

Admiral 2019 Full Year Results

5th March 2020

Introduction

David Stevens, Group CEO

Group

Geraint Jones, Group CFO

UK Insurance

Cristina Nestares, UK Insurance CEO

UK Motor Claims Deep Dive

Alistair Hargreaves, UK Insurance COO

Comparison and International Insurance

Milena Mondini, Group CEO Designate

Strategy Update & Wrap-up

David Stevens, Group CEO

Q&A

All



Group

Geraint Jones – Group CFO



2019 Admiral Managers' Awards Ceremony

Another year of record profit

Customers



6.98m

2018: 6.51m

Turnover¹



£3.46bn

2018: £3.28bn

Profit before tax²



£526m

2018: £479m

Solvency ratio



190%

2018: 194%

Earnings per share



148.3p

2018: 137.1p

Return on equity



52%

2018: 56%

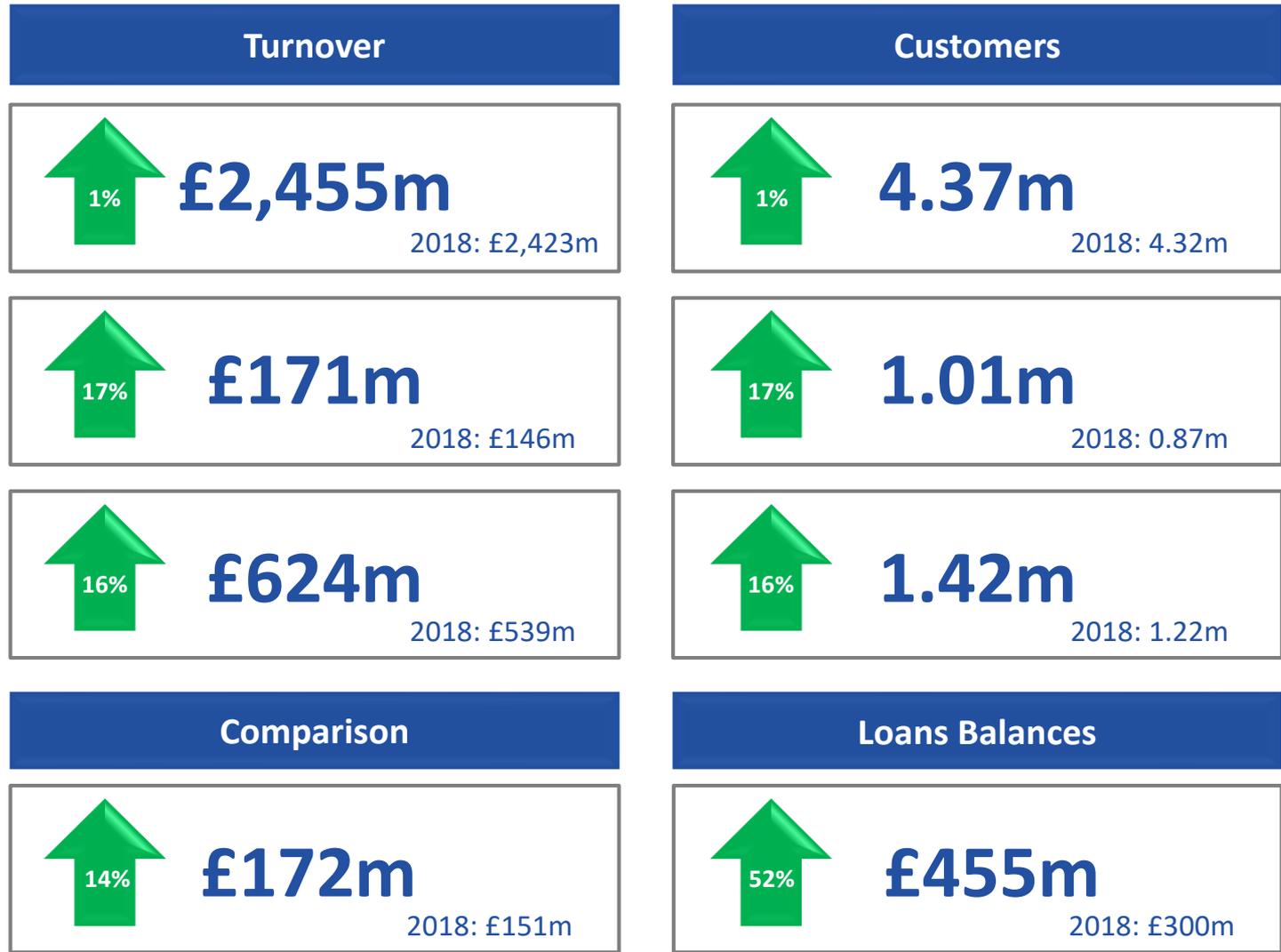
Full year dividend per share



140.0p

2018: 126.0p

UK Motor largely flat but strong growth continues elsewhere



2019 profit significantly higher, led by positive back year movements

Group profit before tax¹

	2019	2018	Change
UK Insurance	£597.4m	£555.6m	+£41.8m
International Insurance	(£0.9m)	(£1.1m)	+£0.2m
Comparison	£18.0m	£8.8m	+£9.2m
Loans	(£8.4m)	(£11.8m)	+£3.4m
Other Group Items	(£80.0m)	(£72.2m)	(£7.8m)
Total	£526.1m	£479.3m	+£46.8m

- UK Insurance profit £42m (8%) higher:
 - Motor profit +£30m, reflecting very high releases and profit commission
 - Household +£11m, 2019 benefitting from better weather
- International result remains close to break-even despite very strong growth:
 - Increased profitability in Europe (£9m v £7m), led by ConTe
 - US loss ratio and loss higher (-£10m v -£8m)
- Comparison profit doubled to £18m from £9m, significantly boosted by very strong result from Confused.com
- Admiral Loans result in line with expectation
- 'Other' up £8m (one-off bonus² £6m, £4m higher share schemes costs due to higher share price and better vesting)

Very positive movements in back year loss ratios, though a less positive current year

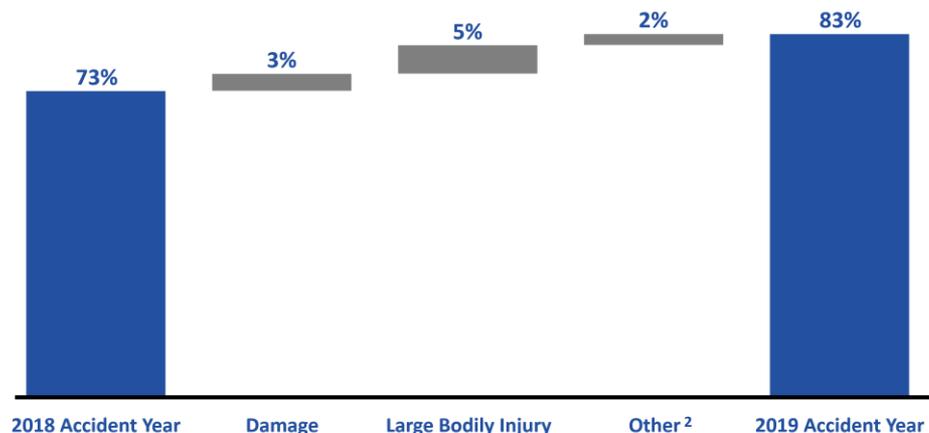


Admiral projected ultimate loss ratio¹



- Loss ratios on -0.25% Ogden basis
- More positive loss ratio improvement during 2019 than usual, predominantly driven by favourable large injury claims settlements and development
- Underwriting year ratios included in the appendix

Accident year 2018 to 2019

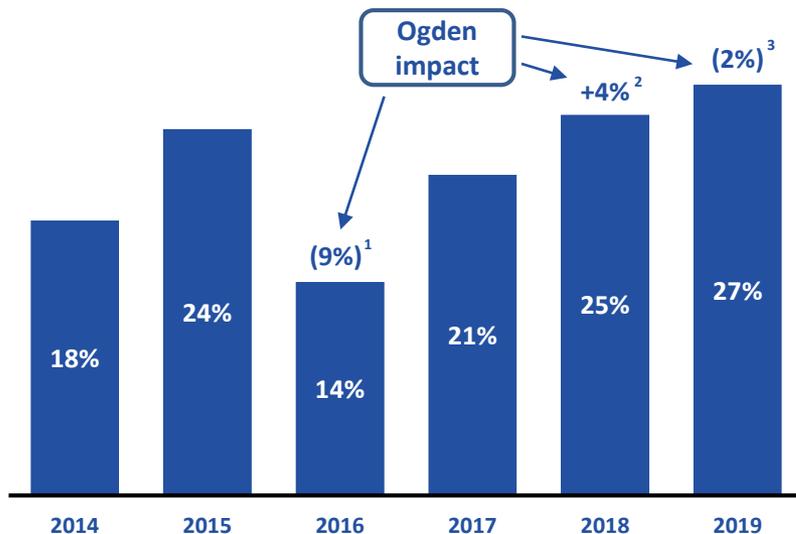


- 2019 projected to turn out higher than recent years (based on first projections)
- Claims contributing to the increase:
 - Damage inflation - though more modest in 2019
 - Large injury claims - frequency/cost always uncertain early in development
- Projections of most recent years will be prudent, especially for large injury claims element

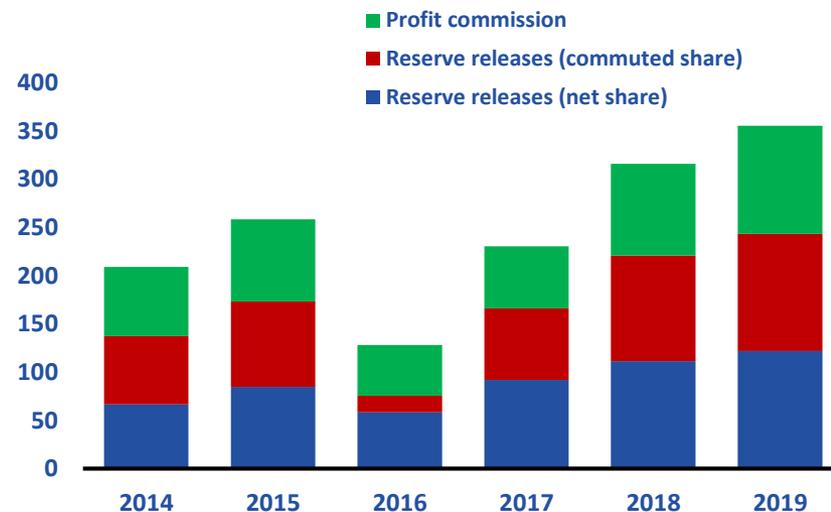
Very positive back years = elevated reserve releases and profit commission



