

ADMIRAL GROUP plc

Admiral Group plc - Why we are successful.



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Pricing – Peter Marissen





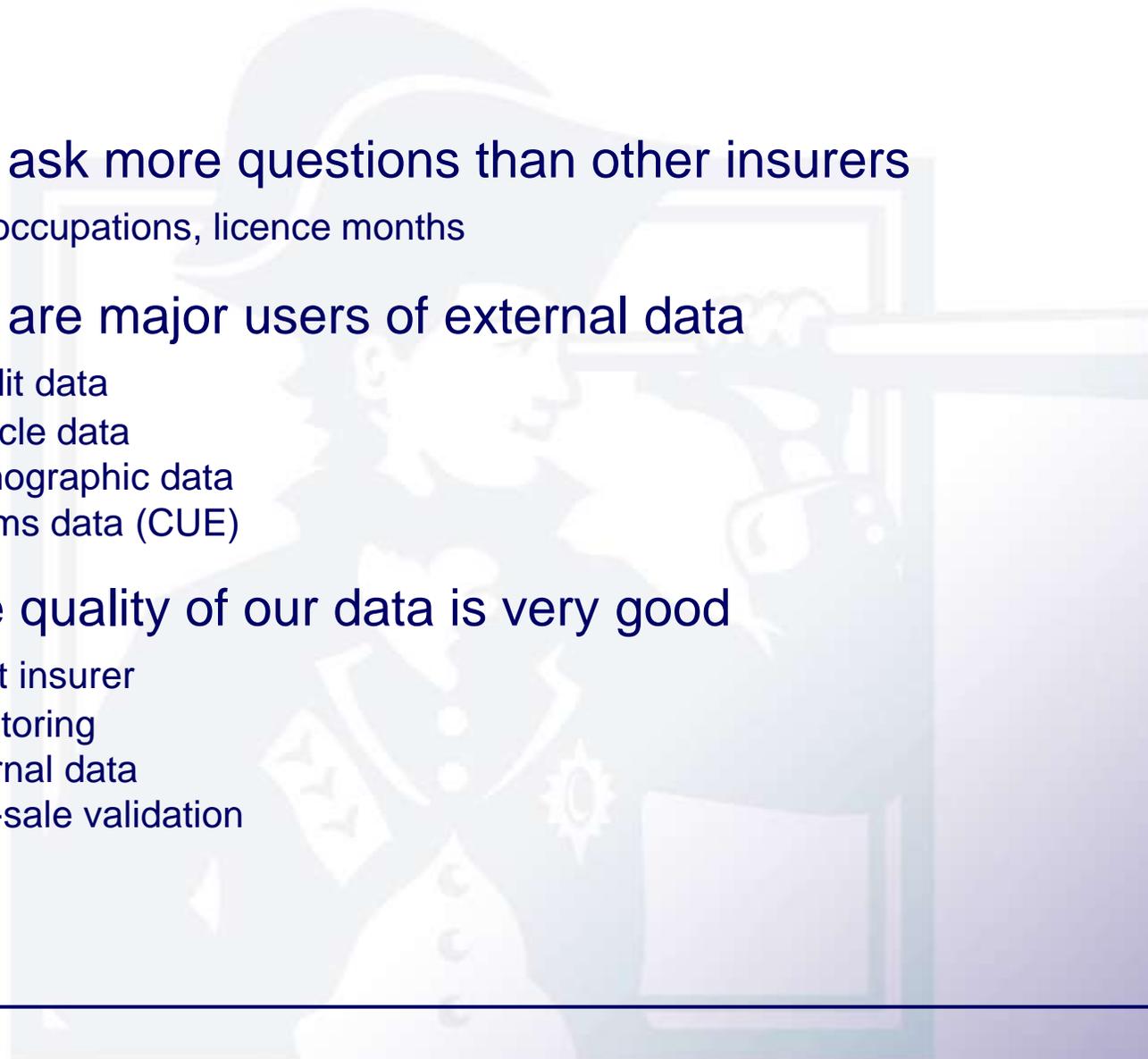
Pricing

- We decide which price to charge each customer
 - Mainly pricing analyses focus on how different parts of the portfolio perform relative to each other
 - Decisions are based on claims results and price sensitivity
-



Data

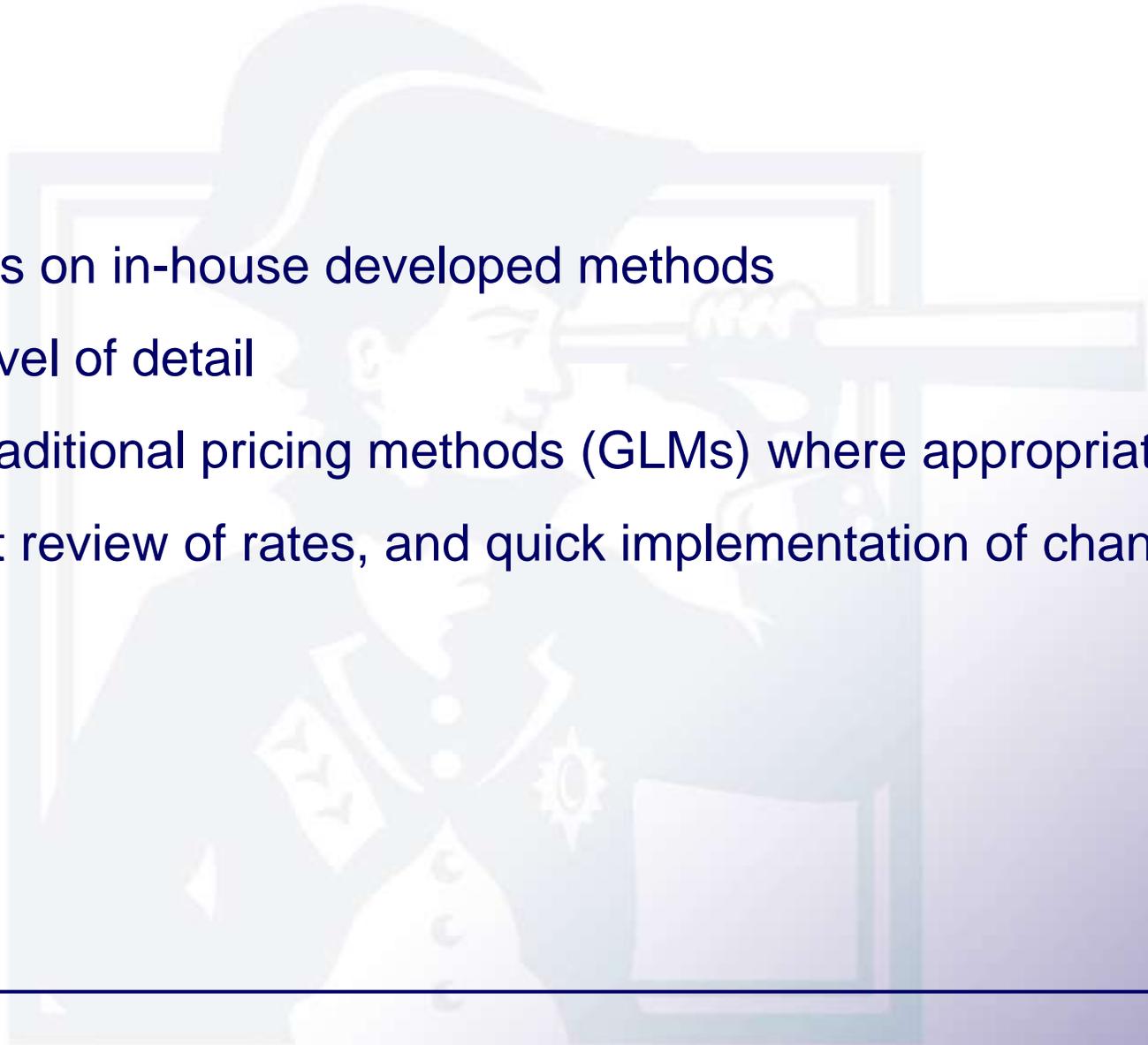
- We ask more questions than other insurers
e.g. occupations, licence months
- We are major users of external data
 - Credit data
 - Vehicle data
 - Demographic data
 - Claims data (CUE)
- The quality of our data is very good
 - direct insurer
 - monitoring
 - external data
 - post-sale validation





Analyses

- Emphasis on in-house developed methods
- A high level of detail
- Use of traditional pricing methods (GLMs) where appropriate
- Constant review of rates, and quick implementation of changes





Ratechanges for 2008 (so far)

Q1 2008		Q2 2008		Q3 2008	
4-Jan	Voluntary excess	4-Apr	Equal Instalments - 100% Live	15-Jul	EEC License
7-Jan	TP Only on Confused	4-Apr	Base Rate New Business	15-Jul	Non-Motoring convictions
7-Jan	Confused: Females 3+ vehicles to Admiral	11-Apr	TP Only on BTQ	16-Jul	AGP Direct Internet AD, DI & EL, MSM AD
11-Jan	GC, MSM & Bell AGP Int all same rates	15-Apr	Socio-Demographics	18-Jul	Remove New Business price trial
11-Jan	DD +2% on aggregators	15-Apr	Rated Driver Rule Age criteria change	22-Jul	Max Vehicle age Rule
16-Jan	NCBP on MoneySuperMarket +5%	23-Apr	Block business use for Delivery Driver	24-Jul	Convictions
23-Jan	Modifications	24-Apr	LTSB Insurance.co.uk Live AD & DI & BL	29-Jul	Exotics
25-Jan	Lic Years 0-12 for GoCompare	25-Apr	Bell Business cheapest on LTSB	29-Jul	Voluntary excess
29-Jan	OwnUse Standard & MultiCar	29-Apr	Imports from Confused filter change	1-Aug	Base Rate increase
29-Jan	Scrutiny high premium rule to £4,000	7-May	Price Trials	14-Aug	Bell Business for Go Compare
31-Jan	MSM Males to AD from Bell	19-May	TP Only on IW	15-Aug	Named Driver Lic Years
1-Feb	Tesco Compare Live AD & DI	21-May	Retired under age 45	22-Aug	Sex and Age
6-Feb	TP Only on Go Compare	22-May	Bell Business Call Connection Live	22-Aug	Unemployed by class of use
8-Feb	Rule: Unemployed Class of Use	13-Jun	Post Code Town	28-Aug	Tracker
8-Feb	MSM Bell Business	13-Jun	MultiCar Region	1-Sep	Base Rate increase
13-Feb	Modifications for Minis	18-Jun	Bell Business for Call Connection		
15-Feb	MultiCar Risks vs Drivers	18-Jun	Imports from Confused rate change		
22-Feb	Age change for Northern Ireland	26-Jun	Cover VehAge Value		
22-Feb	CTM quote for all risks AD & DI	27-Jun	Remove Renewal price trial		
26-Feb	Base Rate New Business				
4-Mar	Right Hand Drive				
4-Mar	UK residency				
11-Mar	Base Rate New Business				
19-Mar	Call Connection Live AD & DI & EL				



Philosophy of pricing : what is a good risk?



