

Corporate governance

The Combined Code on Corporate Governance

This report explains key features of the Group's governance structure, how it applies the principles set out in the revised Combined Code on Corporate Governance (the 'Code'), and the extent to which the Company has complied with the provisions of the Code.

The Board complied with the Combined Code in all respects during 2008 except for Code D.1.1, which requires that the Senior Independent Director should attend meetings with a range of shareholders. The Company has a comprehensive programme of meetings and dialogue with institutional investors. The views of investors expressed through this dialogue are communicated to the Board as a whole through the investor relations report. All Directors can, therefore, develop an understanding of issues or concerns of major shareholders should any be raised. Feedback from shareholders suggests that these arrangements for communication between the Company and its shareholders continue to be viewed by them as effective. The Senior Independent Director is always available to meet with individual shareholders on request to ensure the Board is aware of any shareholder concerns that cannot be resolved through the routine mechanisms for investor communications.

The Admiral Group Board

The Board is the principal decision making forum for the Group providing leadership either directly or through its Committees of Directors and delegated authority. It is responsible to shareholders for setting and achieving the Group's strategic objectives and for its financial and operational performance. The Board has adopted a formal schedule of matters specifically reserved to it including corporate strategy, approval of budgets and financial results, policies in relation to risk management, health and safety and environmental matters, new Board appointments, proposals for dividend payments, and the approval of major transactions. This schedule is reviewed on an annual basis and was last reviewed on 17 December 2008.

The Board met on eight occasions in 2008. The Board also held a strategy day and visited its operations in Italy. In addition, the Non-executive Directors and the Chairman met during the year without the Executive Directors being present. Agendas and papers are circulated to the Board in a timely manner in preparation for Board and Committee meetings. These papers are supplemented by information specifically requested by the Directors from time to time. All Directors are, therefore, able to bring independent judgement to bear on issues such as strategy, performance, and resources. Additional meetings are called when required and there is frequent contact between meetings, where necessary, to progress the Group's business.

All the Directors have access to the advice and services of the Company Secretary. He has responsibility for ensuring that Board procedures are followed and for governance matters. The Company Secretary provides updates to the Board on regulatory and corporate governance issues, new legislation and Directors' duties and obligations. The appointment and removal of the Company Secretary is one of the matters reserved for the Board.

During the year the Board carried out an evaluation of itself and its Committees. The process was facilitated by the Chairman and consisted of the completion of a questionnaire followed by one-to-one discussions between each Director and the Chairman where the Board's role and structure, process and relationships and any emerging issues were discussed. A final detailed report was circulated to the Board and a number of recommendations agreed. The evaluation concluded that the Board and its Committees performed well during the year and are effective in meeting their objectives and fulfilling their obligations.

The Chief Executive, to whom they report, appraises the performance of the individual Executive Directors annually. The Chairman, taking into account the views of the other Directors, conducts the performance appraisal of the Chief Executive. The performance of the Chairman is reviewed by the Non-executive Directors, led by the Senior Independent Non-executive Director (John Sussens), taking into account the views of the Executive Directors. John Sussens gave individual feedback to the Chairman and was able to confirm that the performance of the Chairman continues to be effective, and that the Chairman continues to demonstrate commitment to his role.

The number of full Board meetings and Committee meetings attended by each Director during 2008 is provided in the table below.

	Scheduled Board meetings	Audit Committee meetings	Nominations Committee meetings	Remuneration Committee meetings
Total meetings held	8	4	2	5
Alastair Lyons (Chairman)	8		2	
Henry Engelhardt (Chief Executive)	7			
David Stevens (Chief Operating Officer)	8			
Kevin Chidwick (Finance Director)	8			
Manfred Aldag	8			
Martin Jackson	8	4		5
Keith James	8	4	2	
Margaret Johnson	8	4		5
Lucy Kellaway	8		2	
John Sussens	8			5

The roles of the Chairman and Chief Executive

The Board has approved a statement of the division of responsibilities between the Chairman and the Chief Executive. The Chairman is primarily responsible for the leadership and workings of the Board, setting its agenda and monitoring its effectiveness. The Chairman is not involved in the day-to-day management of the business. Save for matters reserved for decision by the Board, the Chief Executive, with the support of the other Executive Directors, is responsible for the running of the business, carrying out the agreed strategy adopted by the Board and implementing specific Board decisions relating to the operation of the Group. The statement of division of responsibilities and matters reserved for decision by the Board were reviewed in December 2008.

