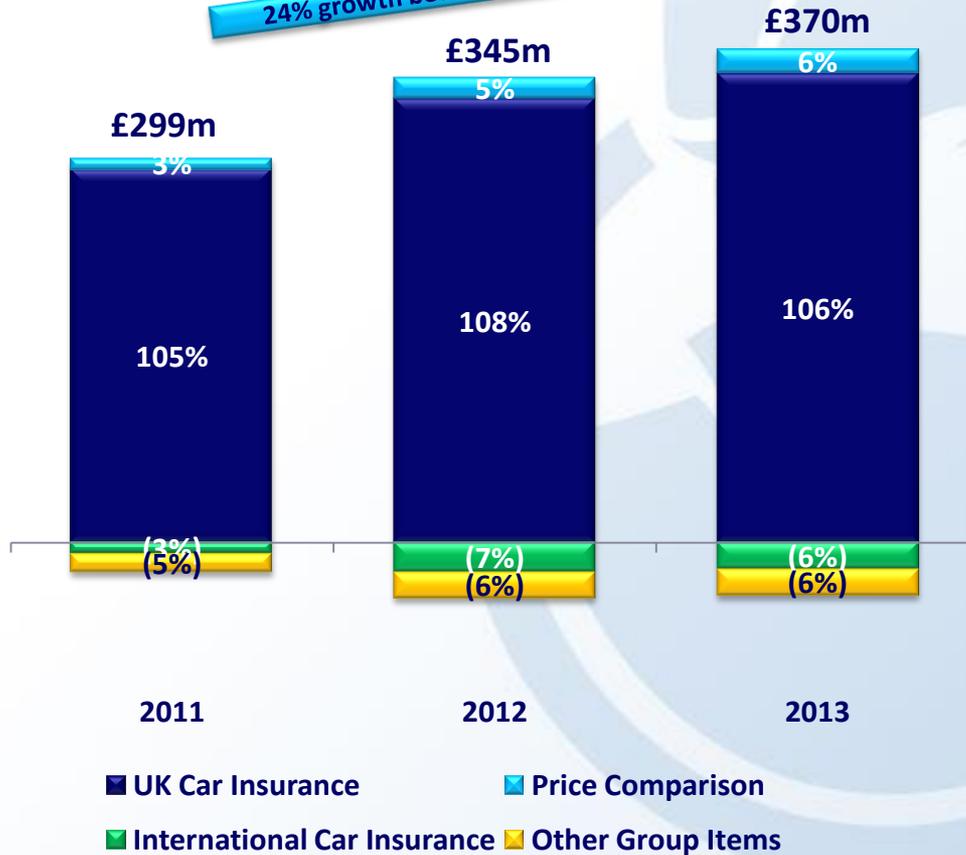
■ UK Car Insurance    ■ International Car Insurance  
■ Other Group Items



# UK Car Insurance continues to contribute over 100% of profits

## Group Profit Before Tax

24% growth between 2011 and 2013

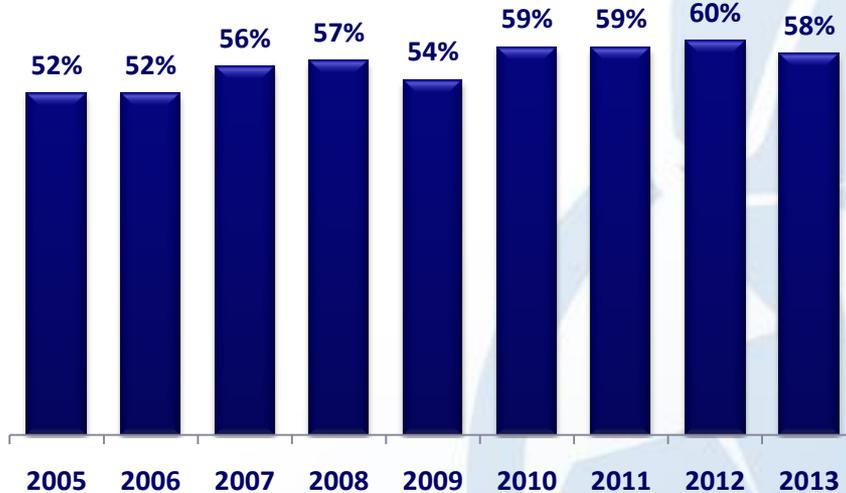


- UK Car Insurance profit up 6% at £394 million (2012: £370 million).
- Price comparison profit up 13% at £20 million (2012: £18 million).
- Continued to invest and make progress in expanding international car insurance.
- Employee share scheme costs account for the majority of “Other” category.

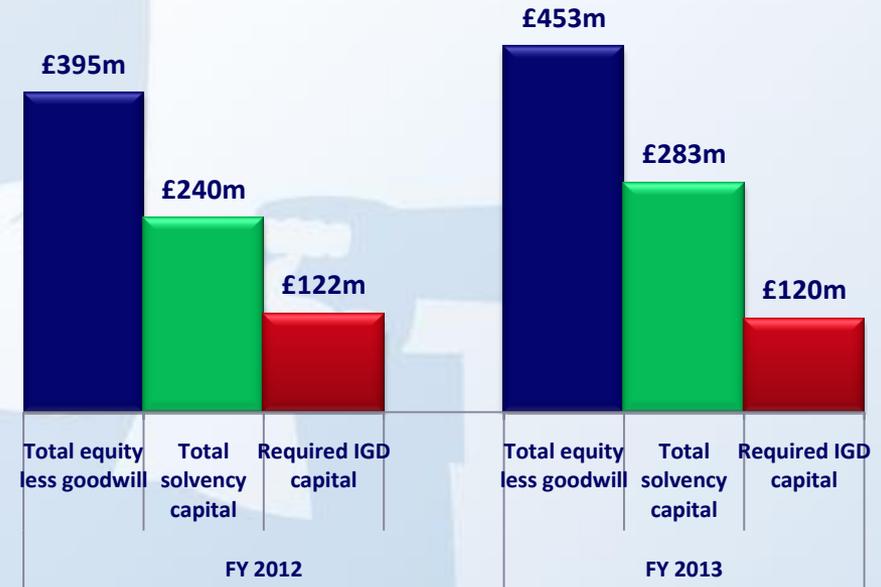


# High return on capital and strongly capitalised

## Admiral Group Return on Capital<sup>(i)</sup>



## Capital and Solvency<sup>(ii)</sup>



- Admiral has consistently achieved a high ROCE
- Efficient use of capital
  - Extensive use of co- and reinsurance
  - Recent extensions to contracts
- The Group continues to be strongly capitalised
  - Capital is all Tier 1
  - Debt-free
  - IGD coverage of 378% (2012: 324%)

Note: (i) ROCE calculated as post-tax result divided by average equity; (ii) Solvency capital is projected one year out.

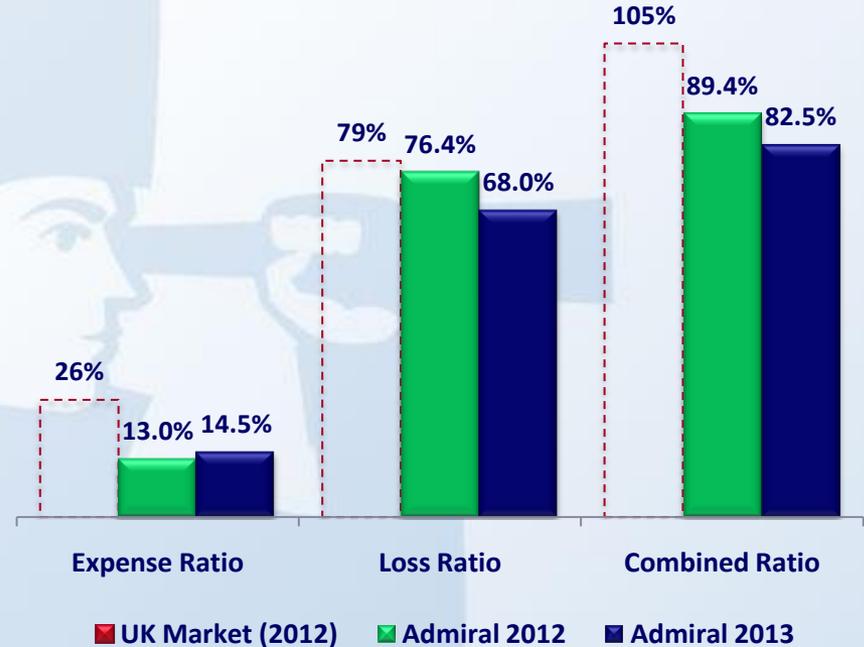


# UK Car Insurance focus remains on margin not volume

## Turnover and Total Premiums Written



## Expense, Loss and Combined Ratios (Motor Only)



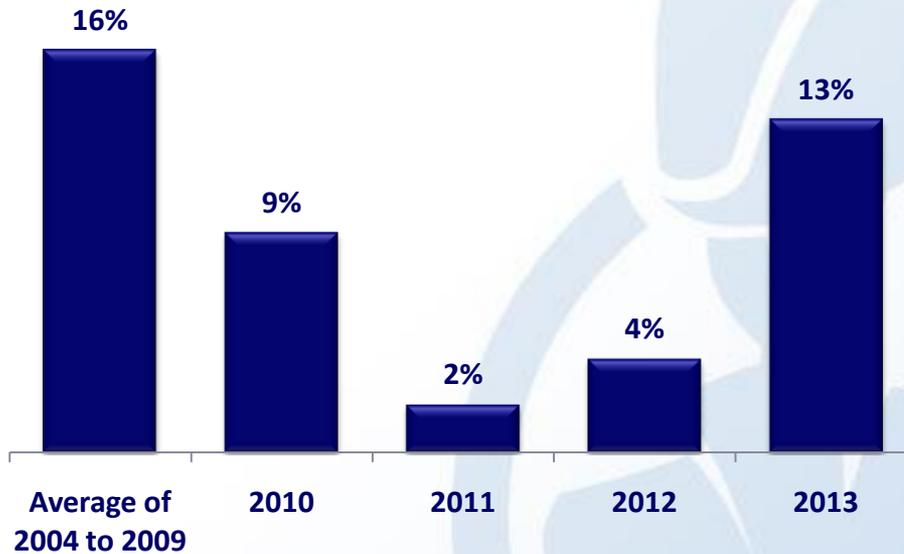
1. Vehicle count stable at 3.02 million; reduced premiums written is reflective of lower average premiums.
2. Improvement in Combined Ratio driven by improved claims experience and corresponding reserve releases.

Note: i) Turnover comprises total premiums written plus other revenue. ii) Admiral expense ratio is on a written basis. Market expense ratio is for 2012 year. iii) Admiral loss ratio adjusted to exclude releases from commuted reinsurance contracts. Market loss ratio is for 2012 year.  
Source: Market data is from E&Y and Deloitte analysis of FSA returns.