We like everyone – as long as the price is right



Our approach to new initiatives

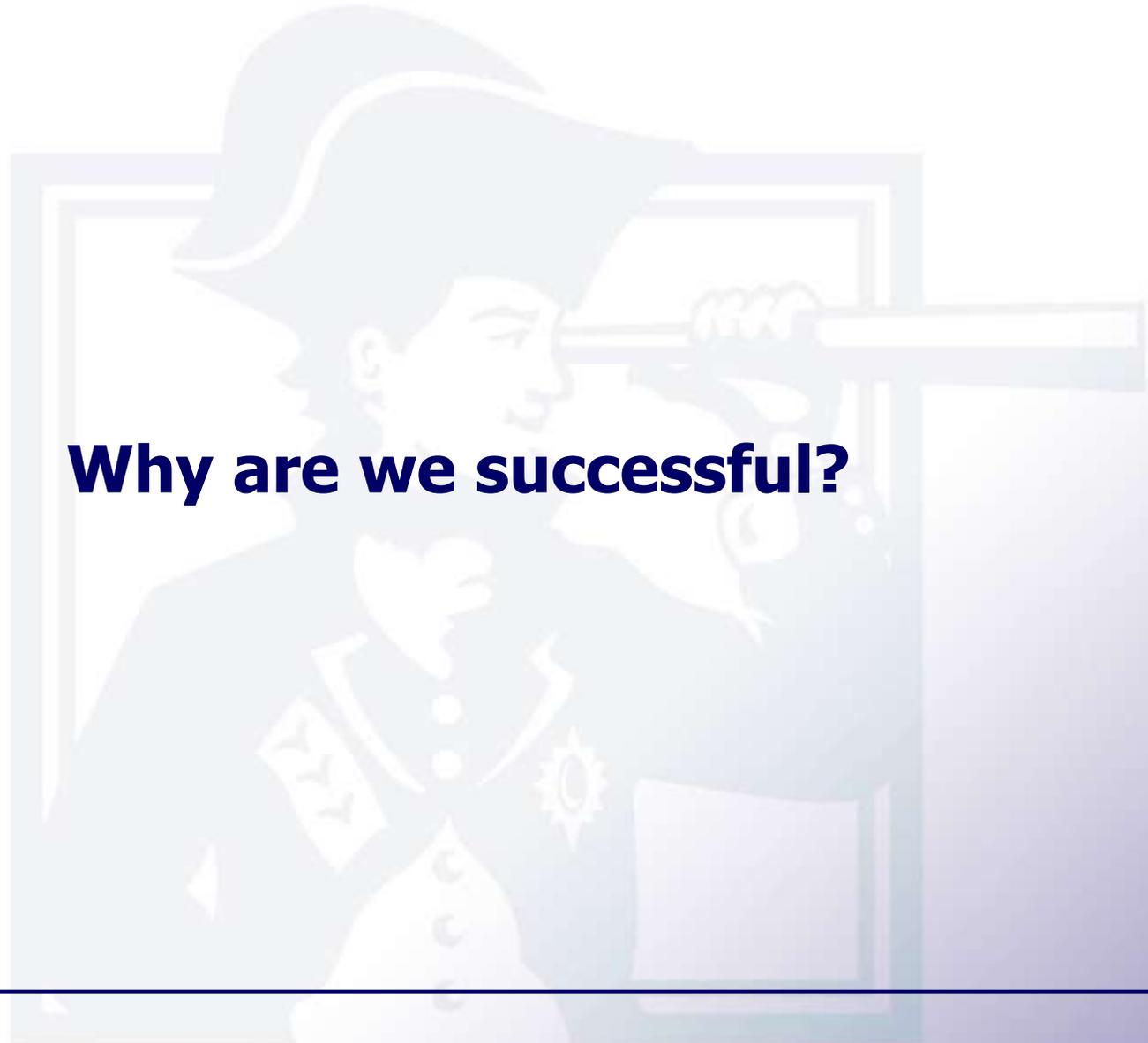
- Some new initiatives focus on specific segments of the market
→ e.g. Northern Ireland, utility vehicles, exotic vehicles, ...
- New initiatives often have a pricing angle that we explore
→ e.g. An example is MultiCar



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Claims – Stuart Morgan

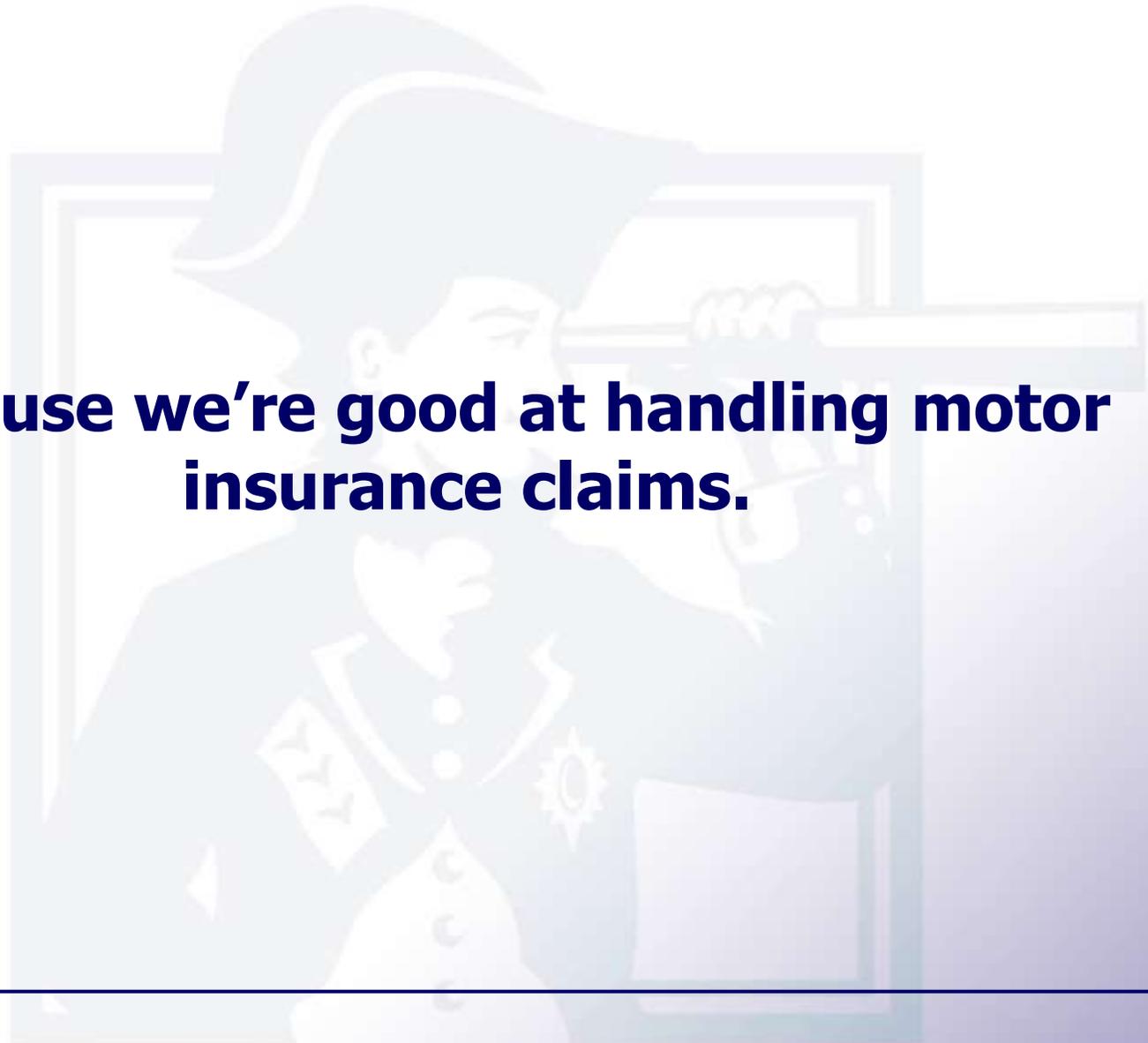




Why are we successful?



■ **Because we're good at handling motor insurance claims.**





More Specifically

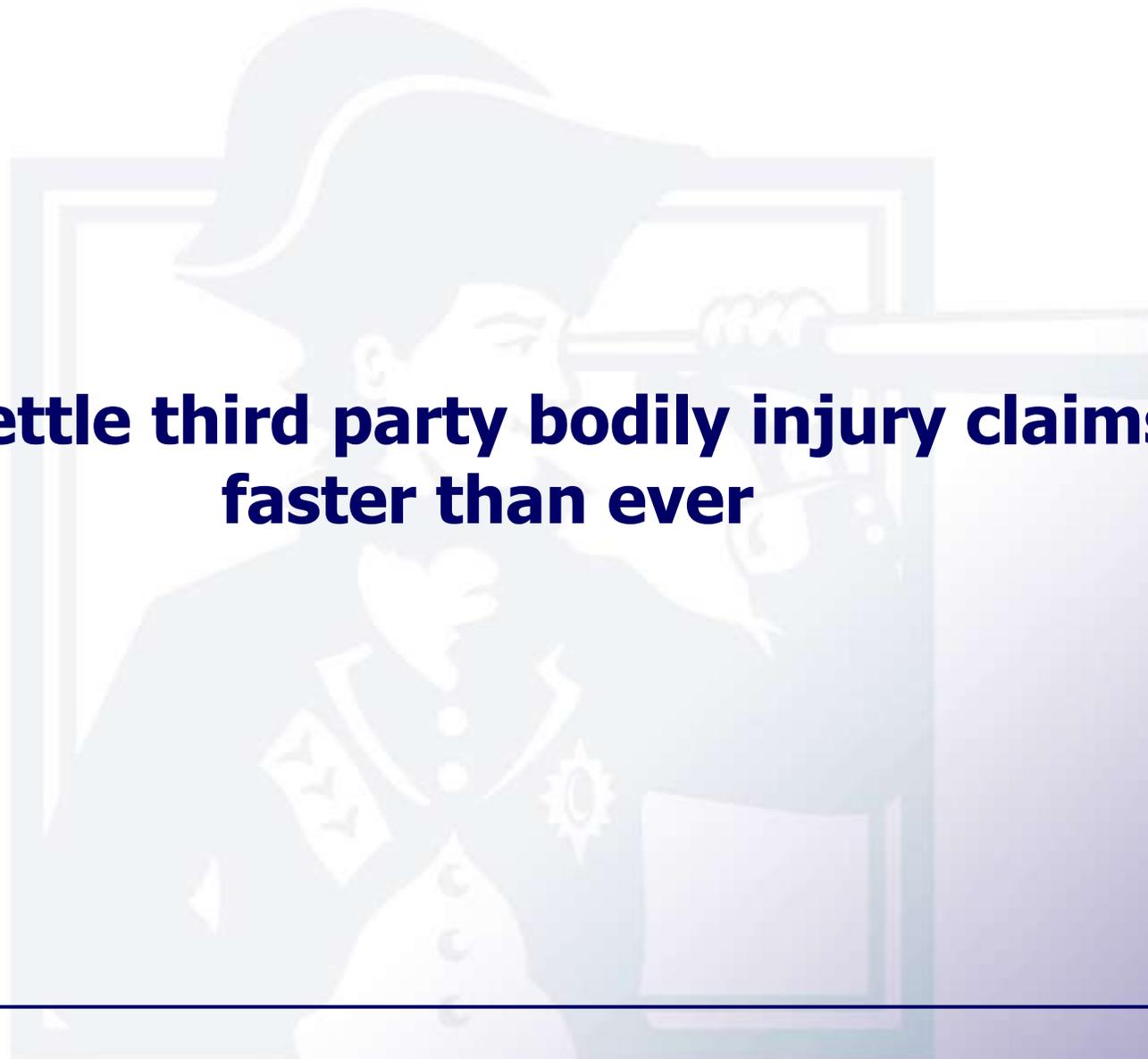
- **Getting customers back on the road following a crash**
 - **Dealing with their liability to third parties**
-



- **Customers like us**
 - **91% say they would renew their policy following a claim**
 - **Sometimes we can't pay them what they want**
-