Releases on original Admiral net share



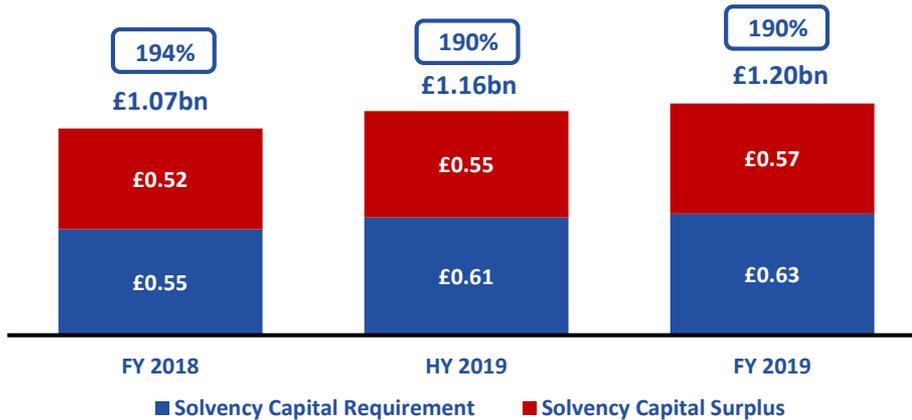
Reserve Releases and Profit Commission (£m)



- More positive back year development than normal is the key driver of 2019's higher profit
- 2019 net releases well above the previous five years' average (20/21%)⁴ despite the current year Ogden drag
 - 2019 Group profit around £430m to £450m if reserve releases were an average of the previous five years
- Total releases + profit commission significantly higher than all prior years
- No change in overall level of conservatism in the reserves over past few periods

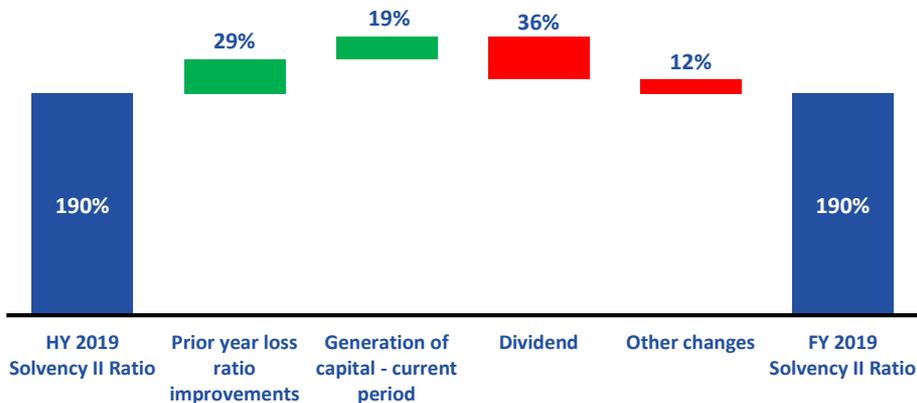
Strong solvency position maintained

Capital position (£bn)¹



Solvency ratio movements

(HY 2019 to FY 2019)



Solvency position:

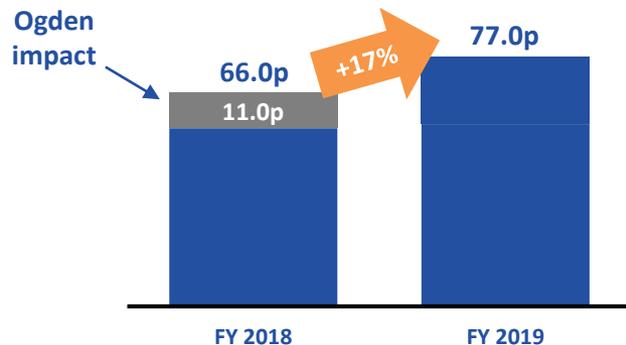
- Consistent and strong post-dividend solvency position of 190% (HY 2019: 190%; FY 2018: 194%)
- Basis of calculation remains standard formula plus add-on
- Upper level of target solvency coverage range remains at 150% ...
- ... but expect to maintain elevated level until model approval

Internal model:

- Focus during 2019 remediation and further validation
- Internal model capital surplus broadly in line with current basis
- Formal application for model approval expected to be during 2021

Higher profits lead to significantly higher final dividend

Proposed 2019 final dividend



- 77.0p split into 56.3p normal dividend and 20.7p special dividend (final dividend 2018: 49.6p, 16.4p)
- Final dividend: £222m (2018: £188 million)
- Payment equates to 90% pay-out ratio of H2 earnings
- No change to policy or guidance

Dividend policy and guidance

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

Dividend dates

Ex-dividend date: 7 May 2020
Record date: 11 May 2020
Payment date: 1 June 2020

Group key messages



Group continues to grow strongly, UK motor business only marginally bigger



Very positive 12 months for back year claims was key driver of significantly higher profits



Stable and strong solvency position after accounting for significantly higher proposed final dividend

UK Insurance

Cristina Nestares – UK Insurance CEO



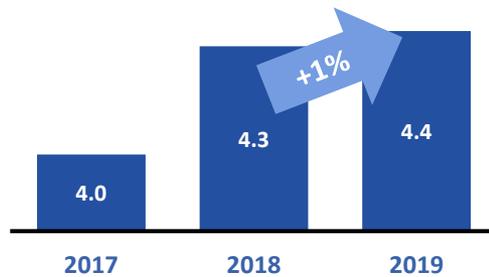
Our UK Household business reaches 1,000,000 customers

UK Insurance – an overview



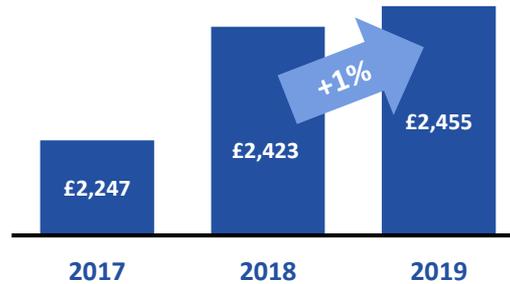
Customers

Motor¹ Customers (m)



Turnover

Motor Turnover (£m)

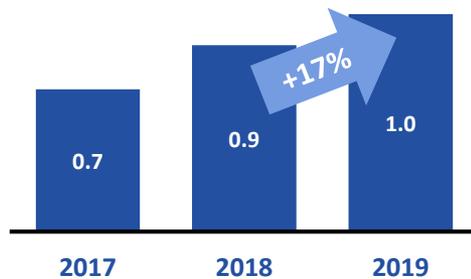


Profit

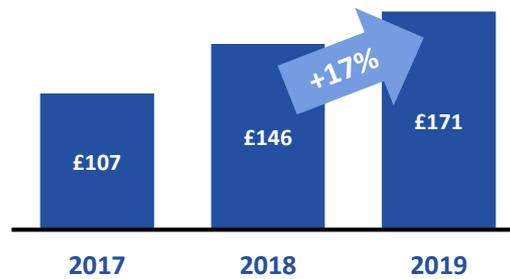
Motor Profit (£m)



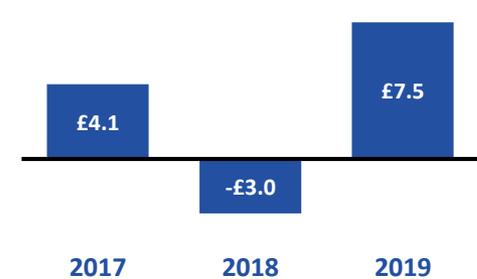
Household Customers (m)



Household Turnover (£m)



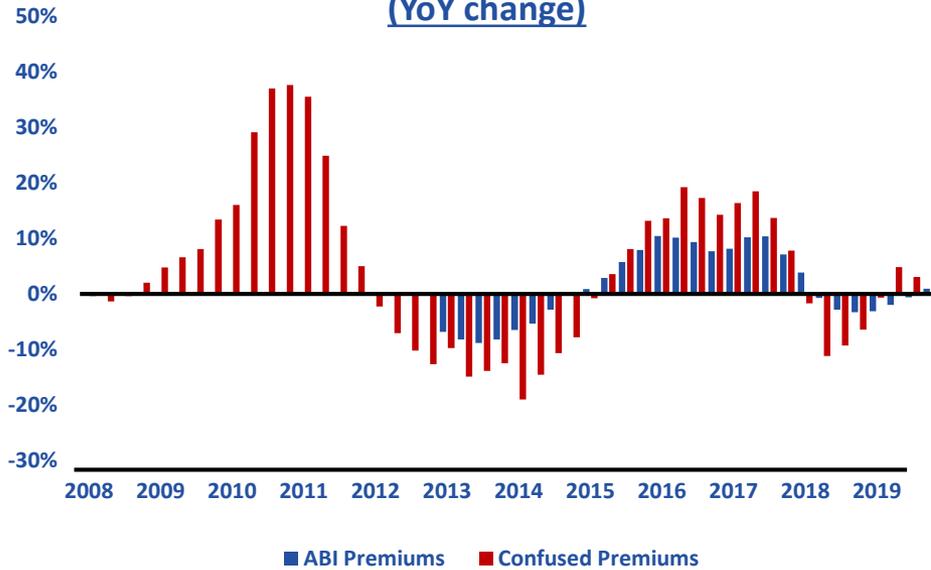
Household Profit (£m)



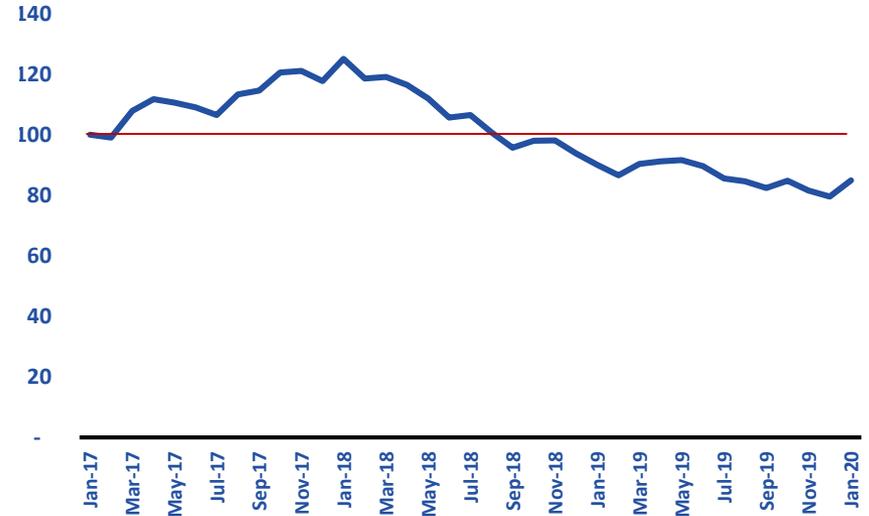
Market prices continued to increase in H2...



