

2016 Full Year Results

8th March 2017



Agenda

Introduction

David Stevens, CEO

Group overview

Geraint Jones, CFO

UK Insurance

David Stevens, CEO
Cristina Nestares, UK Insurance CEO

Price Comparison

Martin Coriat, Confused.com CEO

International Insurance and
Wrap up

David Stevens, CEO

Q&A

All

2016: Strong growth and solvency position, profits impacted by Ogden

Customers



5.15m

2015: 4.43m

Turnover¹



£2.58bn

2015: £2.12bn

Profit before tax²



£284m

2015: £377m

Solvency ratio³



212%

2015: 206%

Earnings per share



78.7p

2015: 107.3p

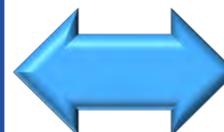
Return on equity



37%

2015: 49%

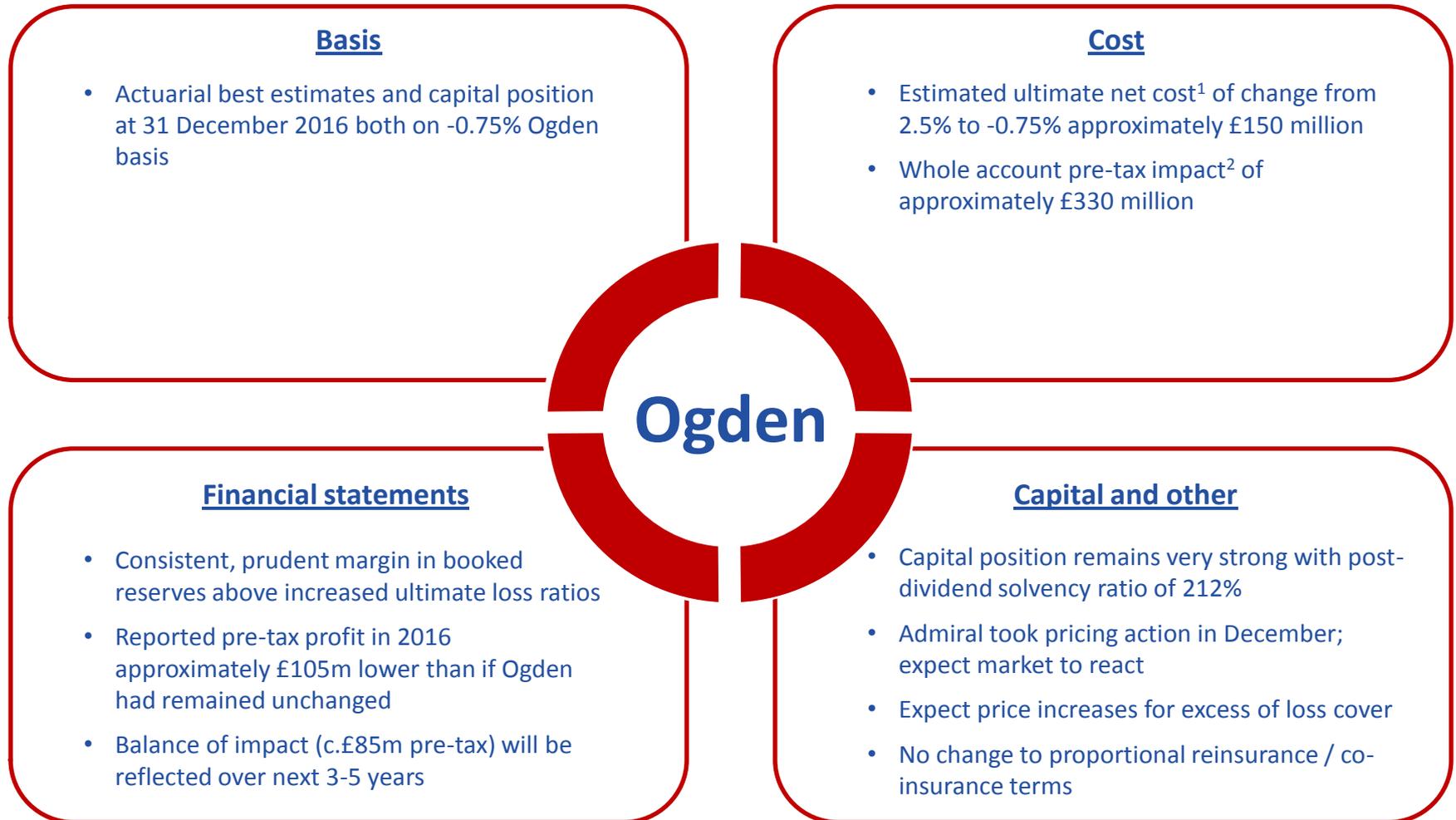
Full year dividend per share



2015: 114.4p

Note: (1) Turnover comprises total premiums written plus other revenue. (2) Profit before tax adjusted to exclude minority interest share. (3) Refer to footnote on slide 9.

Summary of Ogden impacts



Note: (1) Estimated net financial impact represents the profit impact after reinsurance and taxation at 20%. This represents the financial impact of a change in the discount rate applied to all open claims and projected future claims in respect of business written up to December 2016 settling at the new rate. (2) Represents pre-tax impact before co-insurance and all reinsurance.

Results pre- and post-Ogden

Post Ogden

Profit before tax¹



£284m

2015: £377m

Return on equity



37%

2015: 49%

Earnings per share



78.7p

2015: 107.3p

Pre Ogden

Profit before tax¹



£390m

2015: £377m

Return on equity



49%

2015: 49%

Earnings per share



109.6p

2015: 107.3p

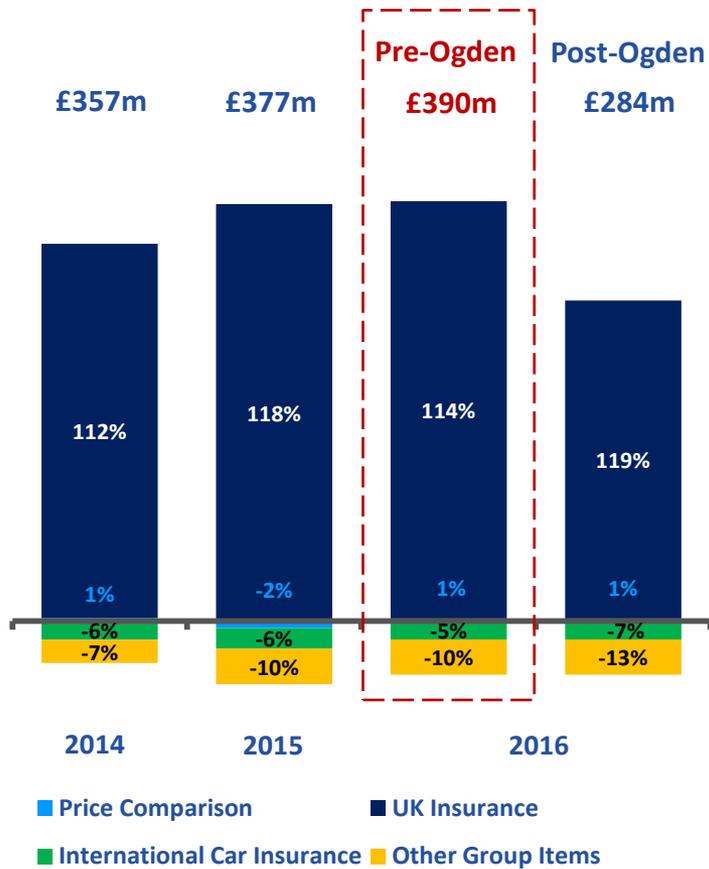
Note: (1) Profit before tax adjusted to exclude minority interest share.

Strong growth in turnover and customers

	Turnover	Customers
UK Car Insurance	 £1,987m 2015: £1,708m	 3.65m 2015: 3.30m
UK Household Insurance	 £76.1m 2015: £52.0m	 469k 2015: 310k
International Insurance	 £366m 2015: £232m	 864k 2015: 673k
Price Comparison	 £129m 2015: £108m	

Analysis of Group Profit

Group Profit Before Tax ¹

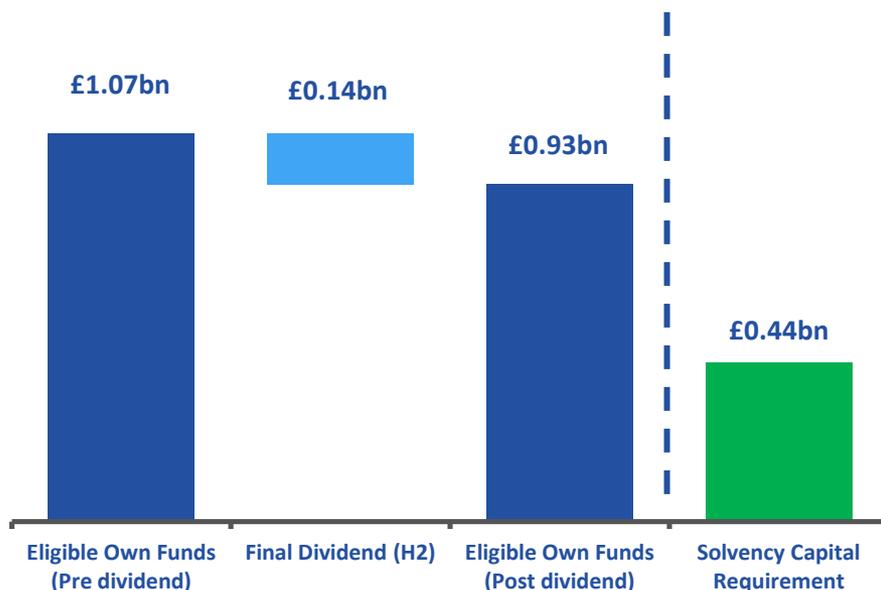


- UK Insurance profit includes UK Car and Household:
 - Excluding the impact of the change in Ogden, UK Car Insurance profit would have remained stable with growth in premiums offset by lower reserve releases on commuted reinsurance.
 - UK Household increased profits (to £3m) whilst growing customer base by >50%
- International Insurance loss reduced to £19m (2015: £22m); includes another ConTe profit offset by investment in USA and France
- Improved price comparison result (£3m profit v loss of £7m) includes a strong result from Confused.com in the UK
- Other includes share scheme charges and debt servicing cost

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

Post dividend solvency position remains strong

Capital Position¹



Solvency ratios

Solvency ratio (Pre Dividend)	245%
Solvency ratio (Post Dividend)	212%

- Group Solvency Capital Requirements (SCR) based on Solvency II Standard Formula plus a Capital Add-On (CAO)
- Admiral is developing a partial internal model to calculate the capital requirement and expects to apply for regulatory permission during 2017
- Target solvency coverage range will be confirmed once partial internal model approved. Still expect 125%-150%

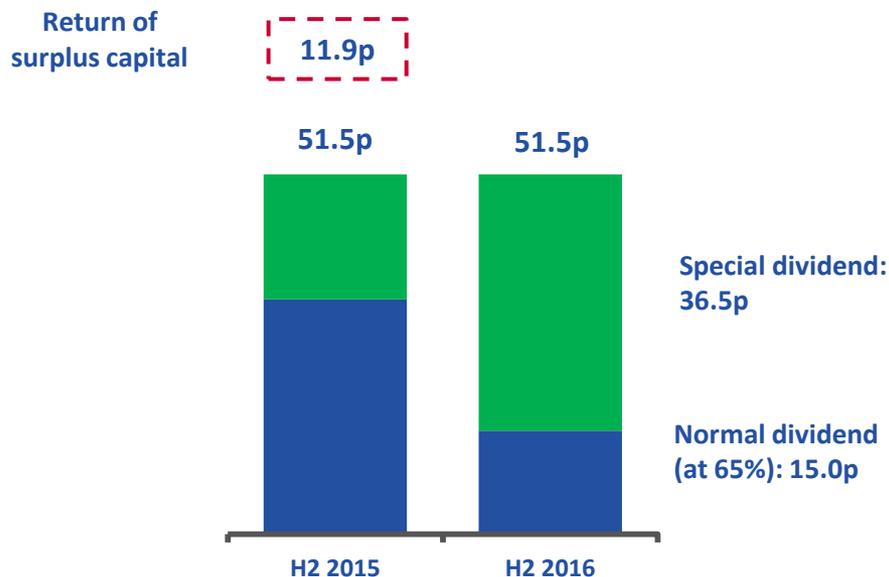
Factors contributing to solvency ratio change

+	-
<ul style="list-style-type: none"> • Economic profit ++ • PPO adjustment ++ • Volatility adjustment + • Yield curve + 	<ul style="list-style-type: none"> • Final dividend and other changes -- • Ogden basis --

Note: (1) Estimated (and unaudited) Solvency II capital position at date of this report (8 March 2017). Figures based on volatility adjusted yield curve at 31 December 2016, regulatory approval received February 2017. Updated Capital Add-On (including deferred tax) remains subject to regulatory approval process.