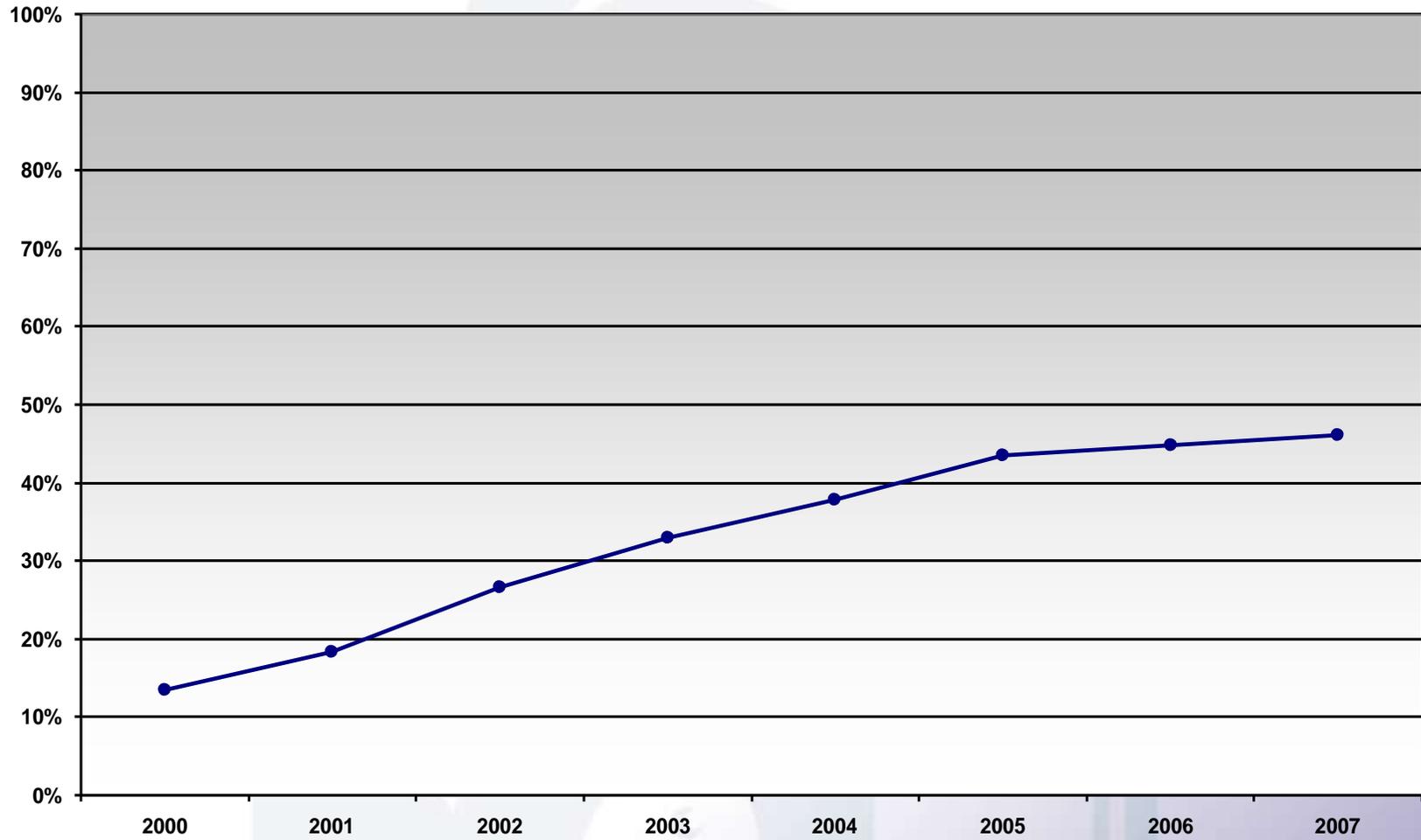


■ We settle third party bodily injury claims faster than ever





% BI CLAIMS SETTLED WITHIN 12 MONTH





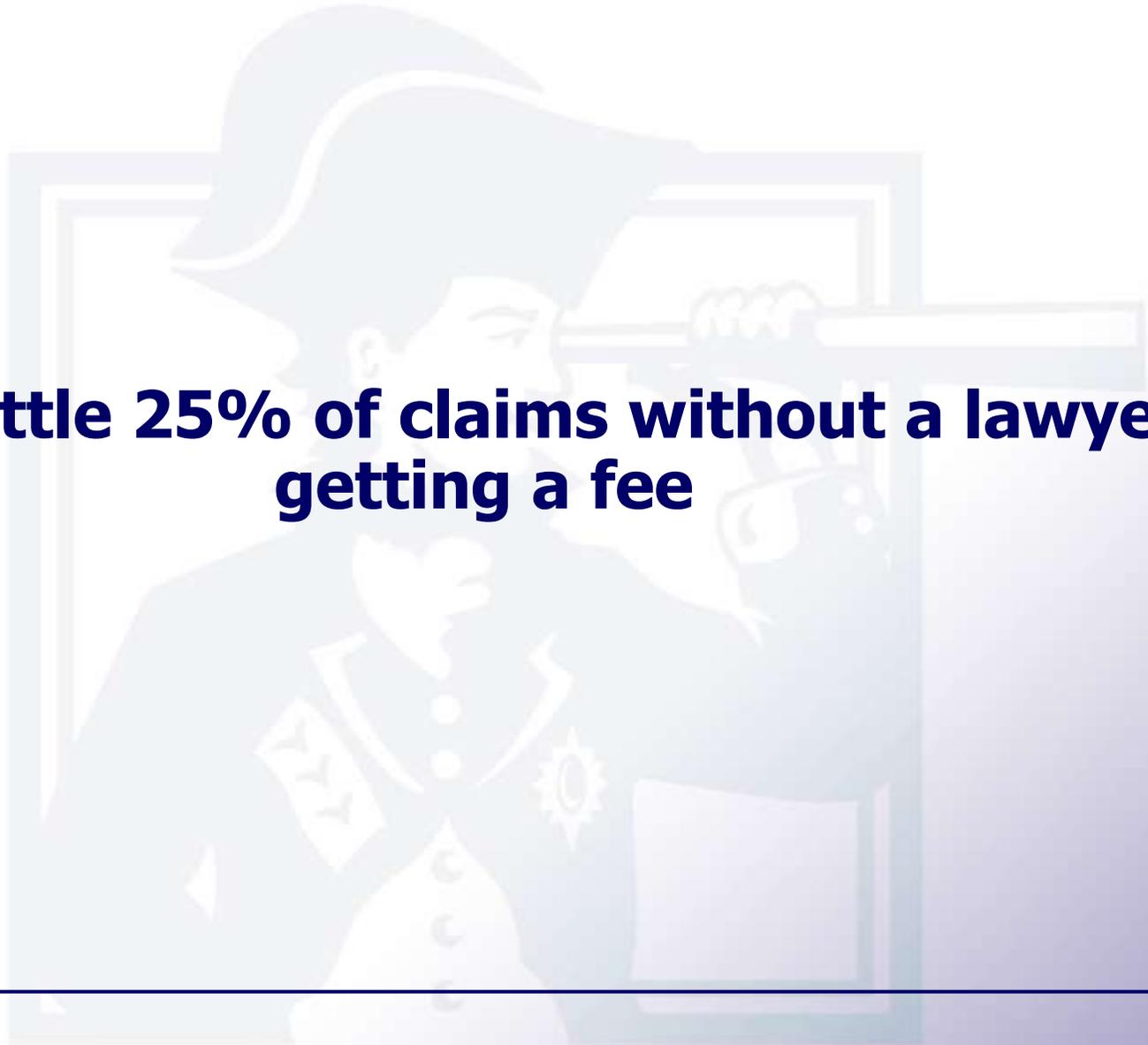
Liability scenarios

- **Hit in rear**
- **Misleading signals**
- **Pedestrians**





■ **We settle 25% of claims without a lawyer getting a fee**





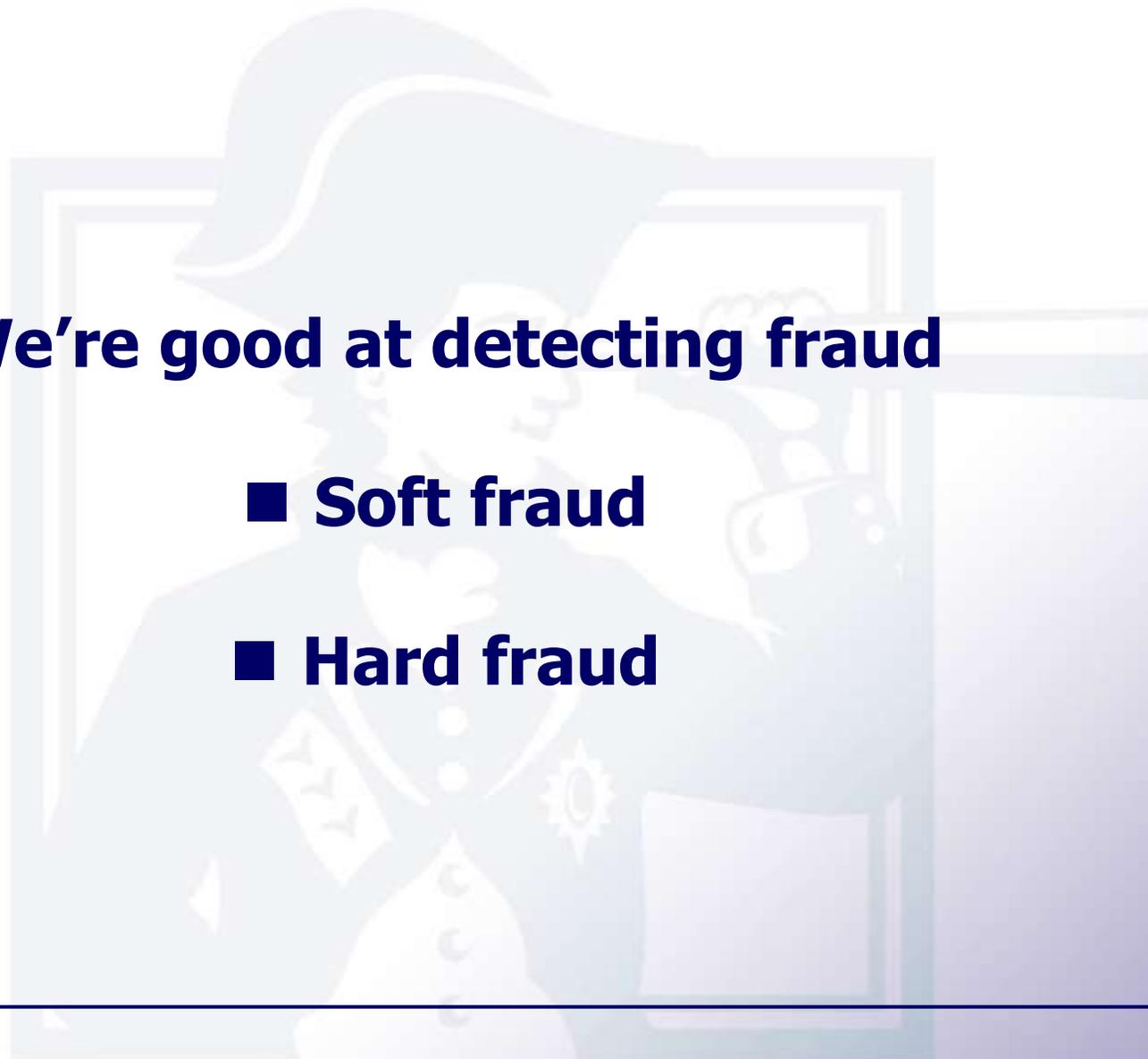
■ **We reserve conservatively**





We're good at detecting fraud

- **Soft fraud**
- **Hard fraud**





People

- **Claims Management over 150 years experience**
 - **10% attrition in general staff**
 - **We laugh a lot**
 - **Especially at fraudsters**
-

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UK Operations – Nick Weng Kan





What does UK operation cover?