Market average premium¹
(YoY change)



Admiral 'Times Top'²
(Indexed to 100 Jan 2017)



- Confused premium £815: Up 5% YoY³ and up 4% QoQ⁴
- ABI premium £484: Up 1% YoY and up 3% QoQ
- Admiral continued to increase prices in H2

...However, there are still uncertainties that may influence market pricing



Pricing uncertainties

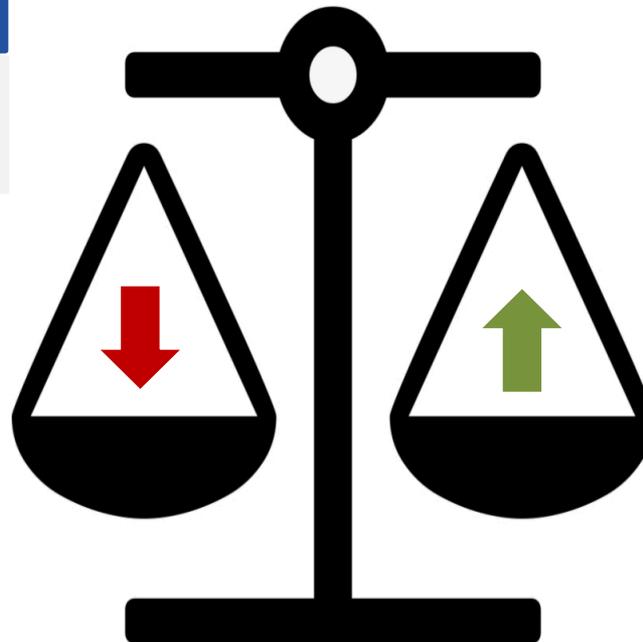
FCA Pricing Market Study

Potential pricing decreases

Whiplash reforms

Potential pricing increases

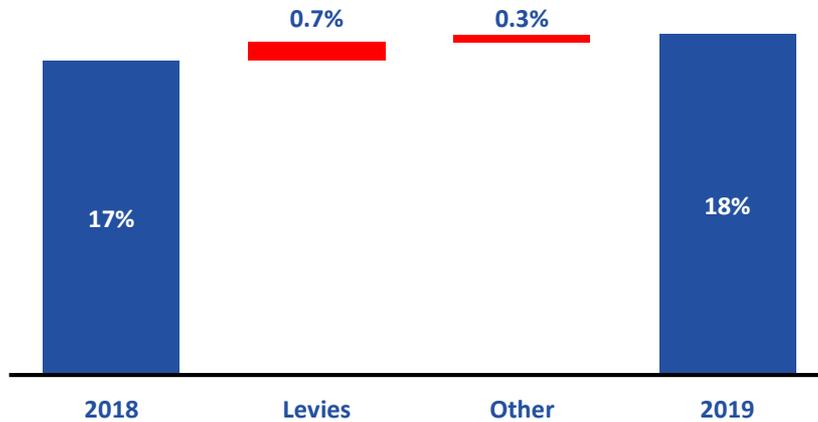
Claims inflation
Excess of loss changes



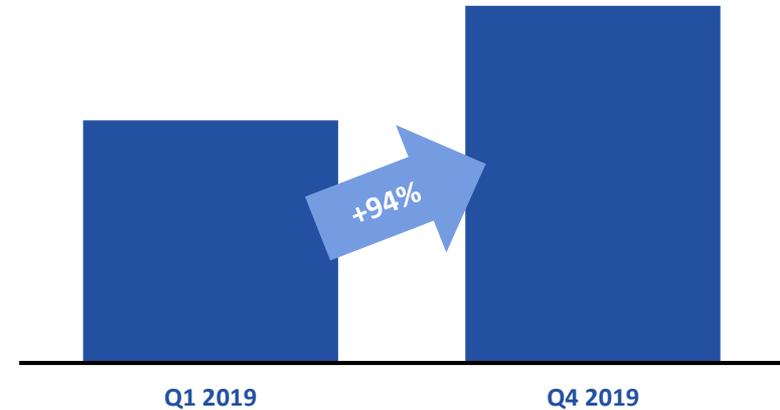
Expense ratio driven by levies; investment in online capabilities for the future



Expense ratio movements 2018 to 2019¹



Elephant brand (UK): % of customer contact via a digital channel²

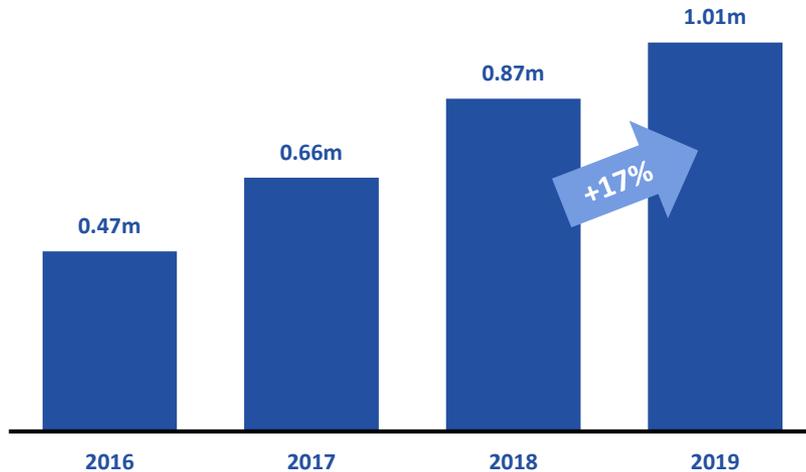


- Expense ratio increase due to:
 - Increase in levies
 - Investment in the core: Technology, information security and regulation/governance
- Investment in online capabilities:
 - Front loaded investment
 - Customers prefer more online servicing

Continued growth in UK Household



Active customer base (m)



Household profit/loss (£m)



- Reached 1 million customers
- 2019 results improved after adverse weather in 2018
- Growth across all distribution channels

UK Insurance summary



Strong UK Motor profit



Market pricing uncertainty continues



Expense ratio increase due to levies and investment for the long term



Continued growth in Household



UK Motor Claims Deep Dive

Alistair Hargreaves – UK Insurance COO

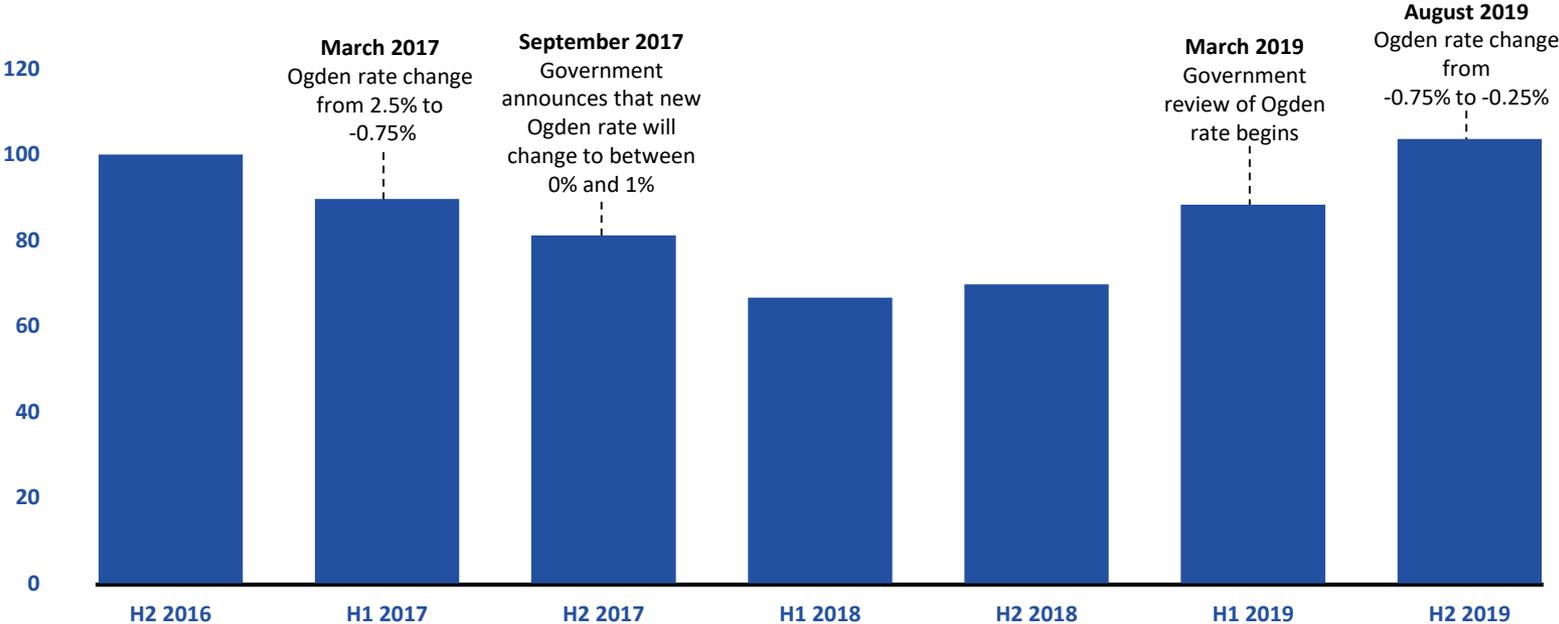


Our Employee Consultation Group (ECG) meets for the first time

Large BI settlements are the key driver of increased reserve releases



**Large BI claims settled¹ as proportion of open large BI claims
(Indexed to 100 in H2 2016)²**

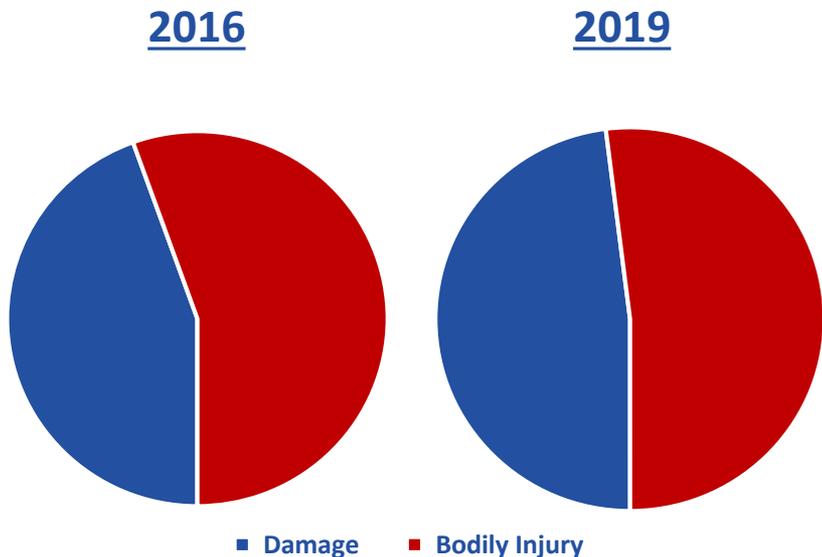


- Cost becomes certain at point of settlement – faster BI settlement has led to increased reserve releases
- Key drivers of significant reserve releases:
 - Unwinding of Ogden uncertainties ends settlement delays
 - Unusually positive developments on few large BI settlements