Proposed 2016 final dividend of 51.5p per share

Final 2016 dividend



- H2 2016 normal plus special dividend = 51.5p per share (in line with 2015)
- Final dividend of £144m vs H2 profit after tax of £65m
- Total dividends for 2016 114.4p per share (in line with 2015)

Dividend policy

- 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
- Admiral expects Normal plus Special (before additional returns of capital) to be in the order of 90-95% of earnings for foreseeable future

Dividend Dates

Ex-dividend date: 11th May 2017
Record date: 12th May 2017
Payment date: 2nd June 2017



Strong growth in turnover and customers



Group profit materially impacted by Ogden change, though improvements seen in International Insurance and Price Comparison results



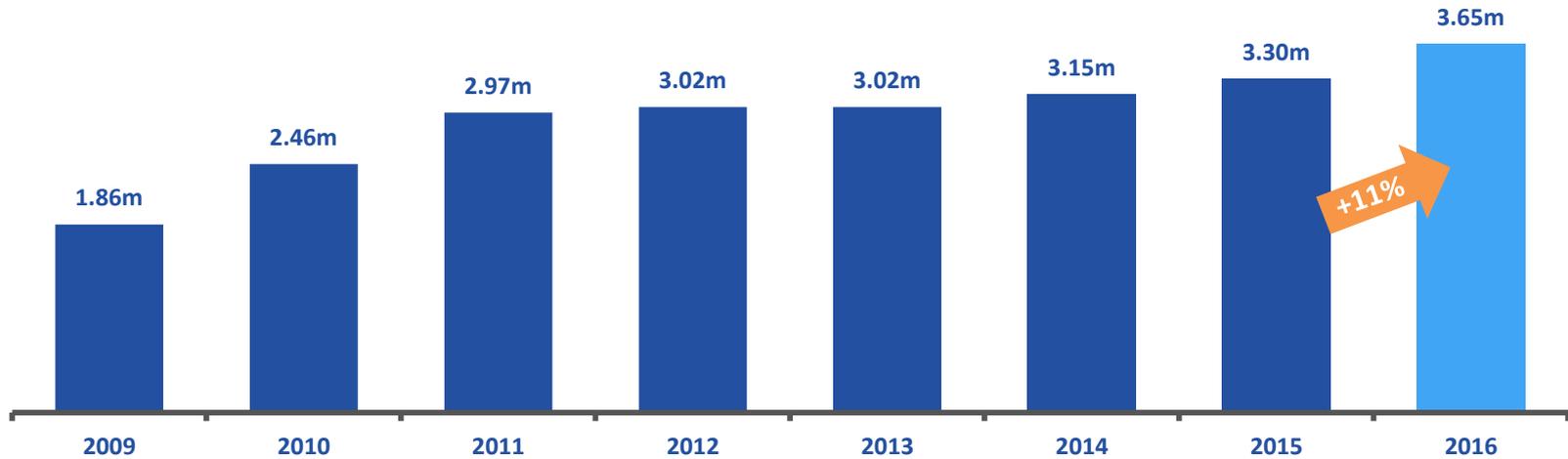
Very strong capital position, with 212% post-dividend solvency ratio



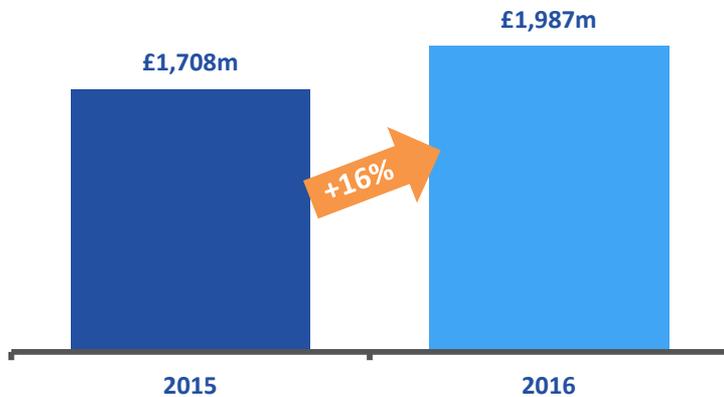
Despite reduced H2 profit, proposed final dividend held at 51.5p

UK car insurance continues to grow

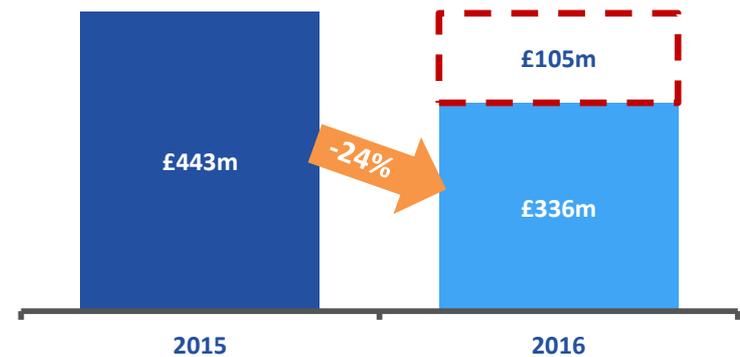
Customers



Turnover¹



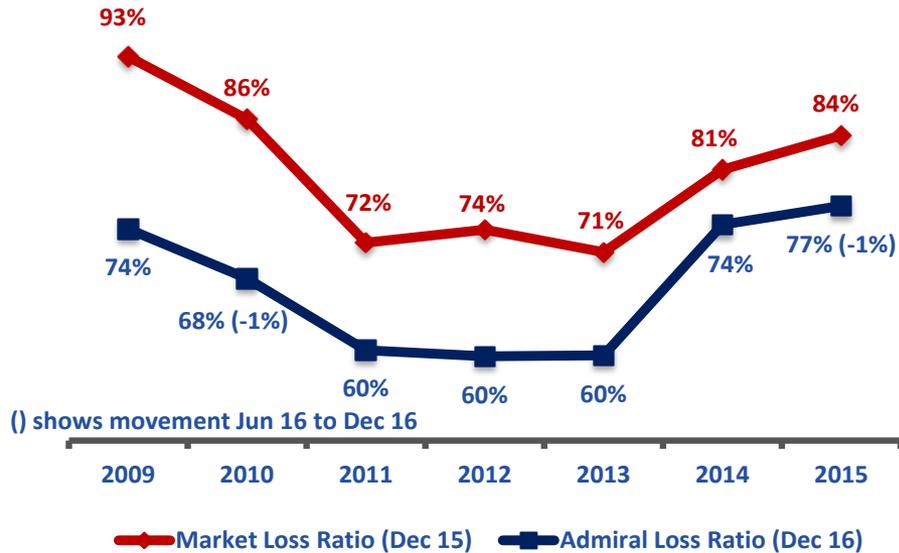
Profit before tax



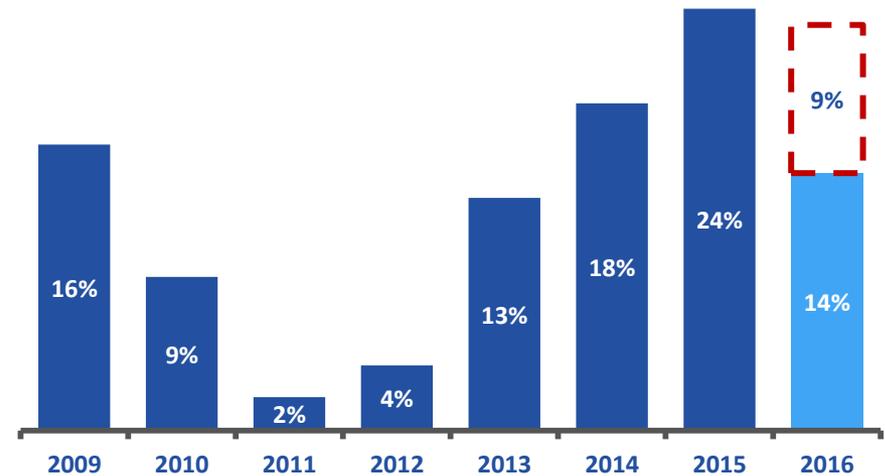
Note: (1) Turnover is a non-GAAP measure and consists of total premiums written (including co-insurer's share) and Other Revenue.

Reserve releases are reduced and prior year development of loss ratios only marginally positive due to the discount rate change

Projected ultimate loss ratio (Admiral¹ vs Market²)



Admiral releases³ as % of net earned premium



- Projected ultimate loss ratios reflect Ogden impact
- 2016 first projection for ultimate loss ratio of 82% is consistent with 2015 (82%)
- Reserves margin remains at the upper end of Admiral's reserving policy range

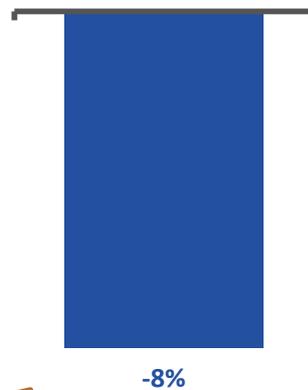
Note: (1) Independent actuarial projection of ultimate loss ratio on accident year basis. (2) Analysis of PRA returns as at 31 December 2015. Market excludes Admiral. Loss ratio: accident year. (3) Reserve releases based on original net share.

On a pure year basis the market was roughly breakeven in 2016 – pre-Ogden

2012

Market combined ratio ¹ at Dec 2015	104%
Estimated ultimate combined ratio ²	100%
Return on capital ³	28%

Premium deflation (2012 - 2016)⁴



6%

Increase in CPVY⁵ (2012 - 2016)

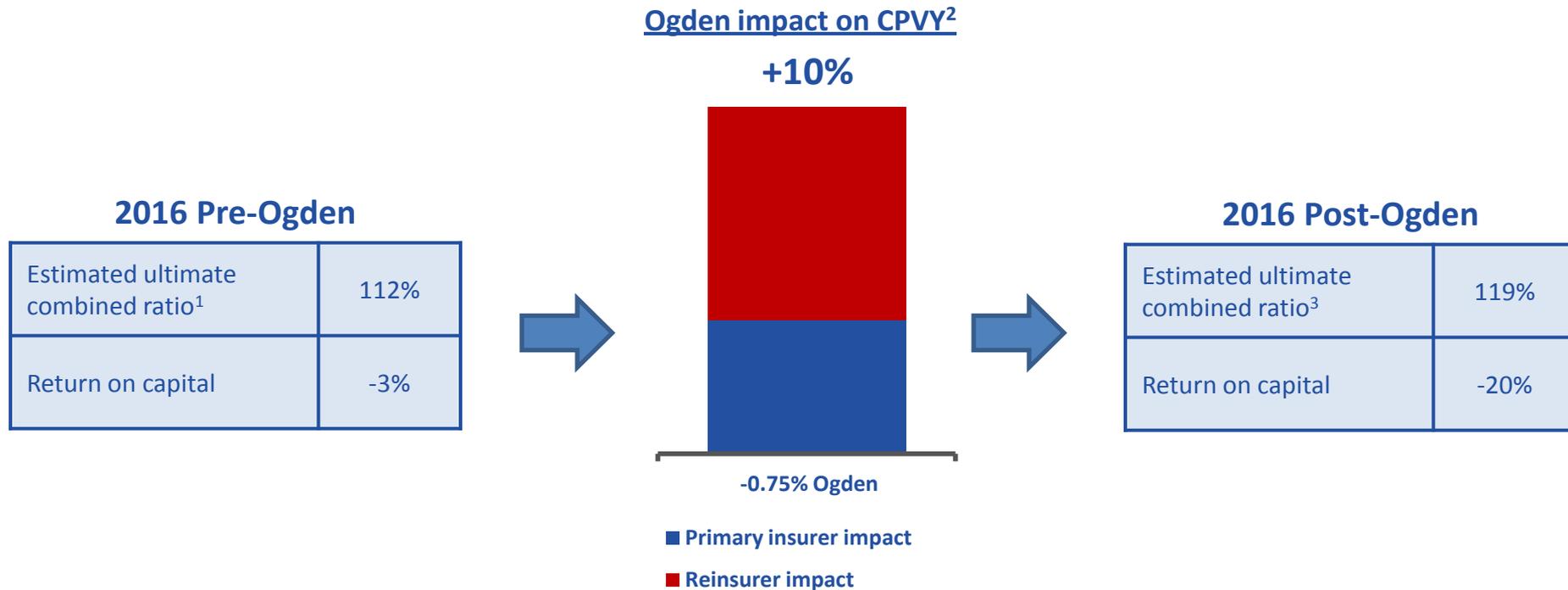
	Increase in CPVY (2012 vs 2016) ⁶
Damage	+10%
Small BI	-4%
Large BI	+8%
Overall change	+6%

2016 Pre-Ogden

Estimated ultimate combined ratio ⁷	112%
Return on capital ³	-3%

Note: (1) Prior year combined ratio from PRA returns (excludes Admiral). (2) Assumes some further positive development. (3) ROC calculation assumes add-on/investment income averages 11% of premium and capital equals 40% of premium. (4) Change in average earned premium 2012 to 2016 (ABI). (5) CPVY = Cost per vehicle year. (6) Claims inflation based on Institute of Actuaries Third Party Working Party (Sept 2016) and management estimates. (7) Expense ratio estimated to be 29% in 2016 v 30% in 2012.