Board balance and independence

The Board currently comprises ten Directors, the Chairman (who was independent on appointment), three Executive Directors, five independent Non-executive Directors and one Non-executive director who is employed by a significant shareholder and is not, therefore, considered independent. The Board has accepted the Nomination Committee's assessment of the independence of the five Non-executive directors and is not aware of any relationships or circumstances which are likely to affect, or could appear to affect, the judgement of any of them.

Independent Non-executive Directors are currently appointed for fixed periods of three years, subject to election by shareholders.

The initial three-year period may be extended for one further three-year period and the Board may invite the non-executive director to serve for a further three-year period, subject to

re-election by shareholders. Their letters of appointment may be inspected at the Company's registered office or can be obtained on request from the Company Secretary.

In the view of the Board, the independent non-executive directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

Details of the Chairman's other commitments are included in the Chairman's biography. The Chairman does perform a number of other Non-executive roles outside the Group but the Board is satisfied that these are not such as to interfere with the performance of his duties within the Group.

John Sussens has been appointed as the Senior Independent Non-executive Director. He is available to shareholders if they have concerns that contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

In accordance with the Company's Articles, which provide that a set number of Directors retire by rotation and stand for re-election at each AGM, Manfred Aldag, Henry Engelhardt and Kevin Chidwick will retire by rotation and seek re-election by shareholders at the forthcoming AGM.

The Directors are given access to independent professional advice at the Group's expense, should they deem it necessary, to carry out their responsibilities.

Professional development

On appointment, Directors take part in a comprehensive induction programme where they receive financial and operational information about the Group, details concerning their responsibilities and duties, as well as an introduction to the Group's governance and control environment.

This induction is supplemented by visits to the Group's head office in Cardiff and meetings with members of the senior management team and their departments. Throughout their period in office the directors are regularly updated on the Group's business; legal matters concerning their role and duties; the competitive environments in which the Group operates; and any other significant changes affecting the Group and the industry of which it is a part.

The Board receives presentations from senior managers within the various Group companies on a regular basis.

Relations with shareholders

The Investor Relations team has day-to-day primary responsibility for managing communications with institutional shareholders through a combination of briefings to analysts and institutional shareholders, both at the half-year and full year results. Site visits and individual discussions with the Executive Directors are also arranged throughout the year with individual shareholders. Regular dialogue with shareholders helps to ensure that the Company's strategy is understood and that any issues are addressed in a constructive way.

In fulfilment of the Chairman's obligations under the new Combined Code, the Chairman would give feedback to the Board on issues raised with him by major shareholders, although to date there have been no such issues.

This is supplemented by monthly feedback to the Board on meetings between management and investors. External analyst reports are circulated to all the Directors.

The Chairmen of the Audit, Remuneration and Nomination Committees attend the Company's Annual General Meeting along with other directors, and are available to answer shareholders' questions on the activities of the Committees they chair.

The Group maintains a corporate website (www.admiralgroup.co.uk) containing a wide range of information of interest to institutional and private investors.

Board Committees

The principal committees of the Board - Audit, Remuneration and Nomination - all comply fully with the requirements of the Combined Code. They are all chaired by an Independent Director and exclusively comprise, or, in the case of the Nomination Committee (where the Chairman of the Board is a member), have a majority of, Independent Directors. The committees are constituted with appropriate written terms of reference that are reviewed annually and minutes of the committee meetings are circulated to the Board.

The Audit Committee

Constitution and membership

The membership at the year-end was Martin Jackson (Chairman), Keith James, and Margaret Johnson. The Company Secretary acts as Secretary to the Committee. Appointments to the Committee are for a period of up to three years, which may be extended for two further three year periods, provided the Director remains independent. The Committee meets at least three times per year and has an agenda linked to events in the Company's financial calendar.