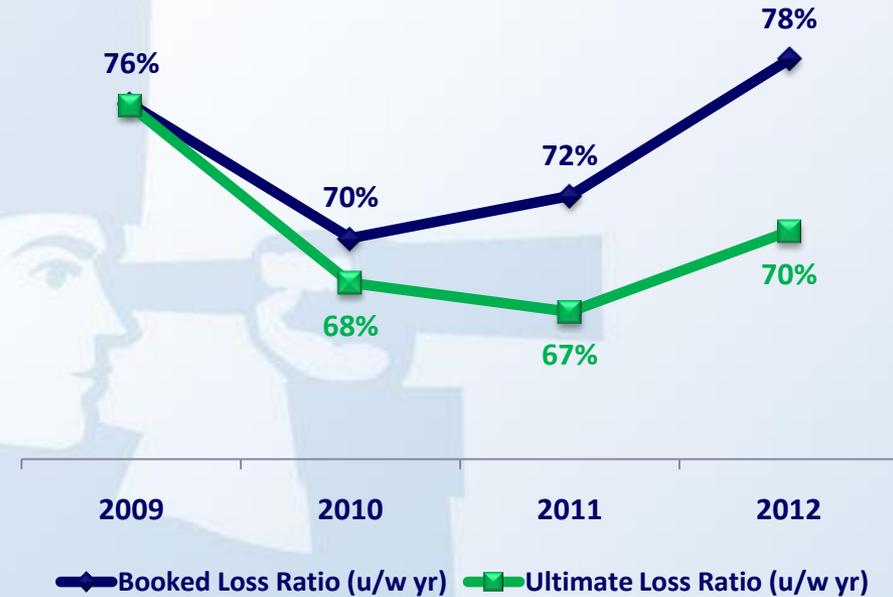
# Benign claims trends support continued reserve releases

Admiral UK Reserve Releases as a % of Earned Premium  
By Financial Year



- Increase in reserve releases in 2013 due to improving claims trends.
- If claims develop as expected, there is likely to be scope for increased reserve releases going forward.

Admiral UK Booked v Ultimate Loss Ratios  
By Underwriting Year, On Underwriting Year Basis

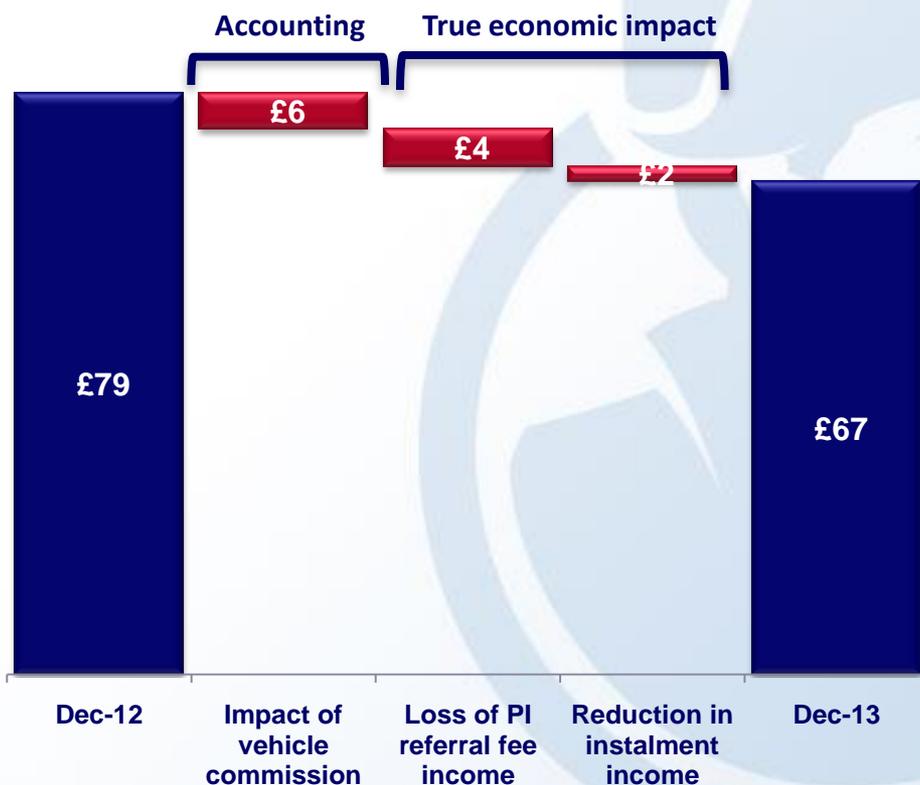


- Significant margin in booked loss ratios above projected ultimate loss ratios.
- Despite higher releases in 2013 the margin is bigger at the end of 2013 than at the start.



# A combination of factors has led to lower reported other revenue per vehicle

## Other Revenue Per Vehicle<sup>(i)</sup> Reconciliation



### Total Other Revenue:

- £173 million, down 16% (2012: £205 million)

### Per vehicle movements:

- Vehicle Commission** accounting change from Jan '13 reallocates profit to Underwriting.
- Personal injury (PI) referral fees** were banned from April 2013. This should be offset by reductions in claims costs.
- Instalment income** down due to lower average premiums.

### Outlook Beyond 2014:

- Competition Commission will issue provisional remedies in May / June. c£5 per vehicle for credit hire referral fees at risk. However, there should be offsetting reductions in claims costs.

Note (i) Other Revenue Per Vehicle is calculated as Other Revenue (before internal costs) divided by average active vehicles, rolling twelve month basis.



# Growth and improved results for International Car Insurance

## Turnover<sup>(i)</sup> and Total Premiums Written



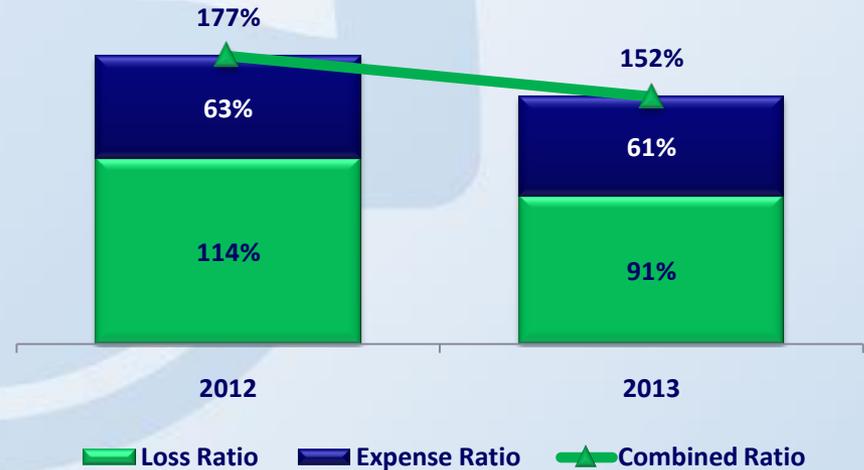
## Loss Before Tax



## Vehicle Count



## Reported Combined Ratio<sup>(ii)</sup>



Note: (i) Turnover comprises total premiums written plus other revenue. (ii) Reported combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue.

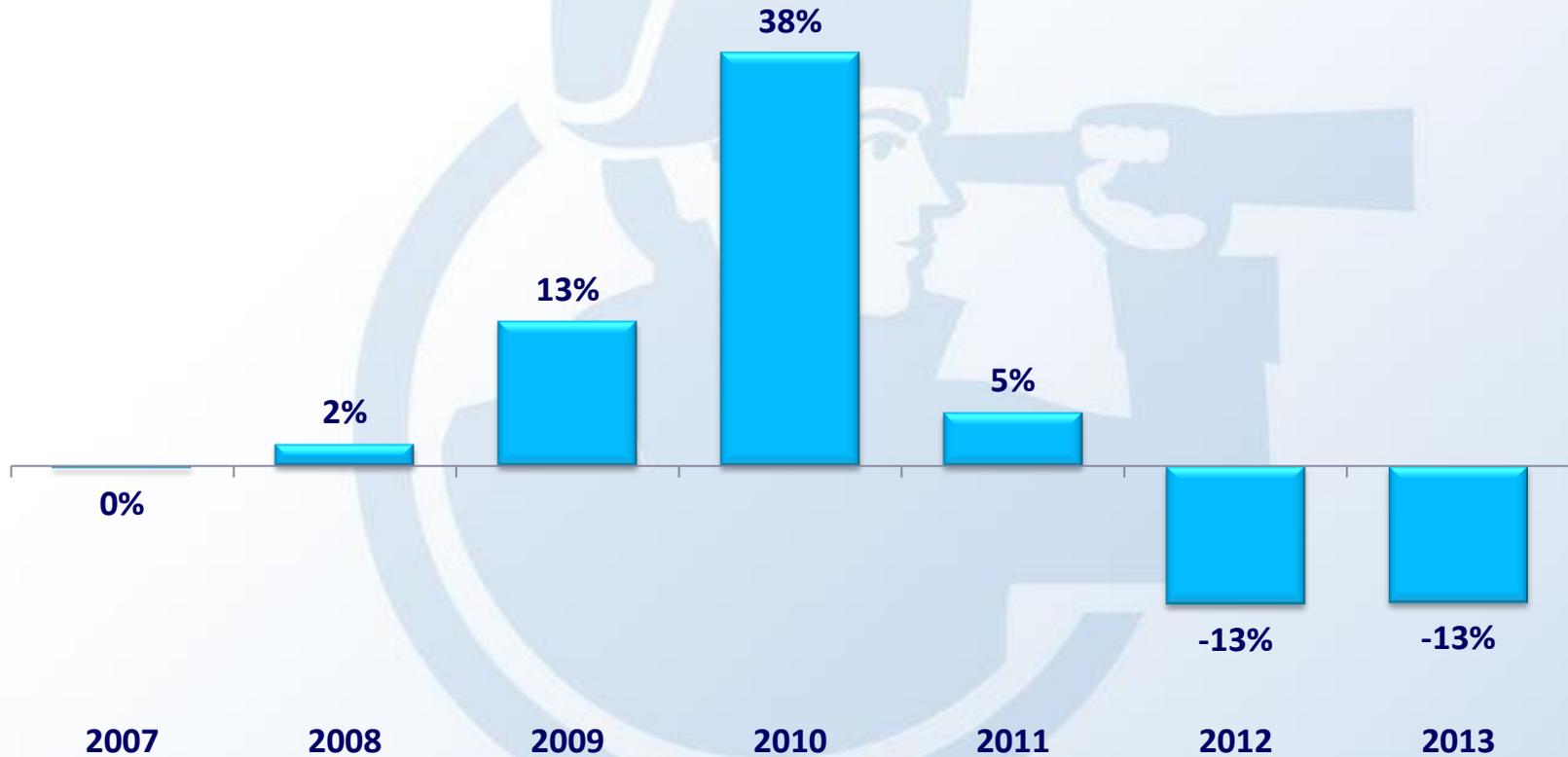


**Round the corner...**  
**David Stevens and Martin Coriat**



# Confused View: UK car insurance is cyclical

Annual Movements in Car Insurance New Business Prices,  
Confused.com Car Insurance Price Index





A comparison tool for insurance price indices brought to you by BRIAN

# Confused.com Car Insurance Price Index



	2013 v 2012	NB only	NB & RN	Large Volume of Data	Analysis eg by area	History	
	-13%	✓	✗	✓	✓	✓	<a href="#">Learn more ▶</a>
	-14%	✓	✗	✗	✓	✓	<a href="#">Learn more ▶</a>
	-9%	✗	✓	✓	✗	✗	<a href="#">Learn more ▶</a>