Ogden rate changes are likely to push market profitability well below zero



More optimistic

- Price rises yet to fully feed into earned premium
- Reinsurers take much of the pain initially

More pessimistic

- Pressures on physical damage costs substantial
- Ultimately reinsurers pass on costs

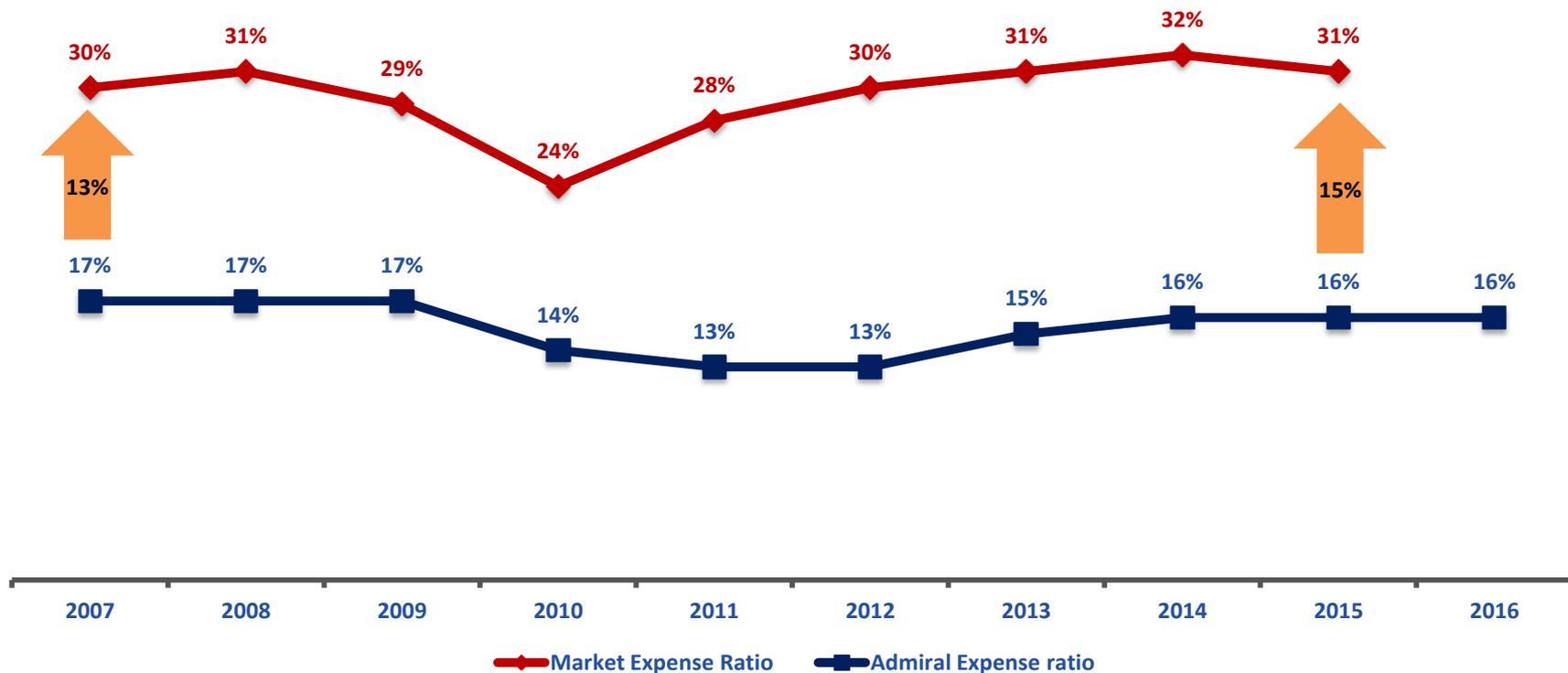
Note: (1) Pre-Ogden estimated ultimate combined ratio is based on -3% return on capital with a 40% capital requirement. (2) CPVY = cost per vehicle year and based on management estimate. (3) Post-Ogden estimated combined ratio based on a 29% market expense ratio and -19% return on capital.

Supporting and growing our business



Our focus on expenses results in a strong expense ratio advantage

Admiral¹ and Market² expense ratios

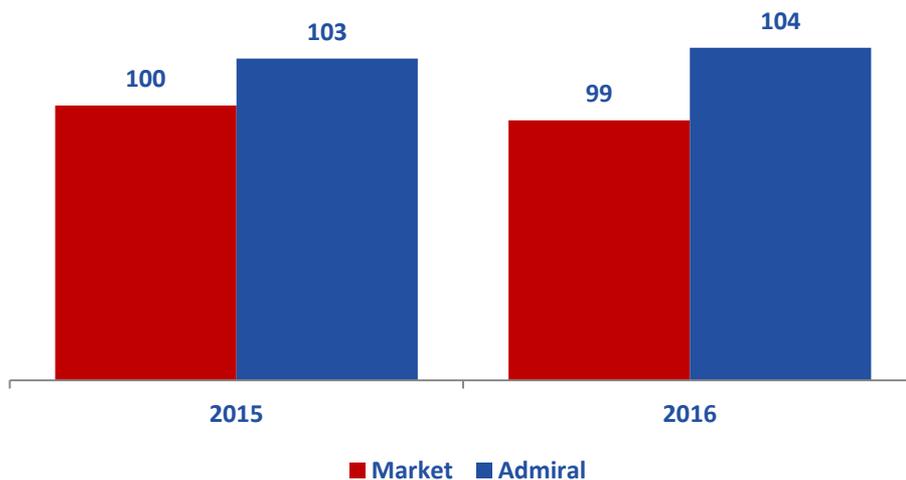


- Admiral continues to maintain a strong expense ratio advantage
- Expense ratio remained flat in 2016 despite acquisition costs to drive growth in active vehicles and system implementation

Note: (1) Admiral expense ratio is on a written basis. (2) Market excluding Admiral, analysis of PRA returns as at 31 December 2015.

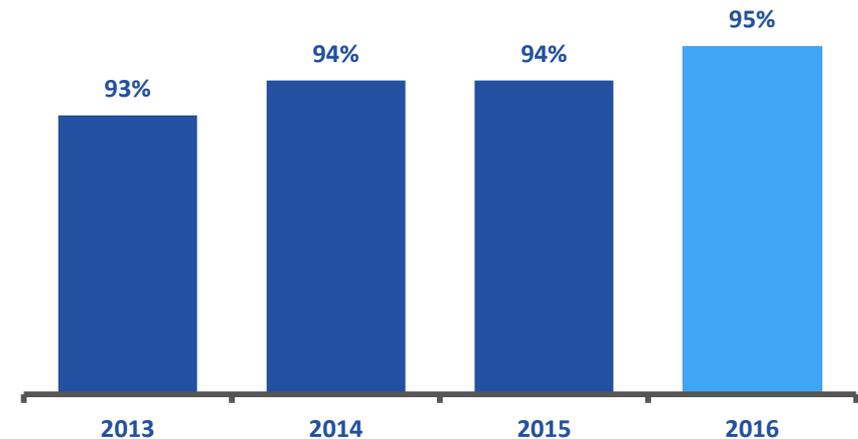
Customers stay with us despite rising market premiums

Average motor retention over the year¹
(indexed to 100 at 2015 market)



- Admiral's retention is above the market
- Retention has increased in 2016 despite rising prices whilst market retention has decreased

Customer feedback following a claim²

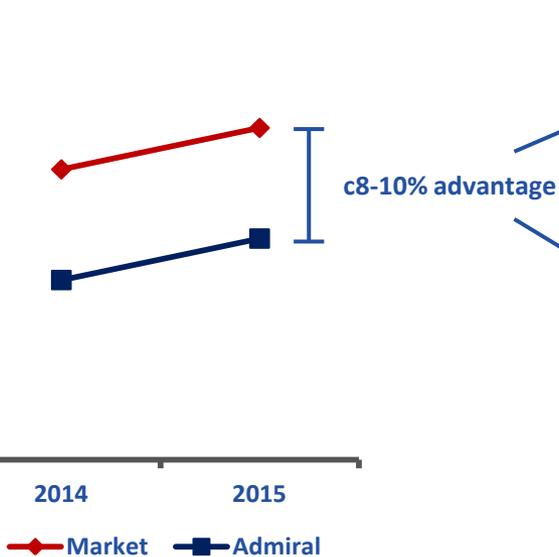


- The majority of our customers would like to renew with Admiral based on their claims experience
- Customer satisfaction has improved in the past few years

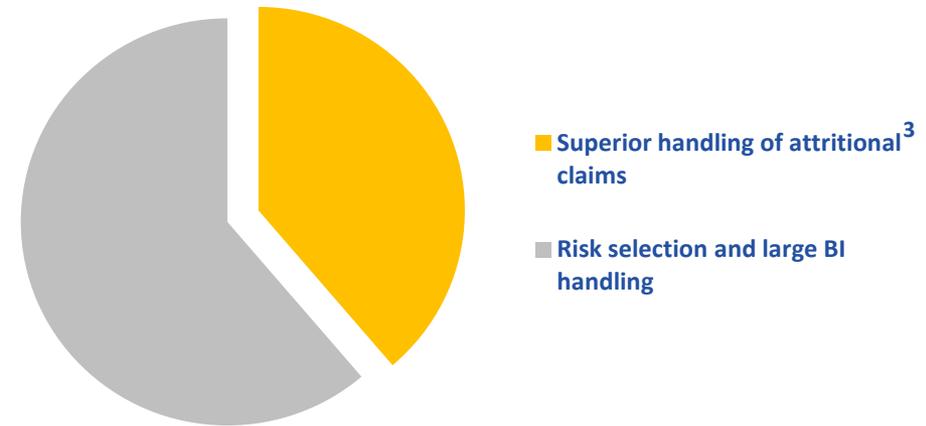
Note: (1) Data based on management estimates and Admiral internal data. (2) Percentage of customers who answered 'Yes' to 'Would you renew' following an interaction with the Admiral claims department (repeated).