The Committee has a formal terms of reference, which were reviewed by the Committee on 19 November 2008 and approved by the Board on 17 December 2008.

The Board considers that the members of the Committee have the appropriate competence and experience to carry out their duties and further considers that Martin Jackson (Committee Chairman) has the appropriate recent and relevant financial experience having held the position of Group Finance Director of Friends Provident Plc between 2001 and 2003 and being a fellow of the Institute of Chartered Accountants, which imposes requirements for Continuing Professional Development. The Committee is kept up to date with changes to Accounting Standards, relevant developments in financial reporting, company law and the various regulatory frameworks through presentations from the Group's external auditors, Head of Finance and Company Secretary. In addition members are provided with information on seminars and conferences provided by external bodies. The Terms of Reference of the Audit Committee include all the matters suggested by the Code.

Other individuals such as the Finance Director, Chief Operating Officer, Chief Executive, Chairman of the Board, the Heads of Risk, Compliance and Internal Audit and representatives of different parts of the Group may be invited to attend all or part of any meeting as and when appropriate. The external auditors are invited to attend meetings of the Committee on a regular basis.

Summary of key activities during 2008

During the year the Committee reviewed the following:

- Annual report and interim results
- Reports from the Group's internal audit department on the effectiveness of the Group's risk management procedures, details of key audit findings and actions taken by management
- Effectiveness of the Group's system of internal control including within its overseas operations
- Reports from the external auditors on their proposed audit scope, fees, audit, and auditor independence
- Performance of the internal audit department through self assessment (the internal audit department is subject to external assessment once every five years)
- The Group's 'whistleblowing' procedures.

The Committee reviewed its policy on non-audit services that, amongst other things, requires that the Committee approve all proposals for expenditure with the Group's auditors of over £30,000 on non-audit services. The policy was last reviewed on 19 November 2008. The Group's auditors, KPMG Audit plc, provide some non-audit services, the majority of which comprise compliance services related to various taxation issues within the Group, and which are not considered by the Committee to compromise their independence as auditors. The level of non-audit fees is reviewed twice a year by the Committee and details are included in the Report and Accounts.

The Head of Internal Audit is invited to all Committee meetings and provides a range of presentations and papers to the Committee, through which the Committee monitors the effectiveness of the Group's internal controls. Committee members receive copies of all internal audit reports and are given the opportunity to raise questions on the content and recommendations contained within the reports. The Committee approves the internal audit programme at the start of each calendar year and monitors the progress made in achieving the plan.

During the year, the Committee received a presentation from the Group's auditors on proportionate liability agreements although the Group has not yet entered into any such agreement with its auditors.

The Committee also approves the annual compliance review plan and receives copies of these reports. The Head of Compliance, who has responsibility for the Compliance and Risk management functions, provides the Committee with a quarterly Compliance report summarising the activities in this area.

The Committee has a policy that provision of external audit services be tendered every five years. This was last carried out in 2006 when the decision was made to retain the services of the incumbent external auditors. At the same time the external audit partner was rotated

The Nominations Committee

The membership at the year-end was Keith James (Chairman), Lucy Kellaway, and Alastair Lyons. The Company Secretary acts as Secretary to the Committee. The Committee invites the Chief Executive to attend meetings when it deems appropriate.

The Committee has formal terms of reference, which were last reviewed on 17 December 2008 and approved by the Board on 27 February 2009. The Committee met on two occasions during 2008.

The Committee leads the process for making appointments to the Board or where the appointee is likely to become a Board member. The Committee ensures there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board through a full evaluation of the skills, knowledge and experience of Directors. The Committee also ensures

plans are in place for orderly succession for appointments to the Board, and reviews the plans for other senior management positions. Responsibility for making senior management appointments rests with the Chief Executive.

During 2008, the Committee discussed succession planning across the Group with the Executive team. Planning for the most senior management positions was formerly in place but below this, succession planning within the Group was not fully documented. The People Services Manager has implemented a process of documenting and improving the approach taken by the Group to assess and monitor succession planning throughout the Group through the development of a Talent Management programme.