Bodily Injury costs remain significant for Admiral despite market wide increase in damage costs



Admiral claims cost by claim type¹

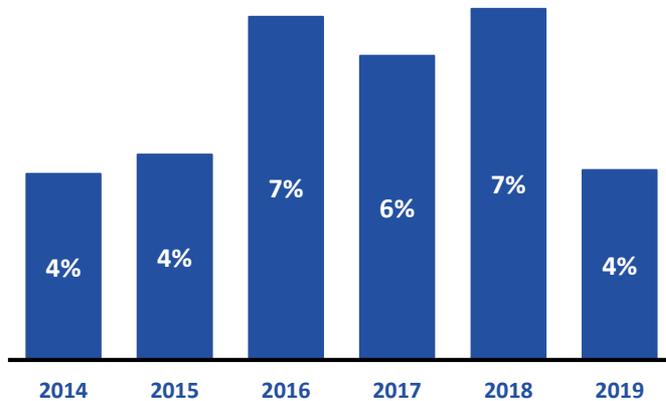


- Market claims costs have a higher proportion of damage costs: Split ~40% bodily injury vs ~60% damage²
- Admiral damage costs are a larger part of claims costs in 2019 than 2016

Early signs that very rapid damage inflation may reduce despite increased levels of theft



**Market repair inflation¹
(YoY)**



**Theft: Market claim cost
per vehicle year²**



Top theft models in 2019

- Repair inflation is one driver of increased damage costs
- Lower rate of repair inflation in 2019

Prestige cars e.g.

Landrover Rangerover



Audi A3



More likely to be stolen

Other e.g.

Honda Jazz

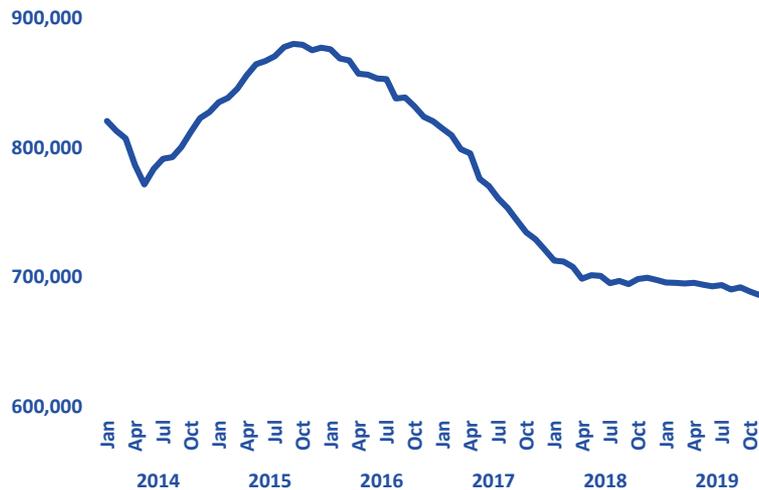


More likely to have parts stolen from

Small BI has remained stable, whiplash reforms will be positive though uncertainties remain

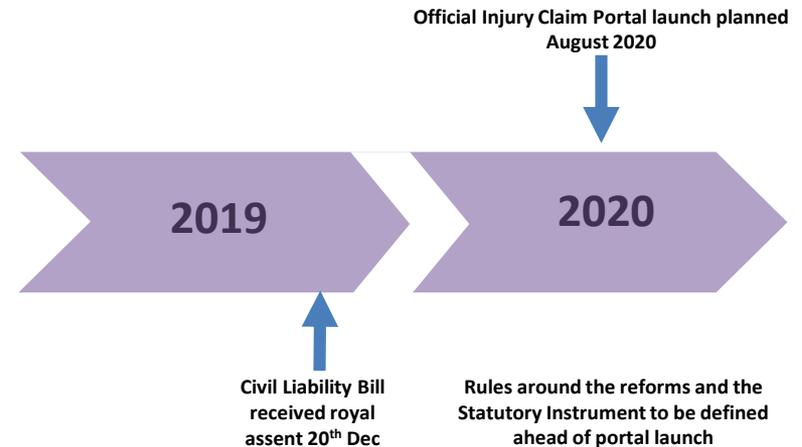


Volume of market portal notifications¹



- Small BI frequency remains stable

Whiplash reforms timeline



- Uncertain benefits: Frequency and injury types
- Impact will take time to feed through

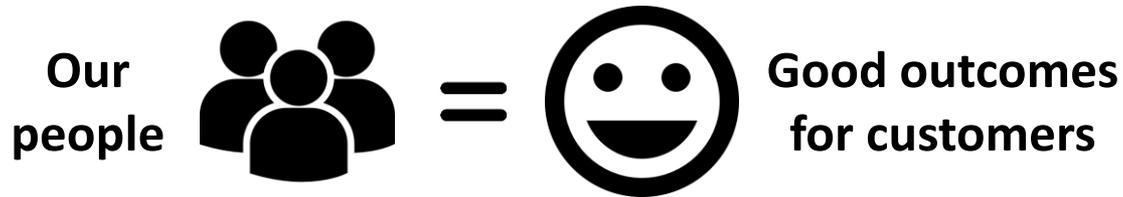
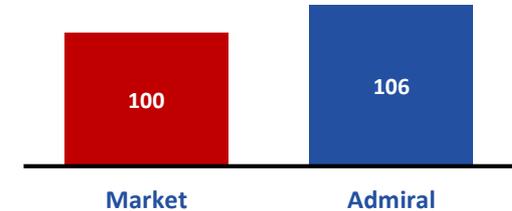
We provide great claims outcomes for customers



Great Culture

- Passionate about outcomes
- Significant experience
- Embrace test and learn

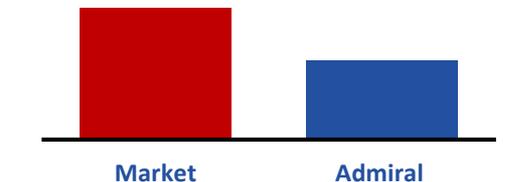
Proportion of claims settled within the same accident year¹



Effective use of technology

- Claims analytics
- Automation
- Digital

Claim related complaints per 1000 policies in force²



95% of claimants likely to renew

UK Claims Deep Dive summary



Larger reserve releases driven by large BI: Both faster settlements and a few unusually positive developments



2019 loss ratio: Evidence of slowdown in damage inflation



Whiplash reforms will be positive, but uncertainties remain

International Insurance and Comparison

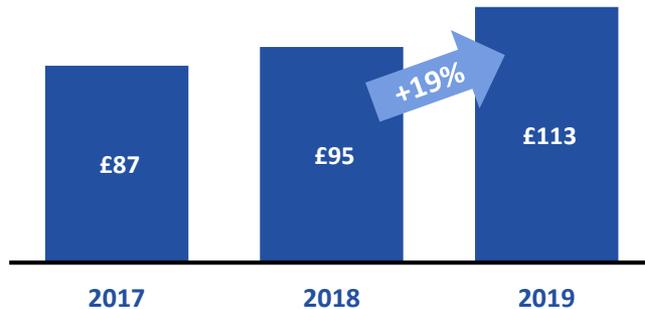
Milena Mondini – Group CEO Designate



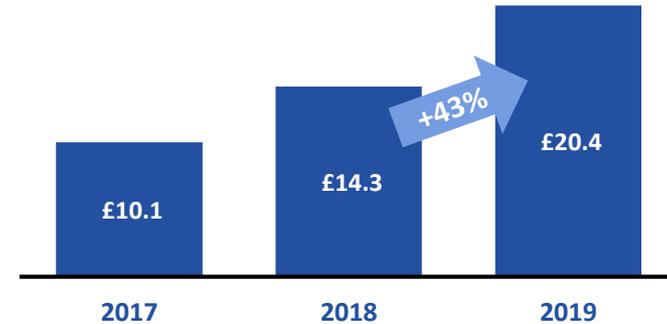
Penguin Portals, our new home for our Comparison businesses

Strong performance from Confused.com

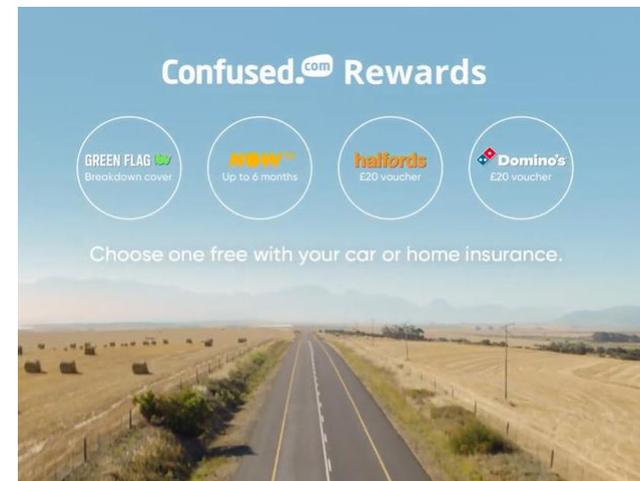
Turnover (£m)



Profit before tax (£m)



- Strong result with main contributors to performance:
 - Customer experience improvements
 - Product diversification
 - Improved brand awareness and marketing efficiency



European comparison sees increased profits; reduced losses for Compare.com



Turnover (€m)

Profit before tax (€m)



Admiral share of loss (\$m)¹

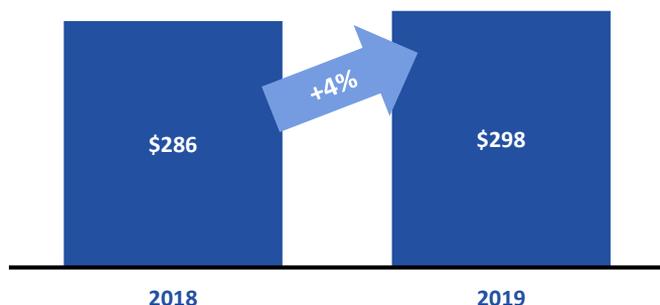


- Good performance at LeLynx:
 - Strong growth in energy vertical
- Rastreator:
 - Price accuracy brings improved conversion
- Focus on digital, product diversification and customer experience