Better claims management is an important part of our outperformance on loss ratio

Projected ultimate loss ratio¹



Sources of advantage²

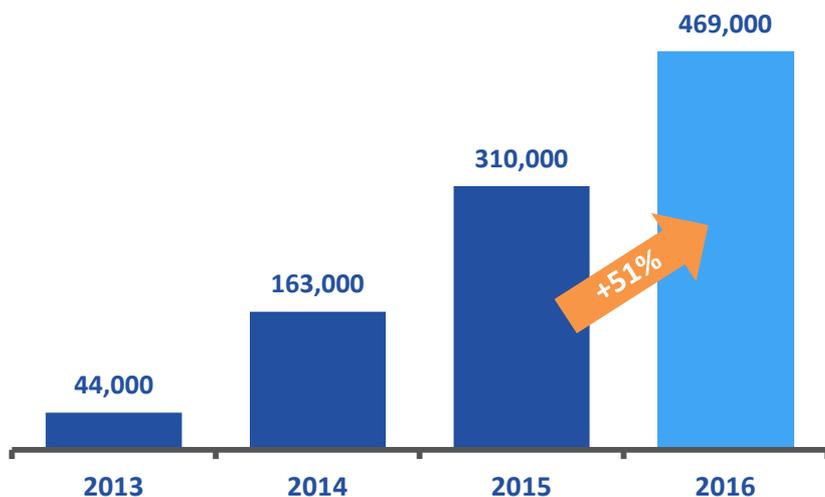


- Commitment to detailed first notification of loss, third party capture and early settlement
- Long-term relationships with a small network of garages
- Strong stance on claims fraud with a number of successful court cases
- Increasing use of telematics data at claims stage

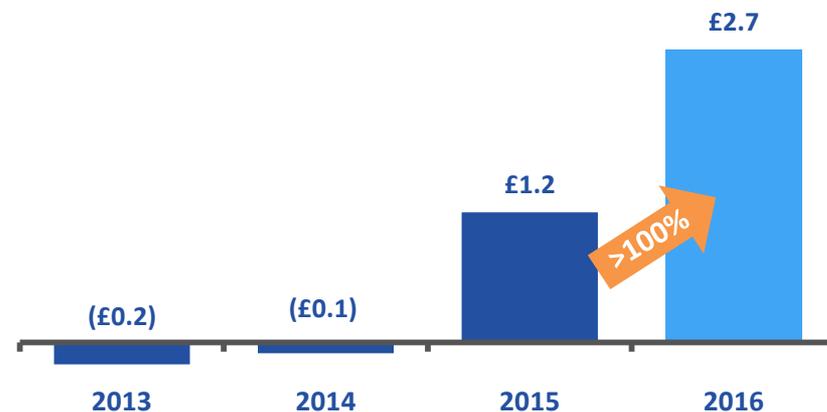
Note: (1) Analysis of PRA returns as at 31 December 2015. Market excludes Admiral. Loss ratio: accident year. (2) Data based on management estimates and Admiral internal data (3) Attritional claims: High frequency, low value claims.

UK Household insurance continues to grow

Customers



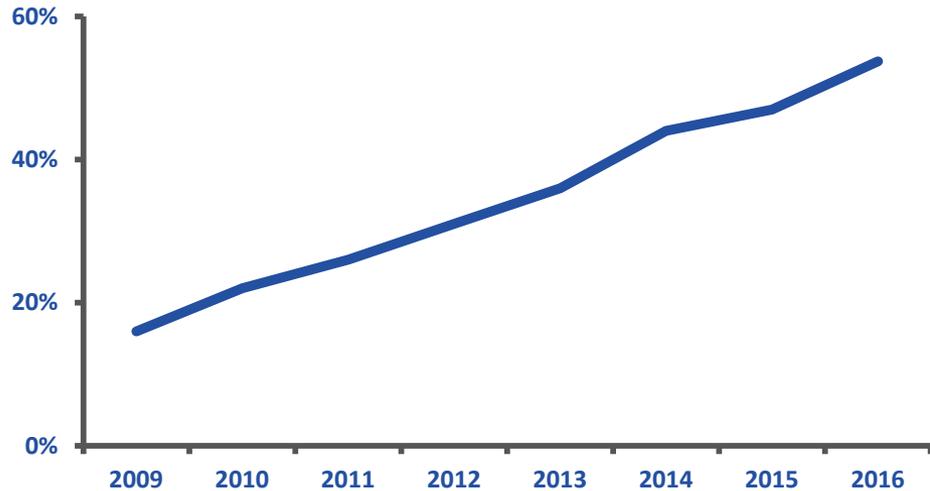
Profit before tax (£m)



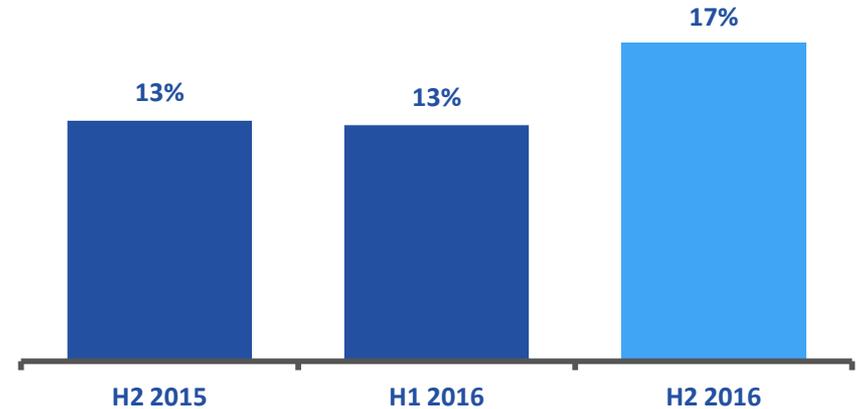
- More than 50% growth in our customer base while increasing profits
- Efficiency gain from our increased size and website development
- Expense ratio remains materially lower than the UK market
- Improvements on claims frequency and another relatively benign year in terms of weather events

How are we growing Household?

Aggregator share of household market sales



Share of Admiral Household new business that comes direct



- Growth was driven both by a growing price comparison market and more customers being drawn directly to our household product
- Expect distribution to continue developing during 2017 which will enable us to continue growing
- Increased share of direct business as a result of efficient direct acquisition and cross sell to our motor book
- Guidewire allows a better customer experience for cross sale

Strong performance for motor and household

Strong expense ratio advantage

Customers like to stay with us

Strong claims handling process

Household offers additional growth opportunities



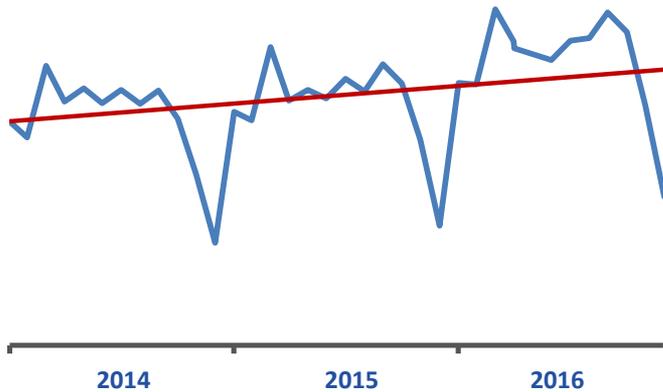
A collection of good businesses with different roads to success

	 Confused.com	 Rastreator	 LeLynx	 compare.com
Established	2002	2009	2010	2013
Strategy	Car saving centric	Multi-product	Financial services	Core insurance
Market	Mature	Emerging	Emerging	Nascent
Market positioning	Top 4 aggregator	Market leader	Main player	Pioneer
2016	<ul style="list-style-type: none"> • New positioning • Revenue growth • Profit growth • Customer growth 	<ul style="list-style-type: none"> • Profit growth • Customer growth • New verticals 	<ul style="list-style-type: none"> • Continued education • Improved key metrics 	<ul style="list-style-type: none"> • Improved acquisition cost • Panel building

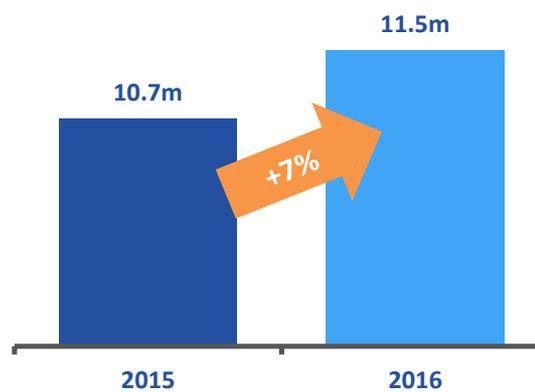
Confused.com reports strong results in a competitive market



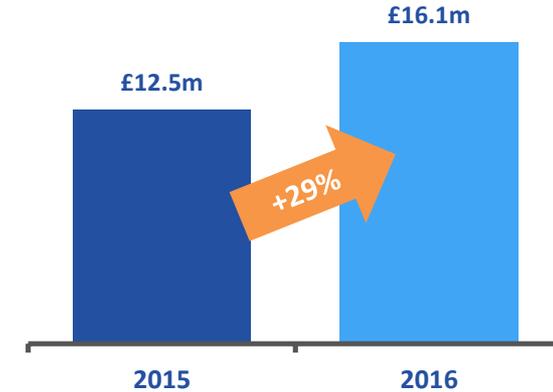
Aggregator Market Sales¹



Quotes²



Profit before tax



Achievements in 2016

- New positioning bringing more differentiation and clarity of purpose
- Market growth fuelled top line growth even further
- New car saving products to make Confused.com No.1 for Car Savings
- Confused was the fastest growing aggregator following the launch of the new campaign³



Note: (1) Source: management information. (2) Quote request per product per customer per month. (3) Source: Management information.

Confused.com – more potential car savings beyond car insurance



Car finance aggregator with unique features:

Hire purchase (HP)
You pay for the car monthly, but it belongs to the finance company until you make the final payment. Then it becomes yours.

To see HP deals, you should:

- Enter your car registration
- Have about 10% deposit

Unsecured loan
The amount you borrow isn't secured against your car, so you'll own it from the start. Then you pay back monthly.

Your cheapest loan below is
£222.02 per month

✓ Show me loans

Do you need to insure this car?
You could make big savings when you buy car insurance.

- ✓ We search over 100 trusted providers
- ✓ Get a faster quote using saved details

[Get a car insurance quote](#)

Search again

How much do you want to borrow?
£ 10000

Own how long?
48 months

How much deposit do you have?
£ 1000

What's the car registration?
THYD

The APR you see is exact and not estimated. It's guaranteed, so there'll be no nasty surprises.

Provider	Monthly repayment ✓	Exact APR	Total amount repayable	Features explained ⓘ
UNSECURED LOAN ZOPA	£222.02	3.20%	£10,657.18	MORE INFO
A peer-to-peer lender acts as an intermediary and lets you borrow from individuals rather than financial institutions.				
UNSECURED LOAN SHAWBROOK BANK	£242.38	7.90%	£11,634.24	MORE INFO

Borrowing summary:
You want to borrow **£10000** over **48 months** with a deposit of **£1000**. Total amount to pay towards the car is **£11000**.

- 'Real' APR comparison
- Comparison between different products (HP, PCP, unsecured)
- Brings transparency to an opaque market for consumers

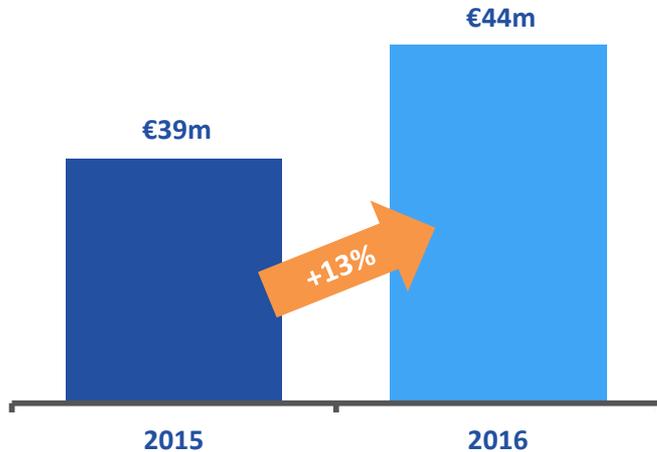
'Drivers win at Confused.com' offers opportunity beyond car insurance:

- A driver win is a small driving victory like saving money on your car insurance or making the perfect parallel park. It is what we offer to customers when they save time and money on Confused.com
- Engaging with customers more frequently around car savings
- Offering a unique suite of products for drivers and car saving

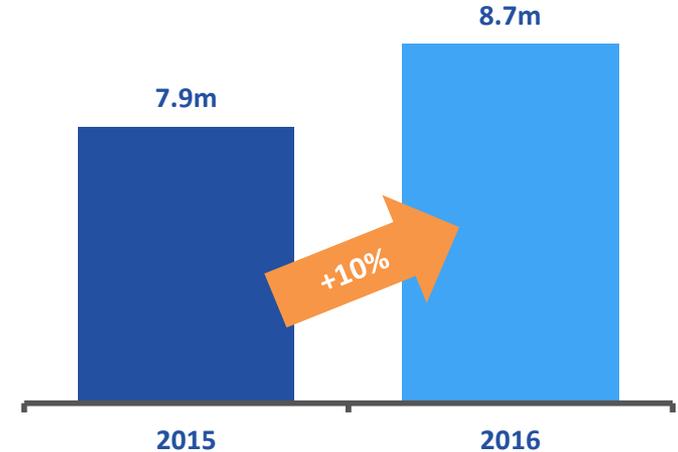
European price comparison: flourishing and expanding



Turnover



Quotes¹



Overall	<ul style="list-style-type: none"> • Key players in local price comparison markets • Strong car insurance verticals but growing other products • Strong brands in local markets
Spain (Rastreator)	<ul style="list-style-type: none"> • Market leader and continues to educate both insurers and customers to PCW benefits • New entrants could help to grow the market but make the market more competitive for PCW • Significant progress on other insurance products in 2016
France (LeLynx)	<ul style="list-style-type: none"> • 3 core verticals and growing • Ambitious plan to leverage assets such as brand, customer base and technical capabilities to grow further

Note: (1) Quote request per product per customer per month.