Sales

Sales

0800 118 1644

Opening hours

Mon - Fri 8am - 10pm

Sat 9am - 5pm

Sun 10am - 4pm

Customer service

Customer services

0871 882 2233

Opening hours

Mon - Fri 8am - 10pm

Sat 9am - 5pm

Sun 10am - 4pm

Renewals

Renewals

0844 848 0050

Opening hours

Mon - Fri 8am - 10pm

Sat 9am - 5pm

Sun 10am - 4pm

Outbound

Quality



Where are we based?

Halifax, NS

GMT - 4:00

Sales, Renewals

Cardiff, Swansea

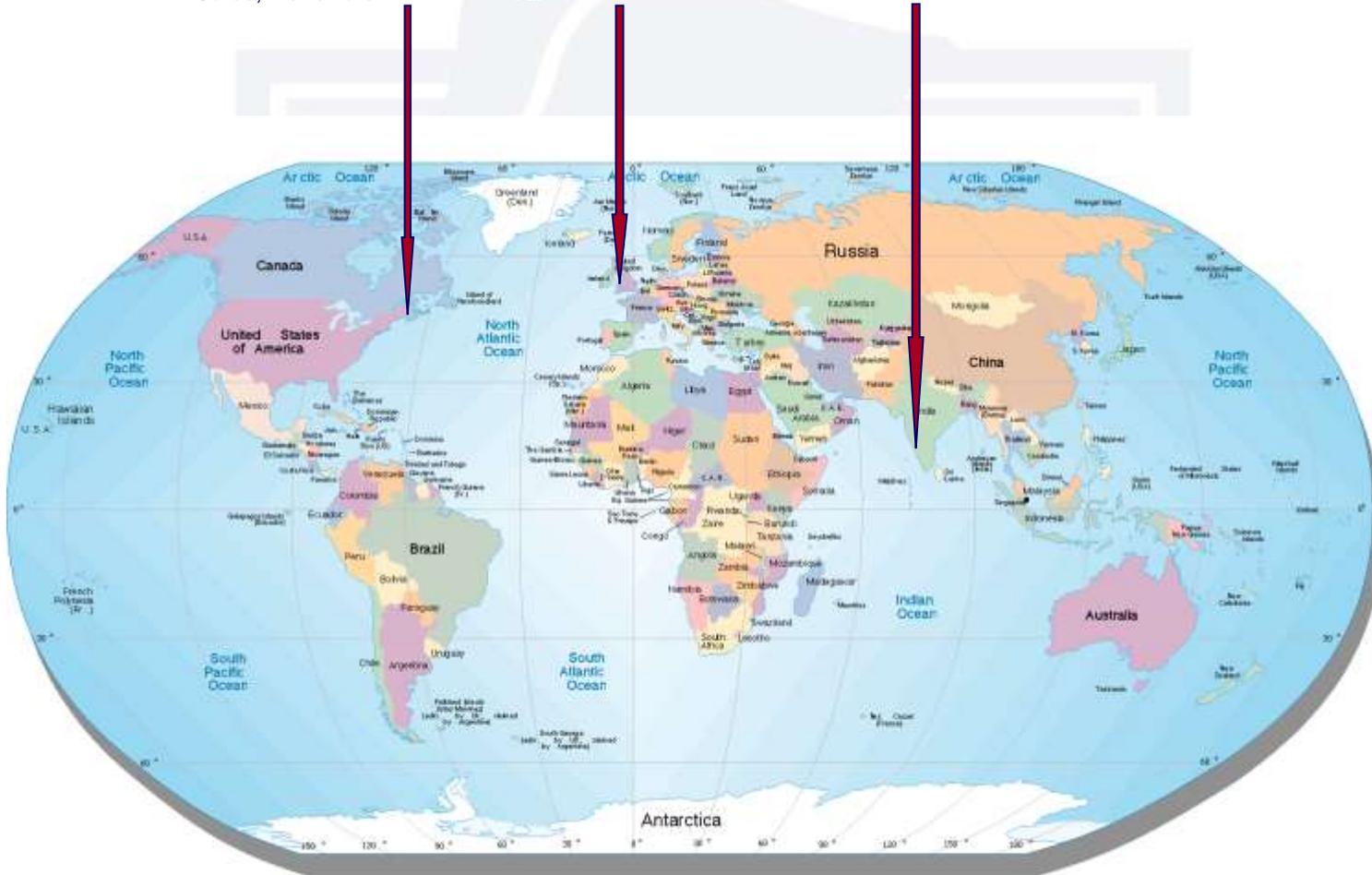
GMT

All

Bangalore

GMT + 4:30

Customer Service





Our structure until June 2008

Swansea

Cardiff



Sales, CS,
Renewals



Sales, CS,
Renewals

Shared resources

Outbound, Quality



Sales, CS,
Renewals

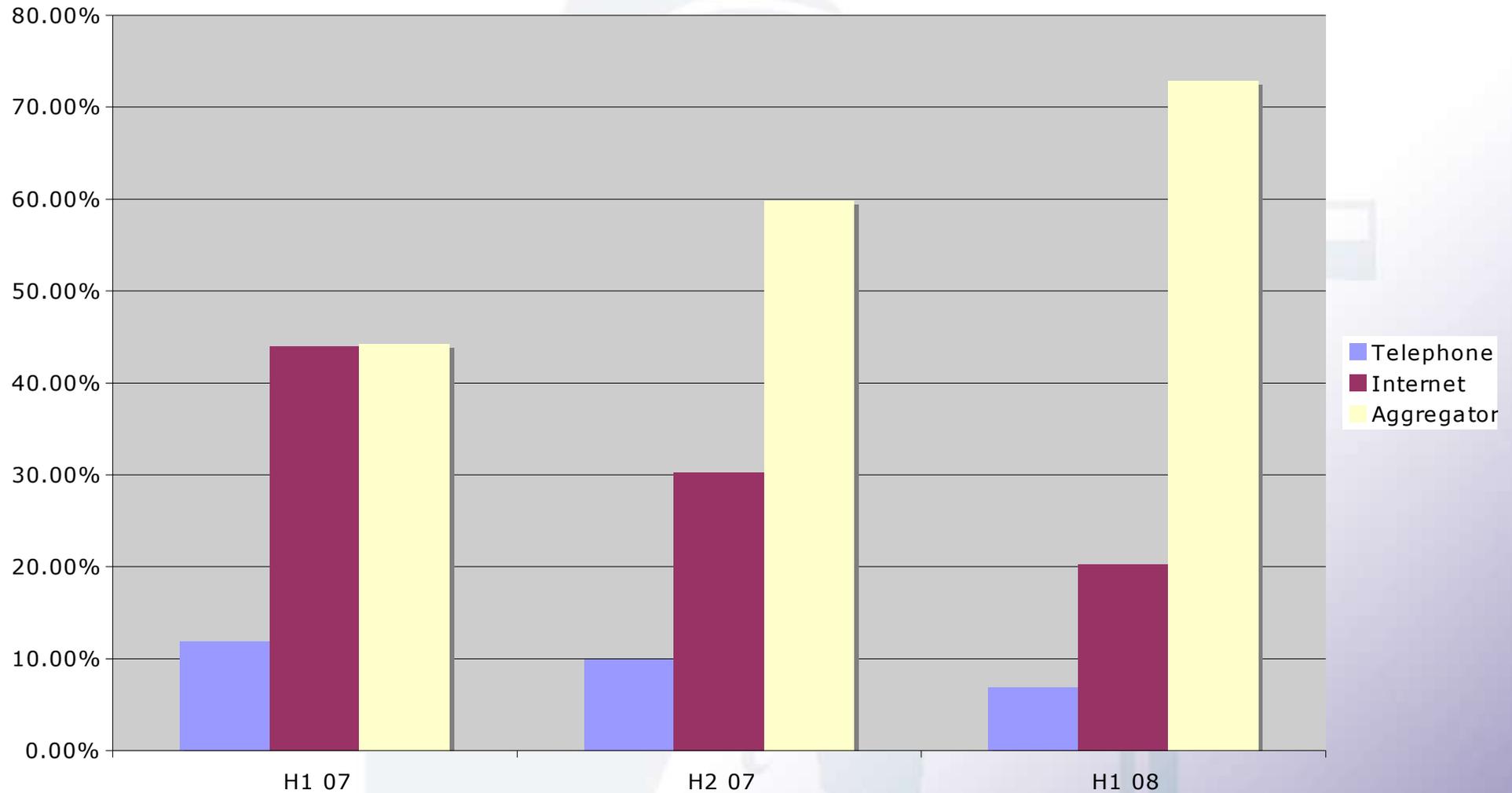


Sales, CS,
Renewals



Importance of aggregators

Sales by channel





