

ADMIRAL  
GROUP plc



**2014 Full Year Results**

**5th March 2015**



### **The year of the Baked Alaska: hot and cold at the same time**

#### **Strategy**

- invest in businesses outside of UK car insurance
- continue profitable growth trajectory of core business
- focus on providing long term value for investors

#### **Calculated investment today for future benefit**

**Group Overview** Henry Engelhardt, CEO  
Geraint Jones, CFO

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**UK Update** David Stevens, COO  
Stuart Morgan, Head of Service

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**International** Milena Mondini, ConTe CEO  
Elena Betes, Rastreator CEO

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**Wrap Up** Henry Engelhardt, CEO

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**Q&A** All





- Group profit before tax<sup>1</sup> down 4% at £357 million (2013: £371 million)
- Return on equity of 52% (2013: 58%)
- Group turnover down 3% at £1.97 billion (2013: £2.03 billion)
- Group customers up 10% to 4.0 million (2013: 3.7 million)
- Earnings per share down 2% at 103.0 pence (2013: 104.6 pence)
- Final dividend of 49.0 pence per share; bringing the total dividend to 98.4 pence per share down 1% (2013: 99.5 pence)



## A hot and cold year



### Hot

- Group customers up 10% to 4.0 million (2013: 3.7 million)
- ConTe, biggest international insurance operation, turned profitable
- Record profits at Rastreator and LeLynx (combined PBT up +47% to £2.8m)



### Cold

- Challenging UK market due to cyclical
- Confused faced competitive market

**£15 million 2014 Investment in compare.com: a future hot?**

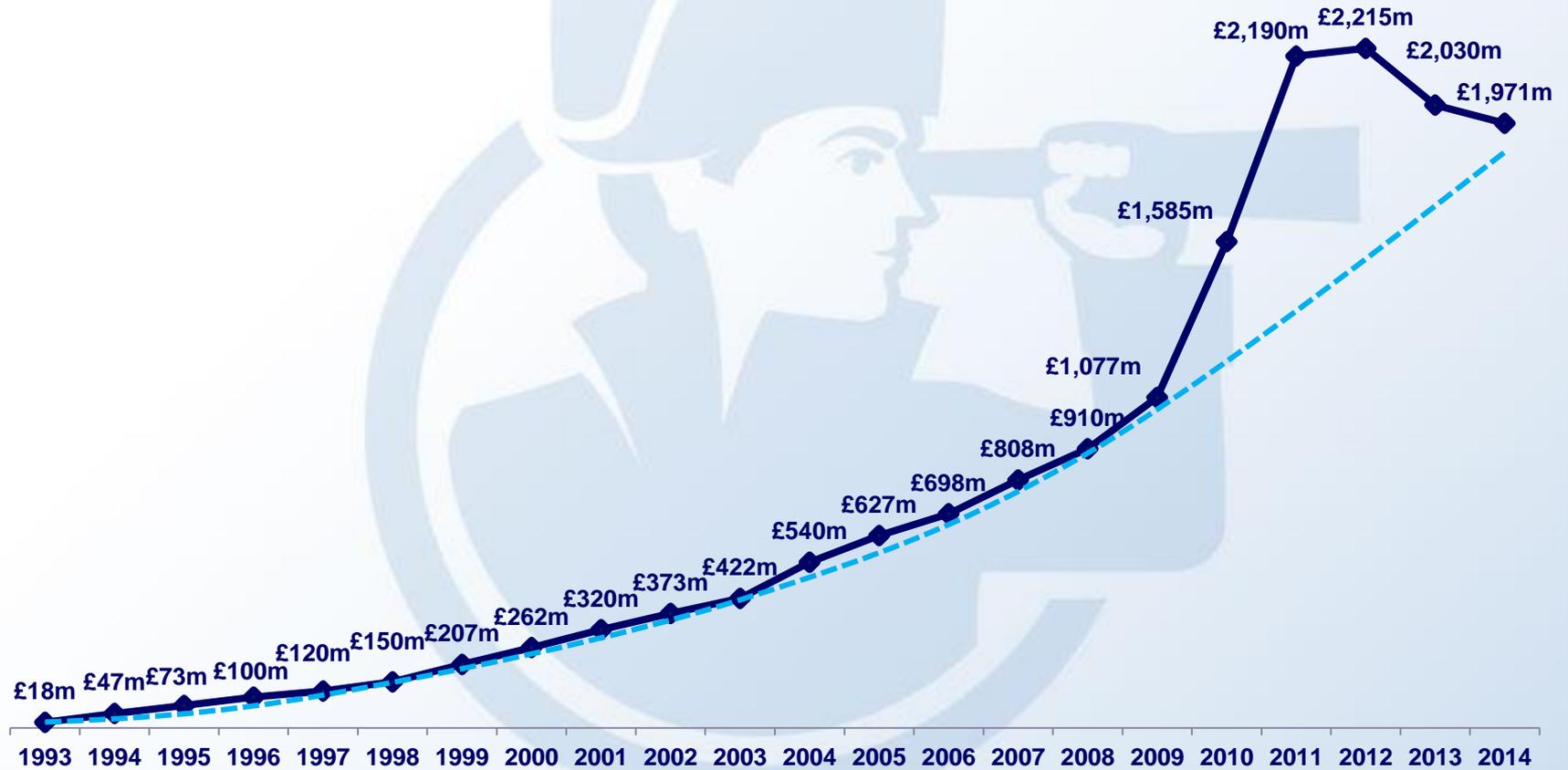


**“2014 goes down as the year of the Baked Alaska”**



# Turnover reflects falling premiums in the UK

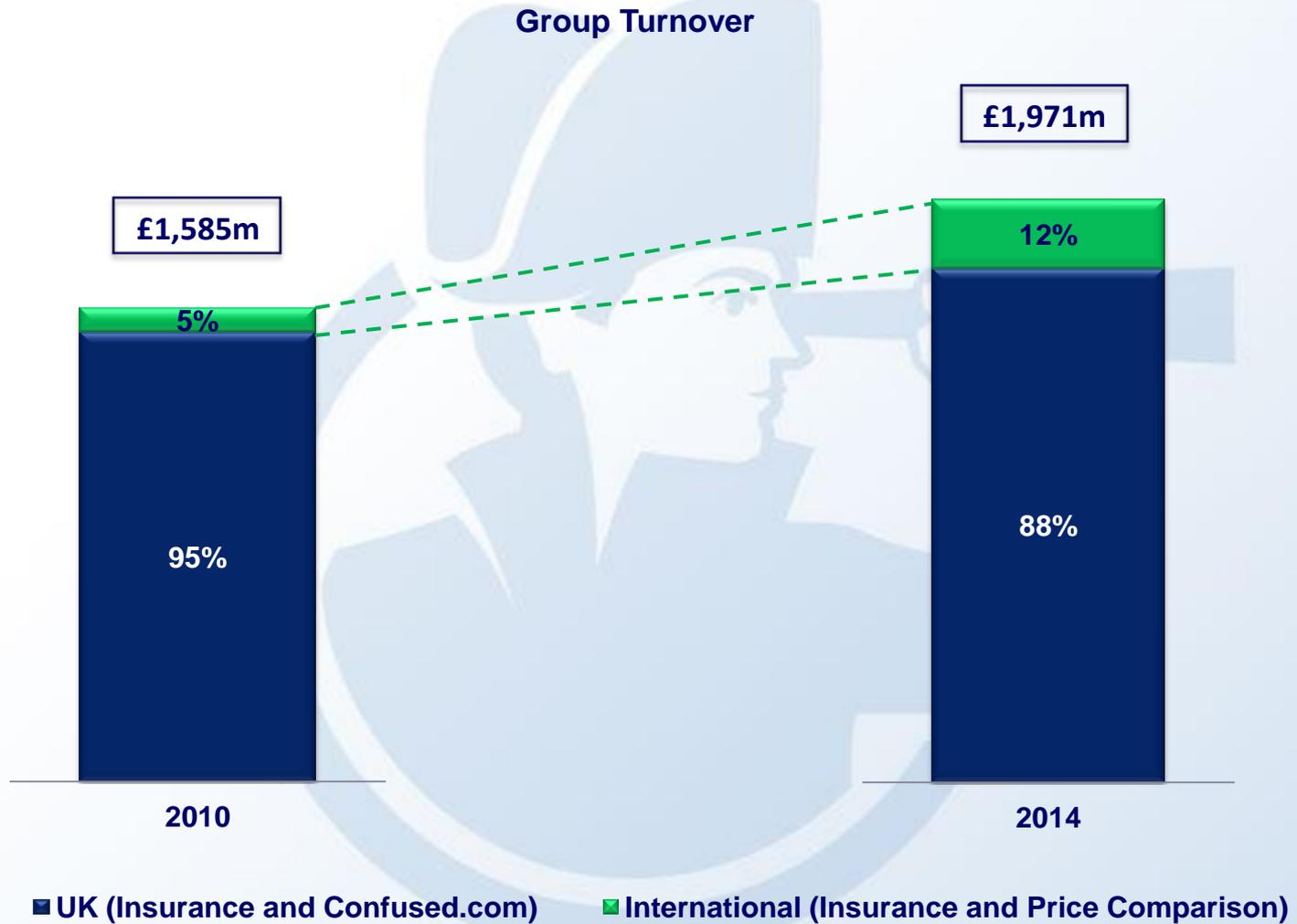
## Admiral Group Turnover<sup>1</sup>



Note: (1) Turnover comprises total premiums written plus other revenue.



# Increasing contribution from International businesses





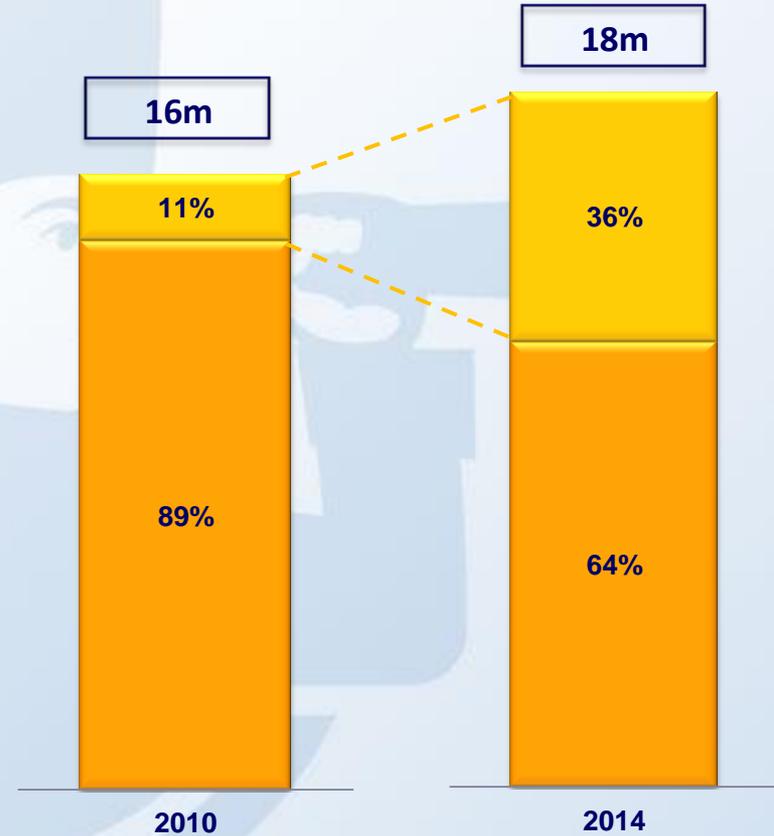
# Growing success of International Price Comparison