Progress (2016 vs 2015)

Panel

51%

Brands live

95%

Rates returned

Acquisition costs

Cost per quote

61%

Cost per buy click¹

71%

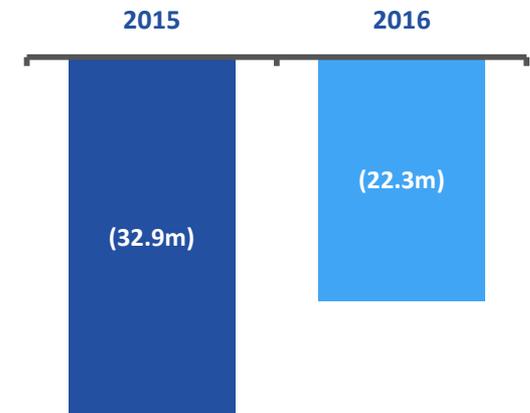
Focus on key states

- Reduced our total marketing investment in H2 2016 to prove the model in key states
- Encouraging results in key states supports increased marketing investments in further states in 2017
- Forecast for 2017 is \$15-25 million loss (Group share)

Note: (1) Cost per buy click represents variable marketing costs divided by buy clicks.

Still more to be done

Loss before tax (\$m) (Group share)





Different strategies for different markets



Growth, growth, growth

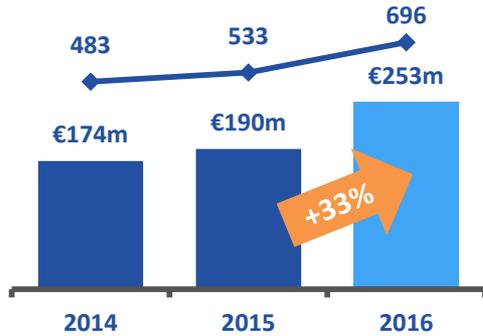


Opportunities in all markets

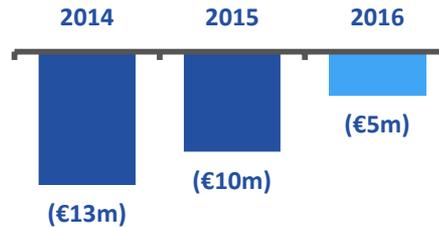
International insurance – growing rapidly but still investing



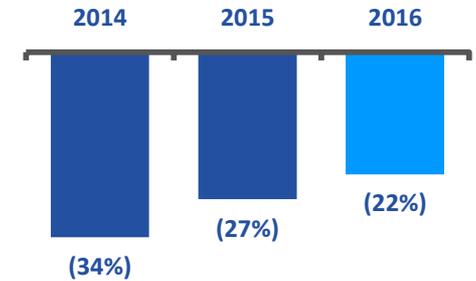
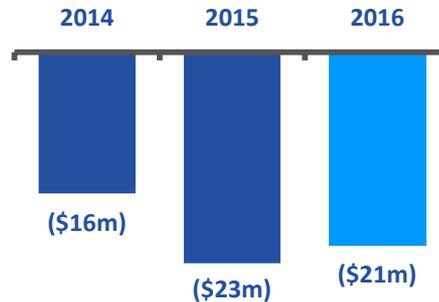
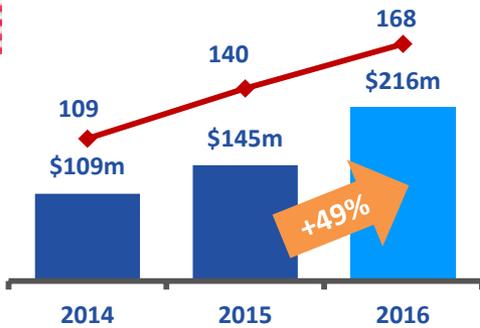
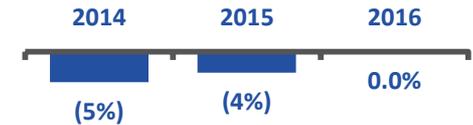
Turnover (m) and Customers (k)



Admiral loss
(Local currency)



Whole account loss
Percentage of turnover



Note: (1) Represents Admiral's share after co-insurance and reinsurance.

European insurance turnover and customers



	Turnover (€)	Customers
ConTe 	 €144.8m 2015: €107.2m	 415k 2015: 315k
Admiral Seguros 	 €61.0m 2015: €53.2m	 189k 2015: 161k
L'olivier 	 €46.9m 2015: €29.2m	 92k 2015: 57k

Key priority – grow share in price comparison

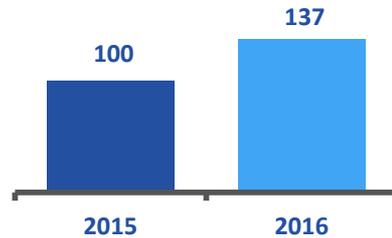


ConTe

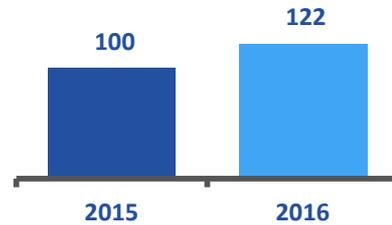


Growth in brand awareness

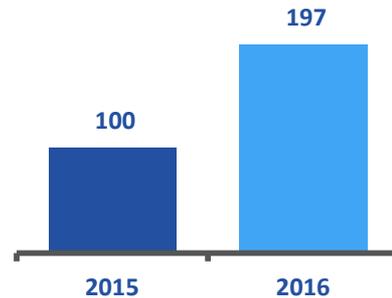
(indexed to 100 in 2015)



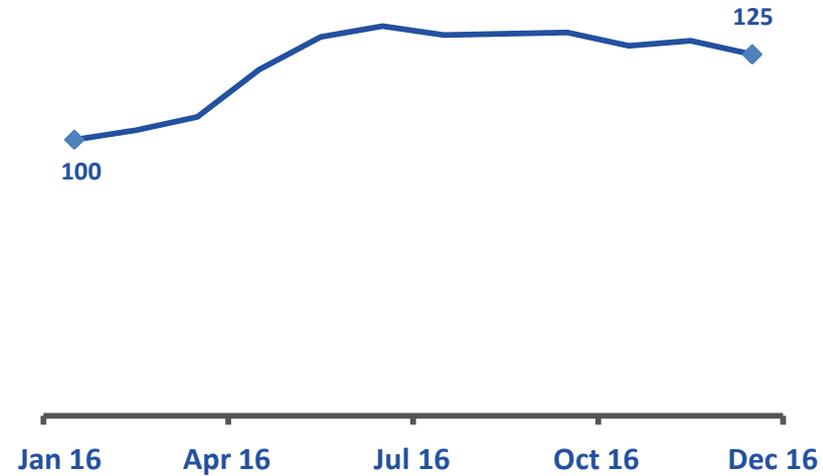
Qualitas Auto¹



L'olivier – assurance auto



Qualitas Auto¹ click through rate from 2nd and 3rd place (indexed to 100)



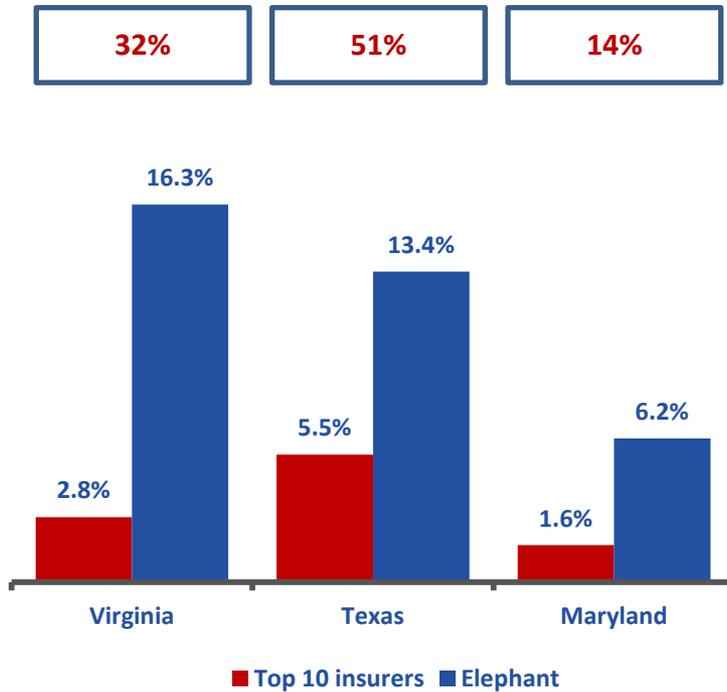
Sources: Mpanel (L'olivier), Nextplora (ConTe) and Nicequest (Qualitas Autos). Note: (1) Qualitas Auto is Admiral Seguros's leading brand in Spain.

Elephant is focused on reducing loss ratios

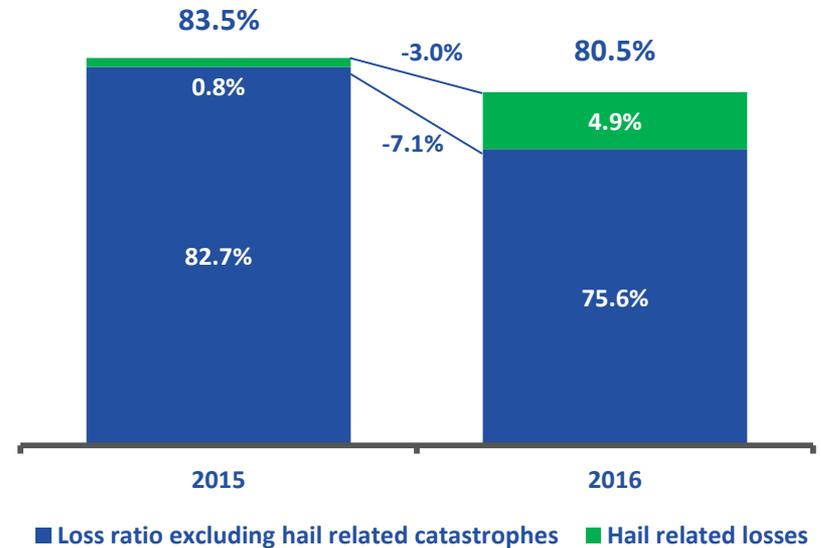


Rate changes in 2016 by state¹

Proportion of Elephant's premium



Elephant loss ratios (accident year basis)²



Note: (1) Source: Management analysis of public rate change information. (2) Loss ratio on an accident year basis and re-stated to exclude the impact of exceptional weather events.

International insurance summary

Growing operations in all countries

Stronger brand awareness in Europe

Delivering lower loss ratios in the US

**Best Places To Work Best Workplaces –
Italy 2nd (for the 2nd year running)**



A Chairman's guiding hand...

	Admiral in 2000	Admiral in 2016
Customers	0.5 million	5.2 million
UK private motor market share	3%	13%
Employees	1,266 in South Wales	Almost 9,000 in 8 countries
Turnover	£0.26 billion	£2.58 billion
Pre-tax profit	£24 million	£284 million

Alastair in 2000



Alastair in 2016



...passes the baton to Annette Court



- Appointed to the Admiral Group Board in 2012
- Significant insurance experience
 - Former CEO of Direct Line Group (formerly RBS Insurance)
 - Former CEO of Europe General Insurance (Zurich Financial Services)
 - Previously on the Board of the Association of British Insurers (ABI)
 - Non-Executive Director of Jardine Lloyd Thompson Group plc
- Experience outside insurance includes Non-Executive Directorships of Foxtons plc and Workshare

Questions?