The Committee reviewed the current Board size, structure, and composition and confirmed that no further changes were required and that the leadership of the organisation was such that the Company could continue to compete effectively in the marketplace in which it operates.

The Remuneration Committee

The membership at the year-end was John Sussens (Chairman), Martin Jackson, and Margaret Johnson. The Company Secretary acts as Secretary to the Committee. The Committee invites the Chief Executive and Chairman to attend the meetings where it deems appropriate.

The Committee has formal terms of reference, which were last reviewed on 17 December 2008. The Committee met five times during 2008.

During the year the Committee carried out the following activities :-

- Reviewed the Group's overall remuneration policy and strategy
- Recommended for approval individual remuneration packages for Executive Directors, and Company Secretary
- Reviewed the rules and performance measures of the Group share schemes and recommended for approval the grant, award, allocation or issue of shares under such schemes.

A separate Remuneration Report is included within the Report and Accounts.

During the year the Committee purchased consultancy services from Kepler Associates. In addition, the Company Secretary circulates market survey results as appropriate to enable it to make judgments on the levels of remuneration for the Directors and to review the remuneration of the Group's senior Executives.

Internal control and risk management

The Board is ultimately responsible for the Group's system of internal control and, through the Audit Committee, has reviewed the effectiveness of these systems. The systems of internal control over business, operational, financial and compliance risks are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's internal controls; that it has been in place for the year ended 31 December 2008; and that, up to the date of approval of the annual report and accounts, it is regularly reviewed by the Board and accords with the internal control guidance for Directors provided in the Code.

A key element of the control system is that the Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clearly defined lines of responsibility. In order to ensure these responsibilities are properly discharged, the Board has delegated the task of supervising risk management and internal control to the Risk Management Committee (RMC).

There are several key elements to the risk management environment throughout the Group. These include the setting of risk management policy at Board level, enforcement of that policy by the Chief Executive, delivery of the policy by the RMC via the Group's systems of internal

control and risk management, and the overall assurance provided by the Audit Committee that the systems operate effectively.

The Board recognises that the day-to-day responsibility for implementing these policies must lie with the management team, whose operational decisions must take into account risk and how this can effectively be controlled. The Head of Compliance and the Risk Officer take responsibility for ensuring management are aware of their risk management obligations, providing them with support and advice, and ensuring that the risk management strategy is properly communicated. The head of each business unit or business area is required, with the support of the Risk Manager, to undertake a full assessment process to identify and quantify the risks that their departments face or pose to the Group and the adequacy of the controls in place to mitigate or reduce those risks. Reports are produced showing the most significant risks identified and the controls in place. Internal Audit and the Compliance function use the risk registers to plan their programme of audits to ensure that the controls described are actually in place.

The RMC receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms that are embedded within the operational units. The RMC and the Audit Committee also receive regular reports from Internal Audit, which include recommendations for improvement in the control and operational environment. The Audit Committee's role in this area is primarily confined to a high-level review of the arrangements for internal control although at its discretion the Committee may well request more detailed information on specific issues should they arise. The Board's agenda includes consideration of risk and control as a regular item and receives reports thereon from the RMC and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. On 27 February 2009 the Board carried out the annual assessment for the 2008 year by considering documentation from the Audit Committee, taking account of events since 31 December 2008.

The Audit Committee's ability to provide the appropriate assurance to the Board depends on the provision of periodic and independent confirmation, primarily by Internal Audit, that the controls established by management are operating effectively. The Audit Committee reviews the wider aspects of internal control and risk management, providing a high level challenge to the steps being taken to implement the risk management strategy.

The Board confirms that there were no significant issues arising during the year under review.

The Risk Management Committee

The Committee's members include the three Executive Directors, the Head of Compliance (who chairs the meetings), the Risk Officer, and senior management representatives.