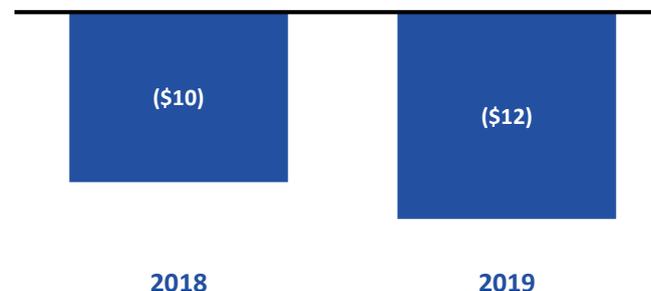
- Lower loss reflects mid-year downsizing of the business
- Reduced volumes partly offset by increased marketing efficiency

Elephant loss ratio under pressure, slightly offset by expense ratio improvements

Turnover (\$m)

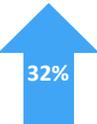


Admiral share of loss (\$m)

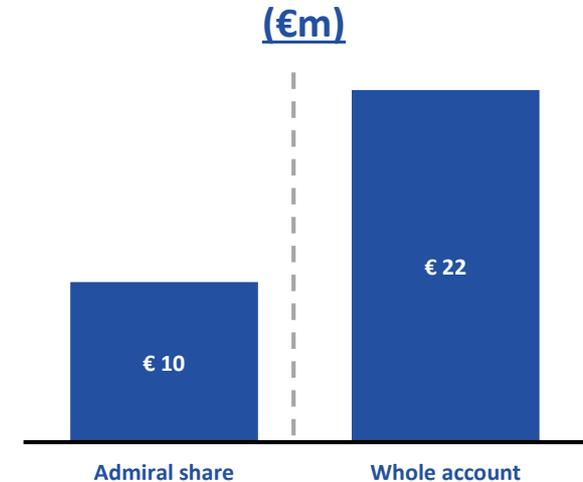


- 2019 loss ratio deterioration – Elephant response:
 - Introduced base rate increases, and vehicles on cover flat
 - Strengthened pricing and underwriting approach
- Continued focus on fundamentals and strengthening:
 - Product: Increase in MultiCar penetration
 - Digital/online: Launch of new claims portal
- Further write-down (£66m) of Elephant carrying value in parent company balance sheet (mainly due to use of shorter-term projections in valuation)

European Insurance continues to grow profitably

	Turnover (€)		Customers	
ConTe 	 16%	€233m 2018 : €201m	 18%	688k 2018 : 585k
Admiral Seguros 	 16%	€89m 2018 : €77m	 16%	291k 2018 : 250k
L'olivier 	 33%	€122m 2018 : €92m	 32%	230k 2018 : 174k

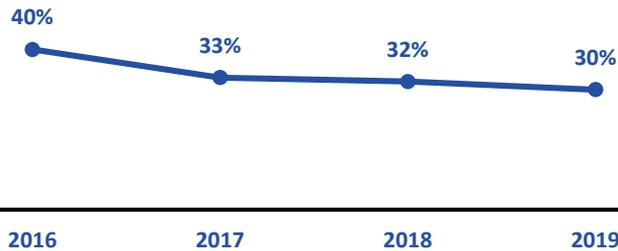
2019 EU Result on an Admiral share¹ and whole account basis



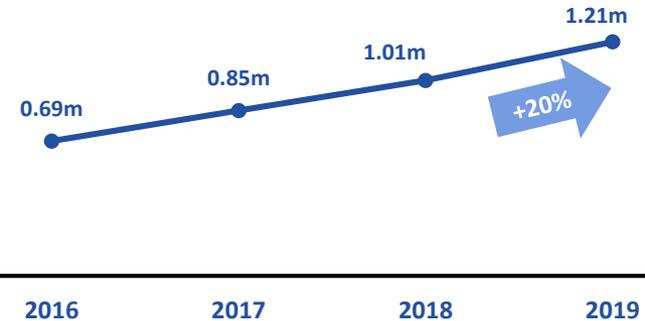
- Loss Ratio improvement strongly driven by positive prior year development
- European Insurance on track for €30-60m gross profit by 2022²

European strategy continues to build upon economies of scale

EU written expense ratio¹

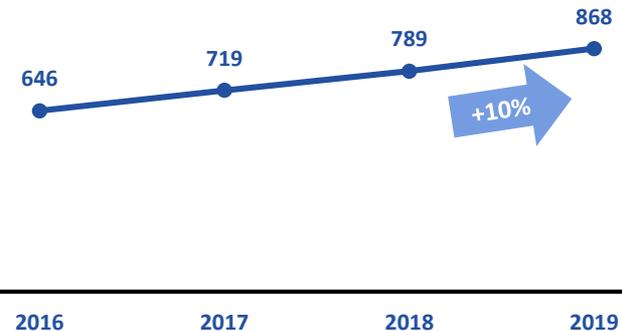


EU customer base (m)



- Improving economies of scale while leveraging underwriting advantages
- Testing new distribution channels for future growth

EU active policy base per FTE



Comparison and International Insurance summary



Good result for Comparison, led by Confused.com



Elephant result impacted by loss ratio deterioration



Continued growth and strong performance in European operations

Strategy Update

David Stevens – Group CEO



Participants in the 'Festival of Rugby' hosted by Admiral and Welsh Rugby Union

Admiral continues to deliver on its long term strategy...

UK Insurance

Ensure that Admiral remains one of the best insurers in the UK

International Insurance

Demonstrate that Admiral can be a great insurer beyond the UK

Beyond Insurance

Develop sources of growth and profit beyond insurance

...and in 2019 we made good progress on each element

UK Insurance

Ensure that Admiral remains one of the best insurers in the UK

Market-leading car insurance loss ratio

International Insurance

Demonstrate that Admiral can be a great insurer beyond the UK

European insurance sustained growth on top and bottom line

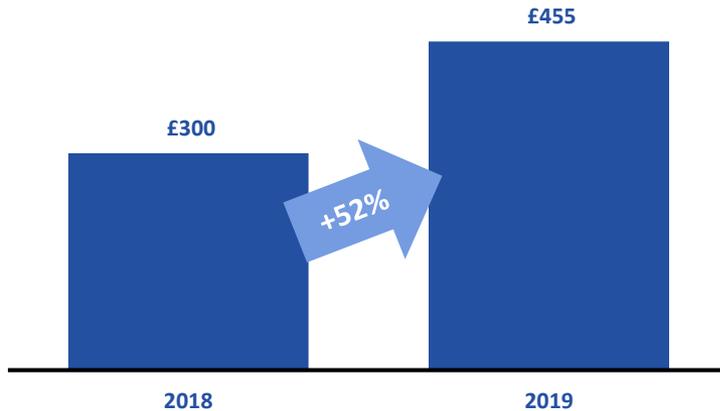
Beyond Insurance

Develop sources of growth and profit beyond insurance

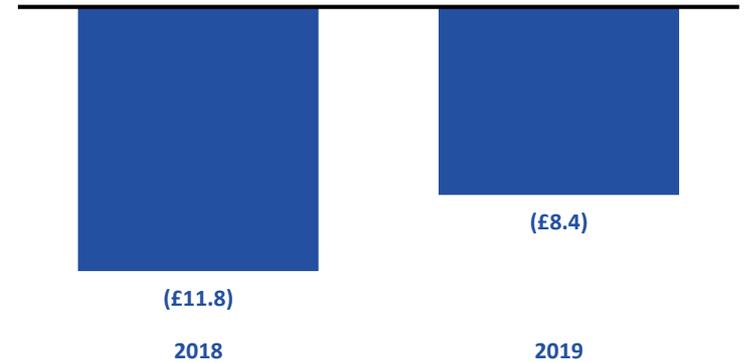
Rapid growth in loans business and a move to a second generation rating structure

Loans – improving risk selection as we build experience

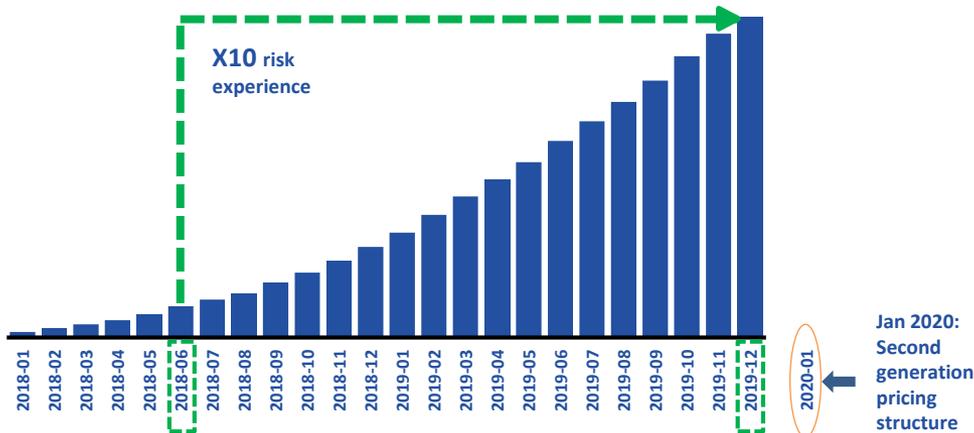
Loans stock balances (£m)



Loans profit/loss (£m)



Cumulative relevant risk experience



- Growing scale, increasing cost-efficiency
- Better data and experience improves risk selection
 - Second generation pricing structure – early signs of increase in margin

...and in 2019 we made good progress on each element

UK Insurance

Ensure that Admiral remains one of the best insurers in the UK

Market-leading car insurance loss ratio

International Insurance

Demonstrate that Admiral can be a great insurer beyond the UK

European insurance sustained growth on top and bottom line

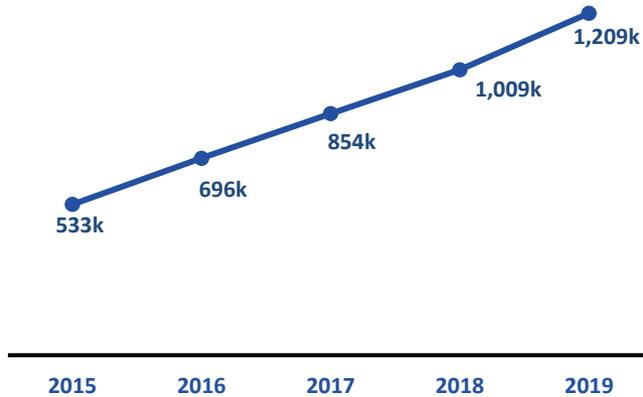
Beyond Insurance

Develop sources of growth and profit beyond insurance

Rapid growth in loans business and a move to a second generation rating structure