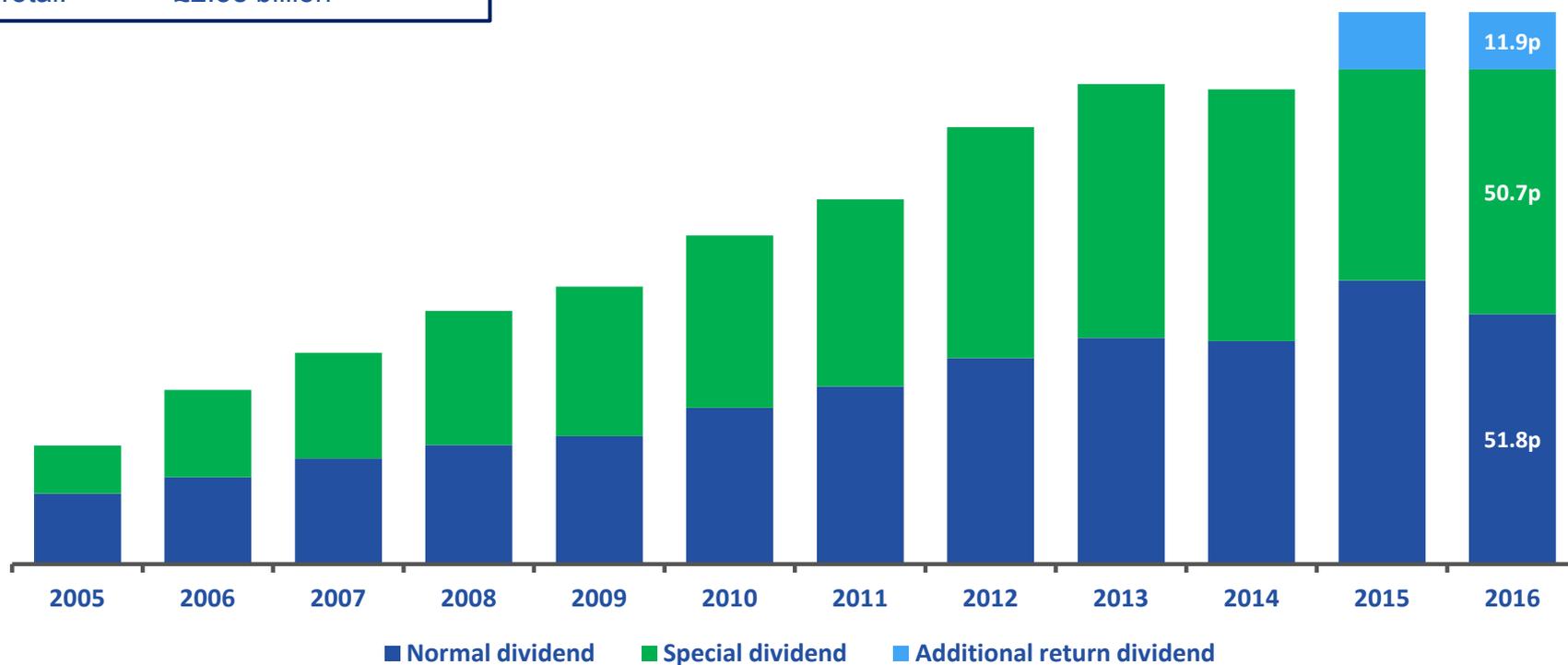
Appendix



Dividend history

Cumulative dividends since flotation:

Normal: £1.14 billion
Special: £1.24 billion
Total: £2.38 billion



Group Key Performance Indicators¹

KPI	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Group Financial										
Turnover £m	808	910	1,077	1,585	2,190	2,215	2,030	1,971	2,119	2,576
Customers m	1.5	1.7	2.1	2.7	3.4	3.6	3.7	4.1	4.4	5.2
Group pre-tax profit ¹ £m	182.1	202.5	215.8	265.5	299.1	344.6	370.7	356.5	376.8	284.3
Earnings per share	48.6p	54.9p	59.0p	72.3p	81.9p	95.1p	104.6p	103.0p	107.3p	78.7p
Dividend per share	43.8p	52.5p	57.5p	68.1p	75.6p	90.6p	99.5p	98.4p	114.4p	141.4p
UK Insurance										
Customers (000)	1,382	1,587	1,862	2,459	2,966	3,019	3,065	3,316	3,612	4,116
Total premiums £m	617	690	805	1,238	1,729	1,749	1,562	1,482	1,590	1,863
Reported combined ratio	83.4%	81.0%	84.9%	83.5%	91.9%	90.0%	81.0%	80.0%	79.0%	88.4%
UK insurance pre-tax profit £m	142.2	179.9	206.9	275.8	313.6	372.8	393.7	397.9	444.2	338.5
Other revenue per vehicle £			77	84	84	79	67	67	63	62
International Car Insurance										
Vehicles covered	46,900	73,700	121,000	195,000	306,000	436,000	515,300	592,600	673,000	864,200
Total premiums £m	14.2	26	43	71	112.5	148.5	168.3	185.4	213.3	331.3
Reported ² combined ratio	232%	198%	204%	173%	164%	177%	140%	127%	126%	125%
International car insurance result £m	(0.7)	(4.1)	(9.5)	(8.0)	(9.5)	(24.5)	(22.1)	(19.9)	(22.2)	(19.4)
Price Comparison										
Total revenue £m	69.2	66.1	80.6	75.7	90.4	103.5	112.7	107.5	108.1	129.2
Operating profit /(loss) ¹ £m	36.7	25.6	24.9	11.7	10.5	18	20.4	3.6	(7.2)	2.7

Note: (1) Profit before tax adjusted to exclude minority interest share. (2) Reported combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue. It has been adjusted to remove the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be 2014: 145%; 2015: 146%; 2016: 133%.

Statutory summary income statement¹

	UK Insurance			International Car Insurance			Price Comparison			Other			Admiral Group		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Turnover	1,632.0	1,760.2	2,063.1	206.2	232.4	365.9	107.5	108.1	129.2	25.3	18.1	17.6	1,971.0	2,118.8	2,575.8
Total premiums written	1,481.5	1,590.4	1,862.6	185.4	213.3	331.3				8.7	1.5	0.0	1,675.6	1,805.2	2,193.9
Gross premiums written	916.9	995.6	1,162.9	176.5	199.3	314.8				8.7	1.6	0.0	1,102.1	1,196.5	1,477.7
Net premiums written	387.9	418.1	488.4	61.5	72.1	106.2				7.8	1.1	0.0	457.2	491.3	594.6
Net earned premium	399.0	397.4	454.4	58.1	62.3	91.3				7.8	5.1	0.1	464.9	464.8	545.8
Investment income	11.5	26.1	39.3	0.2	0.0	0.4				2.2	5.3	12.4	13.9	31.4	52.1
Net insurance claims	(201.7)	(169.5)	(317.9)	(50.5)	(50.9)	(75.5)				(6.9)	(5.5)	(0.1)	(259.1)	(225.9)	(393.5)
Insurance related expenses	(47.1)	(55.7)	(66.6)	(34.0)	(40.1)	(46.2)				(1.7)	0.0	0.0	(82.8)	(95.8)	(112.8)
Underwriting result	161.7	198.3	109.2	(26.2)	(28.7)	(30.0)				1.4	4.9	12.4	136.9	174.5	91.6
Profit commission	71.8	85.4	54.3	0.0	0.0	0.0				0.0	0.0	0.0	71.8	85.4	54.3
Gross ancillary revenue	178.7	175.0	188.5	6.9	7.5	10.6				0.0	0.0	0.0	185.6	182.5	199.1
Ancillary costs	(37.1)	(41.8)	(47.9)	(0.8)	(1.2)	(2.0)				0.0	0.0	0.0	(37.9)	(43.0)	(49.9)
Instalment income	22.8	27.3	34.4	0.2	0.2	2.0				0.0	0.1	0.0	23.0	27.6	36.4
Gladiator contribution										3.0	1.9	2.0	3.0	1.9	2.0
Price comparison revenue							107.5	108.1	129.2				107.3	108.1	129.2
Price comparison expenses							(110.3)	(123.6)	(132.1)				(110.3)	(123.6)	(132.1)
Interest income										1.5	1.2	1.0	1.5	1.2	1.0
Other (mainly share scheme)				0.0	0.0					(25.8)	(34.8)	(41.8)	(25.8)	(34.8)	(41.8)
Interest payable										(4.6)	(11.1)	(11.4)	(4.6)	(11.1)	(11.4)
Profit/(loss) before tax	397.9	444.2	338.5	(19.9)	(22.2)	(19.4)	(2.8)	(15.5)	(2.9)	(24.5)	(37.8)	(37.8)	350.7	368.7	278.4

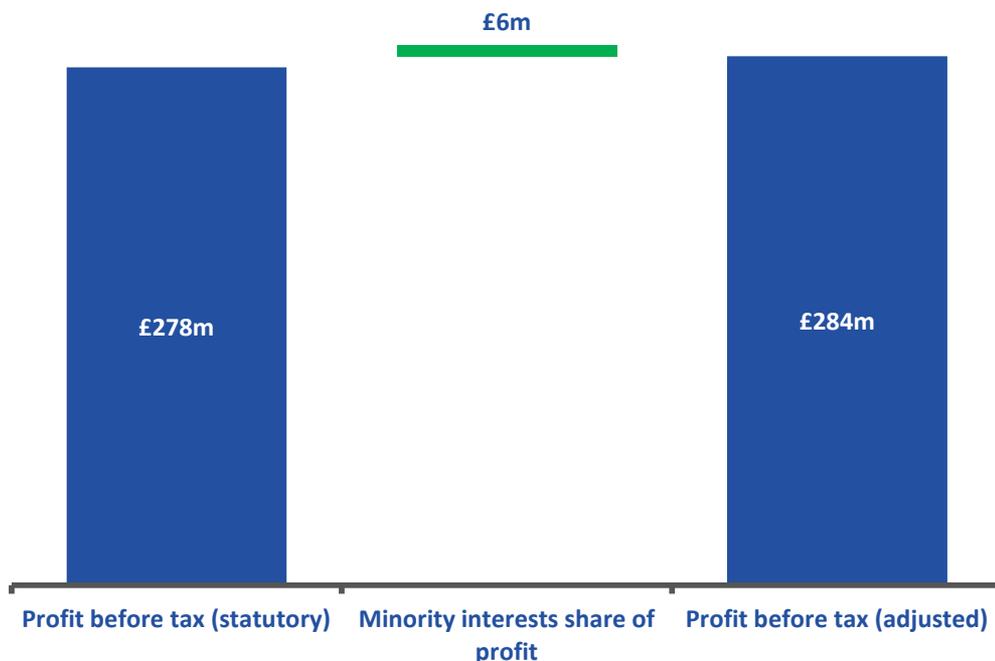
Note: (1) Statutory financial information not adjusted to exclude minority interests' share

Balance Sheet

	Dec-14 £m	Dec-15 £m	Dec-16 £m
ASSETS			
Property, plant and equipment	32.3	34.9	32.0
Intangible assets	107.2	142.3	162.3
Reinsurance contracts	829.8	878.7	1,126.4
Financial assets	2,194.1	2,323.5	2,420.2
Deferred income tax	22.9	20.6	8.4
Insurance and other receivables	435.3	537.1	784.9
Cash and cash equivalents	255.9	265.3	326.6
Total assets	<u>3,877.5</u>	<u>4,202.4</u>	<u>4,860.8</u>
EQUITY			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	540.6	599.6	505.7
Other reserves	13.2	2.7	51.8
Total Equity (shareholders)	<u>567.2</u>	<u>615.7</u>	<u>570.9</u>
Non-controlling interests	13.7	17.2	10.8
Total equity	580.9	632.9	581.7
LIABILITIES			
Insurance contracts	2,097.4	2,295.0	2,749.5
Subordinated liabilities	203.8	223.9	224.0
Trade and other payables	965.8	1,015.0	1,292.2
Corporation tax liabilities	29.6	35.6	13.4
Total liabilities	3,296.6	3,569.5	4,279.1
Total liabilities and equity	<u>3,877.5</u>	<u>4,202.4</u>	<u>4,860.8</u>

Group Profit Before Tax reconciliation

Reconciliation from statutory to adjusted profit before tax



- Admiral has five operations with shared ownership: Rastreator (Admiral share of ownership 75.0%); compare.com (71.1%); Admiral Law and BDE Law (90.0%); Preminen (50.0%)
- Profit or losses in period accruing to minority parties reduce or increase the results respectively
- compare.com is 29% owned by third parties. Total loss was £22.8 million, therefore £6.6 million is added back to Group Profit Before Tax
- The impact of other minority interest is not significant