## Group Price Comparison Turnover



■ Confused.com ■ International PC

## Group Price Comparison Quotes

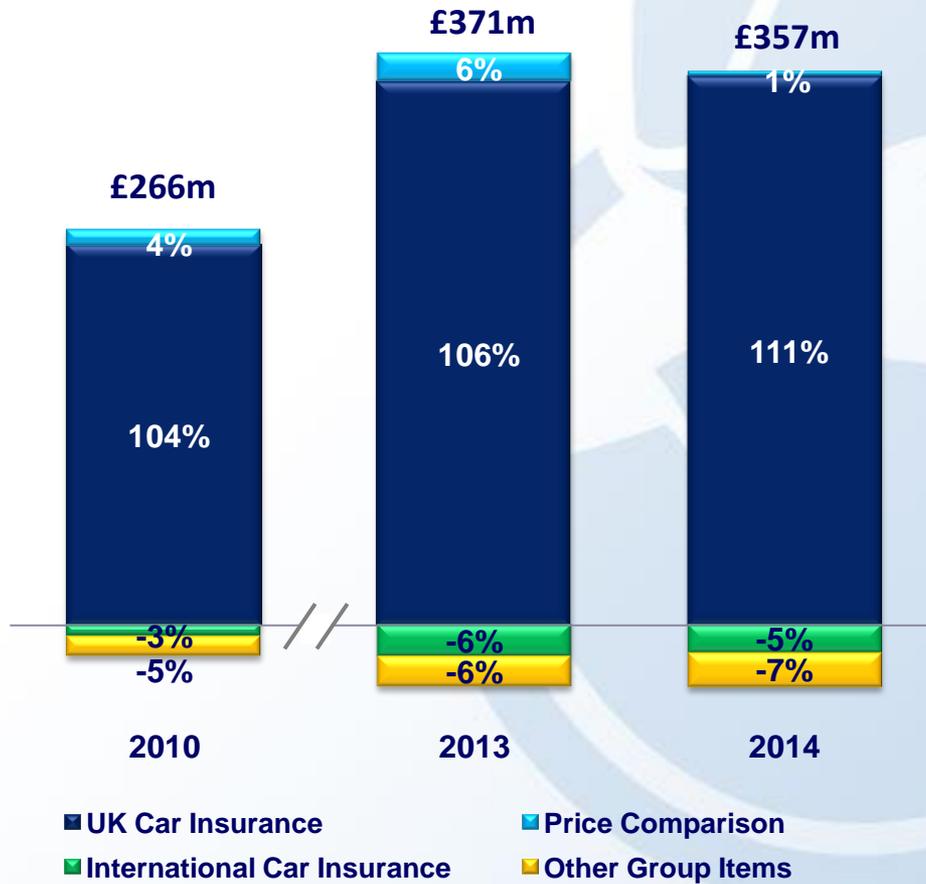


■ Confused.com ■ International PC



# Analysis of Group profit

## Group Profit Before Tax

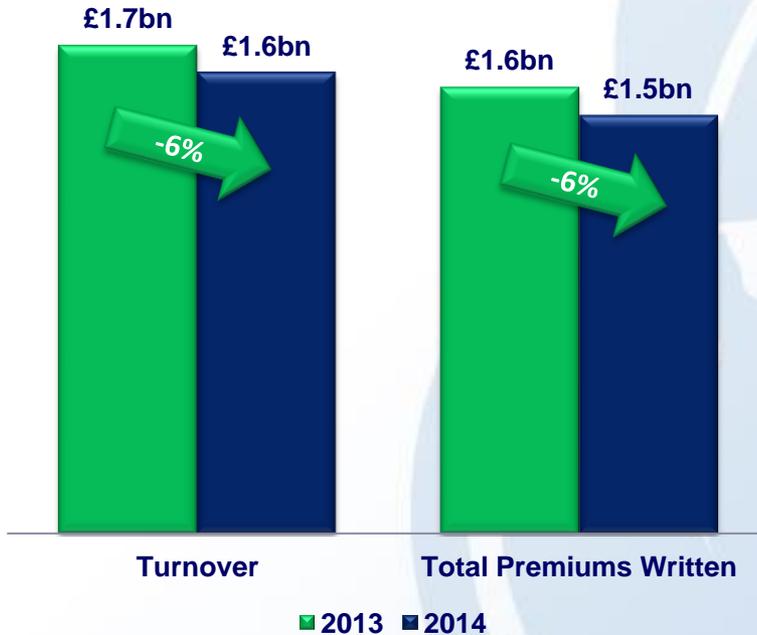


- UK Car Insurance profit up 1% at £398 million (2013: £394 million)
- Overall Price Comparison results impacted by investment in compare.com (Group share of loss £15 million)
- ConTe.it made a small profit and overall international insurance losses reduced
- UK Household Insurance breaks even despite growing strongly
- Other Group items includes £2.4 million net debt financing charges in 2014 as well as share scheme costs



# UK Car Insurance response to market conditions

### UK Car Insurance Turnover and Total Premiums Written



### UK Car Insurance Customers



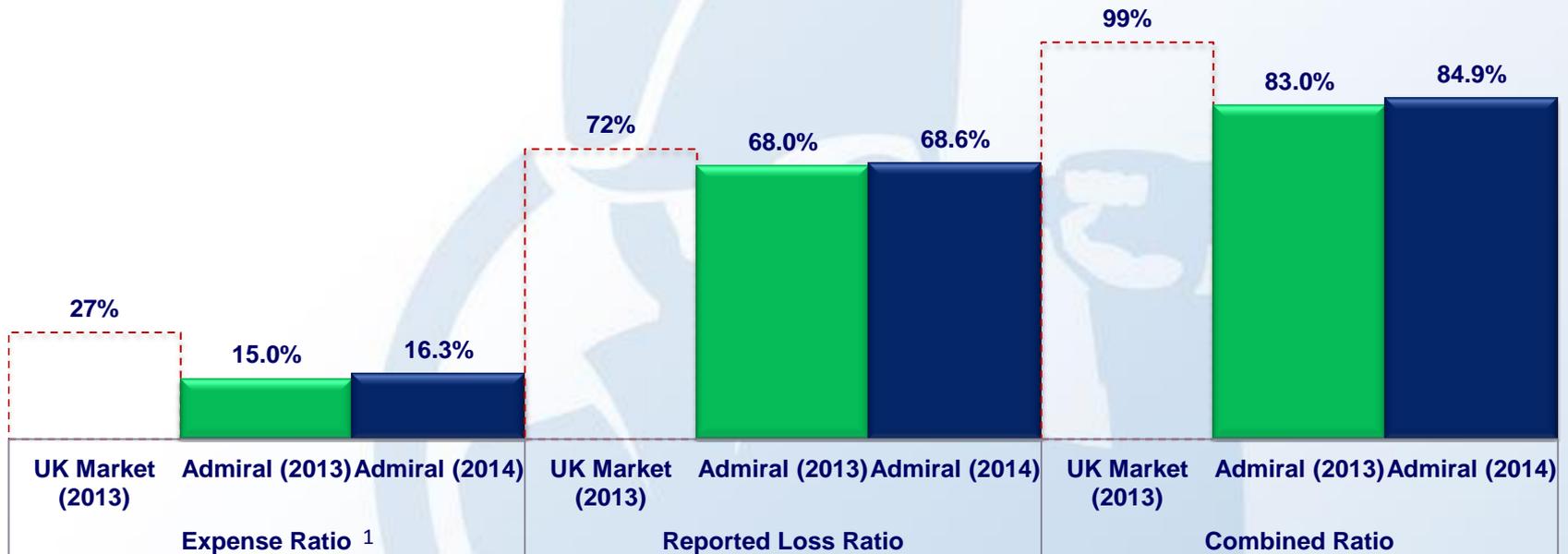
- Reduced total premiums reflective of lower average premiums due to rate reductions (mainly throughout 2013)

- 4% customer growth in 2014 largely due to improved retention



# UK Car Insurance combined ratio remains stable in 2014

## Expense, Loss and Combined Ratios (Motor Only)



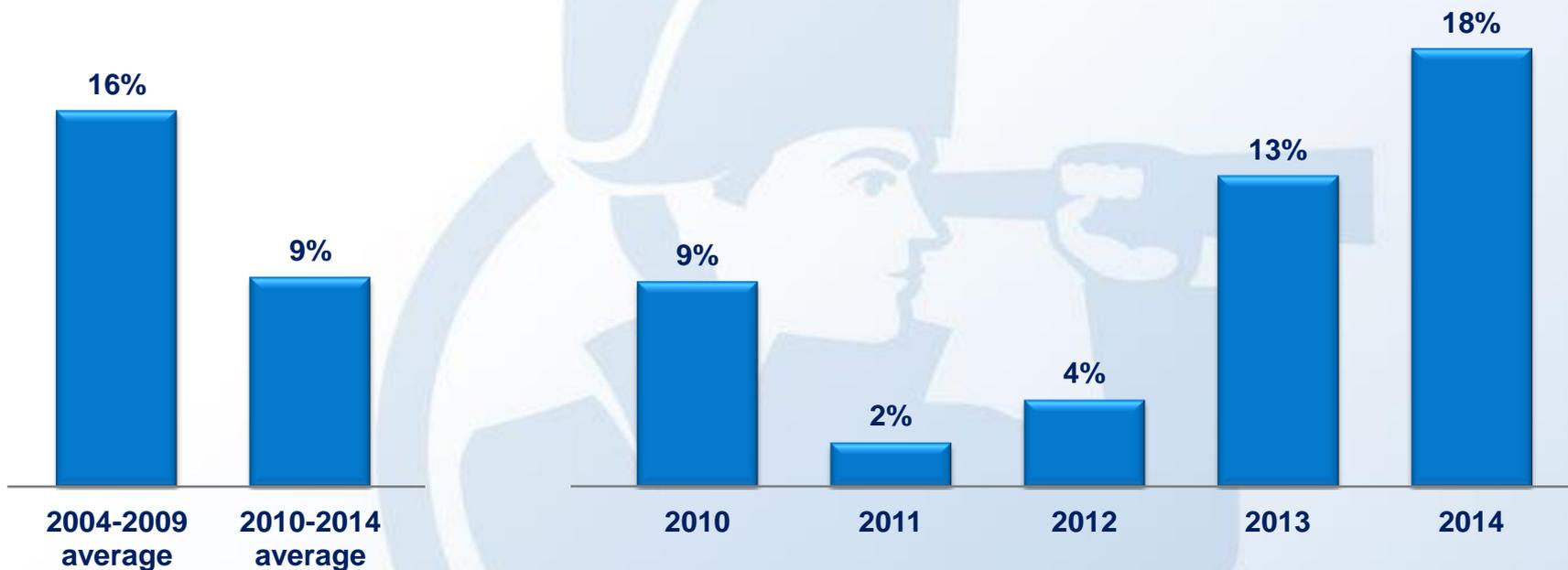
- Reported loss ratio stable as higher reserve releases offset higher current year loss ratio
- Expense ratio increases due to lower average premiums
- Other revenue per vehicle flat at £67 in 2014 (net of internal costs: £58 in 2014 and £57 in 2013)

Source: UK market data extracted from PRA returns as at 31st December 2013. Market excludes Admiral. Loss ratio: pure accident year.

Note: (1) Admiral expense ratio is on a written basis.