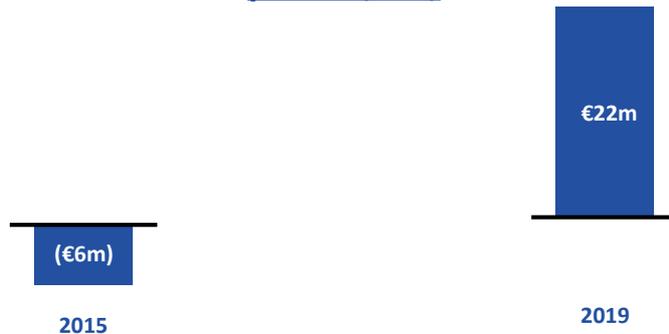
European insurance demonstrates long term sustained growth - top & bottom line

European customer growth



- Controlled growth, driven through operational and pricing improvements
- Expansion beyond car insurance (niche household product in France)
- Created a valuable business

European whole account profit (€m)



...and in 2019 we made good progress on each element

UK Insurance

Ensure that Admiral remains one of the best insurers in the UK

Market-leading car insurance loss ratio

International Insurance

Demonstrate that Admiral can be a great insurer beyond the UK

European insurance sustained growth on top and bottom line

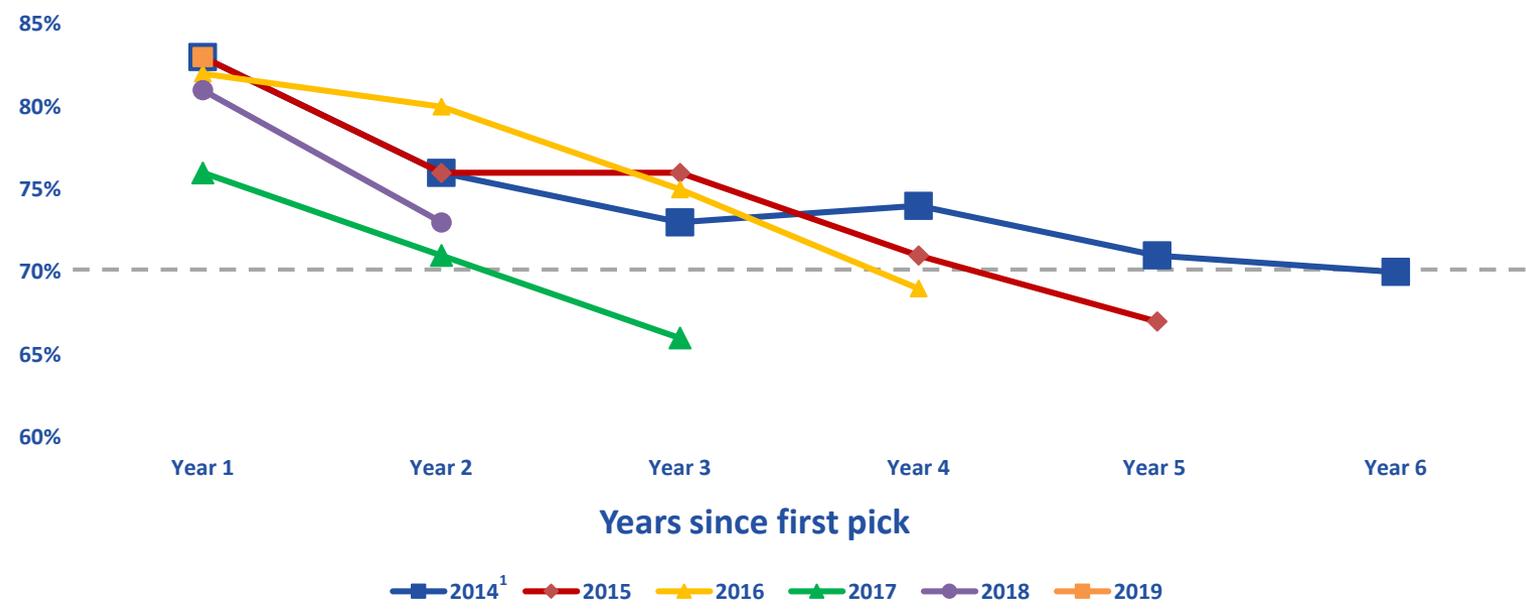
Beyond Insurance

Develop sources of growth and profit beyond insurance

Rapid growth in loans business and a move to a second generation rating structure

Maturing loss ratios confirm market leading competence

Admiral projected ultimate loss ratio
(development by year)



- Superior risk selection and claims management drives market beating loss ratio
- Conservative reserving defers full recognition of superior performance
- 2014 to 2017 all below 70%

Appendix



Staff march in the Pride Cymru's Big Weekend parade

Group key performance indicators¹

KPI	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Group Financial										
Turnover £m	1,585	2,190	2,215	2,030	1,971	2,119	2,576	2,958	3,283	3,463
Customers m	2.7	3.4	3.6	3.7	4.1	4.4	5.2	5.7	6.5	7.0
Group pre-tax profit ¹ £m	265.5	299.1	344.6	370.7	356.5	376.8	284.3	405.4	479.3	526.1
Earnings per share	72.3p	81.9p	95.1p	104.6p	103.0p	107.3p	78.7p	117.2p	137.1p	148.3p
Dividend per share	68.1p	75.6p	90.6p	99.5p	98.4p	114.4p	114.4p	114.0p	118.0p	140.0p
UK Insurance										
Customers (000)	2,459	2,966	3,019	3,065	3,316	3,612	4,116	4,616	5,238	5,473
Total premiums £m	1,238	1,729	1,749	1,562	1,482	1,590	1,863	2,098	2,270	2,322
Reported combined ratio	83.5%	91.9%	90.0%	81.0%	80.0%	79.0%	88.4%	79.7%	83.6%	80.3%
UK insurance pre-tax profit £m	275.8	313.6	372.8	393.7	397.9	444.2	338.5	466.6	556.7	597.4
Other revenue per vehicle £	84	84	79	67	67	63	62	64	67	66
International Car Insurance										
Vehicles covered	195,000	306,000	436,000	515,300	592,600	673,000	864,200	1,034,900	1,221,600	1,420,800
Total premiums £m	71.0	112.5	148.5	168.3	185.4	213.3	331.3	401.4	484.3	562.6
Reported ² combined ratio	173%	164%	177%	140%	127%	126%	125%	121%	116%	114%
International car insurance result £m	(8.0)	(9.5)	(24.5)	(22.1)	(19.9)	(22.2)	(19.4)	(14.3)	(1.1)	(0.9)
Price Comparison										
Total revenue £m	75.7	90.4	103.5	112.7	107.5	108.1	129.2	143.6	151.0	171.6
Operating profit /(loss) ¹ £m	11.7	10.5	18.0	20.4	3.6	(7.2)	2.7	7.1	8.7	18.0

Summary Income Statement¹

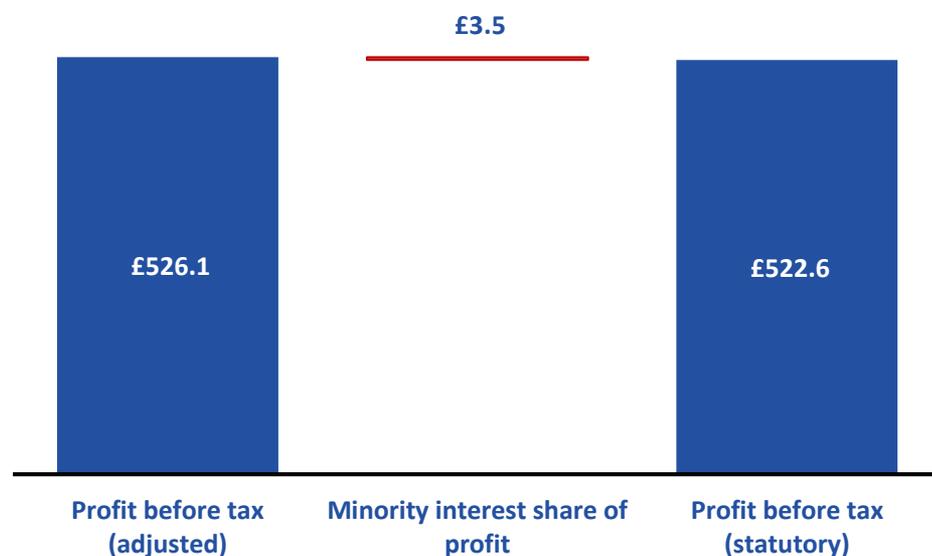
£m	UK Insurance			International Car Insurance			Price Comparison			Other			Admiral Group		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Turnover	2,354.0	2,575.7	2,635.0	449.8	538.7	623.6	143.6	151.0	171.6	10.8	17.6	33.3	2,958.2	3,283.0	3,463.5
Total premiums written	2,098.0	2,269.8	2,321.8	401.4	484.3	562.6				0.0	0.0	0.0	2,499.4	2,754.1	2,884.4
Gross premiums written	1,540.3	1,684.0	1,725.1	381.3	474.1	548.6				0.0	0.0	0.0	1,921.6	2,158.1	2,273.7
Net premiums written	494.0	538.1	548.3	128.8	157.2	184.0				0.0	0.0	0.0	622.8	695.3	732.3
Net earned premium	491.6	523.9	533.2	123.0	141.7	176.2				0.0	0.0	0.0	614.6	665.6	709.4
Investment income	32.6	32.2	30.4	0.6	1.3	1.5				8.1	1.9	5.3	41.3	35.4	37.2
Net insurance claims	(250.1)	(242.5)	(215.8)	(94.1)	(104.0)	(143.5)				0.0	0.0	0.0	(344.2)	(346.5)	(359.3)
Insurance related expenses	(67.9)	(85.9)	(90.5)	(58.0)	(55.8)	(54.3)				0.0	0.0	0.0	(125.9)	(141.7)	(144.8)
Underwriting result	206.2	227.7	257.3	(28.5)	(16.8)	(20.1)				8.1	1.9	5.3	185.8	212.8	242.5
Profit commission	67.0	93.3	114.0	0.0	0.0	0.9				0.0	0.0	0.0	67.0	93.3	114.9
Gross ancillary revenue	193.2	213.7	208.3	14.1	15.9	18.7				0.0	0.0	0.0	207.3	229.6	227.0
Ancillary costs	(56.5)	(60.6)	(67.0)	(2.4)	(2.8)	(3.3)				0.0	0.0	0.0	(58.9)	(63.4)	(70.3)
Instalment income	56.7	82.6	85.3	2.5	2.6	2.9				0.0	0.0	0.0	59.2	85.2	88.2
Gladiator contribution										1.1	0.3	1.1	1.1	0.3	1.1
Price comparison revenue							143.6	151.0	171.6				143.6	151.0	171.6
Price comparison expenses							(138.2)	(144.4)	(156.9)				(138.2)	(144.4)	(156.9)
Loans contribution										(4.4)	(11.8)	(8.4)	(4.4)	(11.8)	(8.4)
Interest income										0.4	1.2	0.9	0.4	1.2	0.9
Other (mainly share scheme)										(48.0)	(66.3)	(76.6)	(48.0)	(66.3)	(76.6)
Interest payable										(11.4)	(11.3)	(11.4)	(11.4)	(11.3)	(11.4)
Profit/(loss) before tax	466.6	556.7	597.9	(14.3)	(1.1)	(0.9)	5.4	6.6	14.7	(54.1)	(86.0)	(89.1)	403.5	476.2	522.6