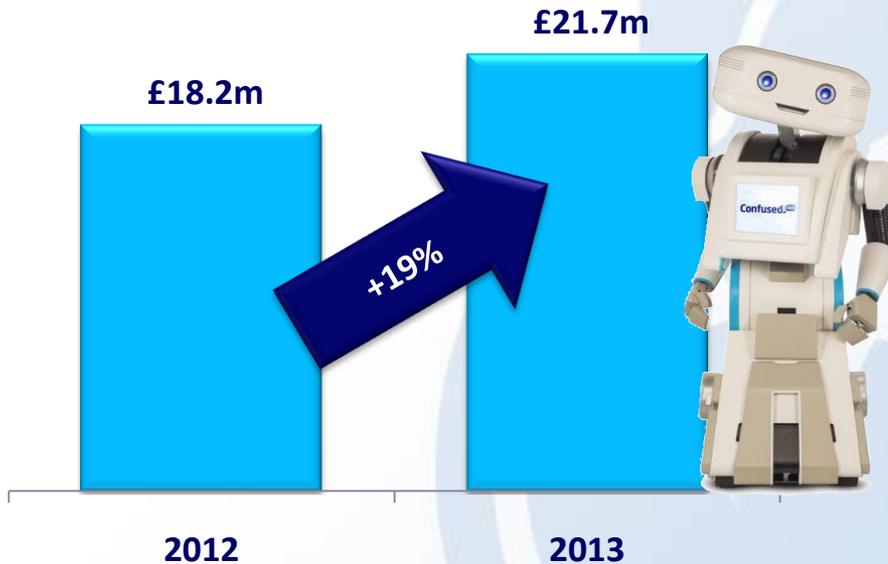
**I LOVE CAR INSURANCE!**





# In 2013 Confused had a good year

## Confused.com Profit Before Tax



## 2013 Review

- Revenue up 6% to £88 million
- Operational improvements
- Innovative QuickQuote process

**QuickQuote**  
Used us before? Get a QuickQuote

Car registration

Email address

[Get a QuickQuote](#)



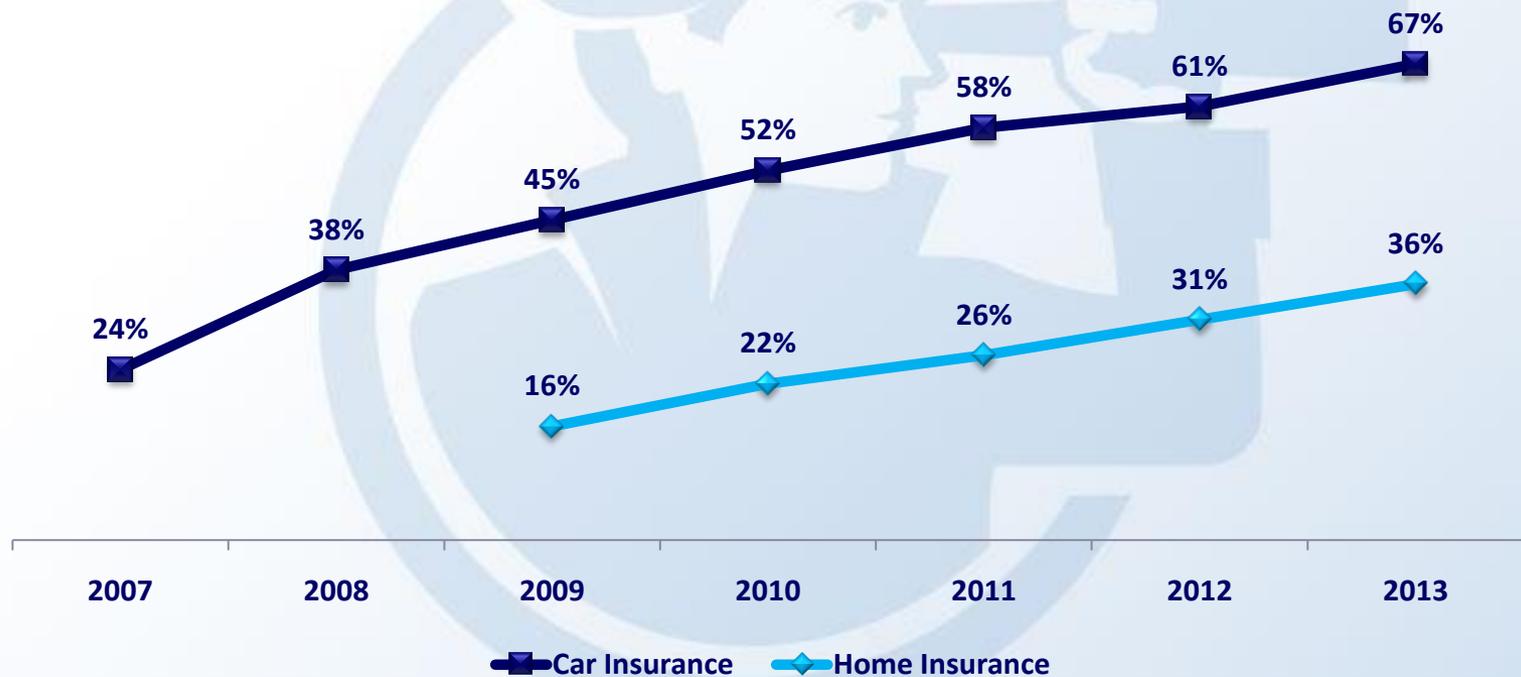
## 2014 Outlook

- Maintain voice in competitive market
- Promote additional products
- Support new brand identity



# One thing remains the same – the continued growth of price comparison

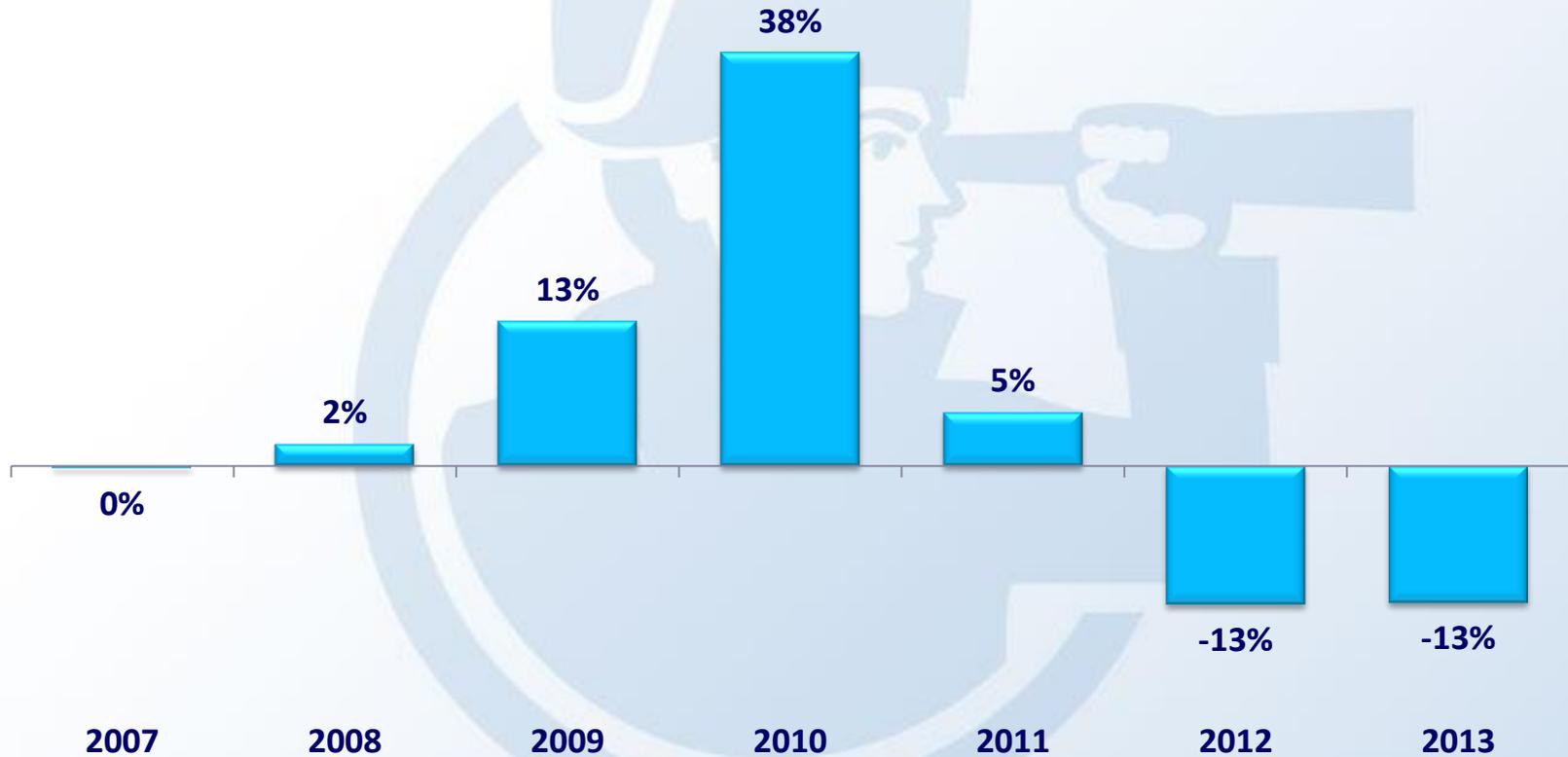
## UK Market % New Business Sales Through Price Comparison





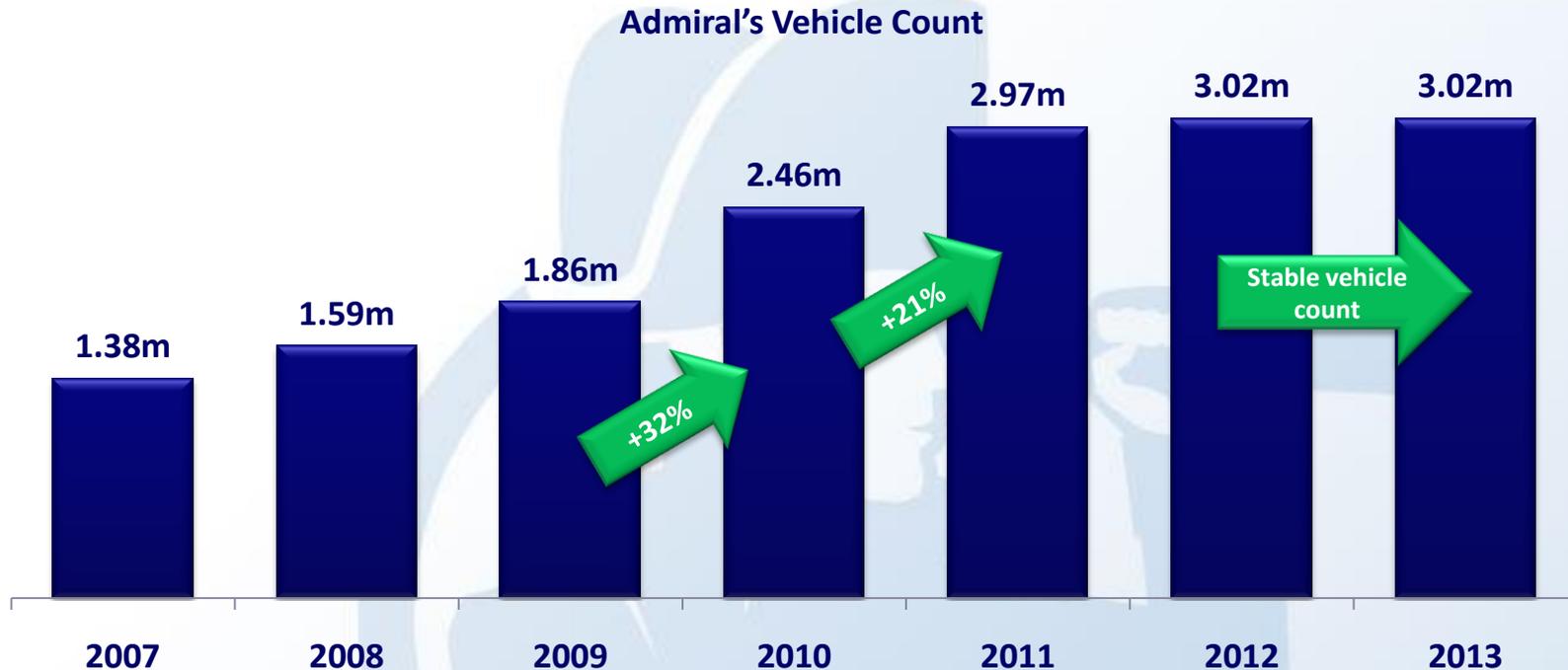
# Admiral View: UK car insurance is cyclical