Investments update

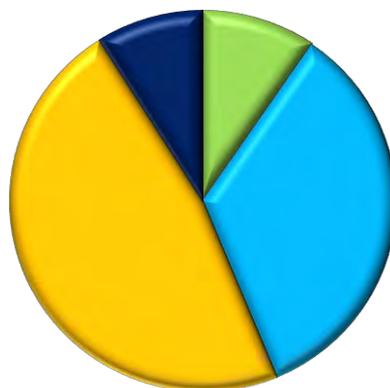
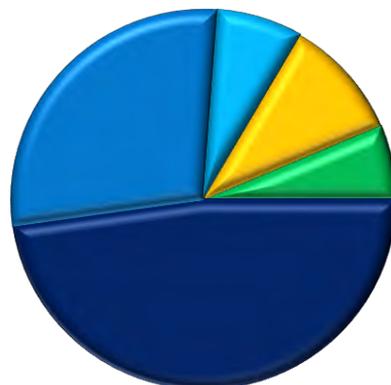
Investment analysis

Dec '15: £2,589m

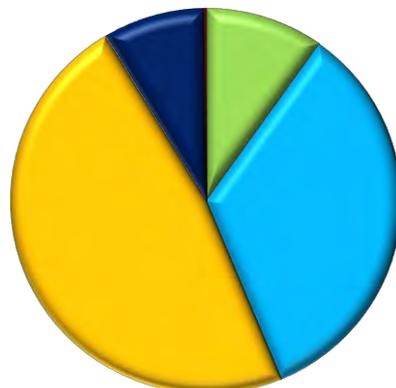


- Cash
- Deposit
- Gilts
- Fixed income
- MM funds

Dec '16: £2,747m



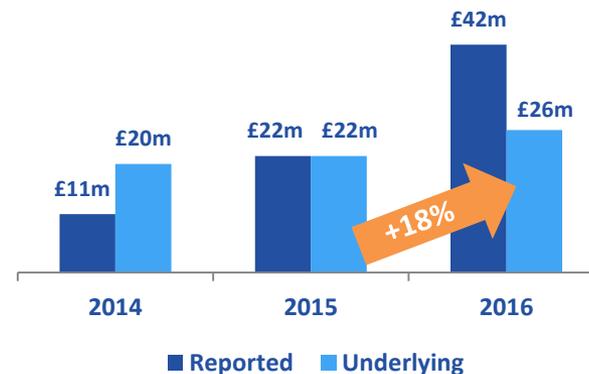
- AAA
- AA
- A
- BBB
- BB



Investment income

- 2015 and 2016 interest and investment income is distorted by differences in accounting for income on quota share funds withheld
- 2016 also includes £6.5m foreign exchange gain
- Underlying net income increased by 18% to £26m due to higher rate of return on larger balances

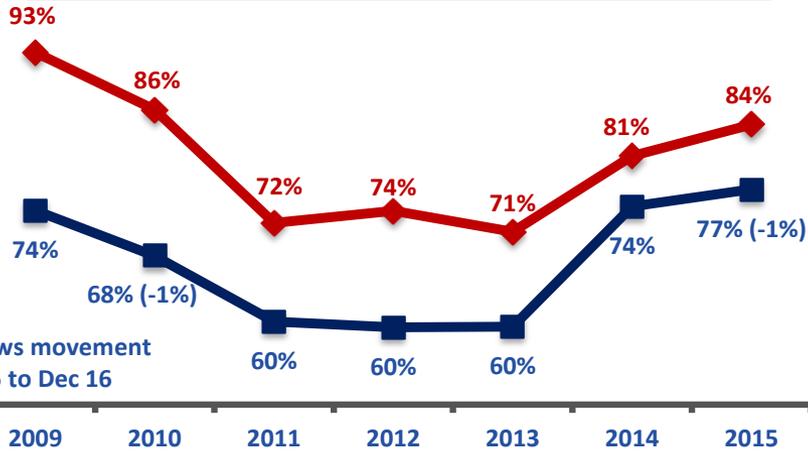
Net investment income¹ (£m)



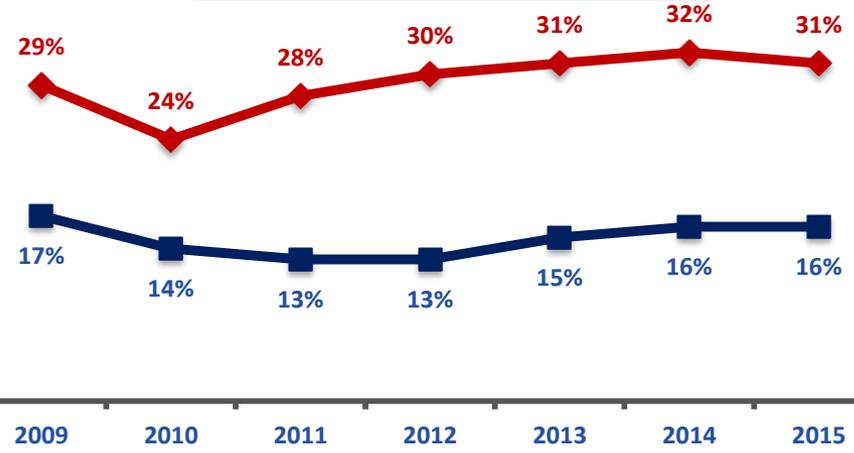
Note: (1) Investment income net of interest cost on bond. Income figures include interest on gilts purchased with bond issue proceeds.

UK Car Insurance: Admiral vs Market Ultimate Loss Ratio, Expense Ratio and Combined Ratio

Projected ultimate loss ratio: Admiral vs Market

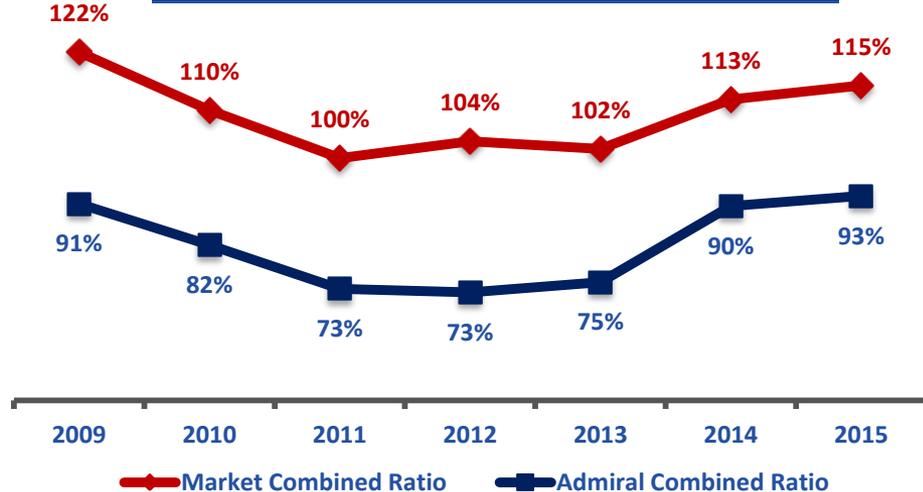


Expense ratio: Admiral vs Market



() shows movement Jun 16 to Dec 16

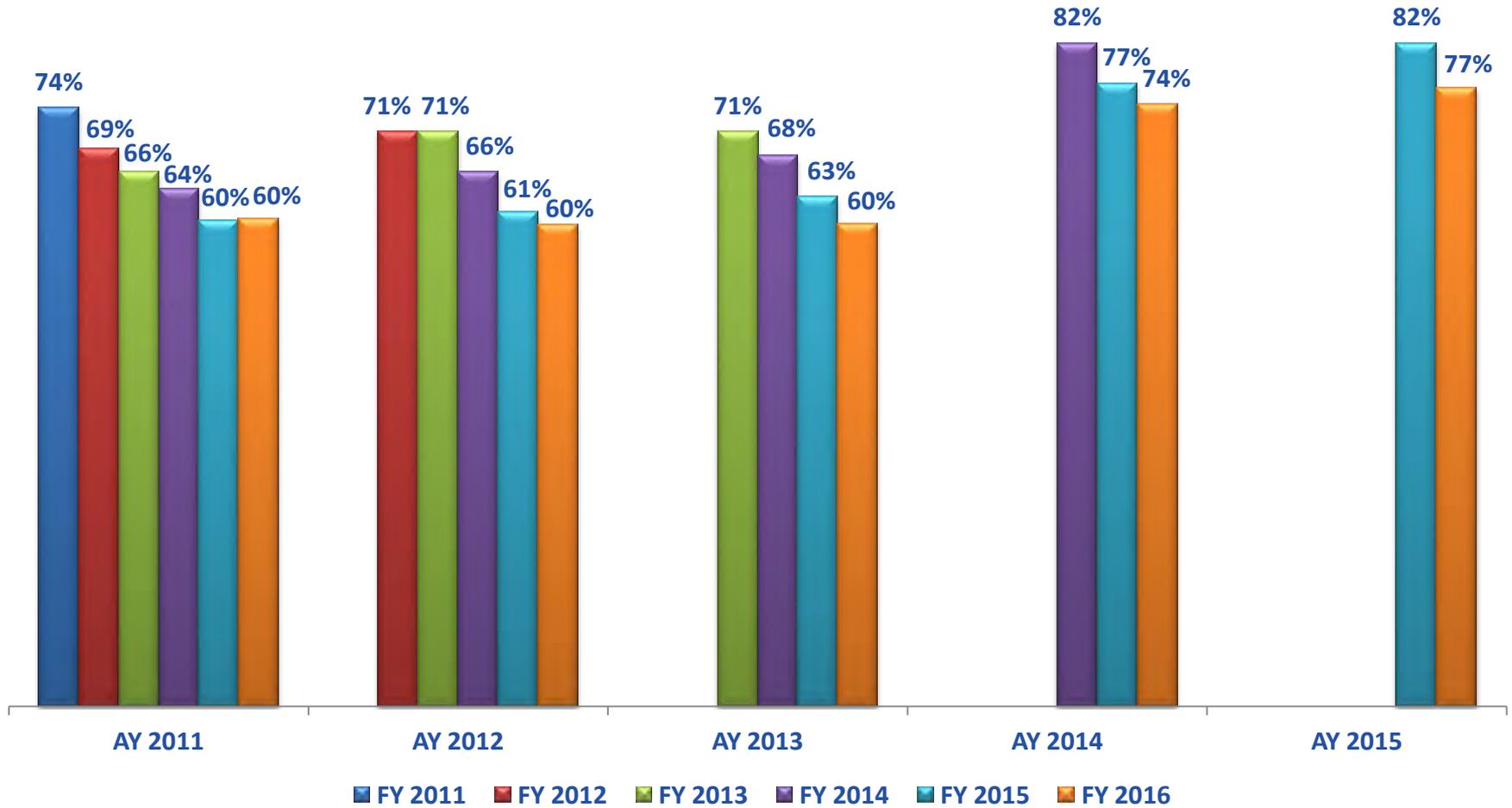
Ultimate combined ratio: Admiral vs Market



Note: (1) Analysis of PRA returns as at 31 December 2015. Market excludes Admiral. Loss ratio: accident year. (2) Independent actuarial projection of ultimate loss ratio on accident year basis. (3) Analysis of PRA returns as at 31 December 2015. These numbers include UKI (due to unusually high or low expense ratios, UKI numbers may be distorted). (4) Admiral expense ratio is on a written basis.