Balance Sheet

	Dec-17 £m	Dec-18 £m	Dec-19 £m
ASSETS			
Property, plant and equipment	31.3	28.1	154.4
Intangible assets	159.4	162.0	160.3
Reinsurance contracts	1,637.6	1,883.5	2,071.7
Financial assets	2,697.8	2,969.7	3,234.5
Deferred income tax	0.3	0.2	-
Insurance and other receivables	939.7	1,082.0	1,227.7
Loans and advances to customers	66.2	300.2	455.1
Cash and cash equivalents	326.8	376.8	281.7
Total assets	5,859.1	6,802.5	7,585.4
EQUITY			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	580.3	713.5	840.9
Other reserves	52.4	31.4	55.1
Total equity (shareholders)	646.1	758.3	909.4
Non-controlling interests	9.7	12.8	9.2
Total equity	655.8	771.1	918.6
LIABILITIES			
Insurance contracts	3,313.9	3,736.4	3,975.0
Subordinated liabilities	224.0	444.2	530.1
Trade and other payables	1,641.6	1,801.5	1,975.9
Deferred income tax	-	-	0.4
Lease liabilities	-	-	137.1
Corporation tax liabilities	23.8	49.3	48.3
Total liabilities	5,203.3	6,031.4	6,666.8
Total liabilities and equity	5,859.1	6,802.5	7,585.4

Group profit before tax reconciliation

Reconciliation from statutory to adjusted profit before tax (£m)



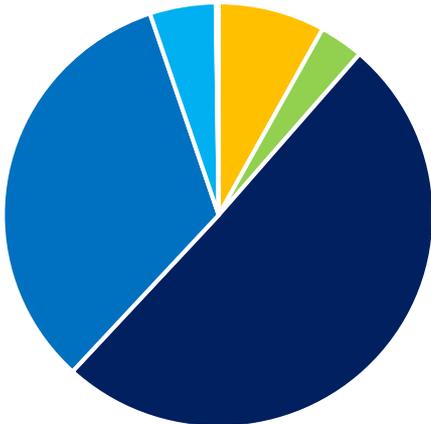
- Admiral has four operations with shared ownership: Rastreator (Admiral share of ownership 75.0%); Compare.com (59.25%); Admiral Law (95.0%); Preminen (50.0%)
- Profit or losses in period accruing to minority parties reduce or increase the results respectively

Investment update

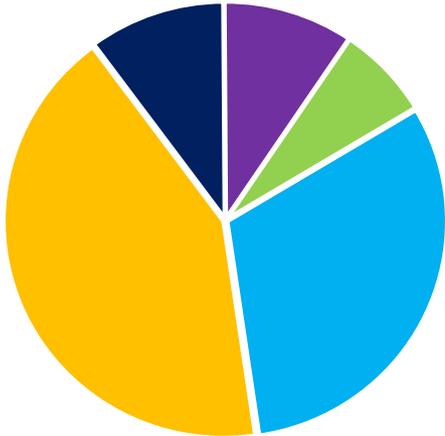
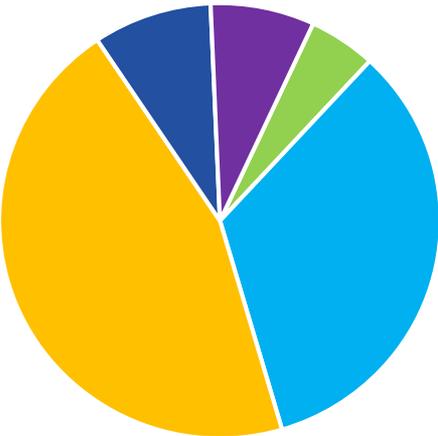
Dec '18: £3,347m



Dec '19: £3,516m



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



- AAA
- AA
- A
- BBB
- Other¹

(1) 'Other' comprises of sub-BBB ratings and unrated securities. Unrated securities consists primarily of an AAA rated money market fund backed by government securities. Sub-BBB rated securities make up less than 0.01% of the total portfolio.

Analysis of Other Group items¹

	2019	2018
Share scheme charges	(52.7)	(49.0)
Admiral Loans loss before tax	(8.4)	(11.8)
Other interest & investment income	6.0	2.9
Business development	(2.1)	(4.3)
Other central overheads	(20.0)	(10.8)
Finance charges	(11.2)	(11.3)
UK Commercial vehicle	-	0.3
Total	(88.4)	(84.0)

- Share scheme charges increased by £3.7 million reflecting improved vesting outcomes resulting from the increased level of profit in 2019 and a higher share price.
- Other interest and investment income increased to £6.0 million,. 2019 includes a lower level of unrealised losses relating to forward foreign exchange contracts compared to 2018. The number is also driven by increased investment return due to the increased cash holding in the parent company.
- Business development costs include costs associated with potential new ventures. The costs associated with Preminen have now been included in the Comparison section, contributing to the decrease in business development costs in 2019.
- Other central overheads continue to reflect the cost of significant Group projects. In addition, a £6 million cost relating to a one-off staff cash bonus of £500 per employee, is included in 2019.
- Finance charges of £11.2 million represent interest on the £200 million subordinated notes issued in July 2014.

Whiplash reforms: Background information

Proposed Tariff¹

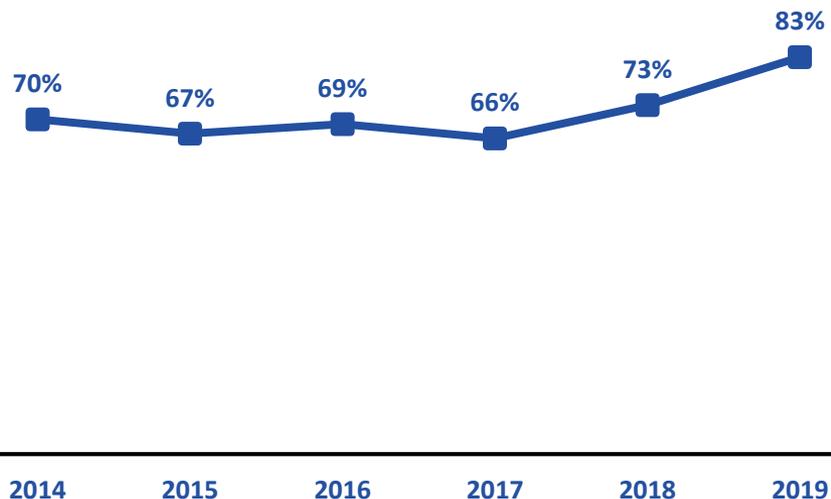
- The whiplash reforms are due to come into force in August 2020. Once the reforms go live, most personal injury claims valued at under £5000 will need to be submitted and administered through a new portal
- The key changes:
 - Ban on whiplash pre-medical offers
 - Introduction of tariff for general damages
 - Change in definition of 'whiplash' for purpose of claims falling within the tariff
 - Rise in small claims track limit from £1,000 to £5,000
- Savings in claims costs made by insurers are expected to be passed on to the customer



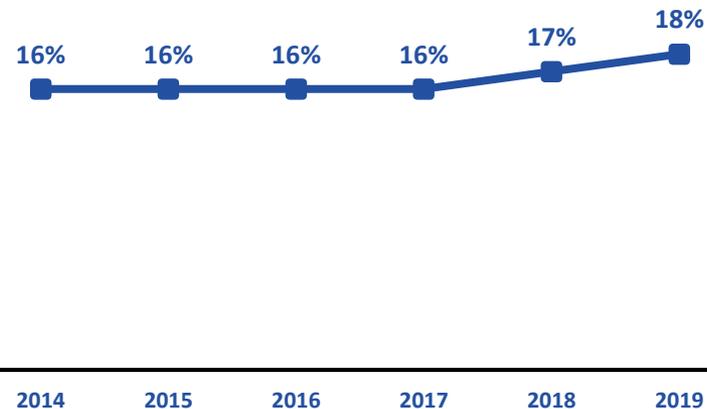
Whiplash Injury Duration	Fixed Tariff Damages Post Reform	Current Industry Average Spend	Industry Saving per Claim ²
0-3 months	£235	£1,800	£1,565
3-6 months	£470	£2,250	£1,780
6-9 months	£805	£2,700	£1,895
9-12 months	£1,250	£3,250	£2,000
12-15 months	£1,910	£3,650	£1,740
15-18 months	£2,790	£4,150	£1,360
18-24 months	£3,910	£4,750	£840