Annual Movements in Car Insurance New Business Prices,  
Confused.com Car Insurance Price Index





## After significant growth in 2010 and 2011 vehicle count has been stable



- Significant growth was achieved by:
  - Not increasing premium rates as much as competition
  - Continuing to quote for high premium motorists avoided by many competitors
- Response to falling premiums has been to maintain vehicle count and shift portfolio:
  - Fall in average and total premiums
  - Positive claims experience



# Business written during period of rapid growth has proved to be very profitable

### Admiral Ultimate Combined Ratio (Accident Year)



“Following a claim, I would renew with Admiral”

Positive response >90%



### Admiral Total Earned Premium (Calendar Year)

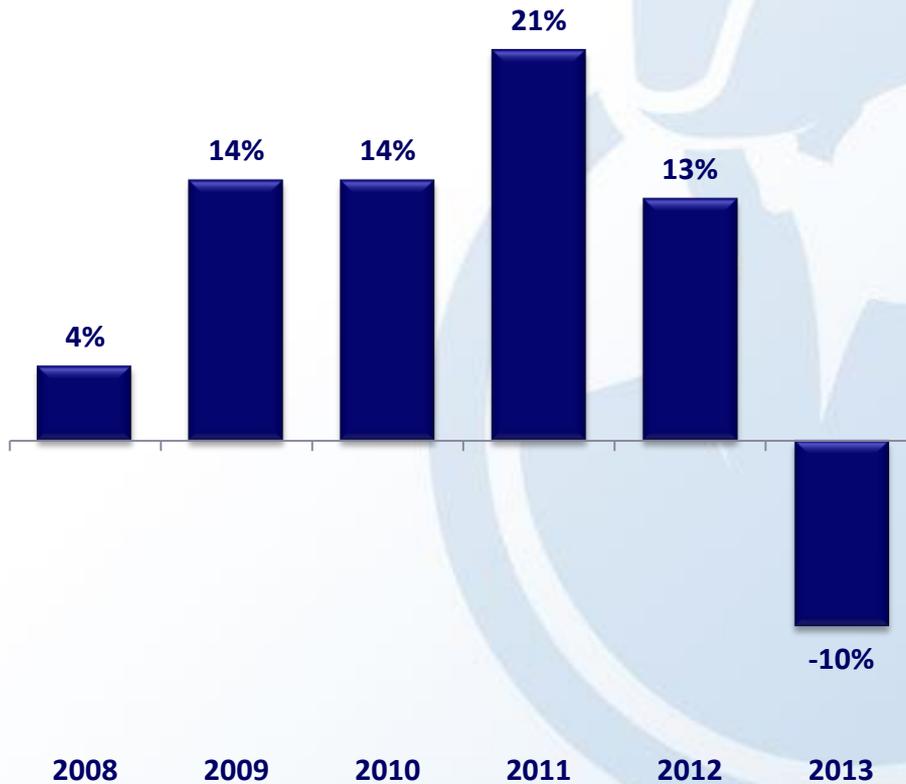


Note: Total Earned Premium is by calendar year to enable direct comparison to ultimate loss ratio on accident year basis.

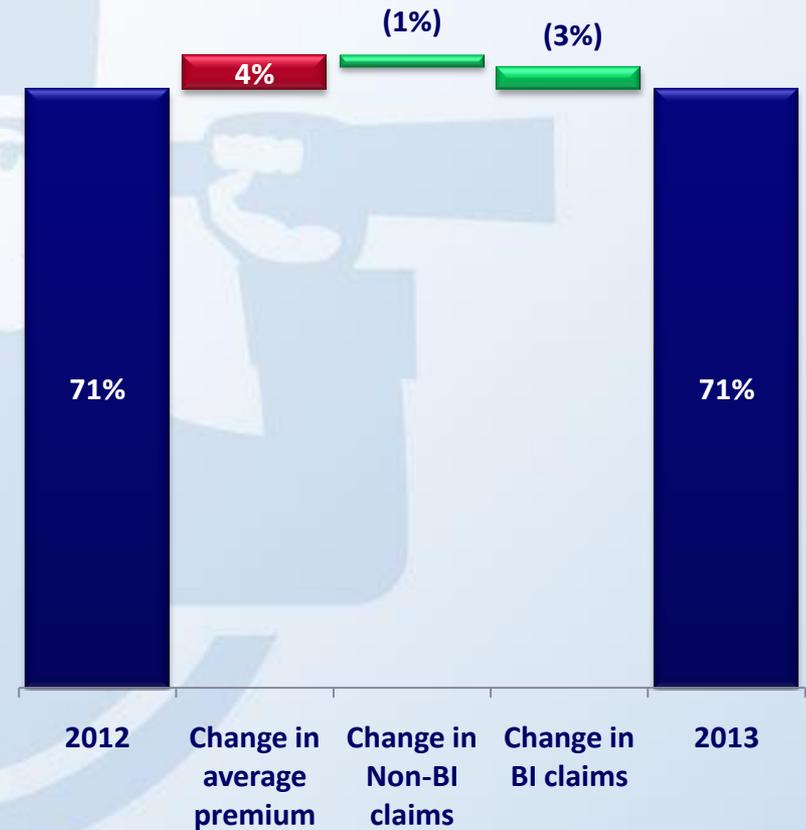


# Rampant claims inflation turned into claims deflation in 2013

## Annual Bodily Injury Claims Inflation



## 2012 to 2013 Ultimate Loss Ratios (at December 2013)



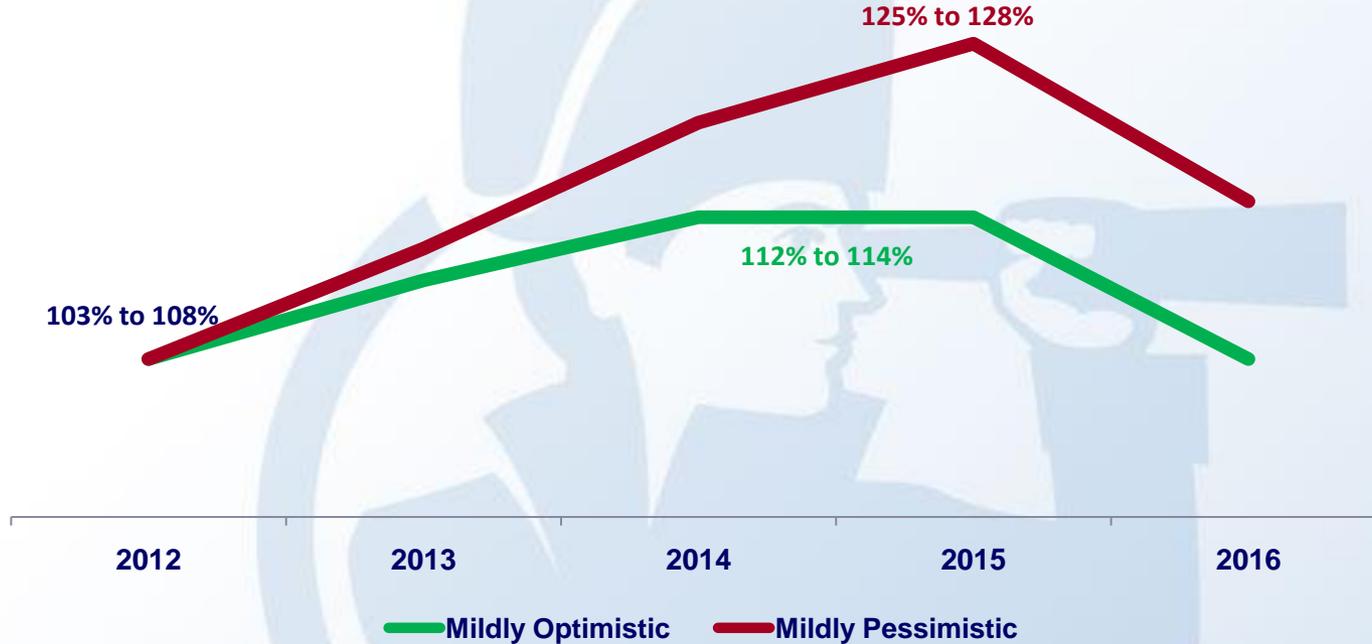
Source: Claims inflation analysis based on Admiral's own experience. Claims are capped at £500k.



# There are a number of factors that will impact this cycle



### Estimates of Market Combined Ratio (Excluding Admiral)



#### Mildly optimistic

- Continued benefits from BI reforms
- No bounce-back in overall claims frequency
- Return to price increases in mid-2014

#### Mildly pessimistic

- BI inflation returns as lawyers adapt to reforms
- Increased economic activity increases claims frequency
- Price reductions continue until year end



- Continued growth of price comparison.
- Well placed to take advantage of the cyclical turn due to superior economics.
- Continuing potential for substantial reserve releases, if claims develop in line with historical trends.



**In the future...**

**Kevin Chidwick and Milena Mondini**



# Simple approach to expansion

## Key rationale

- ❑ The internet is an irresistible force
- ❑ Take what we do well and do it elsewhere

## Long term investment

- ❑ Target large, mature markets
- ❑ Create profitable, growing, sustainable businesses

## Low risk approach

- ❑ Organic growth
- ❑ Long-term partners
- ❑ Modest investment



Oct. 06

May 08

Mar. 09

Oct. 09

Jan. 10

Dec. 10

Mar. 13

Mar. 13



Note: Balumba and Qualitas Auto are brands of Admiral Seguros.

Admiral launched a direct car insurer in Germany in 2007 (Admiral Direkt) and an Italian price comparison business in 2010 (Chiarezza). These operations were sold in 2011 and 2012 respectively.



# Investment in insurance operations has been modest

## Total Vehicles Insured and % Group PBT Invested



### 2006 to 2013

Total Investment	£79m
Total Group Profit	£2.02bn
%	3.9%

Note \*Investment excludes pre-launch costs but includes results of Admiral Direkt (German car insurer sold in January 2011)



# Price comparison businesses reach profitability quicker, but investment is relative to market size and conditions



Note: Rastreator and LeLynx results include Chiarezza (an Italian price comparison business launched in 2010 and sold in 2012). The investment is at the 100% level; Admiral Group owns 75% of Rastreator and 68% of comparenow.com.



