

Remuneration report

The following report has been approved by the Remuneration Committee (the Committee) and the Board for submission to shareholders.

The Committee is chaired by John Sussens, with the other member being Martin Jackson. Both are independent non-executive directors. Prior to the Company’s listing on the London Stock Exchange the members were Alastair Lyons, Henry Engelhardt and Owen Clarke (who resigned from the Board on 7 September 2004). The Chairman and Chief Executive are invited to meetings as appropriate.

During the year the Committee did not purchase any consultancy services.

Directors’ service contracts

The Company entered into new service contracts with the three executive directors in September 2004 which supersede all previous agreements. New notice periods have been agreed, which are set out opposite.

There is no provision in the executive directors’ contracts for compensation to be payable on early termination of their contract over and above the notice period element.

The Company has also entered into letters of appointment with its non-executive directors. Summary details of terms and notice are set out opposite. Again, there is no provision for compensation for early termination of the appointments.

Executive director remuneration policy

The current executive directors are all founding directors. They and the Committee have taken the view that the significant shareholdings held by them provide a sufficient alignment of their interest in the performance of the Group with the interests of other shareholders. The Committee has not, therefore, established a specific performance-related element within their total remuneration.

In light of this, their remuneration packages consist of base salary (benchmarked against market rates by the Committee) and benefits such as private medical cover, permanent health insurance and death in service cover. The Group does not contribute to any pension arrangements on behalf of the executive directors, and it is not intended that they will participate in any Group share schemes.

	Notice – director (month)	Notice – Company (months)
Henry Engelhardt	12	18
Andrew Probert	6	6
David Stevens	12	12

	Term and notice
Alastair Lyons	Indefinite (terminable on three months’ notice from either party)
Manfred Aldag	Indefinite (terminable on one month’s notice from either party) – automatically terminates should Manfred cease employment with Munich Re
Martin Jackson	Indefinite (terminable on one month’s notice from either party)
Keith James	Indefinite (terminable on one month’s notice from either party)
John Sussens	Indefinite (terminable on one month’s notice from either party)

The remuneration of non-executive directors is decided by the full Board, the non-executive directors abstaining.

REMUNERATION REPORT

Directors' remuneration (audited)

Remuneration for the year ended 31 December is as set out opposite.

	Base salary and fees (£000)	Bonuses (£000)	Benefits (£000)	2004 Total (£000)	2003 Total (£000)
Executive directors					
Henry Engelhardt	260	–	–	260	270
Andrew Probert	180	–	–	180	162
David Stevens	216	–	–	216	210
Non-executive directors					
Alastair Lyons *	74	–	–	74	50
Manfred Aldag	12	–	–	12	–
Martin Jackson	11	–	–	11	–
Keith James	36	–	–	36	35
John Sussens	13	–	–	13	–
Non-executive directors resigning during 2004					
Owen Clarke	15	–	–	15	19
Pratt Thompson	–	–	–	–	–
Totals	817	–	–	817	746

* With effect from August 2004 Alastair Lyons has agreed to waive 25% of his annual fee.

Directors' shareholdings (audited)

Directors' interests in the ordinary shares of the Company are as set out opposite. As a result of the listing on September 28 2004, the Company's share capital was significantly restructured. Refer to note 23 for further detail.

	31 Dec 2004 ordinary shares of 0.1p	31 December 2003			Total
		A shares of 10p	B shares of 10p	C shares of 10p	
Executive directors					
Henry Engelhardt *	40,466,720	–	33,201	2,930	36,131
Andrew Probert	5,250,000	–	4,150	850	5,000
David Stevens *	19,768,000	–	16,600	2,600	19,200
Non-executive directors					
Alastair Lyons	915,600	–	–	872	872
Manfred Aldag	–	–	–	–	–
Martin Jackson	–	–	–	–	–
Keith James	42,000	–	–	–	–
John Sussens	8,000	–	–	–	–
Non-executive directors resigning during 2004					
Owen Clarke	–	590	–	–	590
Pratt Thompson	–	–	–	–	–

* Include amounts held by family members and in trusts settled by family members.

Share options (audited)

Keith James received and exercised options over 56,000 0.1p shares in Admiral Group plc on 7 and 9 September respectively. No other director received or holds share options.

The exercise price was 0.1p per share and there was no charge for the grant of the options. The fair value of each share at exercise was £2.75. The gain on the exercise of the options was £154,000, which is not included in the detailed remuneration table above. The options were granted to recompense Keith James for time, over and above that required by his terms of appointment, spent working with the Board in preparation for the listing.

	Held at 1 January 2004	Options granted	Options exercised	Held at 31 December 2004
Keith James	–	56,000	(56,000)	–

Total shareholder return

The graph opposite sets out a comparison of total shareholder return for Admiral Group plc shares with that of the FTSE 350 Index, of which the Company is a constituent. The graph measures the period from the commencement of conditional listing on 23 September 2004 up to 31 December 2004.

The directors consider this is the most appropriate index against which the Company should be compared and the index is also the benchmark against which future Executive Restricted Share Plan awards will be assessed.

This report was approved by the Board of directors on 18 March 2005 and is signed on its behalf by the Committee Chairman.



John Sussens
Remuneration Committee Chairman
18 March 2005