Admiral UK Reserve Releases as a % of Earned Premium



- Higher releases due to positive claims experience in respect of earlier accident years in 2013 and 2014 resulting in improved projected ultimate loss ratios (especially for 2010 to 2013 underwriting years)
- If claims develop as expected, there is likely to be scope for further material reserve releases going forward



# Growth for International Car Insurance...

## International Car Insurance Turnover



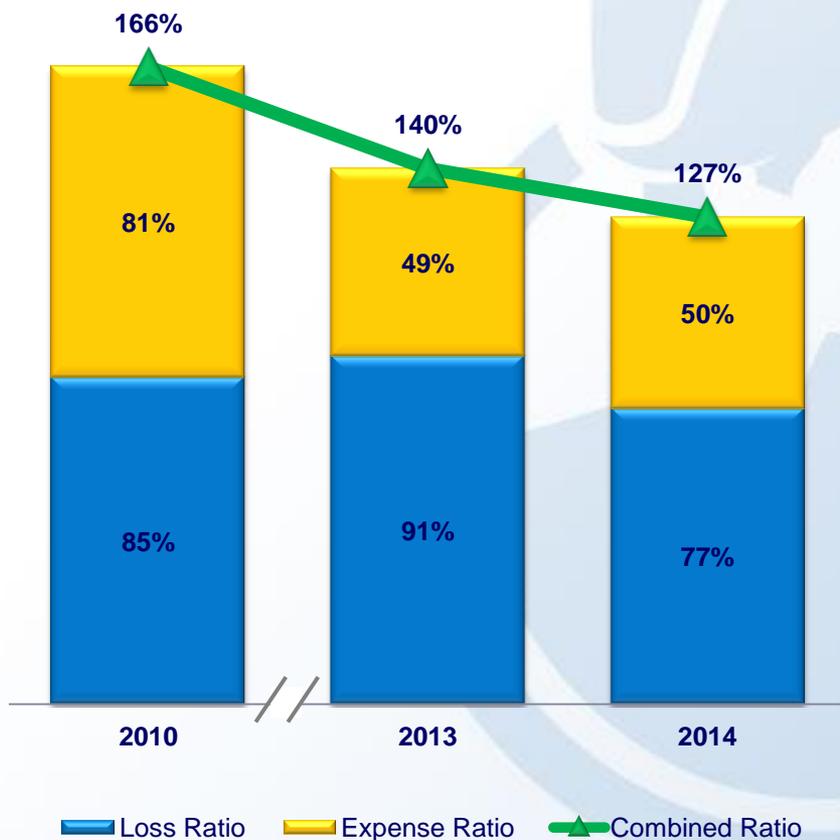
## International Car Insurance Vehicles Under Cover





# ... and improved results

### International Car Insurance Reported Combined Ratio <sup>1</sup>



### International Car Insurance Loss Before Tax



Note: (1) Reported combined ratio calculated on a whole business basis.

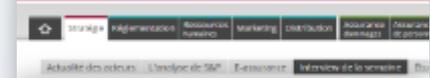


# The Internet remains an irresistible force

## Rastreator and LeLynx Quotes Generated



## Rastreator and LeLynx result



**CE QUE MODIFIE LA LOI HAMON**

**COMMENT RÉSILIER SON ASSURANCE AUTO**

**RÉSILIATION SIMPLIFIÉE**

**QUI EST LE LYNX.FR ?**

**3 QUESTIONS À DIANE LARRAMENDY, directrice générale de LeLynx.fr**

**LES COMPARETEURS PROPOSENT PLUSIEURS DEVIS PERSONNALISÉS EN 5 MIN**

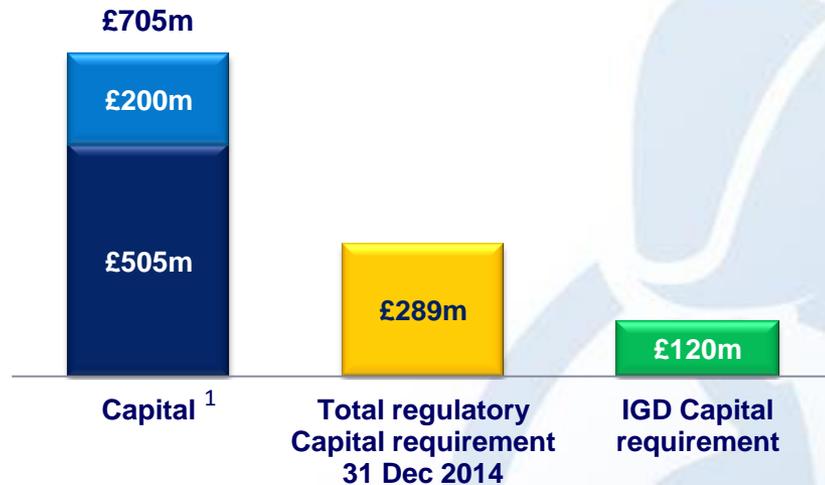
**RÉSILIATION SIMPLIFIÉE**

**QUI EST LE LYNX.FR ?**

**LES COMPARETEURS PROPOSENT PLUSIEURS DEVIS PERSONNALISÉS EN 5 MIN**



# Capital position is strong in run-up to Solvency II



- IGD coverage pre-final dividend 588%
- IGD coverage post-final dividend 474%

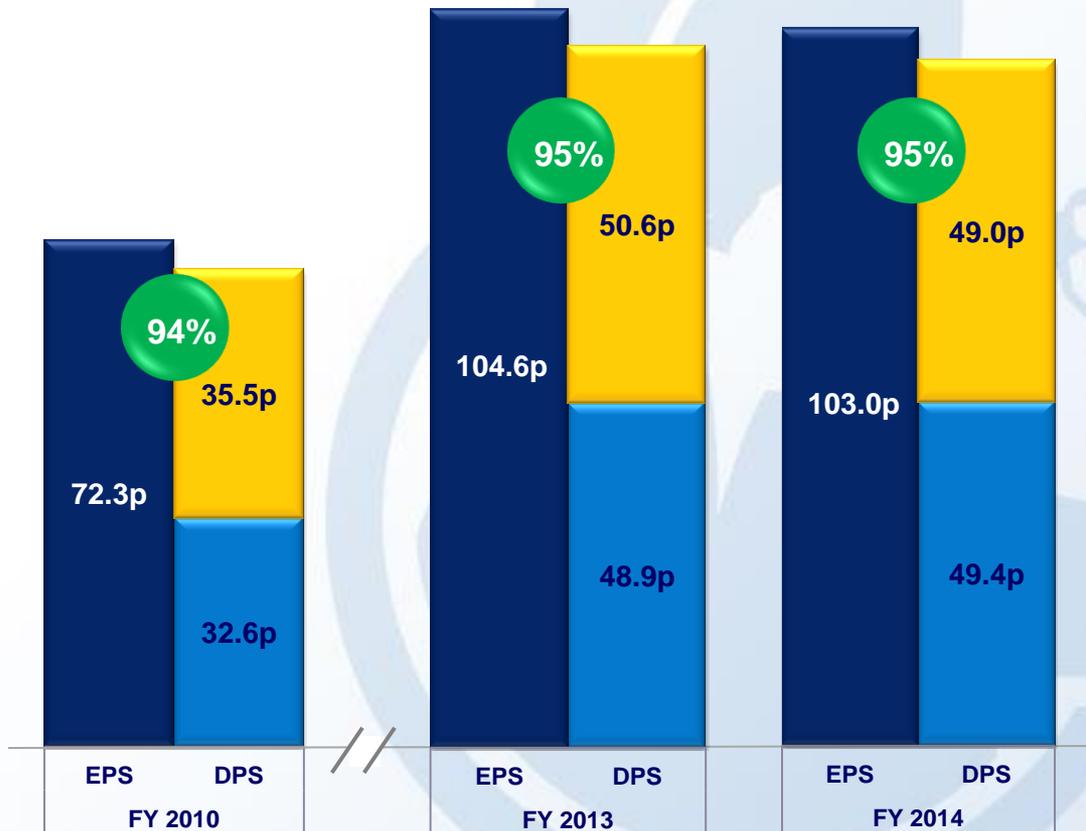
- Group capital requirements in 2015 set by UK ICAS requirements
- Surplus after deducting final dividend is c. £300 million
- Expect to hold significant surplus throughout 2015 as we make a prudent transition into Solvency II
- Bond strengthens and diversifies capital base in current and future solvency regimes
- Uncertainty remains over level of Solvency II capital requirement
- Leverage ratio (IFRS basis) post-final dividend 28%

Note: (1) Capital is tangible equity plus lower Tier 2 debt capital.



# Proposed Final Dividend of 49.0p per share

## Earnings and Dividend Per Share



### Dividend Dates

Ex-dividend date: 7 May 2015

Record date: 8 May 2015

Payment date: 29 May 2015

■ EPS   ■ Interim DPS   ■ Final DPS   ● Payout ratio

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# The return of claim inflation: higher frequency

Small Bodily Injury claims frequency has a structural tendency to increase  
(Market Data)



Source: Road Traffic Accident portal management data.



## Claims costs settling on a new trend following LASPO (Market Data)



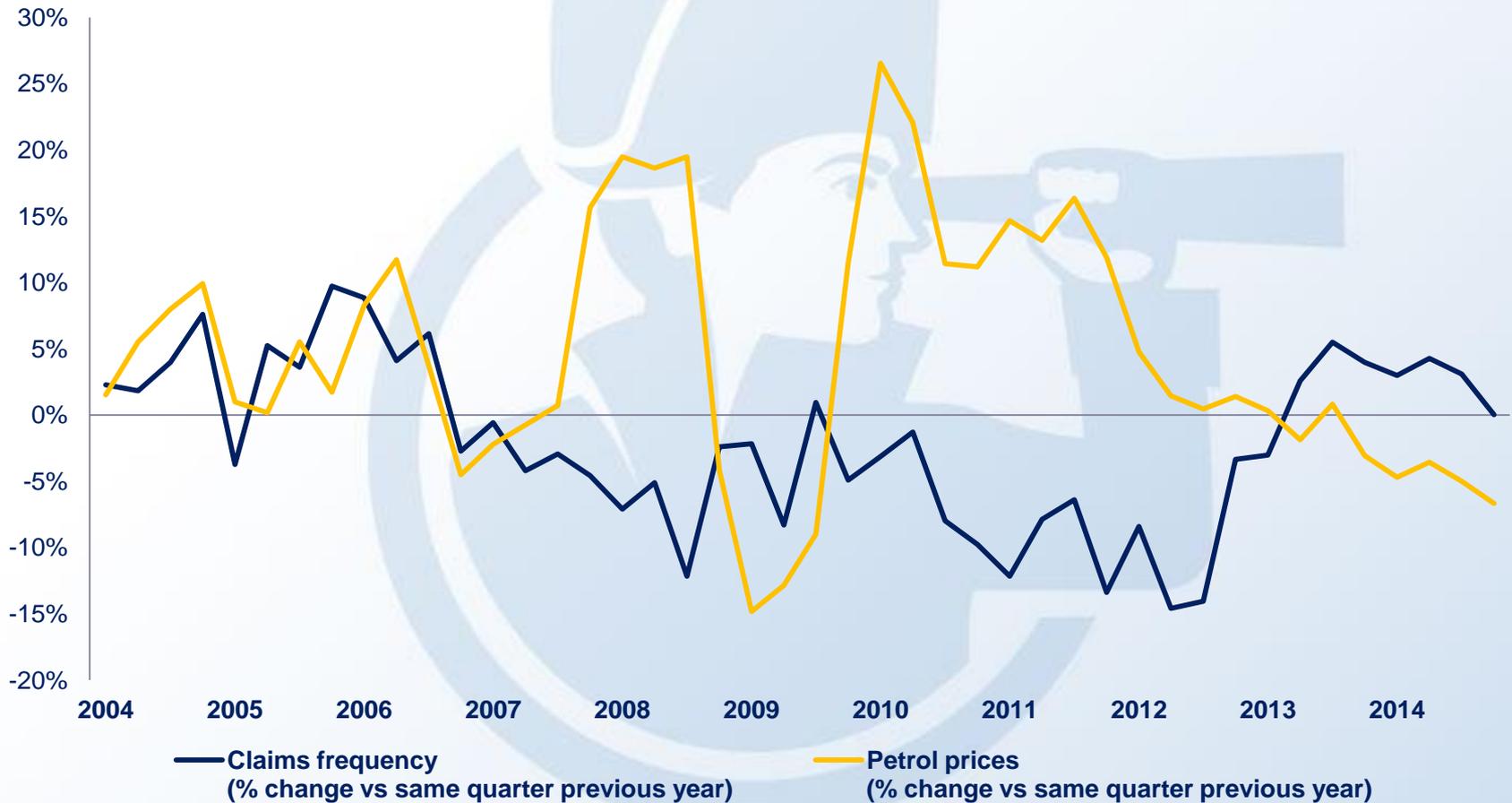
Source: Road Traffic Accident portal management data. Average lawyer fees from management estimates.