# France: Investing in operations to take advantage of a changing market

## Market Statistics



## Market Dynamics

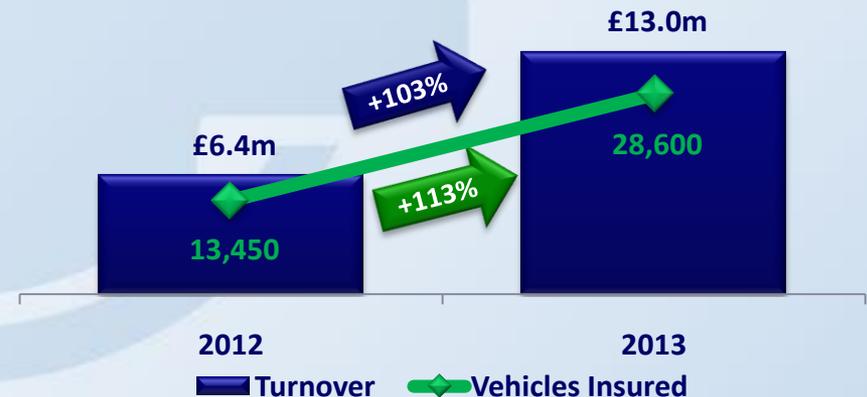
- Total gross written premium is actually going up (+2%).
- Market combined ratios are deteriorating due to significant increases in claims costs and insufficient price increases.
- Growth of price comparison (+26%) driven by increased TV spend.
- Hamon Law will stimulate more shopping and competition.

## L'olivier Progress

- The smallest and youngest international insurance operation.
- Busy year of growth, testing and learning.
- In 2014 the focus will be in-sourcing operations including IT system.



## L'olivier Turnover and Vehicles Insured



Note: Combined Ratio is for market result in 2013.



# Spain: Strong growth in a challenging market

## Market Statistics



## Market Dynamics

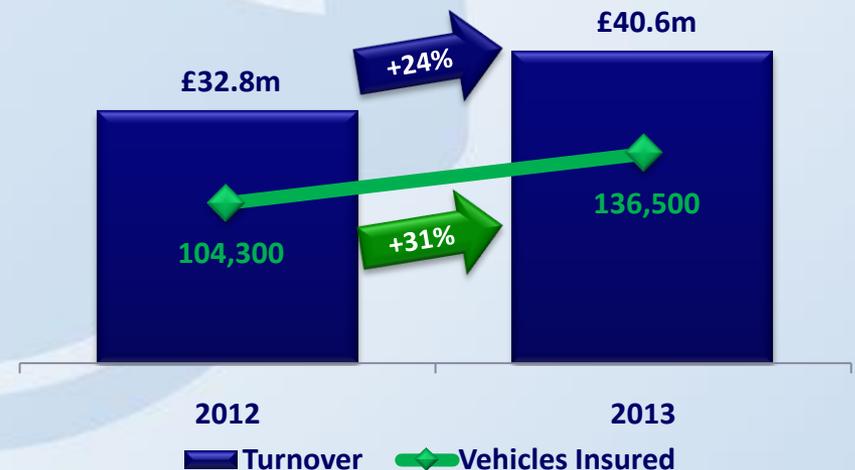
- Challenging economic backdrop.
  - Gross written premium down 6%.
- Small signs of economic recovery.
  - New car sales and fuel consumption have stopped decreasing.
- Direct insurers represent c20% of market and 13% of new business sales go through price comparison.

## Admiral Seguros Progress

- Successful Qualitas Auto marketing campaign achieving high customer awareness and attracting higher quality customers.
- 31% vehicle growth despite high level of competition.
- Significant improvements in loss ratio performance.



## Admiral Seguros Turnover and Vehicles Insured

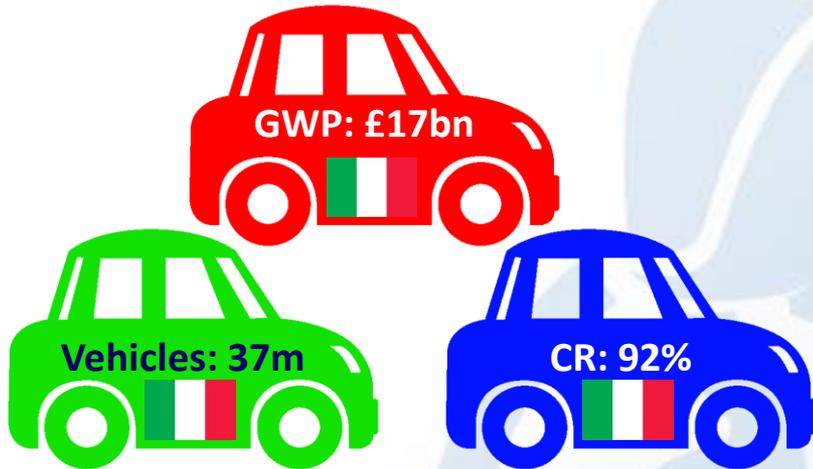


Note: Combined Ratio is for market result in 2012 (includes income from ancillary products).



# Italy: Improved claims experience with more to come?

## Market Statistics



## Market Dynamics

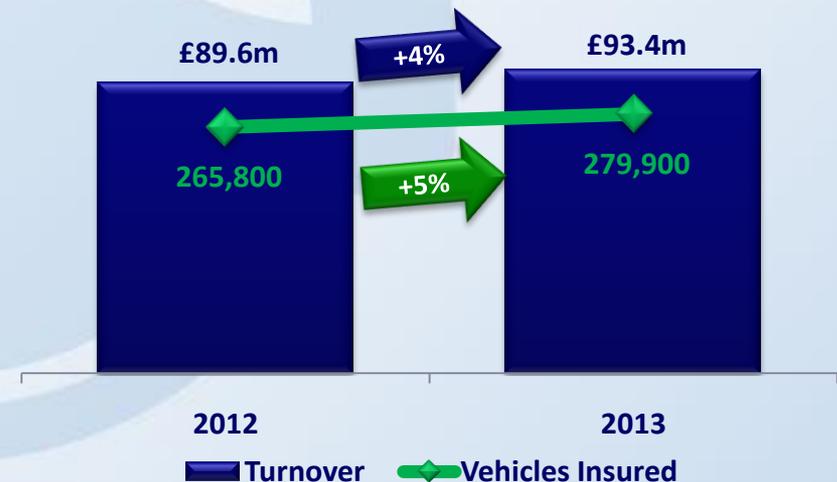
- After 5 years of increases, prices are now falling, down c4% in 2013.
- Claims frequency is also down due to ongoing financial stress.
- Continued shift to direct insurers (now 9% of market) and price comparison.
- Abolishment of automatic renewal is encouraging shopping.

## ConTe Progress



- Admiral's largest international operation.
- Slower growth in response to market dynamics. 2013 focussed on:
  - Improving underwriting processes and pricing;
  - Optimizing claims management; and
  - Developing direct claims network.
- Underwriting margins improved and 2013 claims experience was significantly better than prior years.

## ConTe Turnover and Vehicles Insured



Note: Combined Ratio is for market result in 2012



# USA: Strong growth in huge market

## Market Statistics



## Market Dynamics

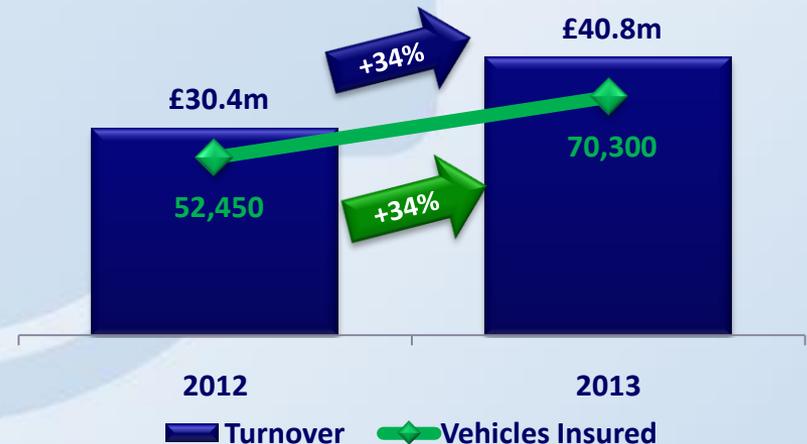
- Limited liability means claims are two thirds car repairs and one third bodily injury.
- Modest claims and premium inflation.
- Direct insurers are educating consumers to shop and steadily growing their market share.
  - Record media spend of >\$6bn.
  - 40% of new business is now purchased from direct insurers.

## Elephant Auto Progress



- Written combined ratio improved from 175% to 152%.
  - Improved expense ratio because of growth.
  - Better loss ratio due to pricing and portfolio changes
- Strong growth especially in Texas, now our fastest growing state with year on year growth over 40%.
- Focussed on growing business in a controlled way.

## Elephant Auto Turnover and Vehicles Insured

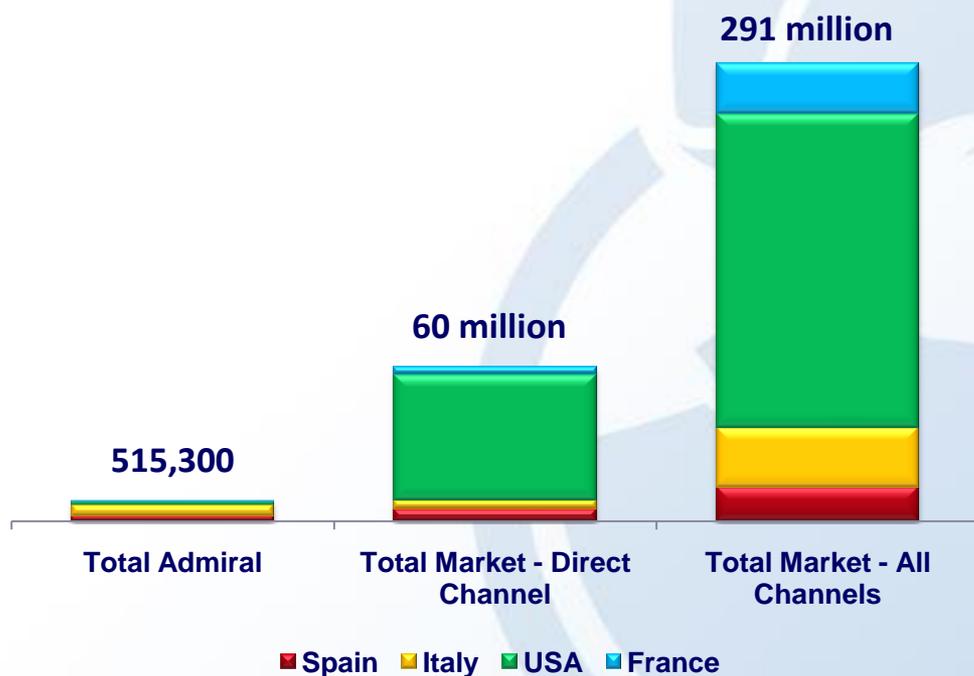


Note: Combined Ratio is for market result in 2012.