One of the Committee's principal responsibilities is to ensure that the risk management policy approved by the Board is implemented throughout the Group. The Committee has formal terms of reference and is required to manage regulatory issues, assess and monitor reinsurance protection, and ensure that a risk management strategy is effectively employed by the Group. The Committee meets around 8 times a year and each Committee member receives an agenda and papers in a timely manner allowing the Committee to make informed decisions and take appropriate actions.

The Committee develops policies to ensure compliance with regulation and ensures that appropriate action is taken by the management team to implement compliant systems and procedures.

Internal Audit

The Internal Audit function assists management by providing them with timely, independent assurance that the controls established are operating effectively. This includes regular reviews of internal control systems and business processes, including compliance systems and procedures, and identification of control weaknesses and recommendations to management on improvements.

Going concern

The Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and therefore consider it appropriate to prepare the financial statements on the going concern basis.

Remuneration report

Scope of report

The remuneration report summarises the Group's remuneration policy and particularly its application with respect to the Directors. The report also describes how the Group applies the principles of good corporate governance in relation to Directors' remuneration in accordance with the Combined Code and Directors Remuneration Report Regulations 2002.02.

Remuneration Committee

The Committee is appointed by the Board and comprises only Non-executive Directors. The Committee is chaired by John Sussens, the Senior Independent Non-executive Director, with the other members being Martin Jackson and Margaret Johnson. The Chairman and Chief Executive are invited to meetings where the Committee considers it appropriate to obtain their advice on the matters under review. During the year ended 31 December 2008, the Committee met on five separate occasions. Its remit includes recommending the remuneration of the Chairman, the Executive Directors, and the Company Secretary; review of the remuneration of senior management; and review of the awards made under the performance related incentive schemes.

The Committee's terms of reference, which are reviewed at least annually and approved by the Board, are available on the Group's corporate website and are summarised in the Corporate Governance Report. They were reviewed by the Committee on 19 November 2008.

The members of the Committee do not have any personal financial interests, or any conflicts from cross-directorships, that relate to the business of the Committee. The members do not have any day-to-day involvement in the running of the Group.

During the year the Committee purchased consultancy services from Kepler Associates. In addition, the Company Secretary circulates market survey results as appropriate.

Remuneration policy

The Group is committed to the primary objective of maximizing shareholder value over time. The Committee reviews the framework and remuneration packages of the Executive Directors and the most senior managers. The main principles underlying the remuneration policy are:

- **Competitive** – The Group aims to pay below-median salaries but with attractive performance related incentives, which provide individuals with the potential for competitive total reward packages for superior performance.
- **Performance linked** – A significant part of Executive Directors' (excluding Henry Engelhardt and David Stevens) and senior managers' reward is determined by the Group's earnings growth. Failure to achieve threshold levels of growth in the Group's earnings results in reduced or no payout under the Group's long-term incentive plan.
- **Shareholder aligned** – A considerable part of the reward is related to the growth in earnings versus LIBOR. Executive Directors have agreed to retain a minimum shareholding equal to at least 100% of base salary, which can be built up over a period of five years from the date of appointment.
- **Transparent** – All aspects of the remuneration structure are clear to employees and openly communicated.

The Group operates the following benefits:

- Death in Service scheme, paying three times salary available to all employees following completion of their probationary period.
- Group Personal Pension Plan, matching employee contributions up to a maximum 6% of base salary with maximum employer contribution of £4,800. This is available to all employees following completion of their probationary period.
- Permanent Health Insurance policy covering approximately 120 management level staff.
- Private Medical Cover made available to the same staff that are eligible for the Permanent Health Insurance policy.
- Approved Free Share Incentive Plan (SIP). The SIP is available to all UK staff (Henry Engelhardt and David Stevens have declined to be included in the plan). The maximum annual award under the SIP is £3,000 per employee. Shares awarded under the SIP are forfeited if the employee leaves within three years of the award. Awards are made twice a year, based on the results of each half-year. Overseas staff receive an award under the Discretionary Free Share Scheme equivalent to the SIP award made to UK employees.
- Discretionary Free Share Scheme (DFSS). Awards under the DFSS are distributed on a wider basis than most plans of this type. The Committee believes that as the DFSS develops, and awards begin to vest in 2008, it will have the effect of reducing staff attrition and strengthening further the alignment of the interests of staff and shareholders.