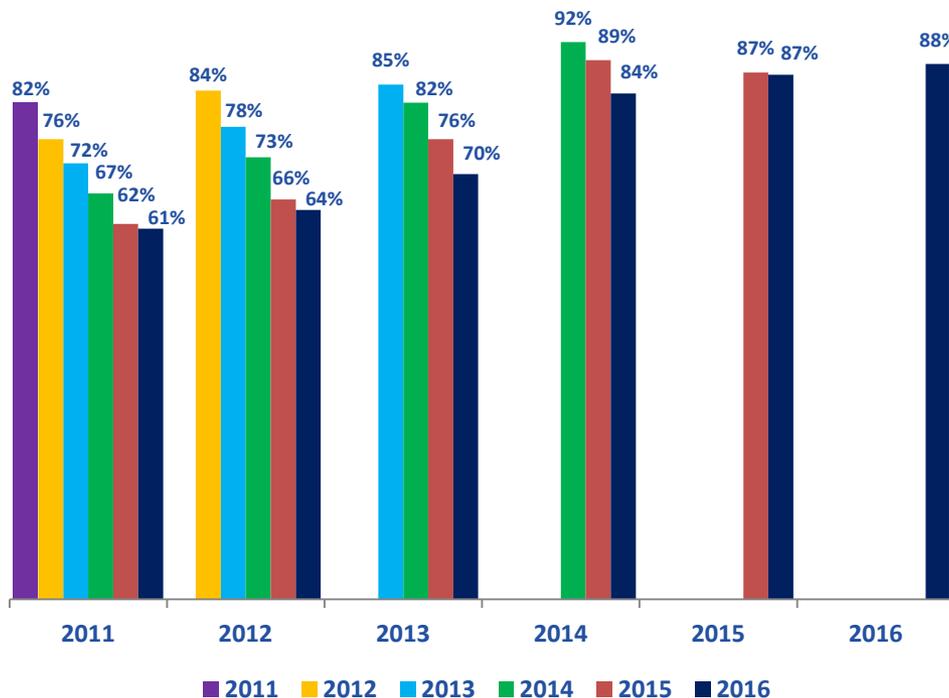


UK Car Insurance: Ultimate Loss Ratio development by accident year



UK Car Insurance: Booked Loss Ratio development by underwriting year

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



Sensitivity of booked loss ratio

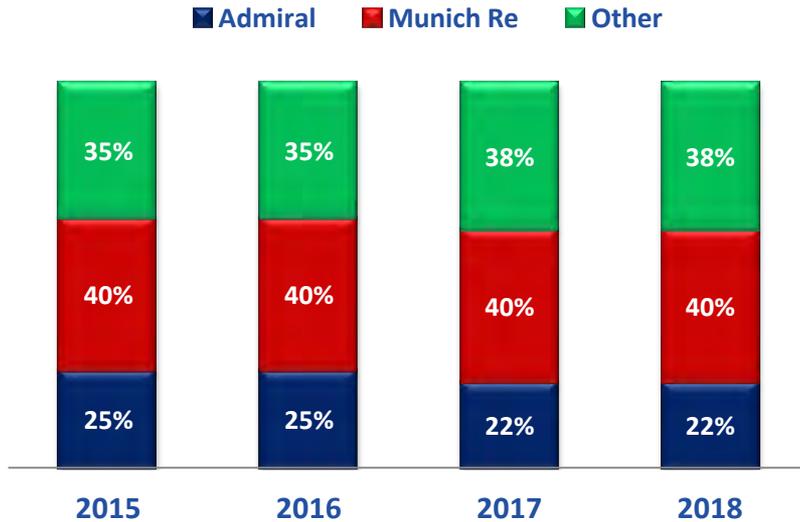
Underwriting year	2013	2014	2015	2016
Booked loss ratio	70%	84%	87%	88%
PAT impact of 1% improvement	£11m	£7m	£3m	£2m

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

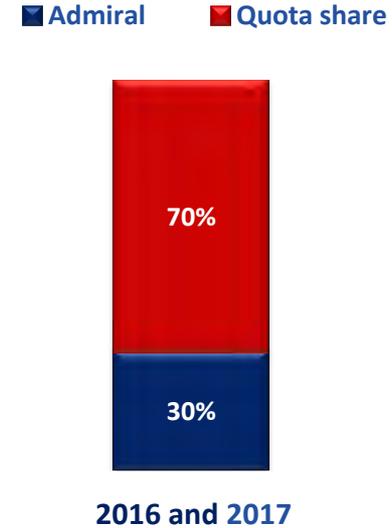
Note: underwriting year basis, therefore direct comparison to ultimate loss ratios on accident year basis is inappropriate.



Motor



Household

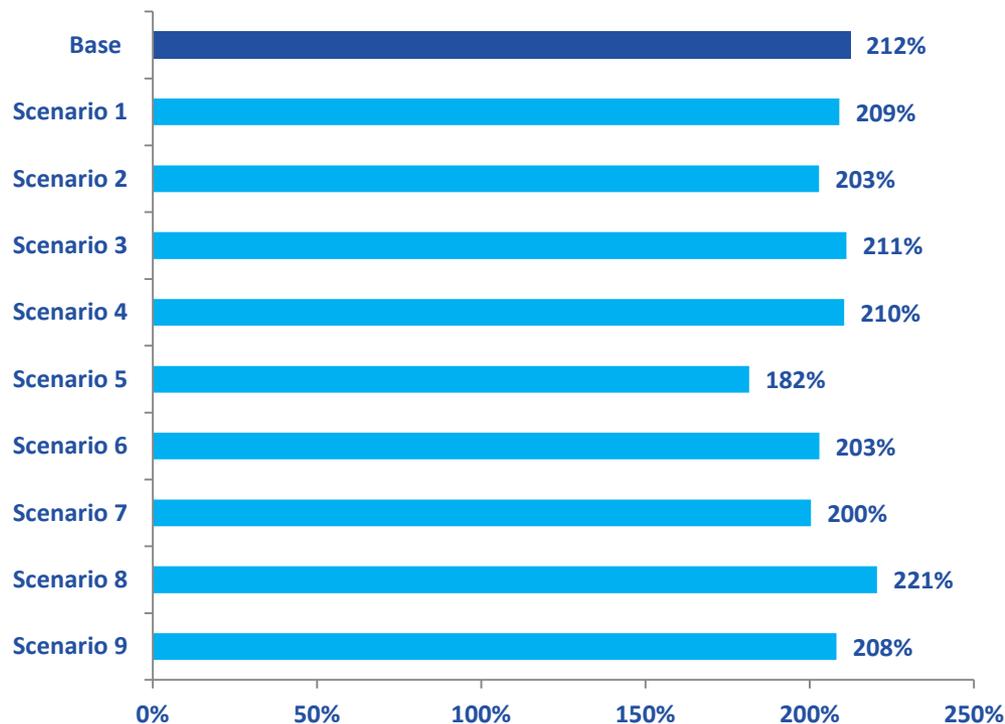


- Fully placed reinsurance arrangements until the end of 2018
- Similar contract terms and conditions
- Reduction of underwriting share from 25% to 22% with effect from 2017
- Munich Re continues to underwrite 40% of the UK business until at least the end of 2020

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

Solvency ratio sensitivity analysis

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



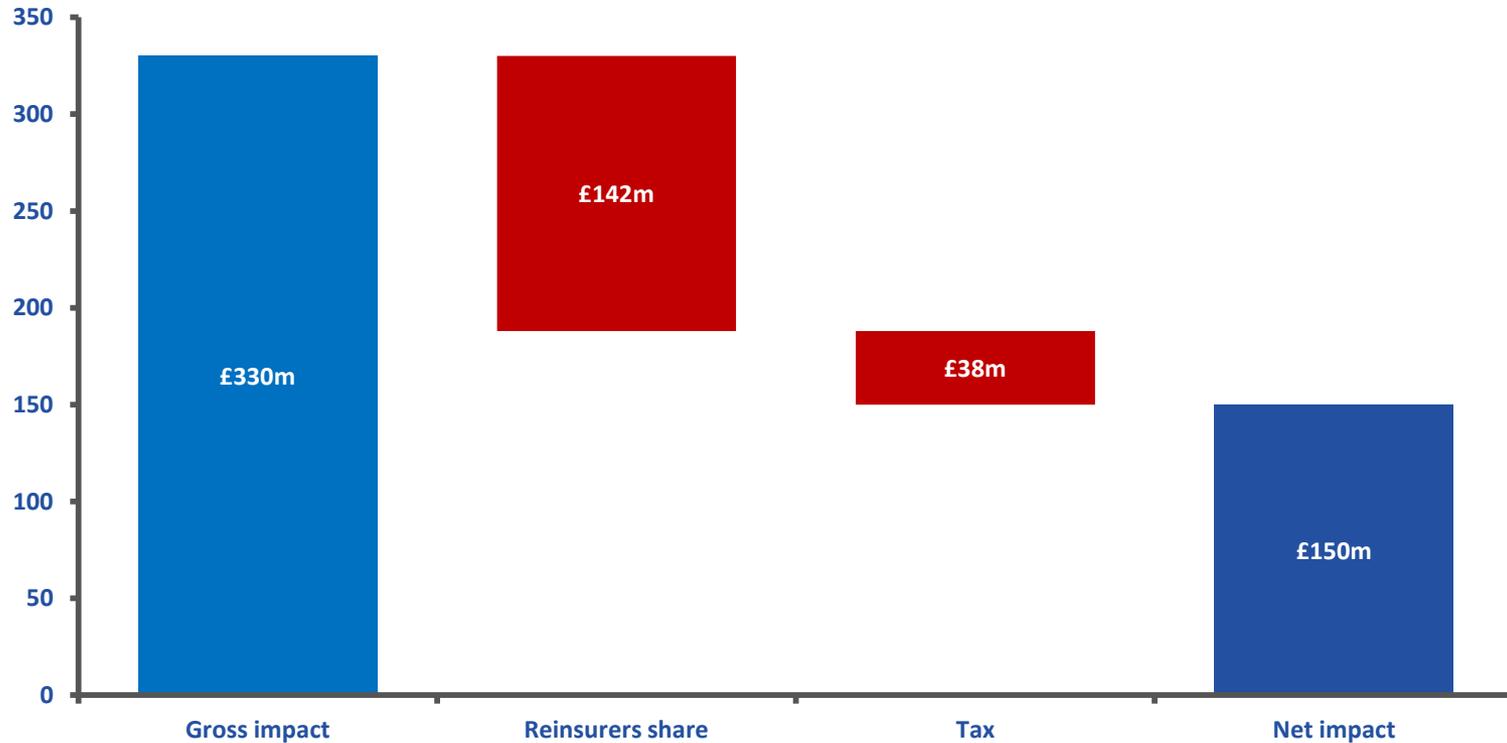
Scenarios

1. Currency – 25% movement in € and \$
2. ASHE – long term ASHE +0.5%
3. UK Motor – CAT 1 in 200 event
4. UK Household – CAT 1 in 200 event
5. UK Motor – incurred loss ratio +5% (2014 & 2015 u/w years)
6. UK Motor – incurred loss ratio +1% (2014 & 2015 u/w years)
7. Interest rate – negative yield curve -50 bps
8. Interest rate – positive yield curve +50 bps
9. Credit – spread +100 bps

Note: Estimated (and unaudited) Solvency II capital position at date of this report (8 March 2017). Figures based on volatility adjusted yield curve at 31 December 2016, regulatory approval received February 2017. Updated Capital Add-On (including deferred tax) remains subject to regulatory approval process.

Estimated Ogden impact net of reinsurance and tax

Estimated Ogden impact¹ at minus 0.75% (net of reinsurance and tax)



Note: (1) Estimated net financial impact represents the profit impact after reinsurance and taxation at 20%. This represents the financial impact of a change in the discount rate applied to all open claims and projected future claims in respect of business written up to the date of the change settling at the new rate.

International Car Insurance market statistics



(2016)



(2016)



(2015)



(2015)

**Gross Written
Premium**

£9.2bn

£14bn

£128bn

£12bn

**Direct insurer
share of
market**

22%
of total market

4%
of total market

26%
of total market

11%
of total market

Vehicles

23m

35m

220m

44m

Combined Ratio

98%

104%

105%

94%-96%



Consultation Paper ‘Reforming the soft tissue (whiplash) injury claims process’

The Government provided more detail on whiplash reforms in a Consultation published in November 2016. In February 2017 they gave more clarification around those reforms and announced the legislative process. The proposed date of implementation is October 2018.

The reform has three main elements:

- One fixed sum tariff as below. There can be an uplift of up to 20% on the tariff where there are exceptional circumstances (to be determined by the Courts).

Injury duration	2015 Average payment ¹	Judicial College Guideline	New tariff amounts
0–3 months	£1,750	A few hundred pounds to £2,050	£225
4–6 months	£2,150	£2,050 to £3,630	£450
7–9 months	£2,600	£2,050 to £3,630	£765
10–12 months	£3,100	£2,050 to £3,630	£1,190
13–15 months	£3,500	£3,630 to £6,600	£1,820
16–18 months	£3,950	£3,630 to £6,600	£2,660
19–24 months	£4,500	£3,630 to £6,600	£3,725

- Small Claims Track to rise to £5,000 from the current limit of £1,000. This will apply to RTA related injuries only. It will increase to £2,000 for all non-RTA injuries.
- Pre-medical offers for RTA whiplash injuries will be banned through legislation. There will be no exceptions and the regulator will police it.

Note: (1) For pain, suffering and loss of amenity ('PSLA') (uplifted to take account of JCG uplift.) Source: JCG (13th edition) published September 2015.

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 the accident took place.
Underwriting Year	The year in which the policy was inception. 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 in excess of £5m, for any individual claim that is in excess of £5m the reinsurance company covers all 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

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seguros

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Auto


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