New structure

Halifax

Swansea

Cardiff

Bangalore

■ Sales



■ Customer service



■ Renewals



■ Outbound



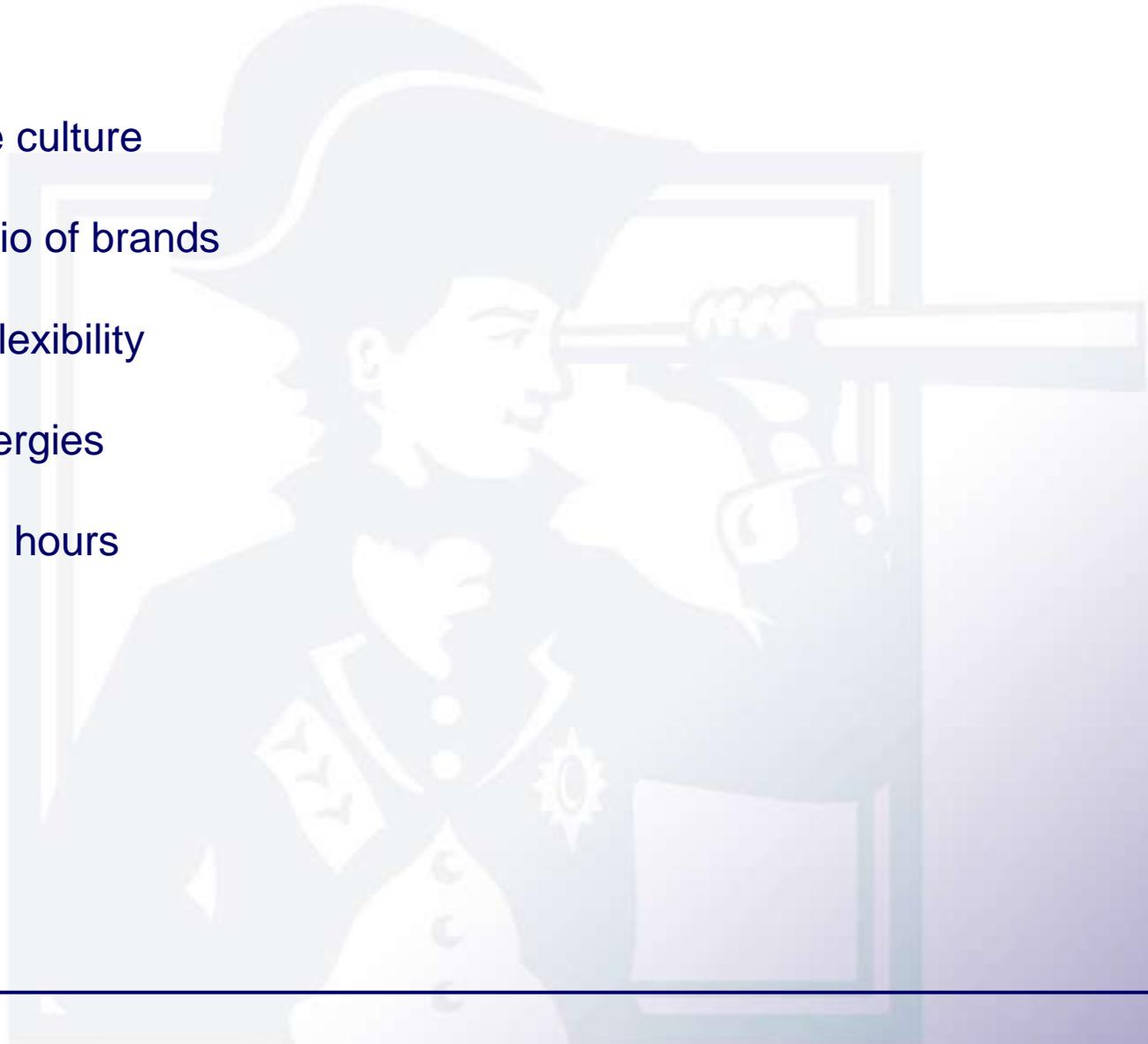
■ Quality





What the new structure allowed us to do

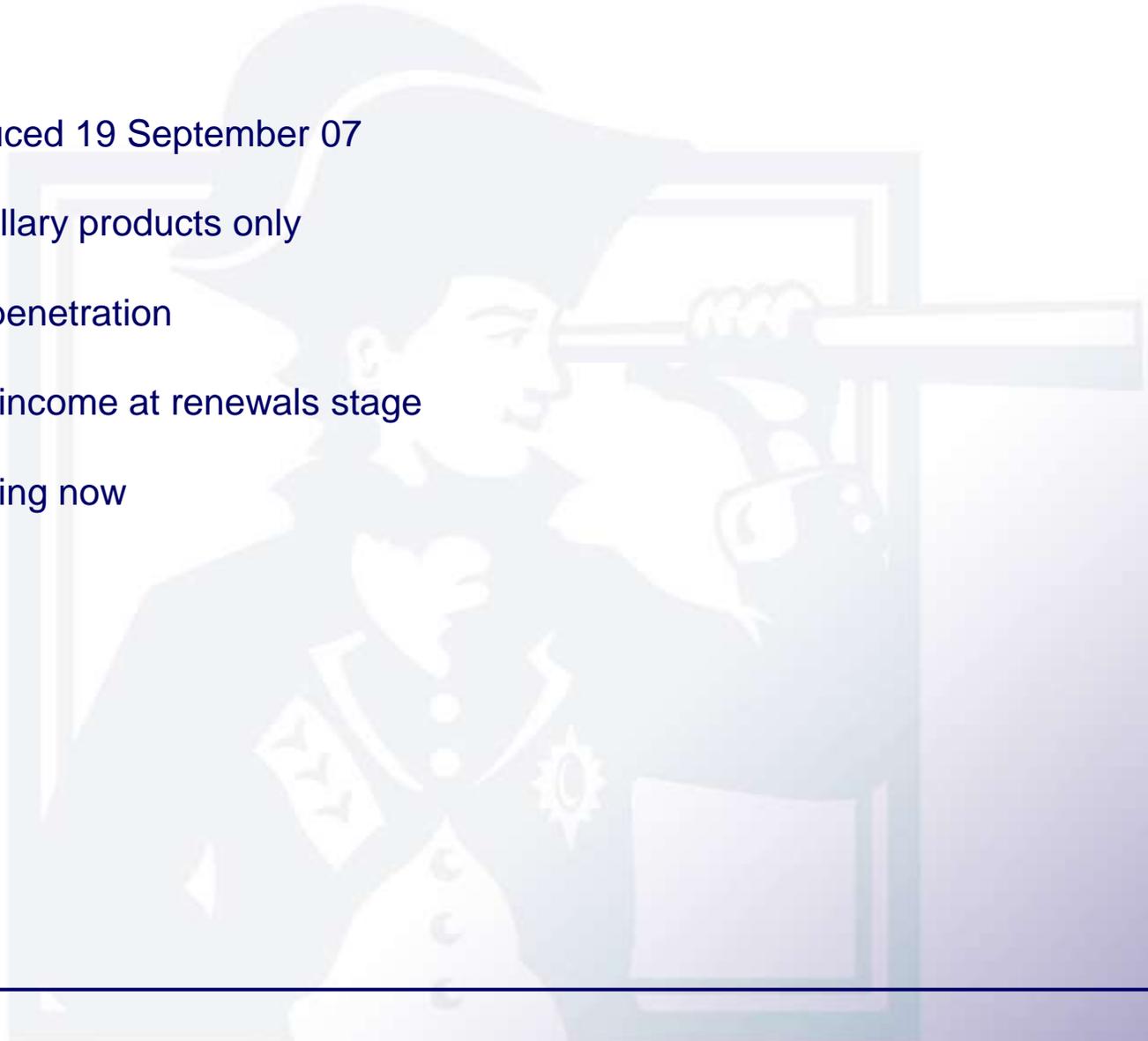
- No change to the culture
- Manage a portfolio of brands
- Greater staffing flexibility
- Find staffing synergies
- Extend operating hours
- Etc...





Discounting

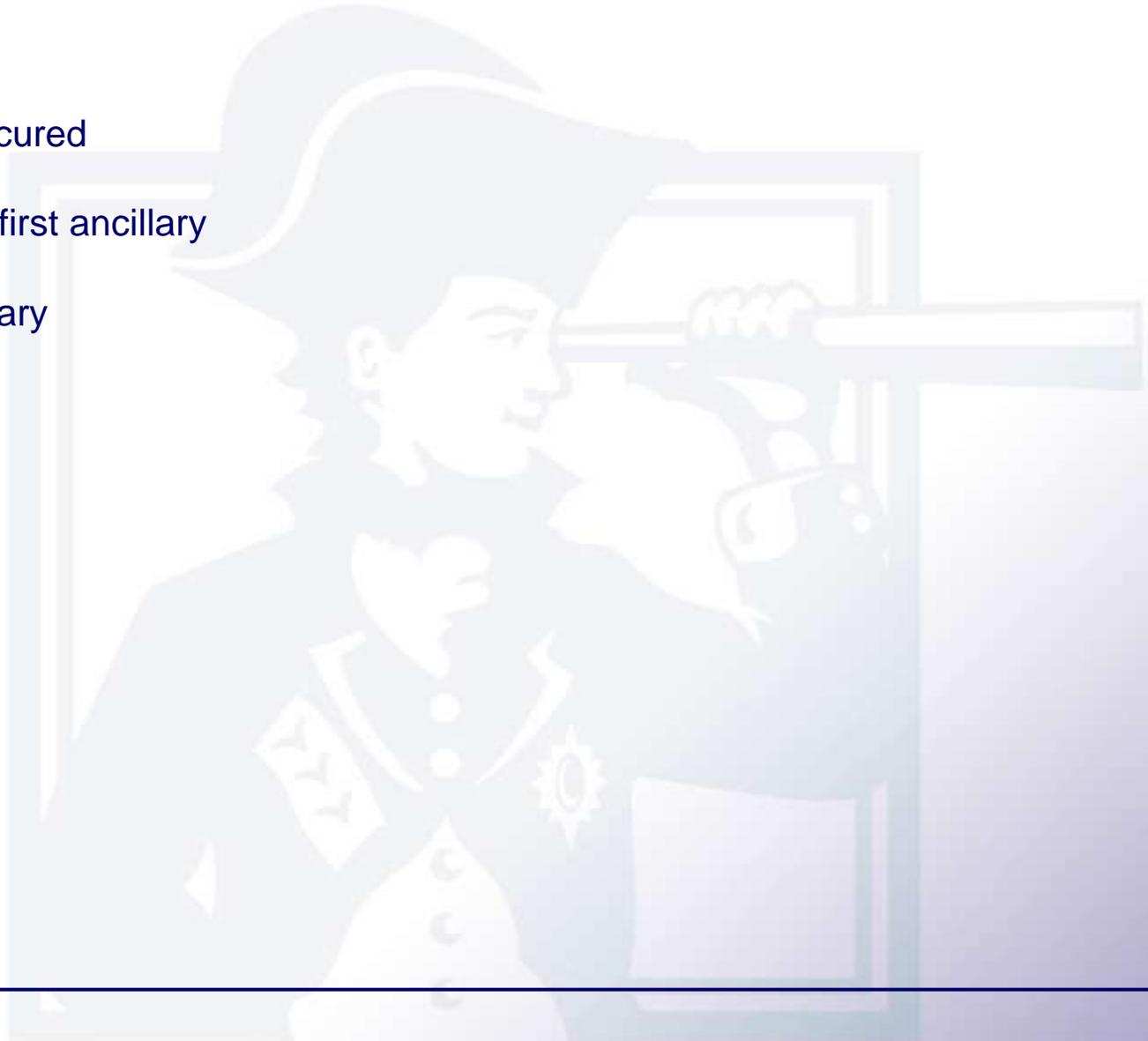
- Discounting introduced 19 September 07
- Discounting of ancillary products only
- Increase ancillary penetration
- Capture additional income at renewals stage
- First renewals coming now





Discounting example

- Sale of policy is secured
- Sales person offer first ancillary
- Then second ancillary