Of the Group's current Executive Directors, only Kevin Chidwick (Finance Director) participates in this scheme, as Henry Engelhardt and David Stevens have declined to be included.

The current performance criterion to determine how many shares vest under the DFSS is the growth in earnings per share (EPS) in excess of a risk free return, defined as average 3-month LIBOR, over a three-year period. The Committee feels that this is a good indicator of long-term shareholder return with which to align staff incentivisation. The Committee recommends for approval by the Board awards to the Finance Director and other employees under the DFSS.

The EPS targets are such that for full vesting of shares to occur, the average EPS growth over the three-year performance period would have to be approximately 13.25% per annum (assuming LIBOR averages 3% over the period). Only 10% of shares vest for matching LIBOR over the three-year period. There is then a linear relationship up to full vesting of the award whereby 2.5% of the award vests for each point over LIBOR.

The plan allows for a maximum award of £400,000 or 600% of basic salary if lower.

Changes made for 2009 awards

For staff below Group Board level the Committee have agreed a change to the award criteria such that from 2009 awards will be split. 50% of the award will be subject to the above performance criteria. The other 50% will have no performance criteria attaching, except that they have to remain employed by the Group for the three-year vesting period. The change was made in order to assist the group to attract high calibre staff by providing more certainty over the outcome of vesting awards.

In addition, commencing with the interim 2009 dividend, the Group will pay a bonus to all holders of unvested DFSS shares. The bonus will equate to the dividend payable on an equivalent number of the ordinary shares of the Group. The Committee felt that having a Group wide bonus aligned with the dividend flow received by investors further aligned the incentive structure with shareholders.

The Committee is conscious of the maximum allowable awards under both share schemes and controls are in place to ensure that neither scheme is issued shares in excess of 5% of the Group's issued share capital over the 10 year period from 1 January 2005. The Directors have proposed for approval by shareholders at the AGM on 28 April 2009 that henceforth the 10% total be applied across both schemes with flexibility to the Board as to what percentage should be applied to each particular scheme.

The Committee determines the fees for the Chairman of the Board after consultation with the Executive Directors and review of market data.

Non-executive Directors' remuneration is set by the Chairman and Executive Directors and approved by the Board as a whole. A summary of their contracts and remuneration is shown below. The fees of the Non-executive Directors were reviewed in December 2008.

Executive Directors are allowed, although none currently do, to accept appointments as Non-executive Directors of companies with prior approval of the Chairman. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and the wider exposure gained will be beneficial to the development of the individual. Where fees are payable in respect of such appointments these will be retained by the Company.

Executive Directors' remuneration

Two of the three Executive Directors (Henry Engelhardt and David Stevens) are 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 below-median base salary (compared to market rates as assessed 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 these Executive Directors, and they have not participated, nor is it intended that they participate, in any Group share schemes. Their remuneration was reviewed in September 2008. Henry Engelhardt was awarded a rise of 4.9% taking his salary to £320,000 and David Stevens awarded a rise of 20% taking his salary to £320,000.

The Committee aims to ensure that the remuneration of the Finance Director is fair and in total, in line with market rates, and is designed to provide rewards for achieving increases in shareholder value.

In addition to benefits such as private medical cover, permanent health insurance, death in service cover and eligibility to the Group's Personal Pension Plan, there are two main elements to the Finance Director's remuneration package:

- Basic annual salary
- Awards under the DFSS.

It is the Committee's general strategy to pay salaries below median levels together with attractive awards under the DFSS bringing the total remuneration to competitive levels for superior performance. With effect from 1 July 2008 Kevin Chidwick's base salary was increased by 25% to £300,000. Whilst the increase in Kevin Chidwick's base salary is above inflation the Committee felt that the increased responsibilities taken on during the year justified such an increase. £300,000 remains below the median base salary of FTSE 100 Finance Directors.

Kevin Chidwick received an award of 48,667 DFSS shares on 29 April 2008 with a value at the date of the award of £393,229. The awards represent the maximum number of shares that could vest after a three-year period and are subject to the performance criteria described above.