# In summary, there is a significant opportunity for growth

## Total Vehicles Insured



- Long term potential is virtually unlimited
- Pleased with progress to date

Written combined ratio	2012	2013	
ConTe, Admiral Seguros & L'olivier	155%	138%	Down 17pp
Elephant Auto	175%	152%	Down 23pp

- Outlook is for more of the same
- Patience is key



# Rastreator and LeLynx are both profitable market leaders

## European Price Comparison Results

	2012	2013	Movement	
Turnover	£20.8m	£25.0m	+\$4.2m	+20%
Result	(£0.2m)	£2.4m	+\$2.6m	

## European Price Comparison Quotes Generated





## Key rationale

- Accurate comparison of auto insurance has obvious appeal.
- Over 90% customers in market research expressed interest in using comparenow.com.
- Carriers want a cheaper form of customer acquisition.



## Status

- Carriers under contract and in IT development include many well-known brands.
- TV advertising campaign began in California and has met with favourable response.





**Recap**



- **Right Now**

- Strong set of results

- **Round the Corner**

- About the cyclical UK motor market

- **In the Future...**

- International operations becoming profitable, growing and sustainable businesses,
- A new household business that has had a good start, and
- The continued success of UK car insurance with 89% of the market still to go!



# Admiral is the 2<sup>nd</sup> Best Big Company to Work For 2014!

**GREAT PLACE TO WORK®** Best Workplaces 2013  
PYMES España



**GREAT PLACE TO WORK®** Best Workplaces 2013  
España



**GREAT PLACE TO WORK®** Best Workplaces 2014  
Italia



**THE SUNDAY TIMES**  
**25**  
**BEST BIG COMPANIES TO WORK FOR 2014**

**GREAT PLACE TO WORK®** Best Workplaces 2013  
Europe



**GREAT PLACE TO WORK®** Best Workplaces 2013  
Category: Large  
United Kingdom



**GREAT PLACE TO WORK®** Best Workplaces 2013  
Canada





- Group profit before tax up 7% at £370 million (2012: £345 million)
- Return on capital of 58% (2012: 60%)
- Group turnover down 8% at £2.03 billion (2012: £2.22 billion)
- Group customers up 4% to 3.7 million (2012: 3.55 million)
- Earnings per share up 10% at 104.6 pence (2012: 95.1 pence)
- Record final dividend of 50.6 pence per share; bringing the total dividend to 99.5 pence per share up 10% (2012: 90.6 pence)
- 2013: the year of the baked potato – wholesome, nourishing and healthy!





# Appendix



# Admiral Group Key Performance Indicators

KPI	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Group Financial</b>										
Turnover £m	540	627	698	808	910	1,077	1,585	2,190	2,215	2,030
Customers m	1.0	1.1	1.3	1.5	1.7	2.1	2.7	3.4	3.6	3.7
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
Earnings per share	28.4p	32.7p	39.8p	48.6p	54.9p	59.0p	72.3p	81.9p	95.1p	104.6p
Dividend per share	9.3p	24.6p	36.1p	43.8p	52.5p	57.5p	68.1p	75.6p	90.6p	99.5p
<b>UK Car Insurance</b>										
Vehicles covered (000)	1,008	1,105	1,240	1,382	1,587	1,862	2,459	2,966	3,019	3,021
Total premiums £m	470	534	566	617	690	805	1,238	1,729	1,749	1,553
Reported combined ratio	82.0%	84.9%	87.2%	83.4%	81.0%	84.9%	83.5%	91.9%	90.0%	83.0%
Other revenue per vehicle £						77	84	84	79	67
UK car insurance PBT profit £m	94.7	110.0	121.1	142.2	179.9	206.9	275.8	313.6	372.8	393.9
<b>International Car Insurance</b>										
Vehicles covered			2,200	46,900	73,700	121,000	195,000	306,000	436,000	515,300
Total premiums £m			0.6	14.2	26.0	43.0	71.0	112.5	148.5	168.3
Reported combined ratio			-	232%	198%	204%	173%	164%	177%	152%
International car insurance result £m			(0.1)	(0.7)	(4.1)	(9.5)	(8.0)	(9.5)	(24.5)	(22.1)
<b>Price Comparison</b>										
Total revenue £m	3.2	12.0	38.5	69.2	66.1	80.6	75.7	90.4	103.5	112.7
Operating profit £m	1.3	6.9	23.1	36.7	25.6	24.9	11.7	10.5	18.0	20.4
Operating margin										
Confused.com only	41%	58%	60%	53%	39%	32%	24%	21%	22%	25%



# Summary Income Statement

	UK Car Insurance			International Car Insurance			Price Comparison			Other			Admiral Group				
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013		
<b>Turnover</b>	<b>1,966.0</b>	<b>1,936.2</b>	<b>1,698.9</b>	<b>122.2</b>	<b>162.9</b>	<b>187.8</b>	<b>90.4</b>	<b>103.5</b>	<b>112.7</b>	<b>11.7</b>	<b>12.5</b>	<b>30.8</b>	<b>2,190.3</b>	<b>2,215.1</b>	<b>2,030.2</b>		
<b>Total premiums written</b>	1,728.8	1,748.7	1,553.0	112.5	148.5	168.3							16.3	1,841.3	1,897.2	1,737.6	
Gross premiums written	1,037.3	1,045.2	930.4	91.1	122.0	141.7								16.3	1,128.4	1,167.2	1,088.4
Net premiums written	472.6	439.6	403.2	33.8	48.5	55.4								9.6	506.4	488.1	468.2
<b>Net earned premium</b>	<b>418.6</b>	<b>455.6</b>	<b>425.1</b>	<b>27.2</b>	<b>43.3</b>	<b>54.1</b>							<b>3.8</b>	<b>445.8</b>	<b>498.9</b>	<b>483.0</b>	
Investment income	10.6	13.9	12.4	0.2	0.1	0.0								0.0	10.8	14.0	12.4
Net insurance claims	(335.5)	(355.1)	(251.3)	(28.3)	(49.4)	(49.1)								(2.6)	(363.8)	(404.5)	(303.0)
Insurance related expenses	(46.7)	(50.0)	(52.1)	(16.2)	(27.4)	(32.9)								(1.7)	(62.9)	(77.4)	(86.7)
<b>Underwriting result</b>	<b>47.0</b>	<b>64.4</b>	<b>134.1</b>	<b>(17.1)</b>	<b>(33.4)</b>	<b>(27.9)</b>							<b>(0.5)</b>	<b>29.9</b>	<b>31.0</b>	<b>105.7</b>	
Profit commission	61.8	108.4	99.3												61.8	108.4	99.3
Gross ancillary revenue	213.9	205.2	170.4	9.4	10.5	6.3								0.3	223.3	215.7	177.0
Ancillary costs	(32.4)	(34.3)	(33.6)	(1.4)	(1.6)	(0.8)								0.0	(33.8)	(35.9)	(34.4)
Instalment income	23.3	29.1	23.7	0.3	0.3	0.3								0.2	23.6	29.4	24.2
Gladiator contribution										2.8	2.5	2.4			2.8	2.5	2.4
Price comparison revenue							90.4	103.5	112.7						90.4	103.5	112.7
Price comparison expenses							(79.9)	(85.5)	(92.3)						(79.9)	(85.5)	(92.3)
Interest income										2.9	1.9	1.9			2.9	1.9	1.9
Other (mainly share scheme)				(0.7)	(0.3)	0.0				(21.2)	(26.1)	(26.3)			(21.9)	(26.4)	(26.3)
<b>Profit / (loss) before tax</b>	<b>313.6</b>	<b>372.8</b>	<b>393.9</b>	<b>(9.5)</b>	<b>(24.5)</b>	<b>(22.1)</b>	<b>10.5</b>	<b>18.0</b>	<b>20.4</b>	<b>(15.5)</b>	<b>(21.7)</b>	<b>(22.0)</b>	<b>299.1</b>	<b>344.6</b>	<b>370.2</b>		



# Balance Sheet

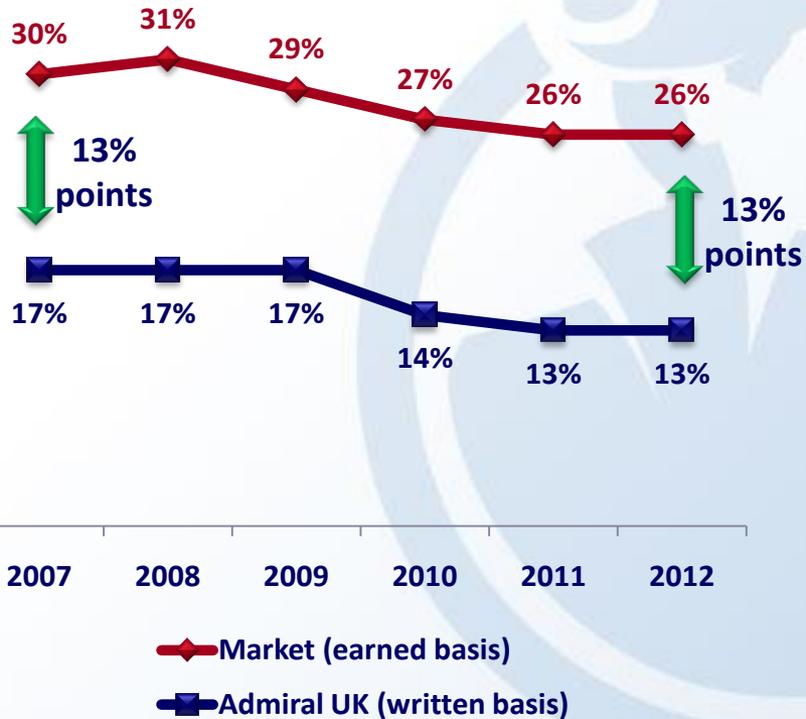
	December 2011 £m	December 2012 £m	December 2013 £m
<b>ASSETS</b>			
Property, plant and equipment	17.6	16.5	12.4
Intangible assets	87.5	92.5	92.8
Reinsurance contracts	639.8	803.0	821.2
Financial assets	1,583.0	2,005.1	2,265.0
Deferred income tax	10.3	15.2	17.0
Trade and other receivables	52.1	55.3	77.5
Cash and cash equivalents	<u>224.6</u>	<u>216.6</u>	<u>187.9</u>
<b>Total assets</b>	<b><u>2,614.9</u></b>	<b><u>3,204.2</u></b>	<b><u>3,473.8</u></b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	377.3	443.0	502.6
Other reserves	<u>3.7</u>	<u>4.3</u>	<u>8.1</u>
<b>Total equity</b>	<b>394.4</b>	<b>460.7</b>	<b>524.1</b>
<b>LIABILITIES</b>			
Insurance contracts	1,333.7	1,696.9	1,901.3
Trade and other payables	856.6	1,006.5	1,013.7
Corporation tax liabilities	<u>30.2</u>	<u>40.1</u>	<u>34.7</u>
<b>Total liabilities</b>	<b>2,220.5</b>	<b>2,743.5</b>	<b>2,949.7</b>
<b>Total liabilities and equity</b>	<b><u>2,614.9</u></b>	<b><u>3,204.2</u></b>	<b><u>3,473.8</u></b>



# UK Car Insurance – Admiral v Market expense ratio

Despite premium inflation of 2010 and 2011 (when the Market increased rates more than Admiral) the gap in expense ratio between the Market and Admiral did not narrow

Admiral's expense ratio increased between 2012 and 2013 due to lower average premiums