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Confused.com – Carlton Hood

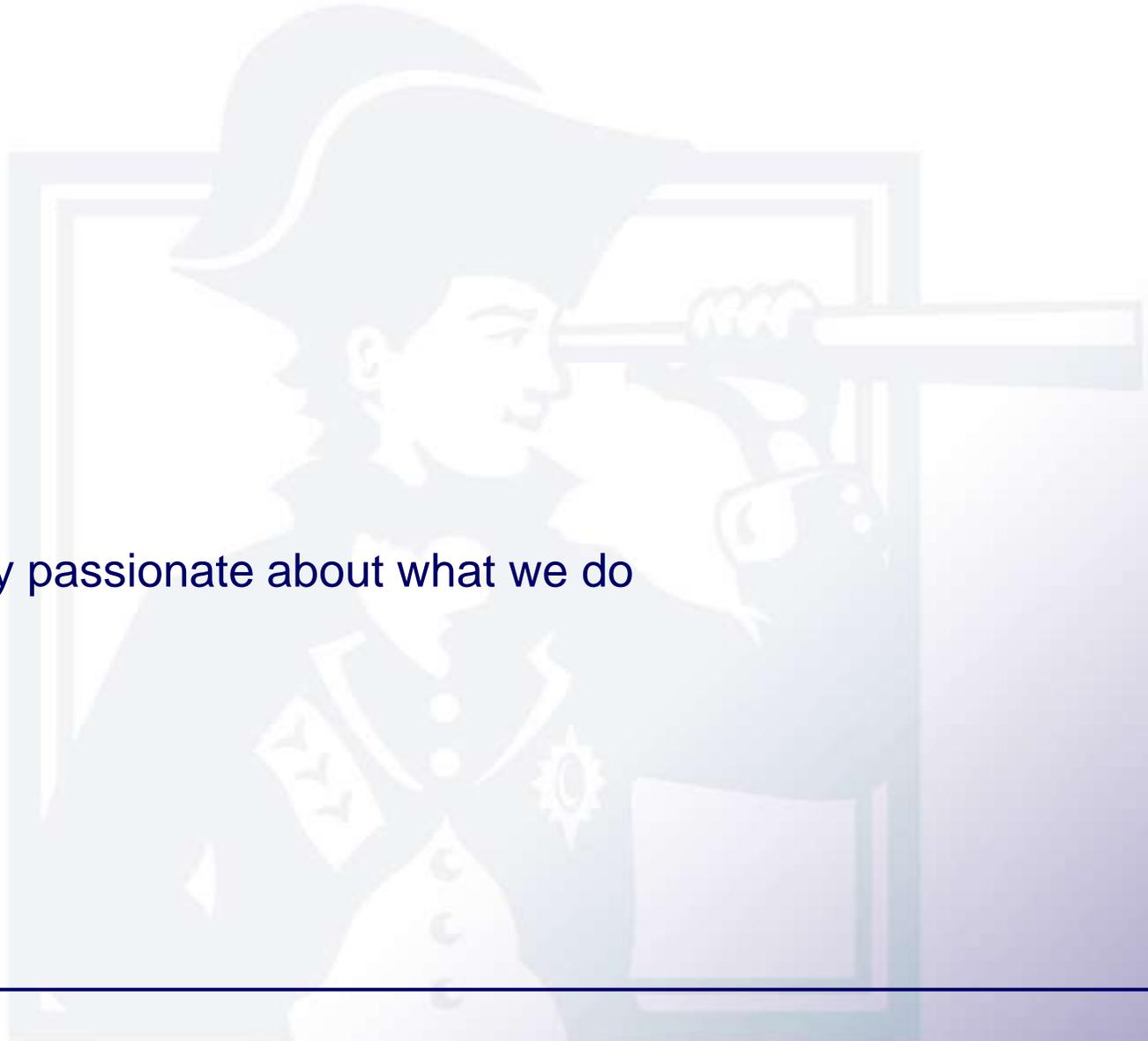




Why we have been so successful

- Being first
- Being focused
- Being frugal

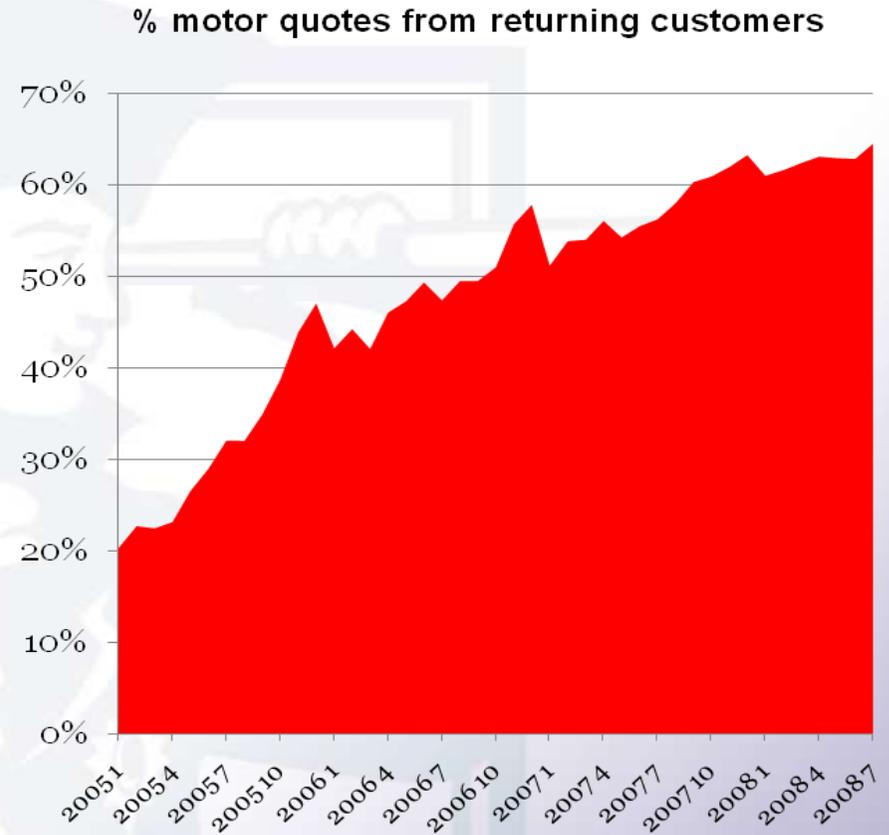
- ...and genuinely passionate about what we do





Being first

- Confused.com was not the first price aggregator
- But it was one of the first to go big on TV...
- ...benefiting from high TV response rates in early years...
- ...and higher rates of returning customers today



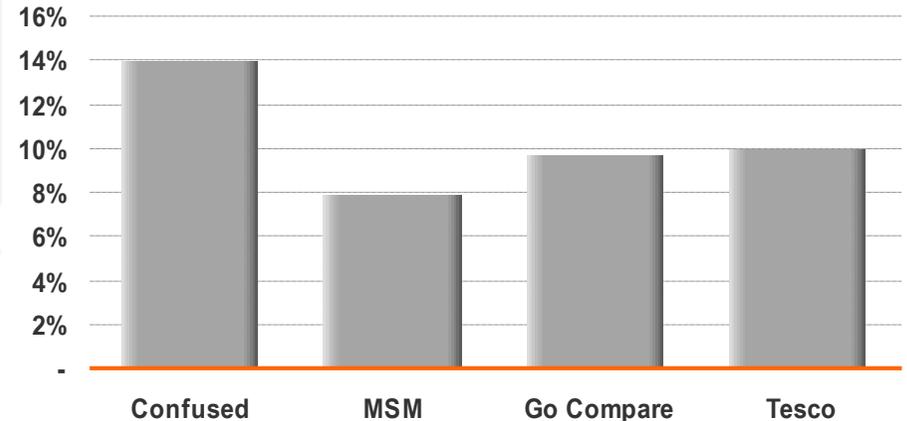


Being focused

- Confused.com focused on price comparison for car insurance
- Relentless attention to the detail of the sales process delivered industry leading conversion rates...
- ..and resulting higher volumes in a single product area enabled the negotiation of higher revenue / sale from providers...

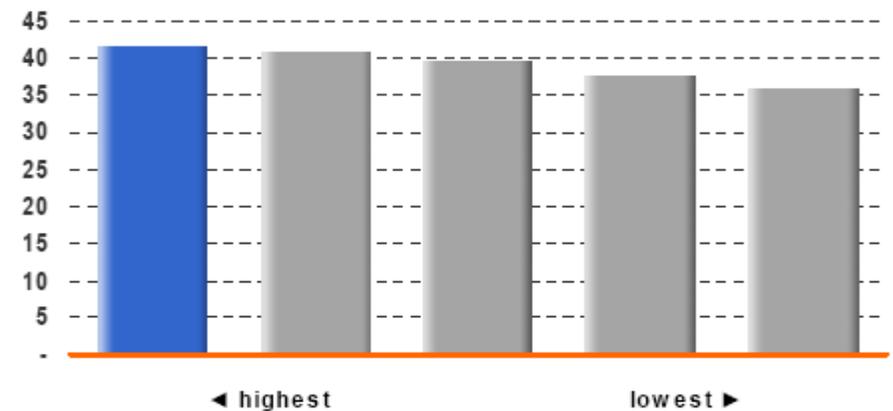
1st position quote to sale ratio

[%]



cost per sale by aggregator

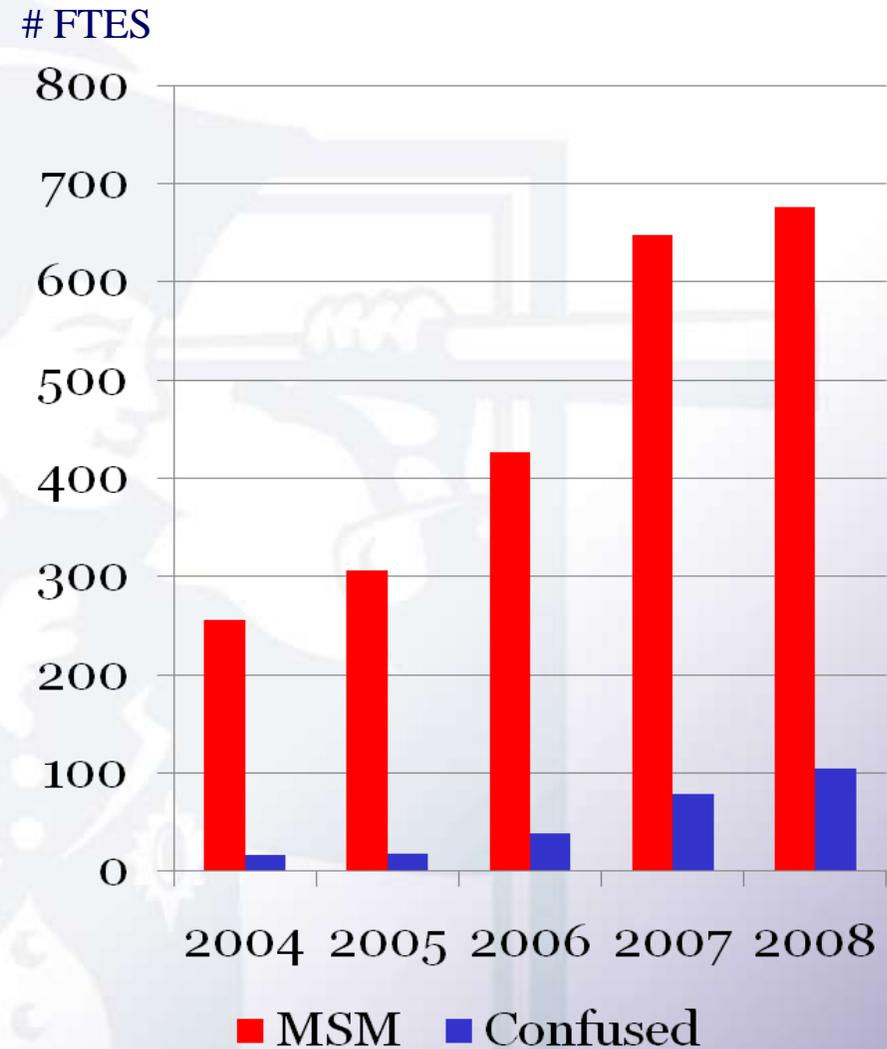
[£]





Being frugal

- Part of the Admiral “DNA” transferred to confused.com
- Management overheads kept to a minimum
- Clear focus on profitability of every single transaction





Future success

Not only...	...But also
Great at a single product	Great at multiple products
Lowest cost of acquisition	Highest cross sell / revenue per customer
Fantastic direct response TV	Highest brand preference / top of mind awareness

**First
Focused
Frugal**

+

**Breadth / CRM
Brand
Right people**

.....still passionate about what we do!