Directors' service contracts

The following table summarises the notice periods relating to the service contracts of the Executive Directors serving at 31 December 2008.

	Notice – Director (months)	Notice – Company (months)
Kevin Chidwick	12	12
Henry Engelhardt	12	12
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 periods are included below.

Term and notice	
Alastair Lyons	3 years commencing 1 July 2007, terminable by either party giving three months' written notice.
Manfred Aldag	Indefinite (terminable on one months' notice from either party) – automatically terminates should he cease employment with Munich Re.
Martin Jackson	3 years commencing 1 December 2006, terminable by either party giving one months' written notice.
Keith James	3 years commencing 1 December 2006, terminable by either party giving one months' written notice.
Margaret Johnson	3 years commencing 4 September 2006, terminable by either party giving one months' written notice.
Lucy Kellaway	3 years commencing 4 September 2006, terminable by either party giving one months' written notice.
John Sussens	3 years commencing 1 December 2006, terminable by either party giving one months' written notice.

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

Non-executive Directors' remuneration

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 when Non-executive Director fees are discussed.

The fee structure for Non-executive Directors was reviewed at the end of 2008 and commencing 1 January 2009 is as follows:

	£
Base fee	40,000
Plus:	
Member of Audit Committee	5,000
Senior Independent Director	5,000
Chair of Audit Committee	10,000
Chair of Nomination Committee	3,000
Chair of Remuneration Committee	5,000

Non-executive Directors are not entitled to bonus payments or pension arrangements, nor do they participate in the Group's long term incentive plans.

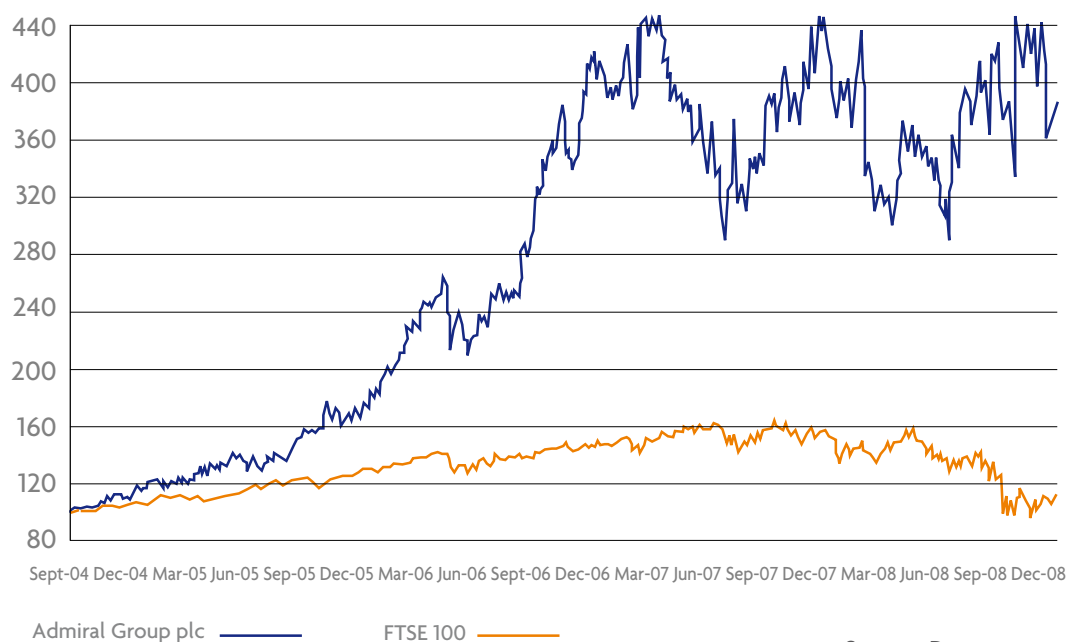
The Committee determines the Chairman's remuneration. The fee paid to Alastair Lyons in respect of his appointment as Chairman of the Board in 2008 was £120,000, of which 25% was waived. The Chairman's fee was reviewed in February 2009 and increased to £150,000 from 1 January 2009 with no fee waiver in place.