Note: (1) All claims notification forms.



# Higher overall claims frequency

Falling fuel prices may contribute to higher overall claims frequency due to increased driving  
(Market Data)



Source: ABI Overall quarterly claims frequency as reported in Q4 2014. AA Fuel Price monthly reports.



# Reforms in the pipeline unlikely to have material impact

## Medco Whiplash Reform Programme

- Due to start in April 2015
- Medical instruction in whiplash cases
- Ensure accreditation and independence of medical experts



New fixed fees may **reduce average spend for medical reports**



Limited expected impact on claims frequency



**Pressure by claimant lawyers** may reduce the intended impact

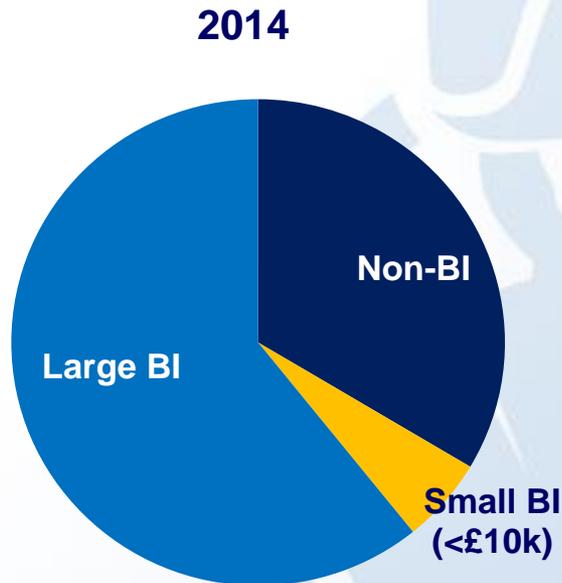
## Other areas

- Rise in the Small Claims Track limit
- Ban on pre-medical offers
- Outcome of May's election



# Large BI claims drive continuing underlying inflation

## Split of claim costs between Non-BI, Small-BI, and Large BI claims



**Ongoing effects of Jackson and LASPO reforms** expected to generate a reduction in legal costs associated with large BI claims.

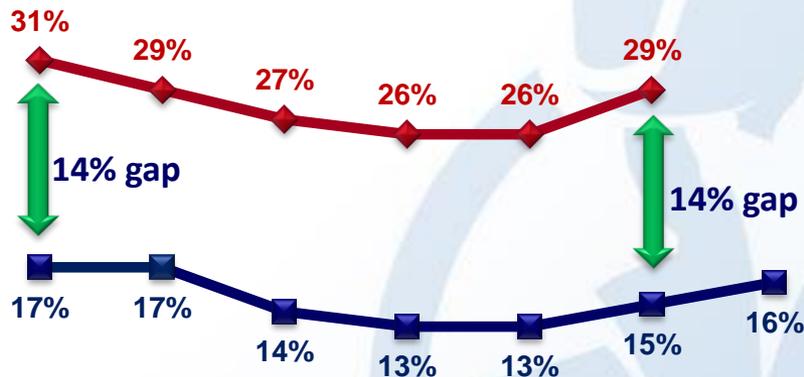
However, the expected reduction of legal costs is not going to offset fully general claim inflation, as **large BI claims** become more expensive:

- more sophisticated therapies
- more comprehensive care
- more factors involved in assessing long-term disability



# UK Car Insurance: Admiral vs Market expense ratio

Admiral's expense advantage relative to the Market remains very significant



Total expenses per policy <sup>1</sup>	£74	£70
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2008    2009    2010    2011    2012    2013    2014

◆ Market<sup>2</sup> (earned basis)  
 ■ Admiral UK (written basis)

## ✓ Lower claims handling costs

Claims handling expenses per claim down 8%

## ✓ Better retention

Better retention has driven a 9% reduction in acquisition costs per policy, leading to a further improvement of expense ratio.

## ✓ Great customer service

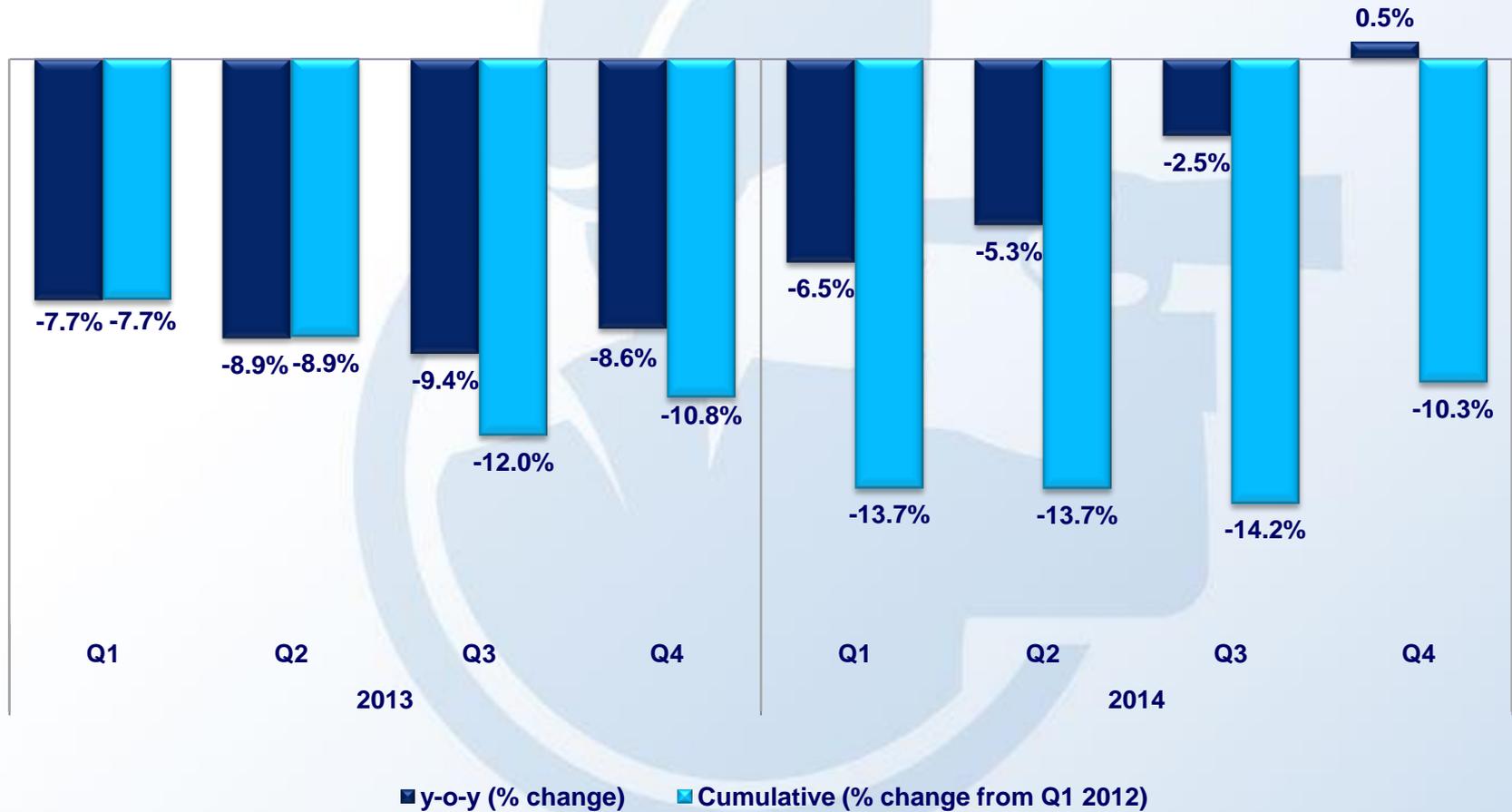
Over 90% of both customers and third parties involved in a claim would recommend Admiral following positive customer experience in relation to their claim.

Note: (1) Expenses per policy are on a written basis. (2) Analysis of PRA returns as at 31st December 2013, adjusted to remove UKI (due to unusually high or low expense ratios) in 2010, 2011, 2012 and 2013. If UKI was included the results would be 24%, 28%, 30%, and 31% respectively.



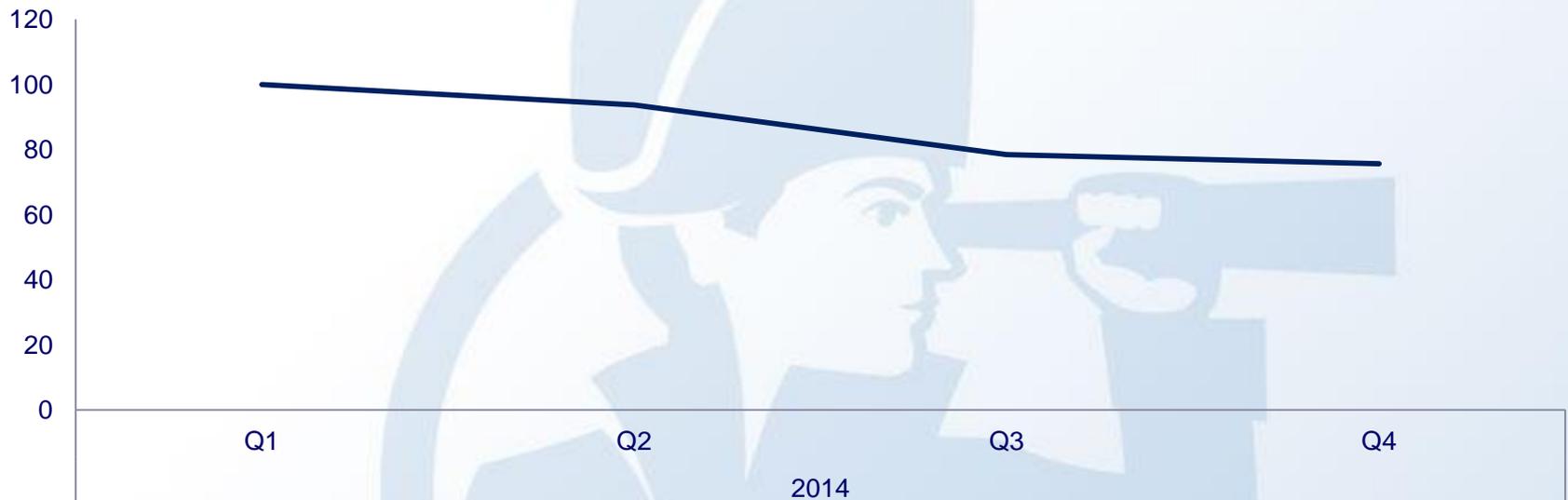
# UK Car insurance market cycle may be turning

## ABI Motor Insurance Premium Tracker



Source: ABI Motor Insurance Premium Tracker as published on 2nd Feb 2015 (quarterly data, year-on-year change).