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International



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Balumba.es – Christophe Sanchez



Diamond



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GLADIATOR
part of the Admiral Group



Confused.com



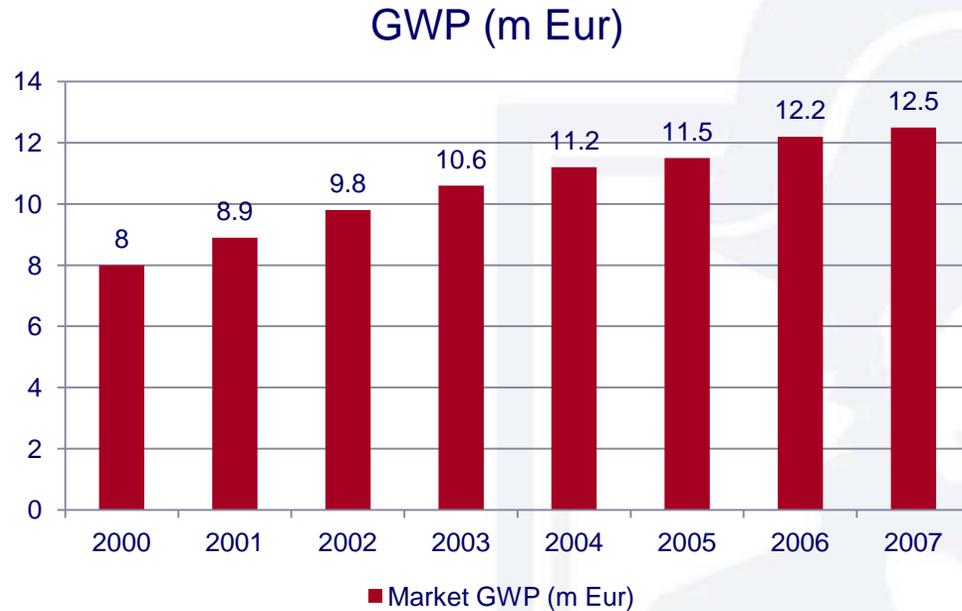
balumba.es
www.theadmiralgroup.com

AdmiralDirekt.de

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The Spanish market



Direct Players	GWP (m Eur)	Market Share
Linea Directa	644	5,13%
Direct Seguros	210	1,67%
Genesis	201	1,60%
Fenix Directo	56	0,45%
Balumba	21	0,12%
Click Seguros	2	0,01%
Zurich Connect	new	new
Total	1133	9,00%
Mutua Mad	1216	9,69%

- Direct Players Marketing Spend in first Semester '08: Eur 36m (+29% vs '07). Zurich Connect started in May and today represent 17% of the spend



Balumba : half year results

- Vehicle count 60,000 at end June '08 (+258% on June '07, +27% on Dec '07)
- Total premium €13.8m (€6.6m at June '07)
- Ancillary contribution €2.0m (€0.9m at June '07). €73.6 per policy (€61.0 at June '07, increase 21%)
- 2008 Loss Ratio 107% (versus 149% for 2007 at the same point in time)
- Loss in period GBP 800k (€1.1m)
- 203 Staff based in Seville

Loss Ratio development by underwriting year

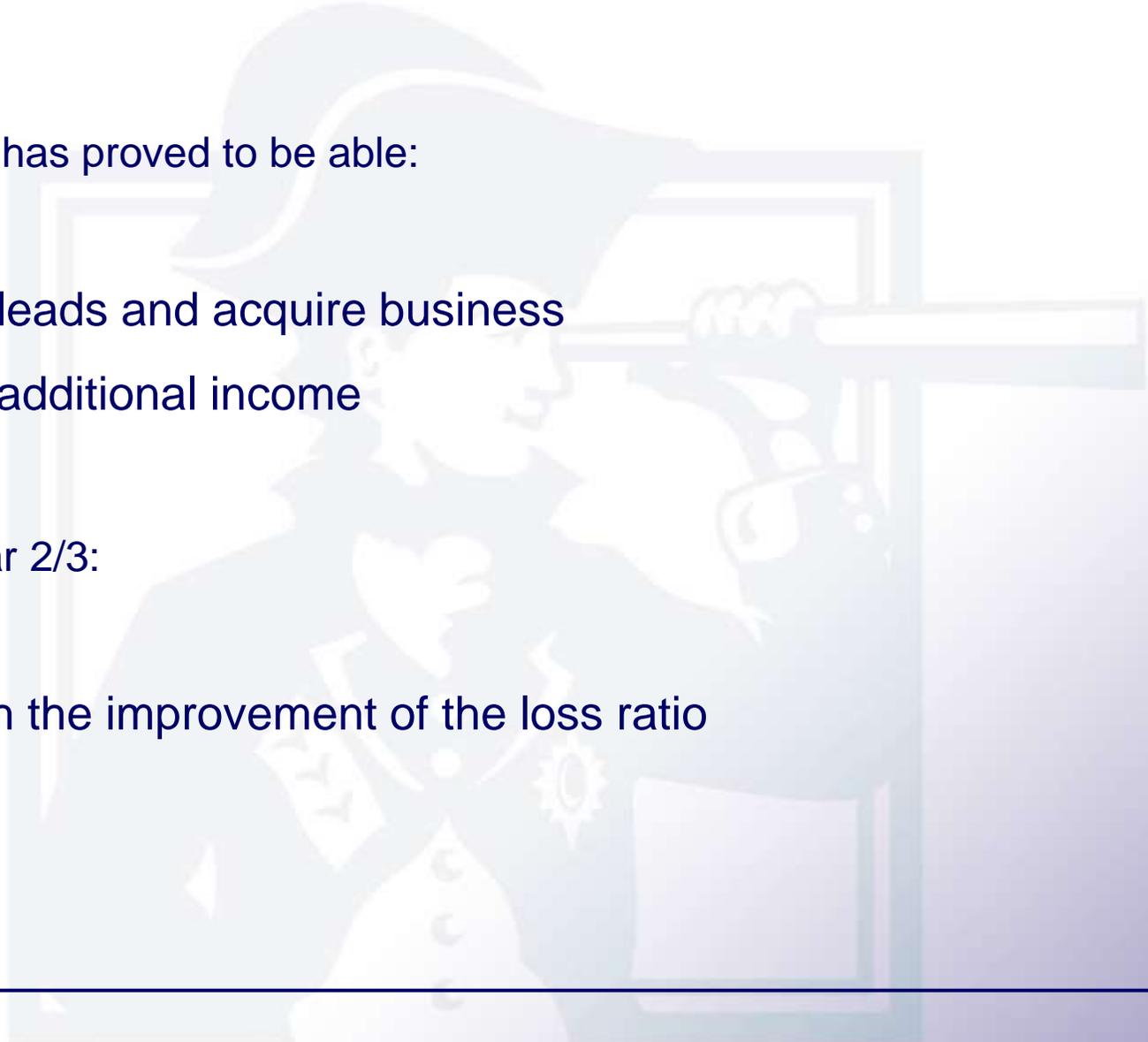
Month	2007	2008
6	149%	107%
12	137%	-
18	136%	-



Balumba: approaching our 2nd birthday

- So far, Balumba has proved to be able:
 - To generate leads and acquire business
 - To generate additional income

- Challenge of year 2/3:
 - Continue with the improvement of the loss ratio





Balumba: improving the loss ratio (I)

- Maturity factors:
 - Scale
 - Age of portfolio

Market Frequency for TPL (no BI) by age of policy

Age of policy	Frequency		Avg cost of claims	
	2006	2007	2006	2007
<1 year	13,45%	12,78%	928	1003
1 year	12,05%	11,53%	898	964
2 years	10,45%	10,02%	876	934
3-4 years	9,16%	8,86%	872	903



Balumba: improving the loss ratio (II)

■ Internal factors:

■ Pricing

- More questions and more data
- Underwriting quality

■ Claims

- Approved repairers
- Proactivity



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AdmiralDirekt.de – Sita Schwenzer



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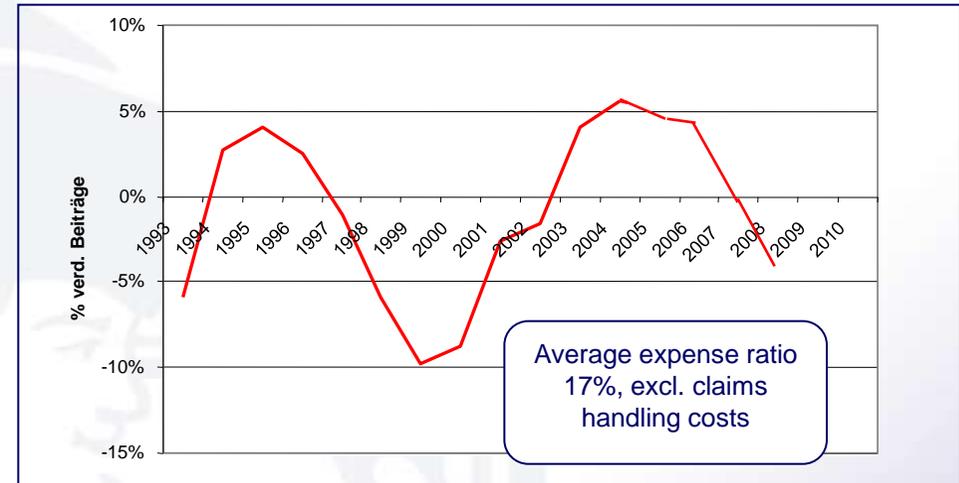


German motor insurance market – key facts & figures

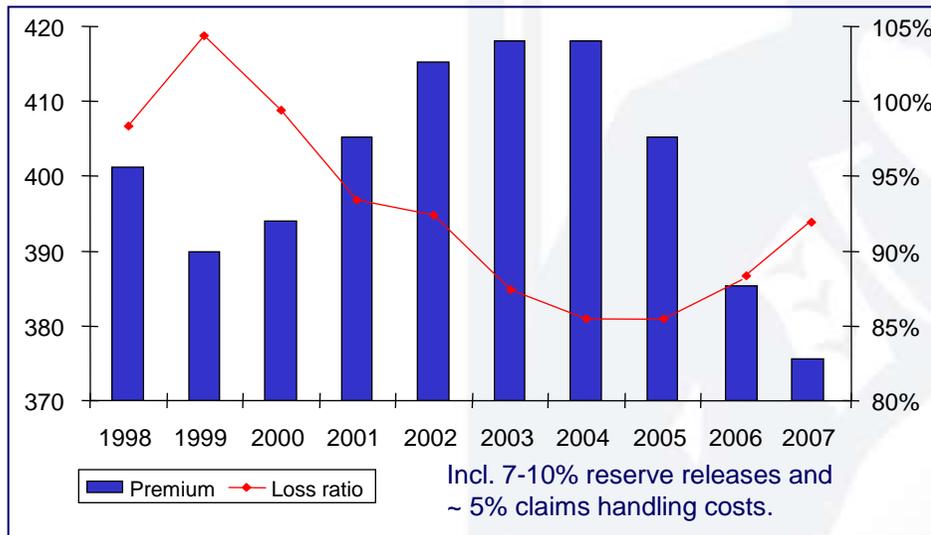
Key facts Germany versus UK

Figure (2007)	Germany	UK
Number of private vehicles (in m)	37	26
GWP private vehicles (in b €)	14	14
Average Premium private cars (in €)	374	540
<i>Split of cover (GWP)</i>		
Non-comprehensive	50%	11%
Comprehensive	50%	89%
Market share direct players	~10%	70%