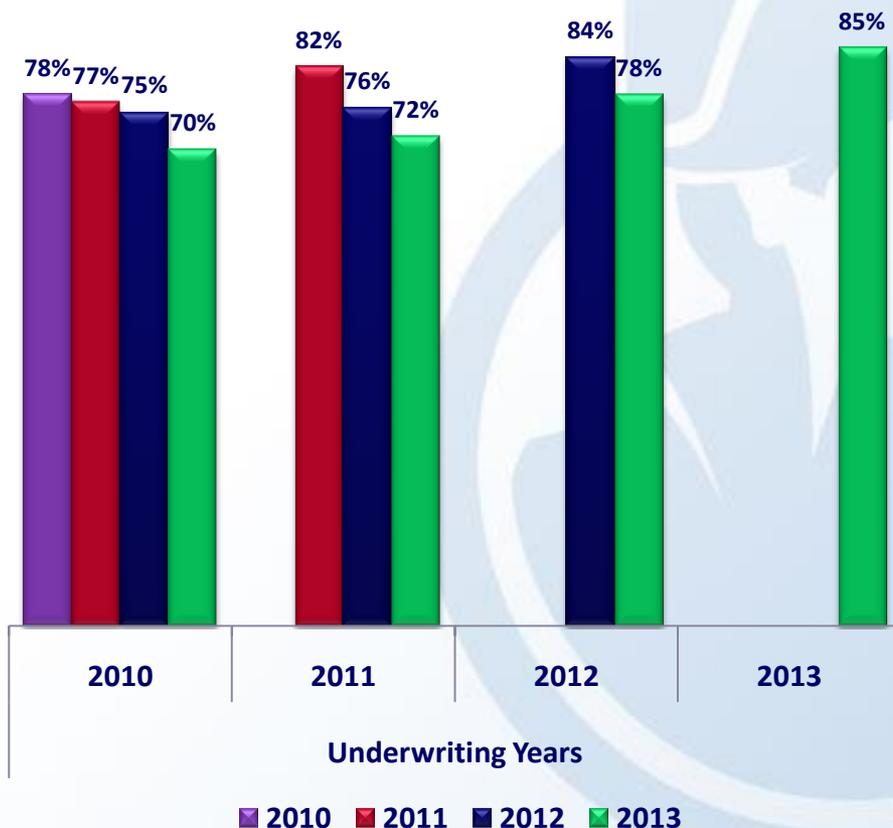
	2012	2013
Average premium per policy	£580	£505
Expenses per policy	£72.50	£73.50
Expense ratio	13%	15%

Increase in expenses per policy due to increase in telematic policies which have higher acquisition costs due to the cost of the box.



# 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)**



**Sensitivity of Booked Loss Ratio**

Underwriting year	2010	2011	2012	2013
Booked loss ratio	70%	72%	78%	85%
PAT Impact of 1% improvement	£8.3m	£12m	£12m	£1.5m*

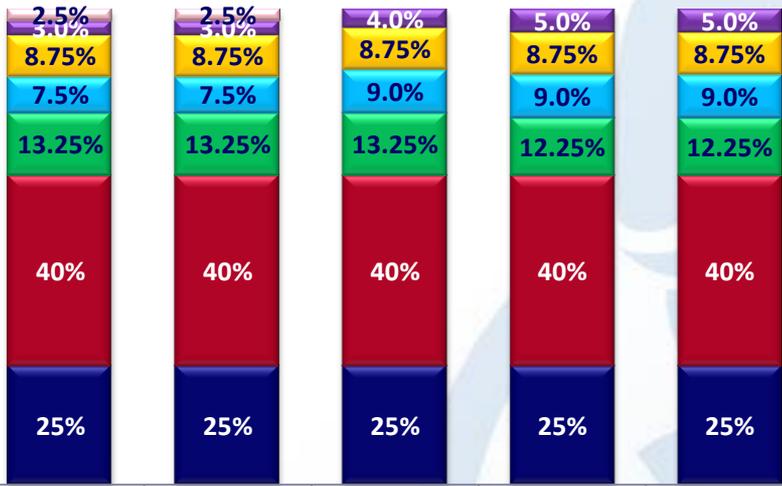
- \*The 2013 underwriting year is not yet fully earned. The impact of a 1% improvement would be higher when the year is fully earned and as the Combined Ratio drops and Admiral receives a higher share of the available profit.
- The impact includes the change in net insurance claims along with the associated 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 eg 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.*

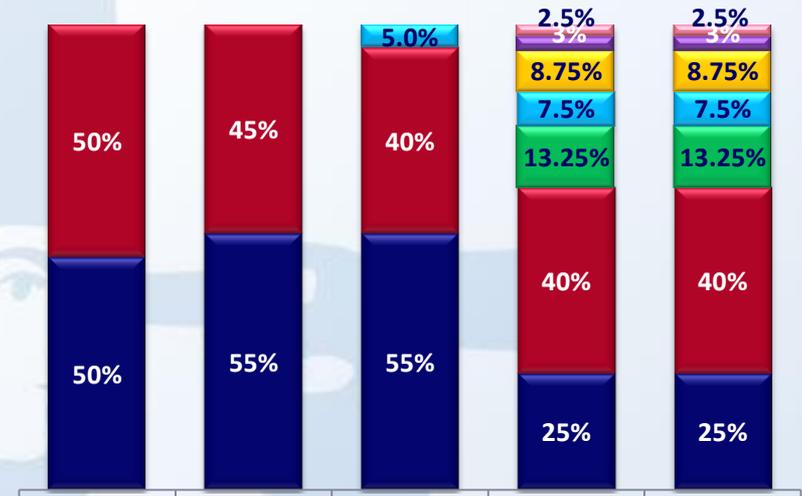


# UK Car Insurance - underwriting arrangements

## Reinsurance arrangements – pre-commutations



## Post commutations (at 31 Dec 2013)



2012      2013      2014      2015      2016

2009      2010      2011      2012      2013

■ 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 2009 to 2011 was 27.5%.



# UK Car Insurance – proportional co- and reinsurance 2014 terms

	Munich Re	Swiss Re	New Re	Mapfre Re	Hannover Re
<b>Type</b>	Proportional* co-insurance	Proportional* reinsurance			
<b>Share of premium</b>	40%	9%	13.25%	4%	8.75%
<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>	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  <b>Below 98% combined ratio = 100%</b>  Calculated with earned basis expense ratio			
<b>Funds withheld</b>	No	Yes			
<b>Investment income</b>	Munich Re	Admiral (provided combined ratio <100%)			
<b>Instalment income</b>	Munich Re	Admiral			
<b>Commutation</b>	Not applicable	Admiral has option to commute contracts and typically does this after 2 years.			
<b>Other terms</b>		In 2015 Mapfre Re's share will increase to 5% and New Re's share will decrease to 12.25%			

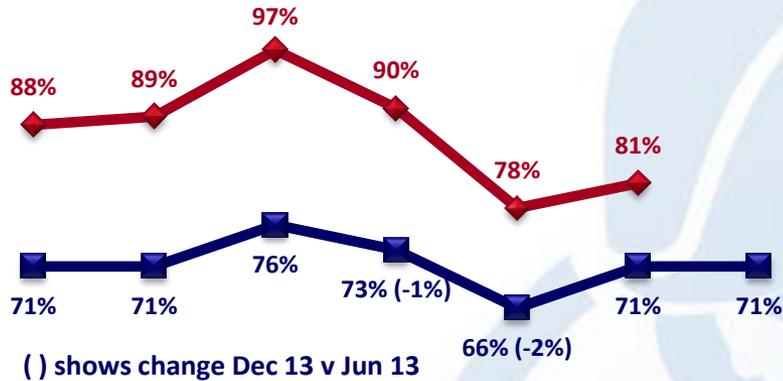
- In 2014 Admiral extended contracts with Swiss Re, New Re, Mapfre Re and Hannover Re to at least the end of 2016.
- In 2013 Admiral extended agreement with Munich Re to underwrite 40% until at least the end of 2018.

\*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.

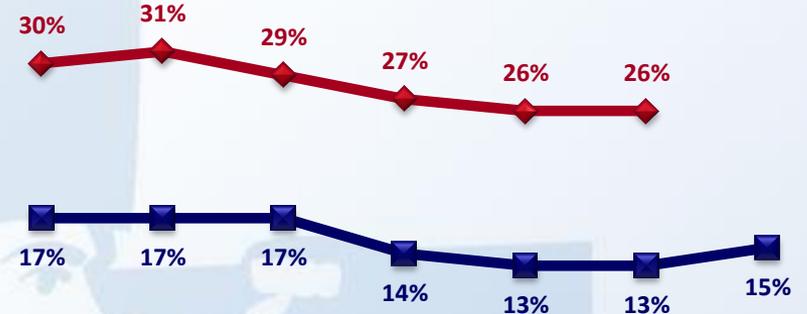


# UK Car Insurance - Admiral v Market expense, loss and combined ratios

### Projected Ultimate Loss Ratio: Admiral v Market



### Expense Ratio: Admiral v Market



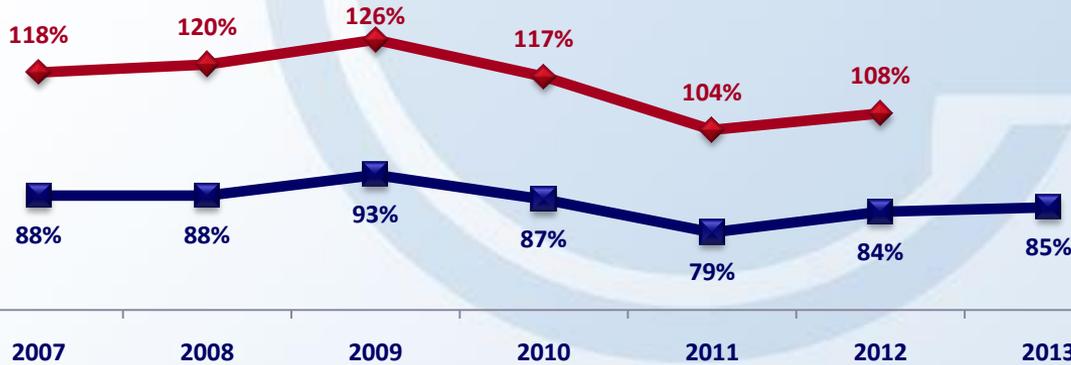
2007 2008 2009 2010 2011 2012 2013

2007 2008 2009 2010 2011 2012 2013

◆ Market loss ratio <sup>(ii)</sup> ■ Admiral UK projected loss ratio (Dec 2013)<sup>(i)</sup>

◆ Market (earned basis) ■ Admiral UK (written basis)

### Ultimate Combined Ratio: Admiral v Market



2007 2008 2009 2010 2011 2012 2013

◆ Market Combined Ratio <sup>(iv)</sup>  
 ■ Admiral UK Combined Ratio <sup>(iii)</sup>

Source: (i) Independent actuarial projection of ultimate loss ratio on accident year basis. Note that ultimate loss ratios include allowances for future PPO and potential future Ogden discount rate change; (ii) TowersWatson & Synthesis analysis of FSA returns as at 31<sup>st</sup> December 2012, pure accident year loss ratio. (iii) Ultimate loss ratio plus written basis expense ratio. (iv) Combined ratio includes expense ratio with an adjustment for UKI. Market excludes Admiral.



