

Remuneration report

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

Section 1: Information not subject to audit

The Remuneration Committee

The Committee is chaired by John Sussens, the Senior Independent Non-executive Director, with the other members being Martin Jackson and Gillian Wilmot. Gillian Wilmot was appointed to the Board and Committee on 26 April 2005. The Chairman and Chief Executive are invited to meetings where the Committee considers it appropriate to obtain their advice on the matters under review.

The Admiral Group Board Directors' remuneration is determined by the Committee. The Committee also reviews and recommends any changes proposed to the Group's share schemes, as well as having an overview of shares issued by the Group's Senior Executive Restricted Share Scheme.

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

Policy on Executive Directors' remuneration

The current Executive Directors are all founding Directors. They and the Committee continue to hold 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.

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.

Executive Directors' remuneration is reviewed annually by the Committee, taking into account salary levels of comparable companies. Salaries were last reviewed in May 2005, when it was decided to give increases to Executive Directors which averaged 6.3%.

It is the Committee's general strategy, with agreement from the Executive Directors, to pay salaries at below median levels, their participation in the success of the Group coming from increases in the value of the shares held by each Executive Director.

Directors' service contracts

The Company entered into new service contracts with the three Executive Directors just prior to the Company's listing on the London Stock Exchange in September 2004. The notice from the Company required to terminate the Chief Executive's contract was reduced (with effect from 23 November 2005) from 18 months to 12 months - no compensation was requested or paid for this change.

The following table summarises the notice periods relating to the service contracts of the Executive Directors.

	Notice – Director (months)	Notice – Company (months)
Henry Engelhardt	12	12
Andrew Probert	6	6
David Stevens	12	12

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 entered into letters of appointment with its Non-executive Directors. Summary details of terms and notice are included below. Again, there is no provision for compensation for early termination of the appointments.

Term and notice	
Alastair Lyons	Indefinite (<i>terminable on three month's notice from either party</i>)
Manfred Aldag	Indefinite (<i>terminable on one month's notice from either party</i>) – Automatically terminates should Manfred cease employment with Munich Re.
Martin Jackson	Indefinite (<i>terminable on one month's notice from either party</i>)
Keith James	Indefinite (<i>terminable on one month's notice from either party</i>)
John Sussens	Indefinite (<i>terminable on one month's notice from either party</i>)
Gillian Wilmot	Indefinite (<i>terminable on one month's notice from either party</i>) <i>(appointed 26 April 2005)</i>

Given the short notice periods applicable, mitigation issues are unlikely to arise.

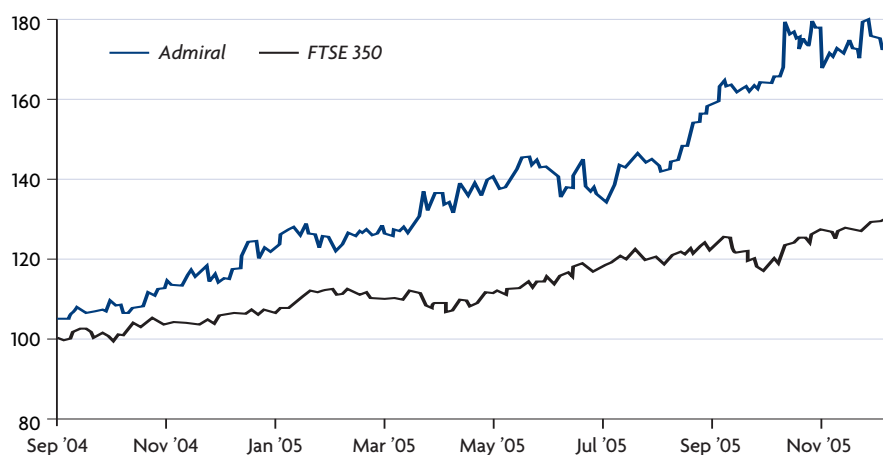
The remuneration of the Chairman is decided by the Remuneration Committee and that of the Non-executive Directors by the full Board. The Non-executive Directors do not participate in meetings where Non-executive Director fees are discussed.

As noted in the Corporate Governance Report, the Non-executive Directors' appointments are not for specified terms as recommended by the Combined Code (A.7.2). This is currently being reviewed by the Nominations Committee.

Total Shareholder Return (TSR)

The following graph 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 trading on 23 September 2004 up to 31 December 2005. TSR is defined as the percentage change over the period, assuming reinvestment of income and funding of liabilities.

The Directors consider this to be the most appropriate index against which the Company should be compared.



Source: Datastream

Section 2: Information subject to audit

Directors' emoluments

Remuneration for the year ended 31 December was as follows:

	Base salary and fees (£000)	Bonuses (£000)	Benefits (£000)	2005 Total (£000)	2004 Total (£000)
Executive Directors					
Henry Engelhardt	268	—	—	268	260
Andrew Probert	224	—	—	224	180
David Stevens	240	—	—	240	216
Non-executive Directors					
Alastair Lyons*	60	—	—	60	74
Manfred Aldag**	6	—	—	6	12
Martin Jackson	30	—	—	30	11
Keith James	38	—	—	38	36
John Sussens	35	—	—	35	13
Gillian Wilmot	28	—	—	28	—
Totals	929	—	—	929	817

*With effect from August 2004 Alastair Lyons waived 25% of his annual fee.

**The 2004 fees for Manfred Aldag included fees due for 2003 of £6,000 paid in 2004.

For details of Directors' responsibilities, please refer to the biographies section.

Directors' shareholdings

Directors' interests in the ordinary shares of the Company are set out below:

	Ordinary shares of 0.1p	
	31 December 2005	31 December 2004
Executive Directors		
Henry Engelhardt*	40,466,720	40,466,720
Andrew Probert	3,500,000	5,250,000
David Stevens*	19,768,000	19,768,000
Non-executive Directors		
Alastair Lyons	715,600	915,600
Manfred Aldag	–	–
Martin Jackson	–	–
Keith James*	44,500	42,000
John Sussens	8,000	8,000
Gillian Wilmot	–	–

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

This report was approved by the Board of Directors on 3 March 2006 and is signed on its behalf by the Committee Chairman:



John Sussens

Remuneration Committee Chairman