Technical results – German motor insurance



Rates evolution and loss ratio

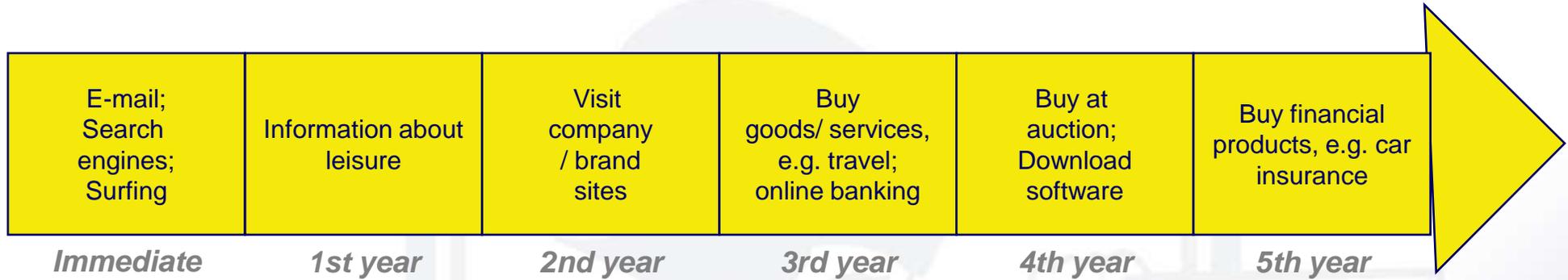


Seasonality of sales

- Policy Renewal date is usually Jan 1st, this is a tradition, not compulsory
 - Motor insurers focus their marketing efforts in Q4
- => Key operational challenge for motor insurer

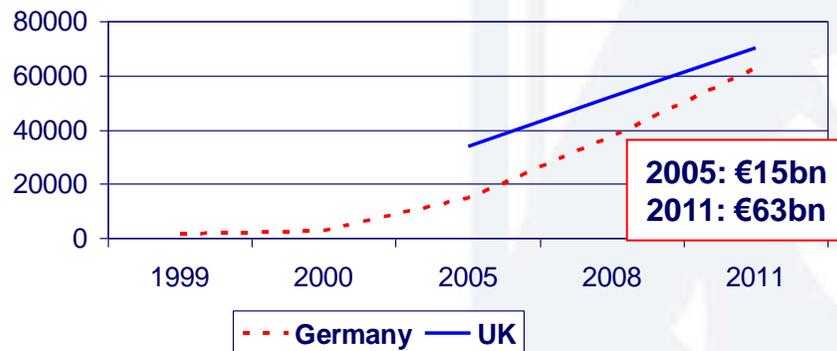


The internet – an irresistible force

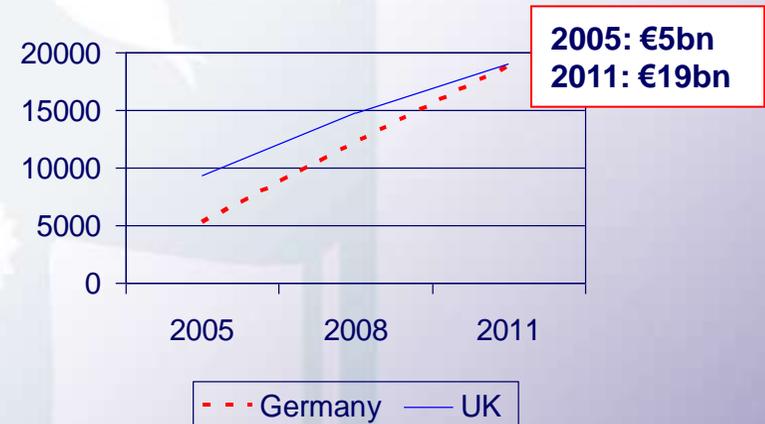


Source: Forrester Research/ Analysis of Consumer Technographics 1999-2004.

B2C (total, in €m)



Purchases travel online - forecast (€m)





Why Admiral Germany will be successful





Admiral – Milestones a year after launch

Achievements so far:

- Launched a direct insurer in 8 months
- Acquired over 9,000 customers in peak season, currently at 11,000 customers
- Identified cheap Marketing channels resulting in low customer acquisition cost
- Portfolio of products that the customer is familiar with and some product innovations
- Set up network of external suppliers (aggregators, approved garages)
- Staff: 100 employees
- Different work environment, young enthusiastic team

Challenges:

- Further identify attractive customer segments
 - Recruiting experienced insurance staff
 - Overcome operational challenge of peak season
-

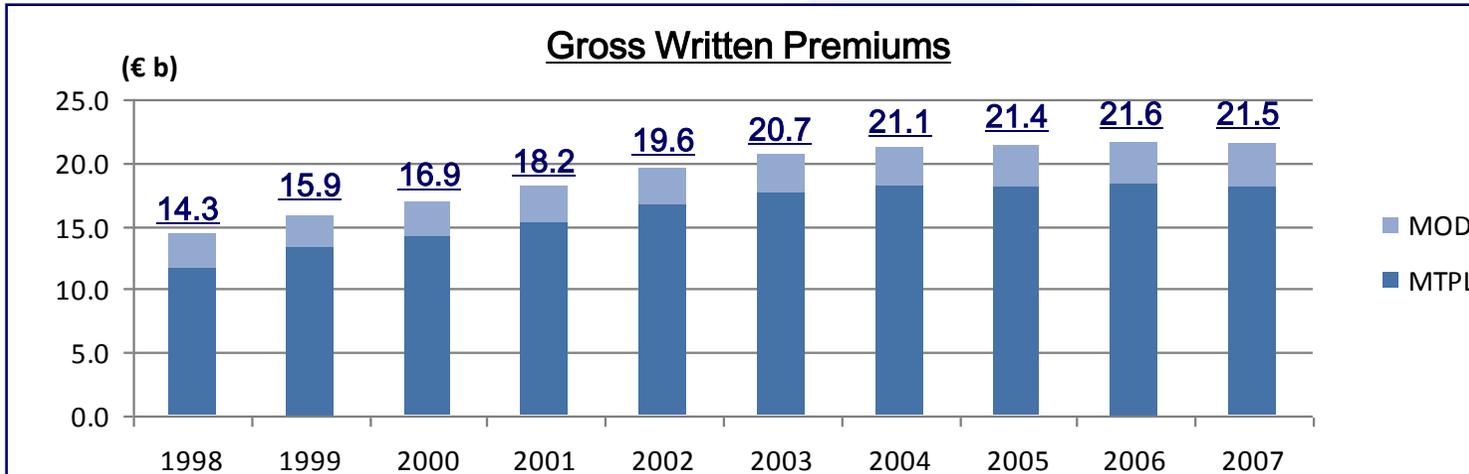
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ConTe.it – Milena Mondini





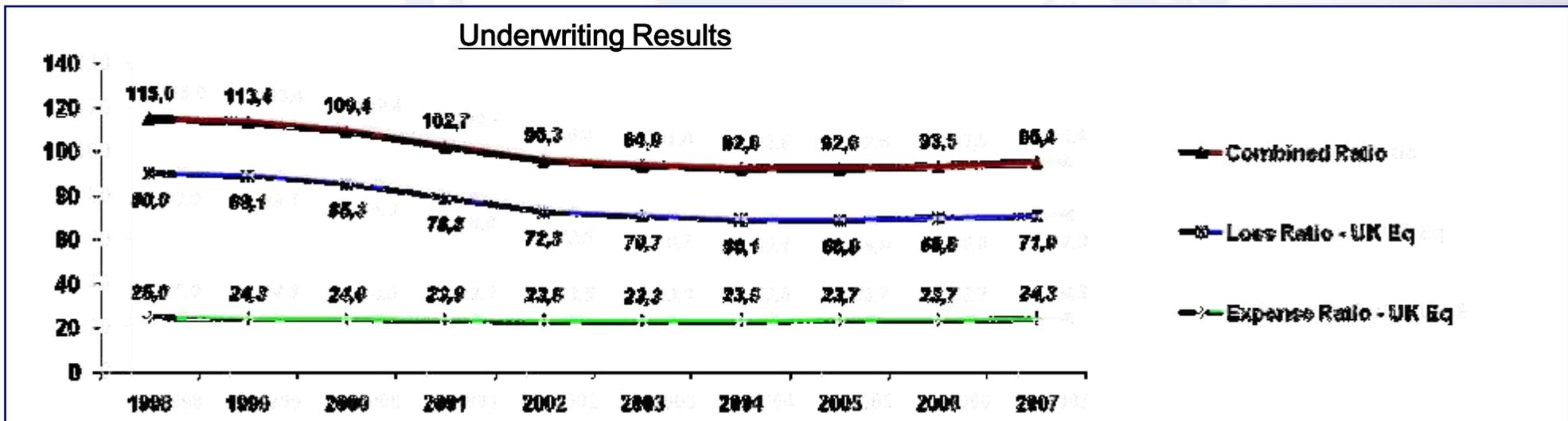
Italy is a large profitable market ...



- 2nd biggest market in Europe:
£ 17.9b (€ 21.5b)

- highest vehicle density:
0.87 per person

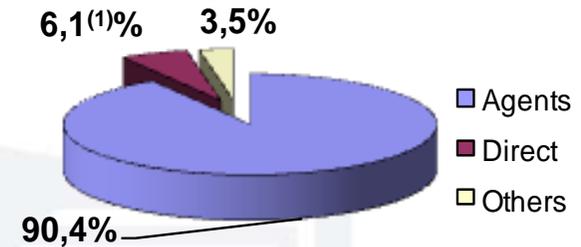
- high avg. private car premium:
£ 398 (€ 479)





...with clear ongoing evolution.

Italy is still dominated by tied agents,



but new regulations aim at increasing number of switchers and price sensitiveness

Direct Indemnity / reduced litigation costs

No tied-agents mandates allowed

No automatic renewal

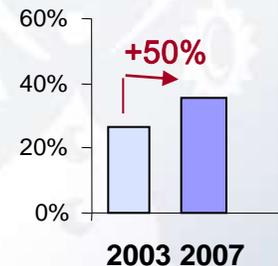
Stricter transparency requirements

Customers education initiatives

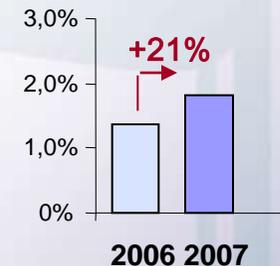
Authorities restructuring

and online business is growing!

Internet Penetration ⁽²⁾



Online Insurance %



• *New aggregators arising*

• *Direct model awareness increasing by 30%⁽³⁾*

Source: Forrester Consumer Technographics, Nov 2005 & Online Insurance Forecast 06-11

(1) Include brokers and all insurance products, but car insurance is the main product

(2) Estimated on users age 15+ / total country population age 15+

(3) Internal elaboration from focus groups 07 vs. 06



6 direct players but only 1 real direct company ...

Direct Players	GWP (€ m)	07/06 g%
	246	8,80%
	216	1,90%
	153	1,30%
	102	-11%
	13	8,30%
	248	18,10%

Parent Company	GWP (€ m)	% Direct	Media invest: 06/07*
	2.911	8,40%	23%
	2.692	8,00%	22%
	2.252	6,80%	20%
	679	15,00%	29%
	4.191	0,30%	n/a
			34%

Total direct

978

6,8%

Tot.

25%



....until May 30th!

Low Price

Easiness

Personal relation

ConTe.it

® Admiral Group plc UK

= "WithYou"

Launched on May, 30th 2008!



ConTe.it is innovative across the value-chain ...





... and on people management

Diversity

- 6 nationalities, 10 Italian regions
- Multitude of industries and expertise
- Diverse senior management team (4 countries)

Young motivated talents

- 90% employees age ≤ 35 vs. insurance industry 23%
- Average salary 40% lower than insurance industry average
- 55% graduated people vs. insurance industry average 30%

Focus on development

- Sales incentives 5 times market average
- Intensive, 360° training
- Meritocracy and internal promotions

Entrepreneurial spirit!

- Consultants not call center staff
- Proximity and inter-department interactions
- Open space, appealing culture and a lot of fun!

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Questions?



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