# UK Car Insurance - motor regulatory reforms update

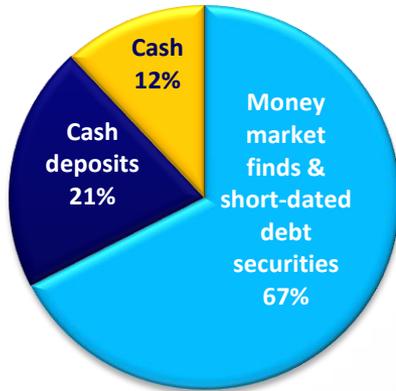
Other Revenue	What has happened?	Effective Date	Implications for Admiral
	Personal injury referral fee ban (LASPO) – ATE and success fees cease to be recoverable	1 <sup>st</sup> April 2013	Well flagged reductions in Other Revenue per vehicle, possible associated reductions in claims costs (not yet fully determined).
Claims Costs	Reduction in fixed legal costs in RTA portal from £1,200 to £500 (MOJ)	30 <sup>th</sup> April 2013	All intended to reduce the cost and frequency of small bodily injury claims, which would in turn reduce costs for motor insurers and bring premiums down for consumers.
	RTA portal limits extended from £10k to £25k & introduction of Fixed Recoverable Costs	31 <sup>st</sup> July 2013	
	10% increase in general damages	1 <sup>st</sup> April 2013	
<b>What is still under review?</b>		<b>Next steps and implications</b>	
Claims Costs	<b>Whiplash</b>		Government reforms aim to reduce the cost and frequency of whiplash claims as well as tackling fraudulent claims.
	1. Increase in small claims track limit from £1k to £5k		Unlikely to be taken forward.
	2. Reform of medical reporting focusing on more independence and objectivity		Government in favour of new independent medical panels for whiplash. MOJ working groups aim to implement during 2014.
	3. Ban on pre-medical offers		Likely to be introduced to coincide with introduction of medical panels.
	<b>Ogden</b> An ongoing review to determine how the discount rate should be set within the current legal framework.		Consultation period is now closed and the MOJ response is outstanding.
Other revenue	<b>Competition Commission review</b>		<p>In December 2013 the Competition Commission released its preliminary findings. Provisional decisions are due to May / June. The final report is expected by September 2014.</p> <p>Admiral has already flagged c£5 at risk for credit hire referral fees but it is expected that there will be offsetting improvements in claims costs.</p>
	<p>The following areas are under review for any features which distorts or restricts competition:</p> <ul style="list-style-type: none"> <li>▪ Credit hire</li> <li>▪ Garage repair costs</li> <li>▪ Price comparison most favoured nation clauses</li> </ul>		
	<b>Motor legal expenses insurance (MLEI)</b>		
	FCA has performed a thematic review of wording and positioning of MLEI. They have agreed it is a complex product that can be useful for consumers.		FCA has stated they intend to review this again in 2014. Admiral's car insurance policies currently include MLEI as an integral feature.



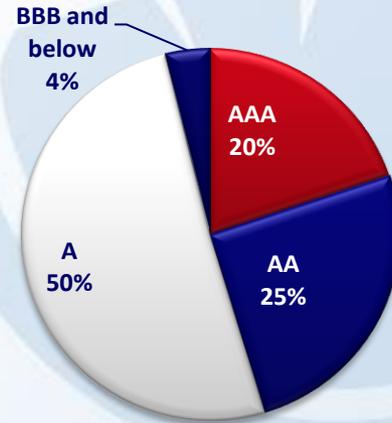
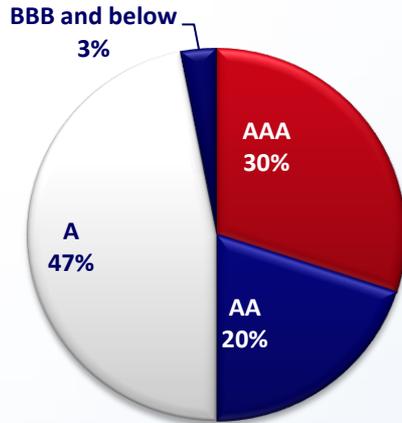
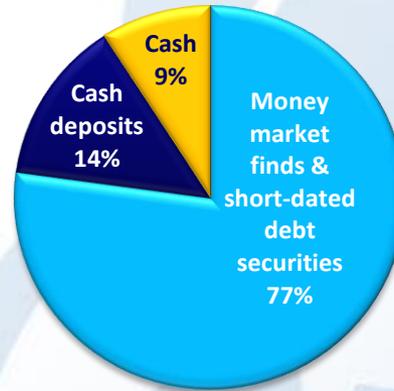
# Admiral Group - Admiral's investment strategy is low risk

## Investments Breakdown

FY 12: £1,818m



FY 13: £2,085m



## Investment and Interest Income



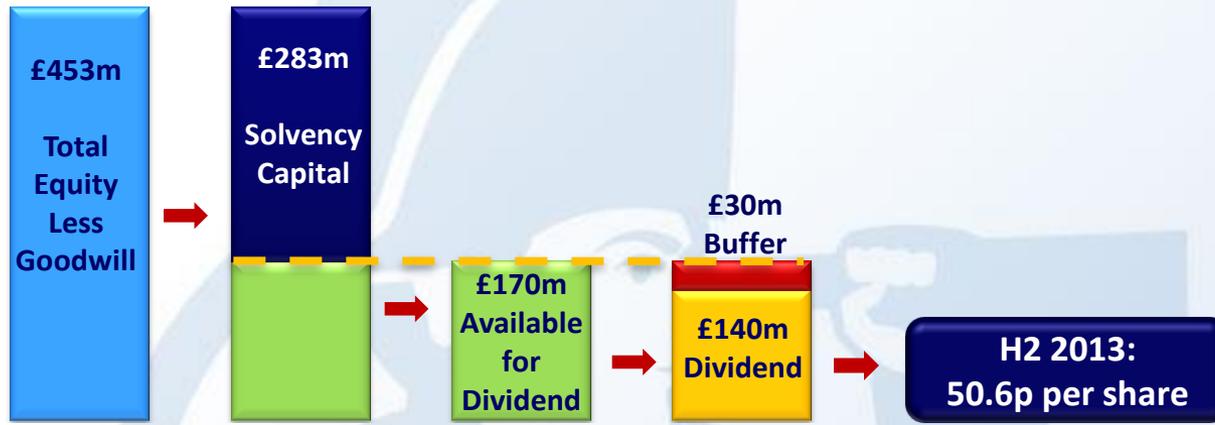
### Admiral's Investment Approach

- 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



# Admiral Group - Admiral is paying a final dividend of 50.6 pence per share

Admiral's dividend policy is to distribute available surpluses to shareholders



Admiral Group Half Year Dividend Per Share



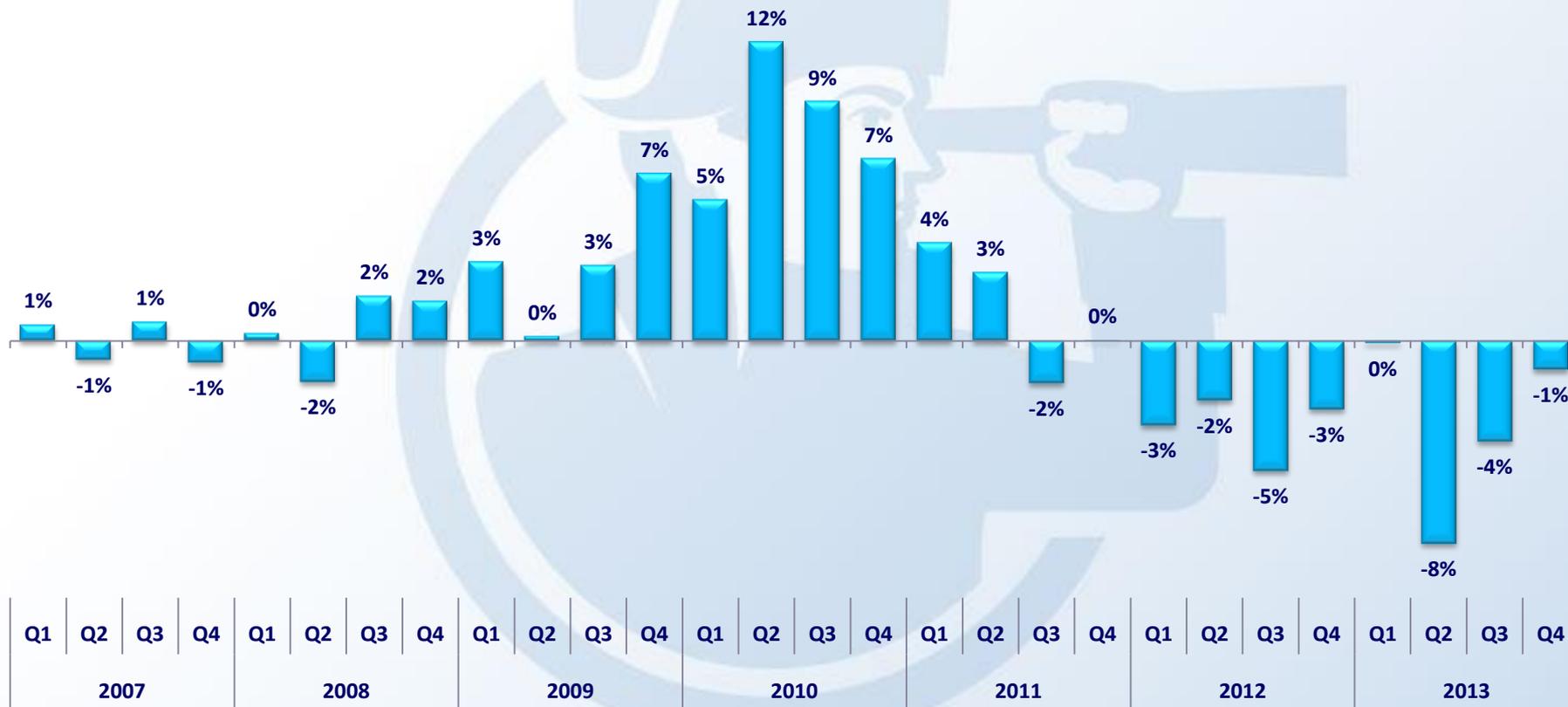
Ex-dividend date – 30 April 2014  
Record date – 2 May 2014  
Payment date – 30 May 2014

Note: Solvency capital is projected one year out.



# UK Car Insurance Market - Confused.com Car Insurance Price Index

## New Business Premium Movements Confused.com Index



Source: Confused.com Index, in association with Towers Watson.



## 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 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>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





## Disclaimer Notice

The information contained in this document has not been independently verified and no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. None of the company, advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. Unless otherwise stated, all financial information contained herein is stated in accordance with generally accepted accounting principles in the UK at the date hereof.

The forward-looking information contained herein has been prepared on the basis of a number of assumptions which may prove to be incorrect, and accordingly, actual results may vary.

This document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments, being investment professionals as defined in article 19(5) of the Financial Services And Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully be communicated under the Order (all such persons together being referred to as "Relevant Persons"). Any person who is not a Relevant Person should not act or rely on this document or any of its contents. Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

The financial information set out in the presentation does not constitute the Company's statutory accounts in accordance with section 423 Companies Act 2006 for the year ended 31 December 2013. The statutory accounts for the year ended 31 December 2013 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.