Non-executive Directors do not have service contracts but each has a letter of appointment. The letters of appointment all require a period of one months' notice should the Non-executive Director wish to resign. The Chairman's appointment can be terminated by either party giving 3 month's notice.

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 100 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 2008. TSR is defined as the percentage change over the period, assuming reinvestment of income.

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



Source: Datastream

Directors' shareholdings - Audited

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

	Ordinary shares of 0.1p	
	31 December 2008	31 December 2007
Executive Directors		
Kevin Chidwick*	18,679	1,796
Henry Engelhardt **	40,490,720	40,466,720
David Stevens	10,084,000	10,084,000
Non-executive Directors		
Alastair Lyons	562,152	615,600
Manfred Aldag	-	-
Martin Jackson	-	-
Keith James	44,500	44,500
Margaret Johnson	-	-
Lucy Kellaway	-	-
John Sussens	8,000	8,000

*Includes 871 shares within the Group's SIP - details of which are shown below.

** Include amounts held by family members.

Directors' remuneration - Audited

Remuneration for the year ended 31 December 2008 was as follows:

	Base salary and fees (£000)	Bonuses and other (£000)	Benefits (£000)	2008 Total (£000)	2007 Total (£000)
Executive Directors					
Kevin Chidwick	285	-	5	290	247
Henry Engelhardt	313	-	-	313	298
David Stevens	283	-	-	283	254
Chairman and Non-executive Directors					
Alastair Lyons *1	90	-	-	90	90
Manfred Aldag	12	-	-	12	6
Martin Jackson	36	-	-	36	36
Keith James *2	60	-	-	60	46
Margaret Johnson	34	-	-	34	34
Lucy Kellaway	31	-	-	31	31
John Sussens	38	-	-	38	38
Totals	1,182	-	5	1,187	1,080

*1 Alastair Lyons waived 25% of his annual fee which is currently £120,000.

*2 Keith James fees include £10,650 for chairing the Board of Admiral Insurance Company Limited and £13,350 for chairing the Board of Inspop.com Limited.

Awards made under the Discretionary Free Share Scheme (DFSS) and Free Share Incentive Plan (SIP)

The table below sets out the awards made to Directors under the DFSS and SIP, including the dates of the awards, the value at the time of the award and vesting date.

Awards to Kevin Chidwick under the DFSS and SIP

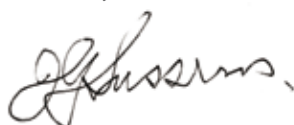
Type	At start of year	Awarded during year	Vested during year	At end of year	Price at award (£)	Value at award date (£)	Value at 31/12/08 * (£)	Date of award	Final vesting date
DFSS	28,103	-	28,103	-	£4.37	£122,810	£252,496**	31/10/05	31/10/08
DFSS	21,186	-	-	21,186	£6.136	£130,000	£192,793	18/04/06	18/04/09
DFSS	18,480	-	-	18,480	£6.764	£125,000	£168,168	04/09/06	04/09/09
DFSS	23,000	-	-	23,000	£10.50	£241,500	£209,300	18/04/07	18/04/10
DFSS	-	48,667	-	48,667	£8.08	£393,229	£442,870	29/04/08	29/04/11
SIP	213	-	-	213	£6.764	£1,440	£1,938	06/09/06	06/09/09
SIP	151	-	-	151	£10.284	£1,552	£1,374	09/03/07	09/03/10
SIP	182	-	-	182	£8.264	£1,504	£1,656	04/09/07	04/09/10
SIP	-	162	-	162	£9.181	£1,487	£1,474	07/03/08	07/03/11
SIP	-	163	-	163	£9.195	£1,499	£1,483	22/08/08	22/08/11

* The closing price of Admiral shares on 31 December 2008 was £9.10 per share.

** The total value of vested shares as at 31 October 2008.

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

This report was approved by the Board of Directors on 27 February 2009 and is signed on its behalf by the Committee Chairman:



John Sussens

Remuneration Committee Chairman