## Admiral Group % top in aggregators<sup>1</sup> (when quote provided)



- Price increases from Q2 2014 onwards
- Cyclical pressures more pronounced in **younger driver**<sup>2</sup> segment leading to reduction in share: 5% reduction in share of portfolio in 2013 and a further 17% reduction in 2014
- Impact of rate increases in 2014 on share of new business offset in part by **improved retention**

Source: Admiral MI. Includes all brands.

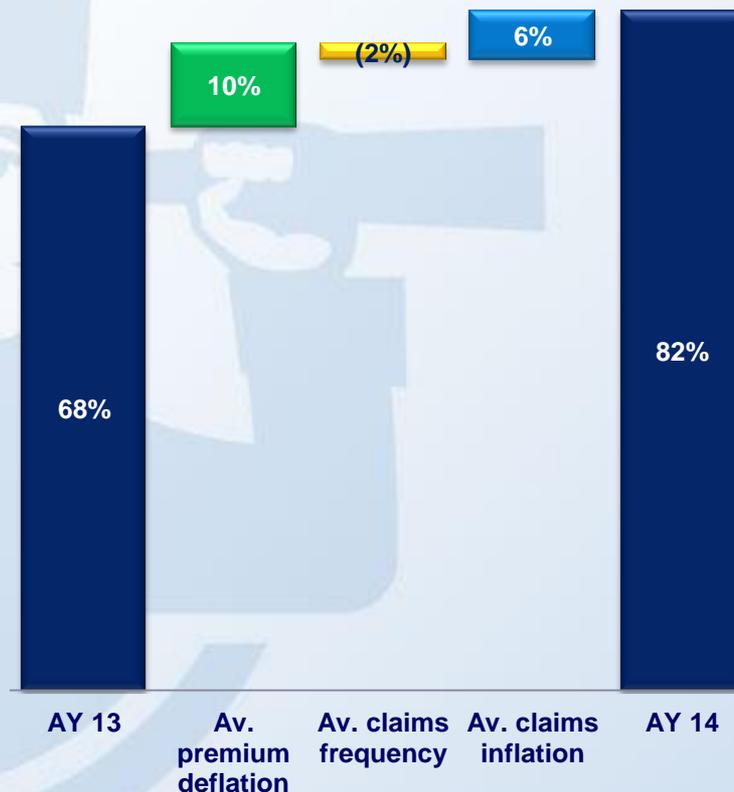
Notes: (1) Rebased to 100. (2) Younger driver segment defined as policyholders under 21 years of age.



# Back years have developed very positively, but early projections of 2014 are less positive

### Projected Ultimate Loss Ratio Admiral vs Market

### Projected Ultimate Loss Ratio Reconciliation



◆ Market Loss Ratio<sup>1</sup>  
■ Admiral UK Projected Ultimate Loss Ratio<sup>2</sup>  
 ( ) shows change Dec 14 v Jun 14

Source: (1) Analysis of PRA returns as at 31st December 2013, pure accident year loss ratio. Market excludes Admiral. (2) Independent actuarial projection of ultimate loss ratio on accident year basis.



- Further price increases expected for 2015 due to:
  - pressure from claims inflation leading to
  - a turn in the cycle
- Continued material reserve releases if claims develop as expected

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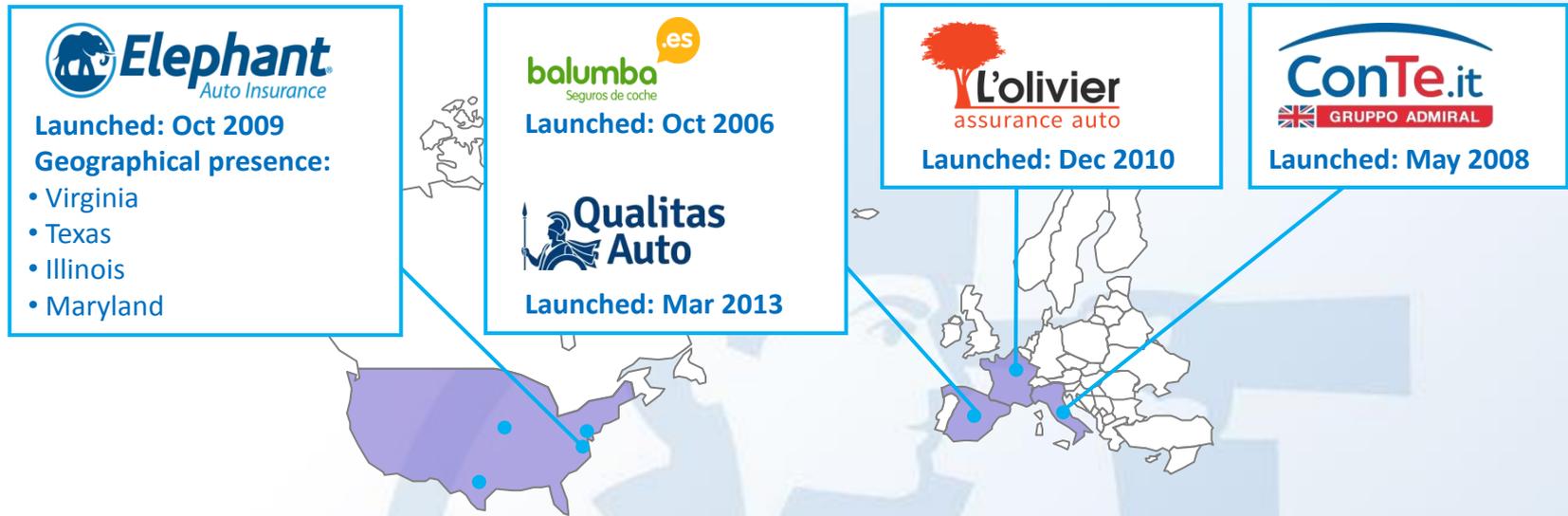
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Q&A  
All