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

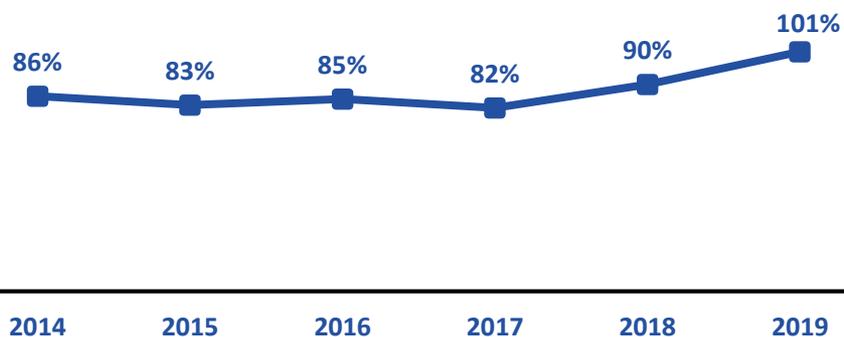
Admiral projected ultimate loss ratio¹



Admiral expense ratio²



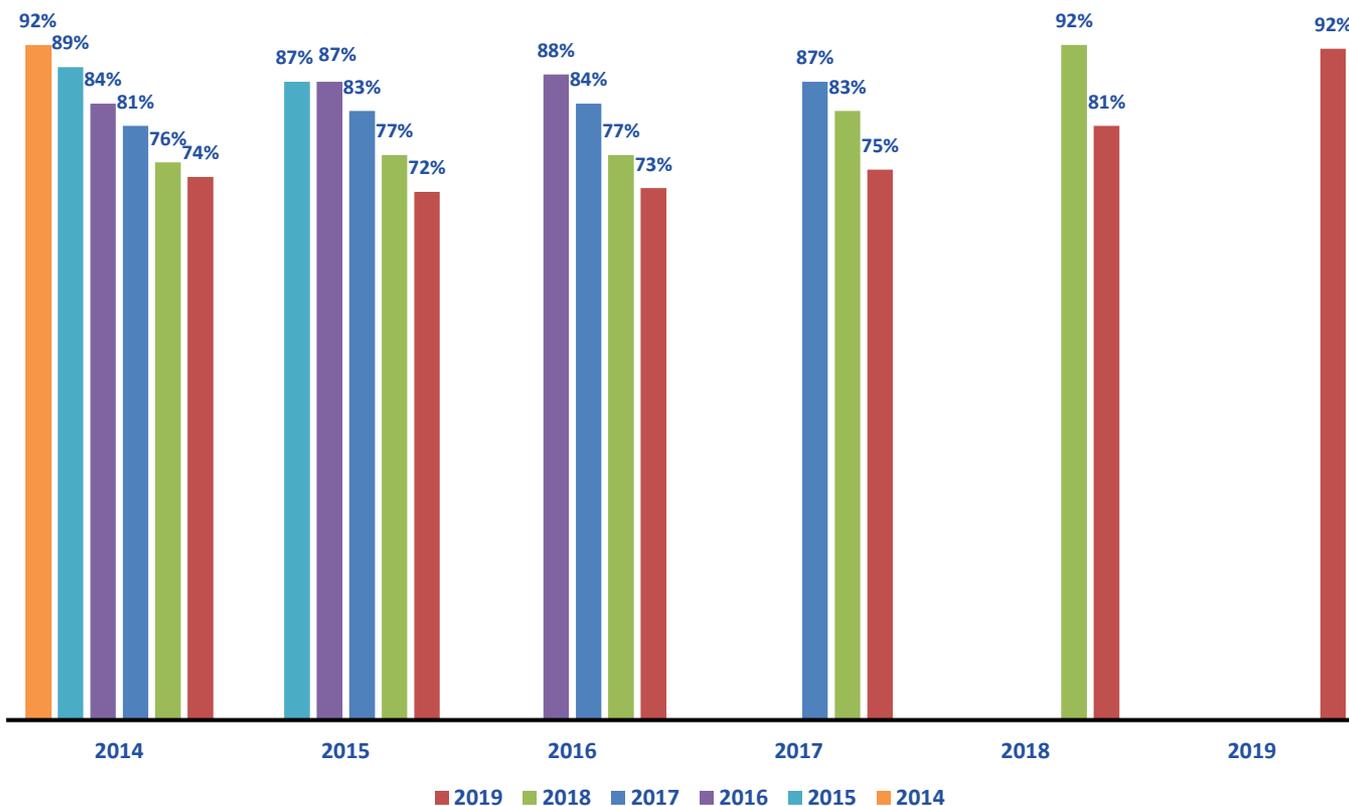
Admiral ultimate combined ratio



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

UK Car Insurance: Booked loss ratio development by underwriting year

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



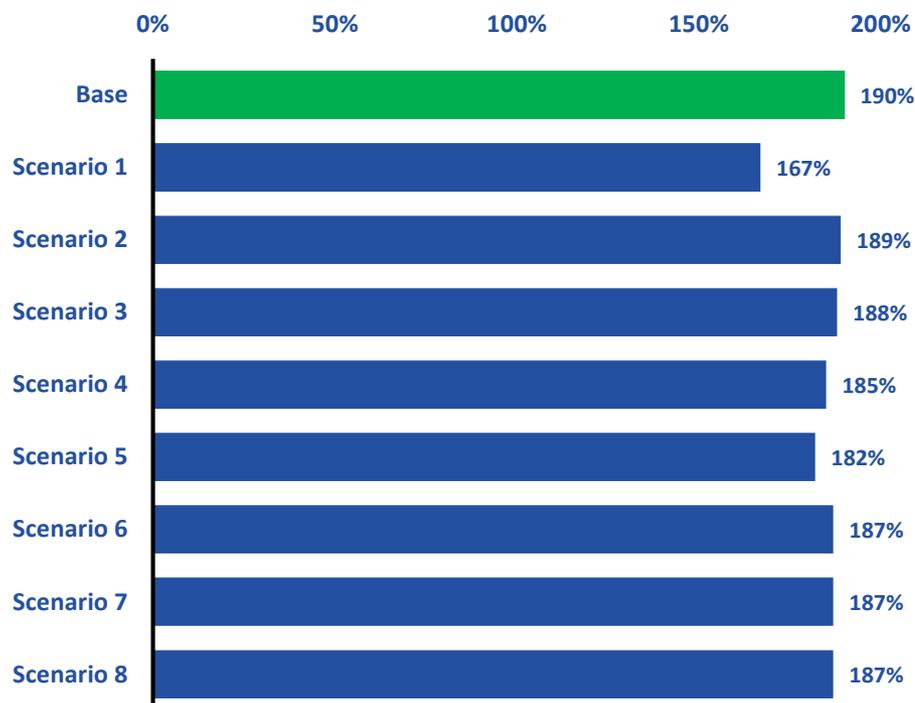
Ultimate loss ratio by underwriting year	
2019	87%
2018	80%
2017	69%
2016	67%
2015	68%

UK Motor profit recognition

Underwriting Year	Prior	2014	2015	2016	2017	2018	2019	Total
Total Written Premium, net of XoL cost (£m)		1,424	1,488	1,755	1,941	2,071	2,083	
Total net premium, original share (£m)		356	372	439	428	459	462	
Combined Ratio, Booked basis		89%	88%	89%	91%	100%	111%	
Profit commission/Releases on commuted RI (£m)		34	69	98	78	-	-	
Net Other Revenue, excl. Instalments (£m)		159	147	155	148	162	152	
Instalment income, written basis (£m)		25	29	38	70	80	83	
Investment income, financial year (£m)		12	26	39	33	32	30	
Written basis profit, Booked (£m)		268	316	380	368	276	214	
Profit recognised in current period (£m)	43	25	72	78	112	94	168	592
Loss Ratio, Ultimate		72%	68%	67%	69%	80%	87%	
Written basis profit, Ultimate (£m)		295	372	471	476	288	234	
Pre-tax profit loss ratio sensitivities (to Booked)								
1 point improvement (£m)		13	14	17	18	11	4	
1 point deterioration (£m)		(13)	(14)	(17)	(18)	(4)	(4)	
3 point improvement (£m)		40	42	50	53	38	13	
3 point deterioration (£m)		(38)	(41)	(49)	(55)	(13)	(13)	
5 point improvement (£m)		66	70	83	89	70	22	
5 point deterioration (£m)		(60)	(68)	(81)	(83)	(22)	(22)	
7 point improvement (£m)		93	98	116	125	107	30	
7 point deterioration (£m)		(78)	(94)	(112)	(105)	(30)	(30)	

Solvency Ratio sensitivities

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



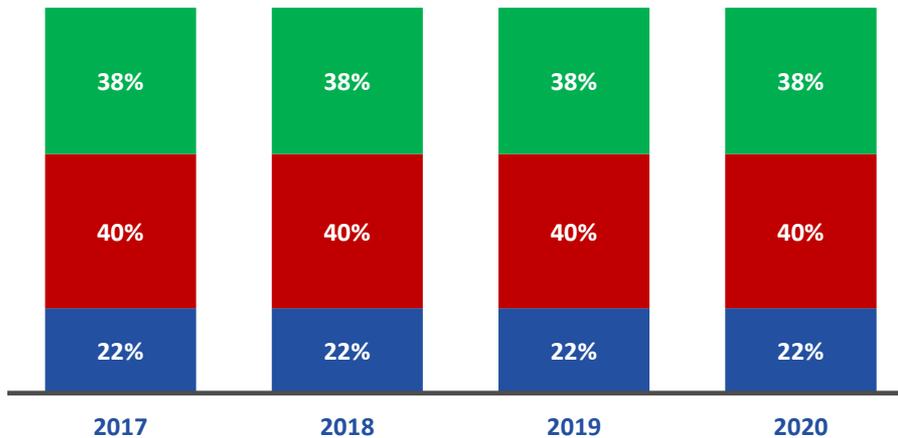
Scenarios

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

UK co- and re-insurance arrangements

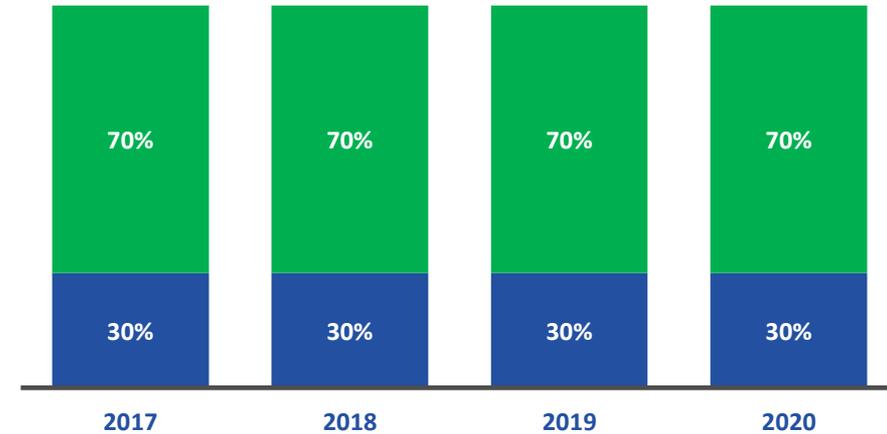
Motor

■ Admiral ■ Munich Re ■ Other



Household

■ Admiral ■ Quota share



- Fully placed reinsurance arrangements until the end of 2020
- Similar contract terms and conditions
- Reduction of underwriting share from 25% to 22% with effect from 2017
- Currently in process with negotiation for contracts beyond 2020

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

Admiral UK Car co- and re-insurance¹

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

Key definitions

Term	Definition
Accident year	The year in which an accident occurs, also referred to as the earned basis.
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.
Combined ratio	The sum of the loss ratio and expense ratio.
Commutation	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a particular reinsurance contract.
Expense ratio	Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums.
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements. The rate is set by the Lord Chancellor, the most recent rate of minus 0.75% being announced on 27 February 2017. Following royal ascent of Civil Liability Bill in Dec 2018 with future rate decision expect by August 2019
Loss ratio	Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums.
Periodic Payment Order (PPO)	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
Total / Gross / Net Premium	Total = total premiums written including coinsurance Gross = total premiums written including reinsurance but excluding coinsurance Net = total premiums written excluding reinsurance and coinsurance
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
Ultimate loss ratio	The projected ratio for a particular accident year or underwriting year, often used in the calculation of underwriting profit and profit commission.
Underwriting year	The year in which the latest policy term was incepted.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.

Admiral brands



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