# International Car Insurance businesses



### Turnover



### Total Premiums Written

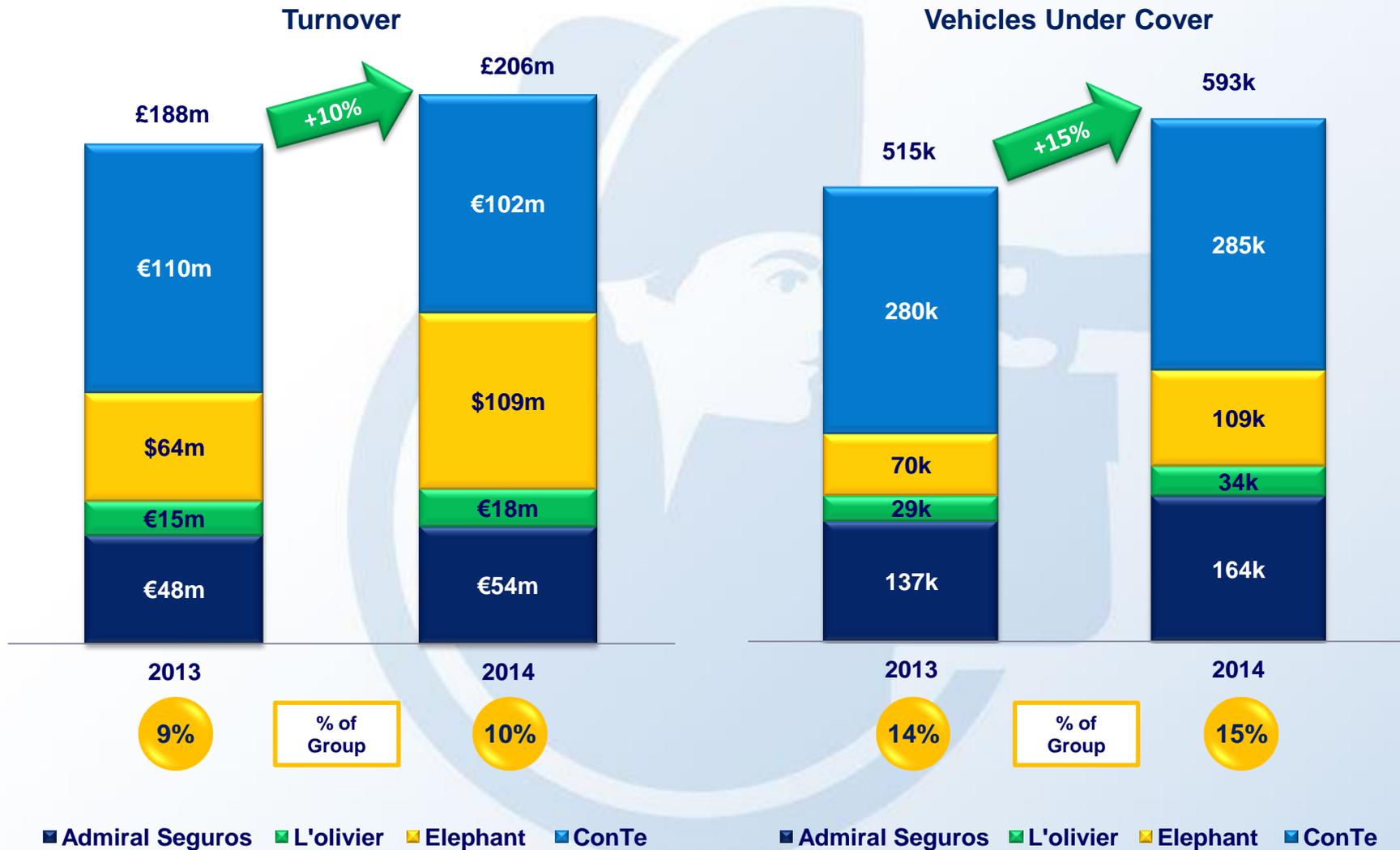


### Vehicles Under Cover



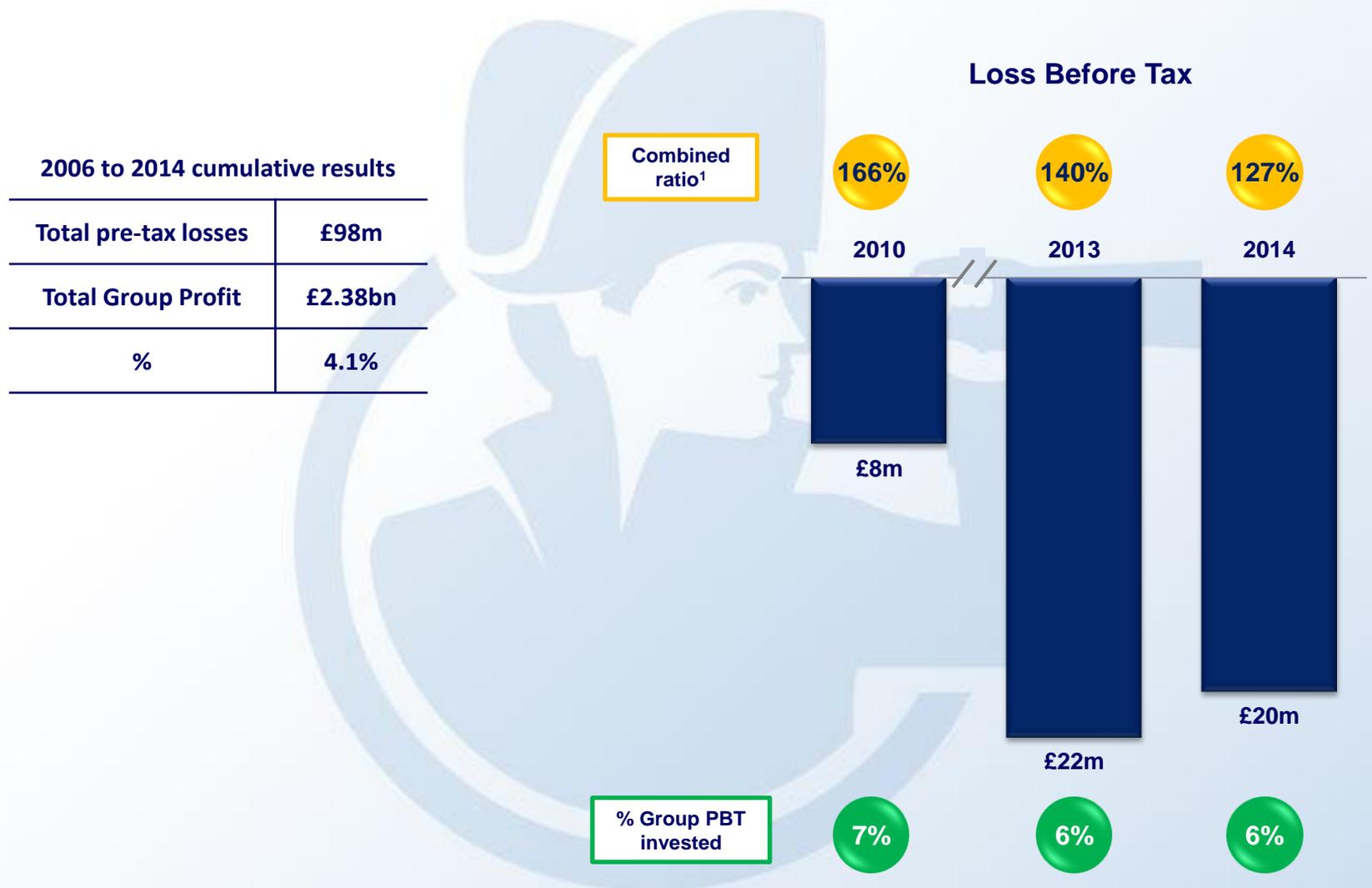


# Growing international car insurance top line

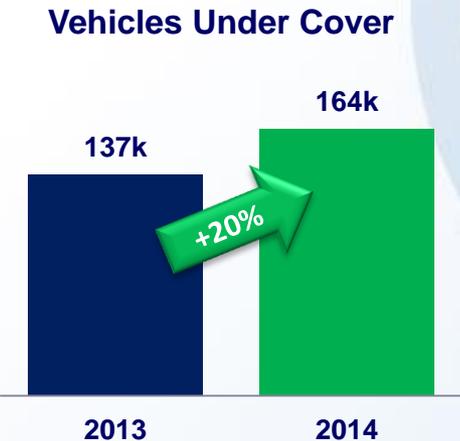
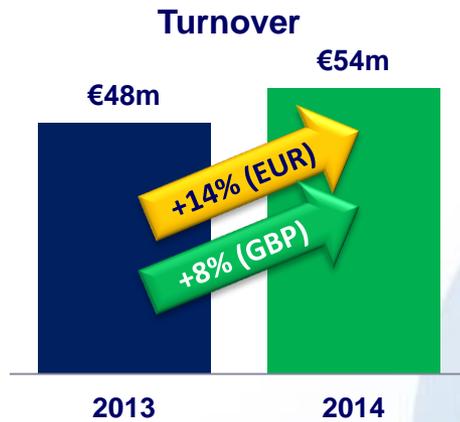




# International insurance expansion with limited call on Group P&L



Note: (1) Reported combined ratio calculated on a whole business basis.



**Market Update**

**Profitable market in a shrinking economy.**

**Insurance price increases expected due to change in Baremo, recovery of fuel consumption and a 20% increase in car sales.**

**Admiral Seguros performance**

**Growth has been sustained by the continued success of Qualitas Auto.**

**Invested in product innovation (telematics and motorbike insurance) to further support future growth.**

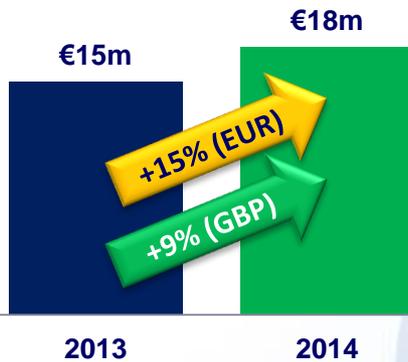
**Future outlook**

**Focused on leading the business towards break-even in 2015<sup>1</sup>.**

Note: (1) On underwriting year basis.



## Turnover



## Vehicles Under Cover



## Market Update

Limited price increases not compensating for a worsening market combined ratio mainly due to claims inflation.

## L'olivier performance

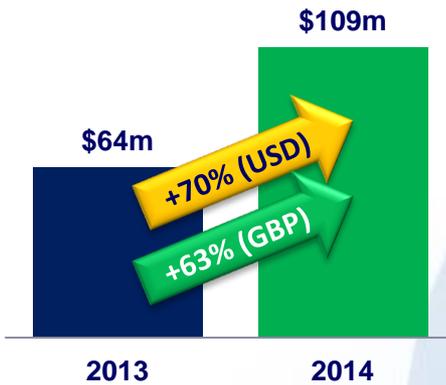
Building solid business foundations, from in-sourcing of operations to modernisation of IT infrastructure.

## Future outlook

Main objective for 2015 is to gain market share which will be supported by the new regulatory environment (Hamon Law).



## Turnover



## Vehicles Under Cover



### Market Update

Biggest car insurance market in the world, slowly evolving towards more direct distribution.

Nascent online price comparison market.

### Elephant performance

Customer base grew substantially, also thanks to a strengthening renewal book.

A number of significant infrastructure improvements were made.

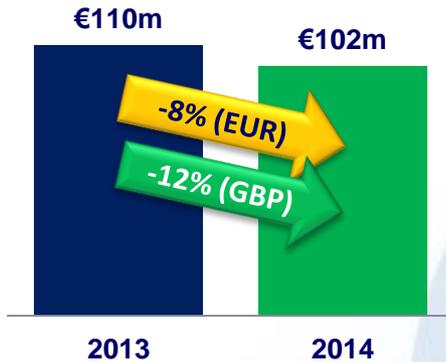
### Future outlook

Plenty of opportunity to grow within existing states and new ones.

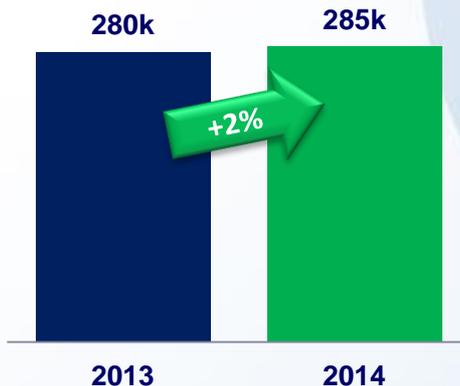
Leveraging price comparison operations for further growth.



## Turnover



## Vehicles Under Cover



## Market Update

Turning point in insurance cycle determined by strong price reductions and limited claims frequency decrease.

Direct market suffered from innovative propositions and aggressive media investments, particularly from traditional competitors.

Price comparison market was flat.

## ConTe performance

Conscious decision not to grow materially in 2014 and to focus on cost reduction while continuing to invest in underwriting and anti-fraud processes.

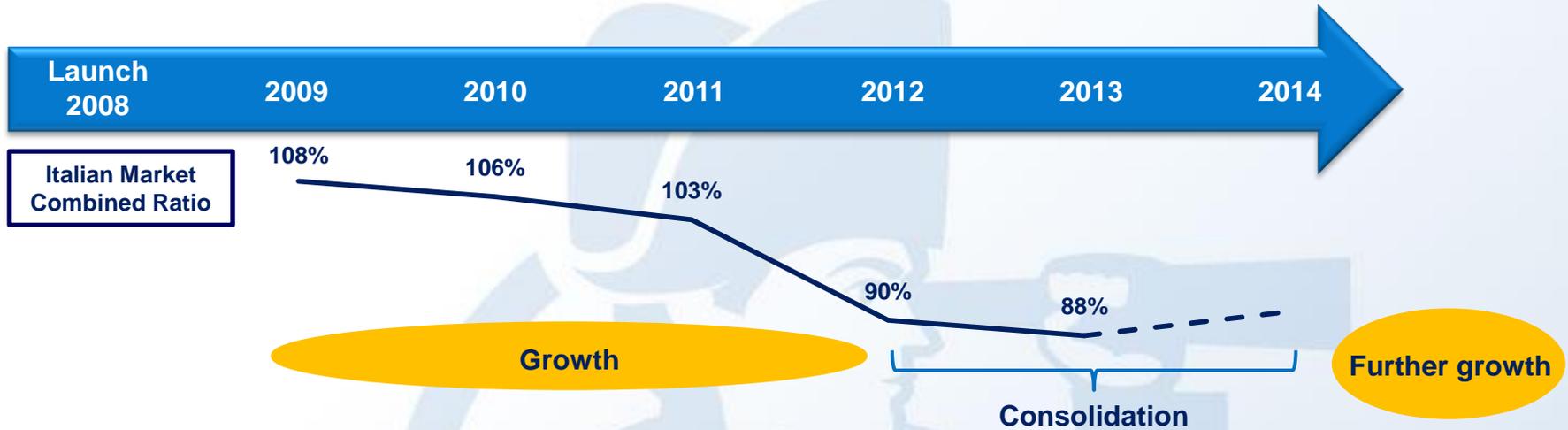
Achieved small profit on the back of reserve releases, whilst strengthening reserve conservatism.

## Future outlook

Scale business profitably and continue to innovate with new products, telematics and customer experience.



# ConTe has reported its first profit



## Transferring Admiral's UK competitive advantage internationally:

- Low cost structure
- Focus on pricing
- Efficiency in claims handling
- Direct to consumer distribution channels

## Reserving approach:

- ConTe made a small profit after reserve releases
- Maturing back year results improved
- Disciplined approach to reserving, likely to continue in line with UK approach





## Huge growth opportunity

### Market Gross Written Premiums



Significant opportunity to keep growing  
and to increase international insurance contribution to the Group



# Price Comparison businesses

**compare.com**

Launched: Mar 2013



**Rastreator.com**

Launched: Mar 2009

**Confused.com**

Launched: Mar 2002

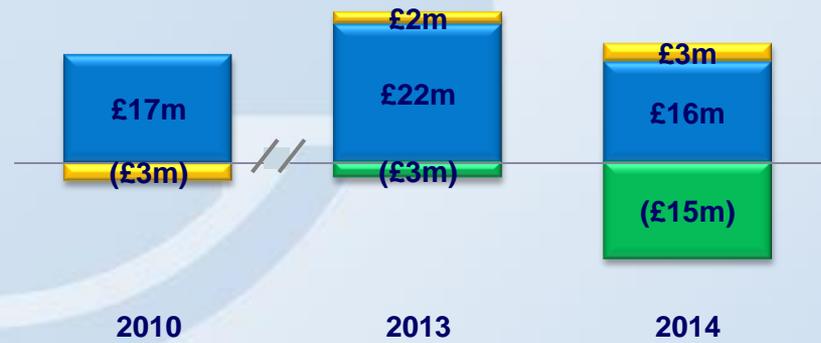
**LeLynx.fr**  
Comparateur d'assurances

Launched: Jan 2010



### Combined Turnover

### Combined PBT



■ Confused.com ■ International PCs

■ Confused.com ■ Rastreator + LeLynx ■ compare.com

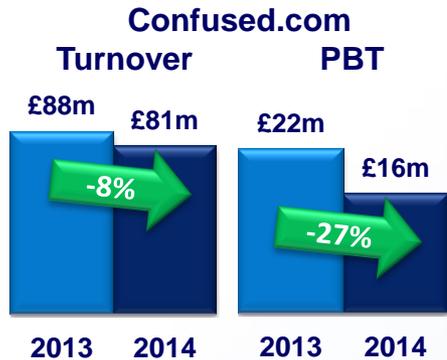


## Motor price comparison sales y-o-y % change (market data<sup>1</sup>)



**The Market**

Limited aggregator market growth (0-2%) caused by falling premiums (-4%<sup>2</sup> vs 2013).  
Market remains fiercely competitive.



**The Business**

Results driven by change in SEO rankings and inflation of advertising costs (both on line and off line).



**The Brand**

Continue to invest in brand with new Brian toy campaign:

FREE BRIAN toy when you buy car insurance or home insurance

Terms and conditions apply



Source: (1) Admiral MI, (2) ABI Motor Insurance Premium Tracker as published on 2nd Feb 2015, (3) Brand survey conducted by Morar consulting.



# European expansion: growing success of Rastreator and LeLynx

**Rastreator.com**

Launched: Mar 2009  
Break-even: 2011

**LeLynx.fr**  
Comparateur d'assurances

Launched: Jan 2010  
Break-even: 2013

Combined Quotes Generated



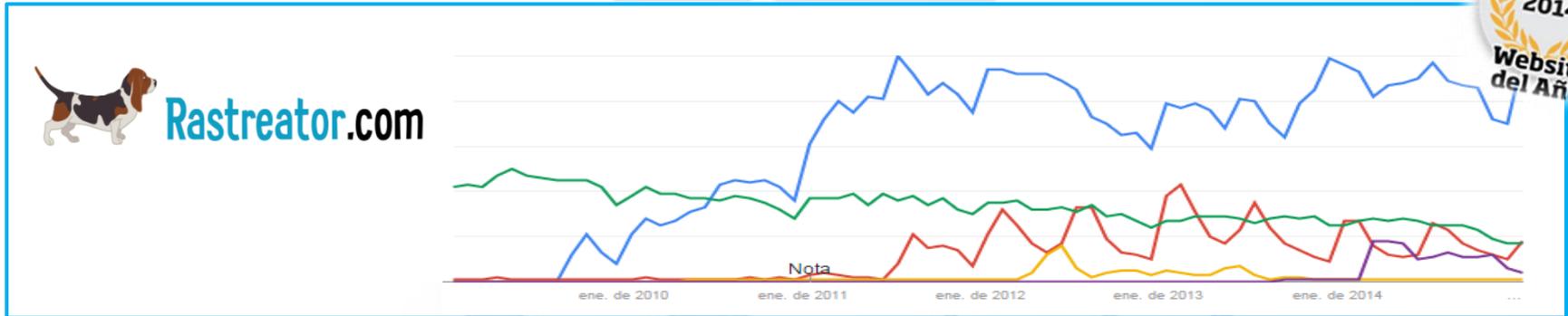
Combined PBT





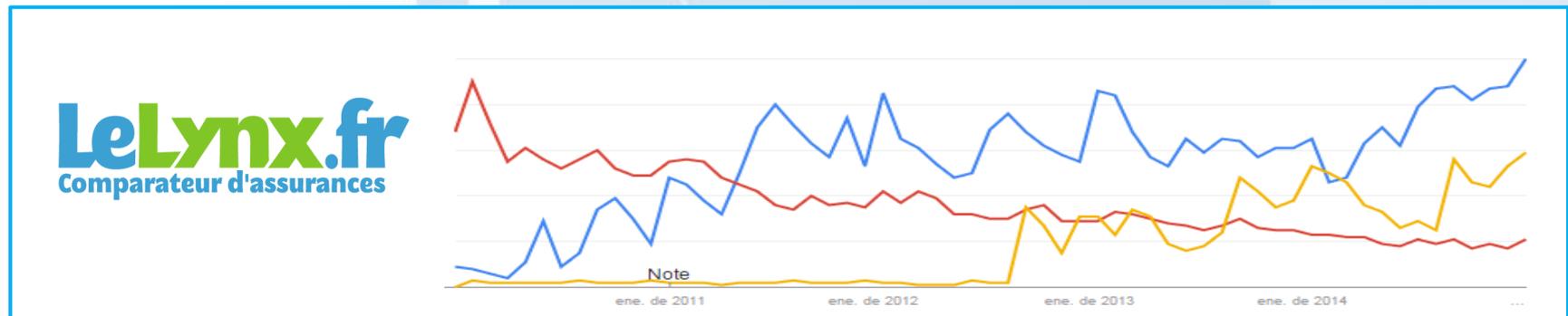
# European expansion: Rastreator and LeLynx brands are leading

## Rastreator - Google Trends brand searches



■ Rastreator ■ Arpem ■ Acierto ■ Kelisto ■ Seguros.es

## LeLynx - Google Trends brand searches



■ LeLynx ■ les furets ■ assurland

Source: Google Trends, as at 31 Dec 2014



## European expansion: strategic pillars

### Preferred Brand

Both brands have a high awareness<sup>1</sup> in their markets:  
Rastreator 91% and LeLynx 75%.

Target is to be the preferred brand in each market.

Working on long term proposition from a customer perspective.

### Product development

Current usage frequency is lower than in the UK.

Offering a broader range of products will deliver a better return and facilitate brand recognition.

Strong brands will allow expansion into other businesses.

### Data

Insurance price comparison is unique in terms of data gathering.

Understanding and using data will drive developments including helping partners to improve and will shape the future strategy.



Rastreator.com

LeLynx.fr  
Comparateur d'assurances



## The Market

Price comparison growing but still largely nascent.

## The Brand



## The Panel

40 insurers signed, 27 insurers on the panel including recognised brands and 8 of the top 20 players.

Rates returned per customer increased by average 12% m-o-m over the year.

## The Business

Considerable improvement in key metrics.

Quote volumes grew and cost per sale improved.  
Acquisition cost now less than half what it was a year ago.

Attracting standard and preferred customers.

## 2015 outlook

Continued investment: Group share of 2015 loss anticipated to be £20m-£30m.

Carrier and consumer adoption looks promising.



**... more opportunities for future growth**

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**Q&A** All





## **Group overview**

- Investing in many different markets, all with great potential, all with different competitive landscapes and timetable to success

## **UK market update**

- UK Car Insurance profits in the future are likely to be more cyclically influenced than before

## **International insurance operations**

- ConTe made its first profit. Expectations for Admiral Seguros to break-even in 2015

## **Price Comparison operations**

- Market leading, profitable and growing brands in Spain and France, a competitive UK market and opportunities in the US

## **Future outlook**

- Longer term there will be greater balance as reliance on the UK car insurance portfolio reduces
- Further international growth opportunities



# A great place to work!

**GREAT PLACE TO WORK®** Best Workplaces 2014 PYMES España



**SocialBuzz** 2014 TOP 50



**HALIFAX** BUSINESS AWARDS 2014

**GREAT PLACE TO WORK®** Best Workplaces 2014 Category: Large United Kingdom



**Fundación Alares®**

**GREAT PLACE TO WORK®** Best Workplaces 2014 Europe



**GREAT PLACE TO WORK®** Best Workplaces 2014 Canada



**GREAT PLACE TO WORK®** Best Workplaces 2014 España



**GREAT PLACE TO WORK®** Best Workplaces 2015 Italia



**THE SUNDAY TIMES** 25 BEST BIG COMPANIES TO WORK FOR 2015



**European Business Awards™**



**National Champion** 2014/15



**efr** empresa certificado en conciliación e igualdad





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# Appendix



# Admiral Group Key Performance Indicators

KPI	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Group Financial</b>										
Turnover £m	627	698	808	910	1,077	1,585	2,190	2,215	2,030	1,971
Customers m	1.1	1.3	1.5	1.7	2.1	2.7	3.4	3.6	3.7	4.0
Group share of pre-tax profit £m	119.5	147.3	182.1	202.5	215.8	265.5	299.1	344.6	370.7	356.5
Earnings per share	32.7p	39.8p	48.6p	54.9p	59.0p	72.3p	81.9p	95.1p	104.6p	103.0p
Dividend per share	24.6p	36.1p	43.8p	52.5p	57.5p	68.1p	75.6p	90.6p	99.5p	98.4p
<b>UK Car Insurance</b>										
Vehicles covered (000)	1,105	1,240	1,382	1,587	1,862	2,459	2,966	3,019	3,021	3,154
Total premiums £m	534	566	617	690	805	1,238	1,729	1,749	1,553	1,453
Reported combined ratio	84.9%	87.2%	83.4%	81.0%	84.9%	83.5%	91.9%	90.0%	83.0%	83.0%
Other revenue per vehicle £					77	84	84	79	67	67
UK car insurance PBT profit £m	110.0	121.1	142.2	179.9	206.9	275.8	313.6	372.8	393.9	398.0
<b>International Car Insurance</b>										
Vehicles covered		2,200	46,900	73,700	121,000	195,000	306,000	436,000	515,300	592,600
Total premiums £m		0.6	14.2	26.0	43.0	71.0	112.5	148.5	168.3	185.4
Adjusted <sup>1</sup> combined ratio		-	232%	198%	204%	173%	164%	177%	140%	127%
International car insurance result £m		(0.1)	(0.7)	(4.1)	(9.5)	(8.0)	(9.5)	(24.5)	(22.1)	(19.9)
<b>Price Comparison</b>										
Total revenue £m	12.0	38.5	69.2	66.1	80.6	75.7	90.4	103.5	112.7	107.5
Group share of operating profit £m	6.9	23.1	36.7	25.6	24.9	11.7	10.5	17.6	21.1	3.6
Operating margin										
Confused.com only	58%	60%	53%	39%	32%	24%	21%	22%	25%	20%

Notes: (1) Combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue. It excludes the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be 2014: 145%; 2013: 152%.



# Summary Income Statement

	UK Car Insurance			International Car Insurance			Price Comparison			Other			Admiral Group		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
<b>Turnover</b>	<b>1,936.2</b>	<b>1,698.9</b>	<b>1,602.7</b>	<b>162.9</b>	<b>187.8</b>	<b>206.2</b>	<b>103.5</b>	<b>112.7</b>	<b>107.5</b>	<b>12.5</b>	<b>30.8</b>	<b>54.6</b>	<b>2,215.1</b>	<b>2,030.2</b>	<b>1,971.0</b>
<b>Total premiums written</b>	1,748.7	1,553.0	1,453.1	148.5	168.3	185.4					16.3	37.1	1,897.2	1,737.6	1,675.6
Gross premiums written	1,045.2	930.4	888.5	122.0	141.7	176.5					16.3	37.1	1,167.2	1,088.4	1,102.1
Net premiums written	439.6	403.2	381.3	48.5	55.4	61.5					9.6	14.4	488.1	468.3	457.2
<b>Net earned premium</b>	<b>455.6</b>	<b>425.1</b>	<b>394.3</b>	<b>43.3</b>	<b>54.1</b>	<b>58.1</b>					<b>3.8</b>	<b>12.5</b>	<b>498.9</b>	<b>483.0</b>	<b>464.9</b>
Investment income	13.9	12.4	11.5	0.1	0.0	0.2					0.0	2.2	14.0	12.4	13.9
Net insurance claims	(355.1)	(251.3)	(198.3)	(49.4)	(49.1)	(50.5)					(2.6)	(10.3)	(404.5)	(303.0)	(259.1)
Insurance related expenses	(50.0)	(52.1)	(44.6)	(27.4)	(32.9)	(34.0)					(1.7)	(4.2)	(77.4)	(86.7)	(82.7)
<b>Underwriting result</b>	<b>64.4</b>	<b>134.1</b>	<b>162.9</b>	<b>(33.4)</b>	<b>(27.9)</b>	<b>(26.2)</b>					<b>(0.5)</b>	<b>0.3</b>	<b>31.0</b>	<b>105.7</b>	<b>137.0</b>
Profit commission	108.4	99.3	71.8										108.4	99.3	71.8
Gross ancillary revenue	205.2	170.4	177.8	10.5	6.3	6.9					0.3	0.9	215.7	177.0	185.6
Ancillary costs	(34.3)	(33.6)	(37.1)	(1.6)	(0.8)	(0.8)					0.0	0.0	(35.9)	(34.4)	(37.9)
Instalment income	29.1	23.7	22.6	0.3	0.3	0.2					0.2	0.2	29.4	24.2	23.0
Gladiator contribution										2.5	2.4	3.0	2.5	2.4	3.0
Price comparison revenue							103.5	112.7	107.3				103.5	112.7	107.3
Price comparison expenses							(85.5)	(92.3)	(110.3)				(85.5)	(92.3)	(110.3)
Interest income										1.9	1.9	1.5	1.9	1.9	1.5
Other (mainly share scheme)				(0.3)	0.0	0.0				(26.1)	(26.3)	(25.8)	(26.4)	(26.3)	(25.8)
Interest payable												(4.6)			(4.6)
<b>Profit / (loss) before tax</b>	<b>372.8</b>	<b>393.9</b>	<b>398.0</b>	<b>(24.5)</b>	<b>(22.1)</b>	<b>(19.9)</b>	<b>18.0</b>	<b>20.4</b>	<b>(3.0)</b>	<b>(21.7)</b>	<b>(22.0)</b>	<b>(24.5)</b>	<b>344.6</b>	<b>370.2</b>	<b>350.6</b>



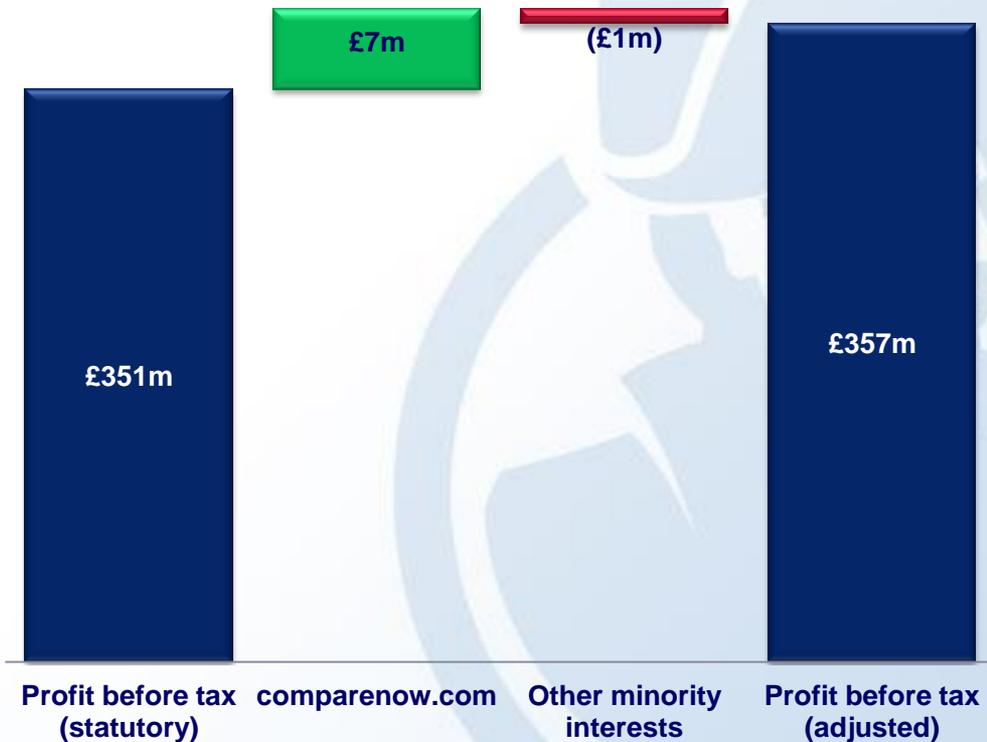
# Balance Sheet

	December 2012 £m	December 2013 £m	December 2014 £m
<b>ASSETS</b>			
Property, plant and equipment	16.5	12.4	32.3
Intangible assets	92.5	92.8	107.2
Reinsurance contracts	803.0	821.2	829.8
Financial assets	2,005.1	2,265.0	2,547.4
Deferred income tax	15.2	17.0	22.9
Trade and other receivables	55.3	77.5	82.0
Cash and cash equivalents	216.6	187.9	255.9
<b>Total assets</b>	<b>3,204.2</b>	<b>3,473.8</b>	<b>3,877.5</b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Other reserves	0.7	(0.2)	13.2
Retained earnings	443.0	502.6	540.6
<b>Total equity attributable to equity holders of the parent</b>	<b>457.1</b>	<b>515.8</b>	<b>567.2</b>
Non-controlling interests	3.6	8.3	13.7
<b>Total equity</b>	<b>460.7</b>	<b>524.1</b>	<b>580.9</b>
<b>LIABILITIES</b>			
Insurance contracts	1,696.9	1,901.3	2,097.4
Subordinated liabilities	-	-	203.8
Trade and other payables	1,006.5	1,013.7	965.8
Corporation tax liabilities	40.1	34.7	29.6
<b>Total liabilities</b>	<b>2,743.5</b>	<b>2,949.7</b>	<b>3,296.6</b>
<b>Total liabilities and equity</b>	<b>3,204.2</b>	<b>3,473.8</b>	<b>3,877.5</b>



# Group Profit Before Tax reconciliation

## Reconciliation from Statutory to Adjusted Profit Before Tax

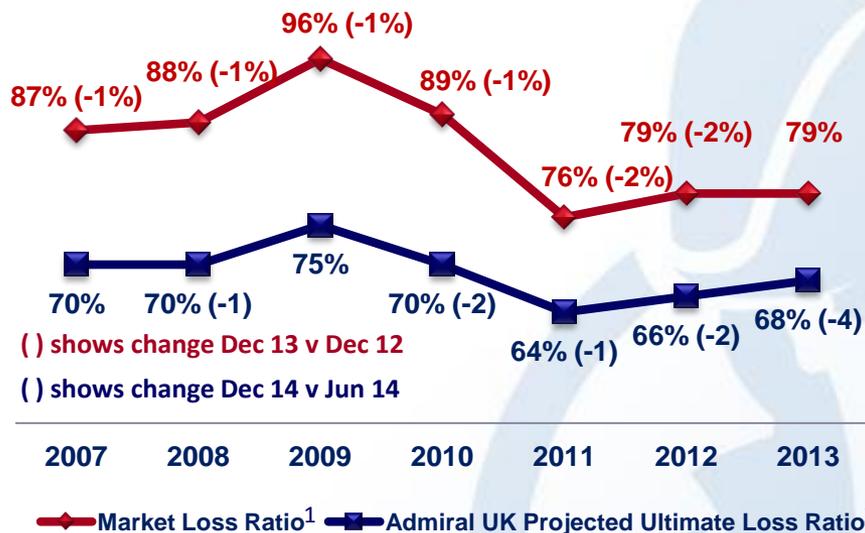


- Admiral has four operations with shared ownership: Rastreator (Admiral share of ownership 75.0%); compare.com (67.8%); Admiral Law and BDE Law (90.0%)
- Profit or losses in period accruing to minority parties reduce or increase the results respectively
- Investment in compare.com has resulted in a more significant adjustment
- compare.com is 32.2% owned by third parties. Total loss was £22.1 million, therefore £7.1 million is added back to Group Profit Before Tax

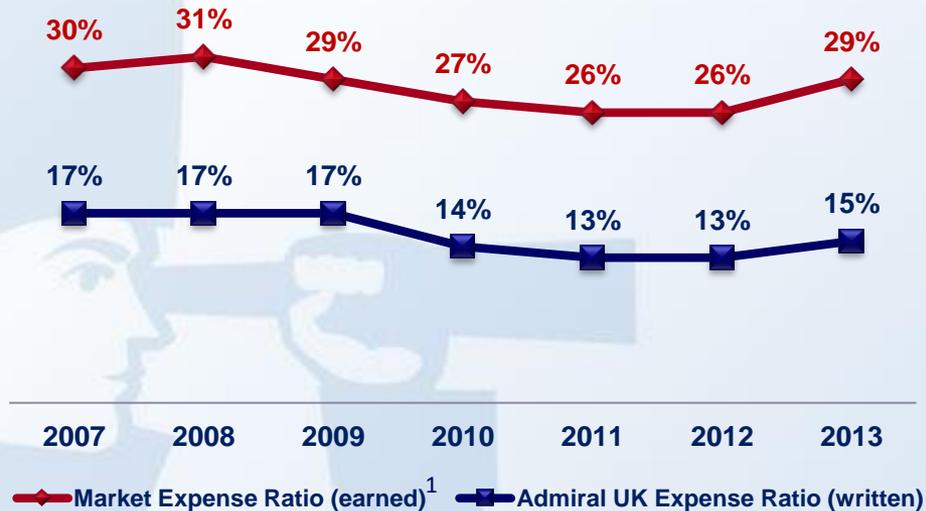


# UK Car Insurance: Admiral vs Market Ultimate Loss Ratio, Expense Ratio and Combined Ratio

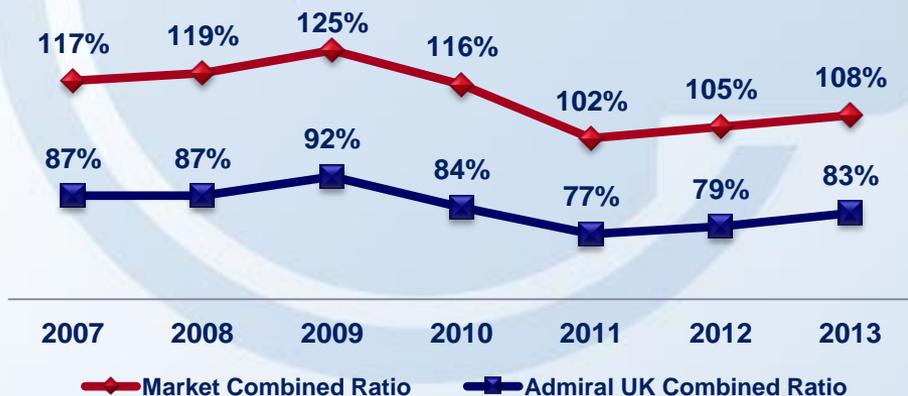
### Projected Ultimate Loss Ratio: Admiral vs Market



### Expense Ratio: Admiral vs Market



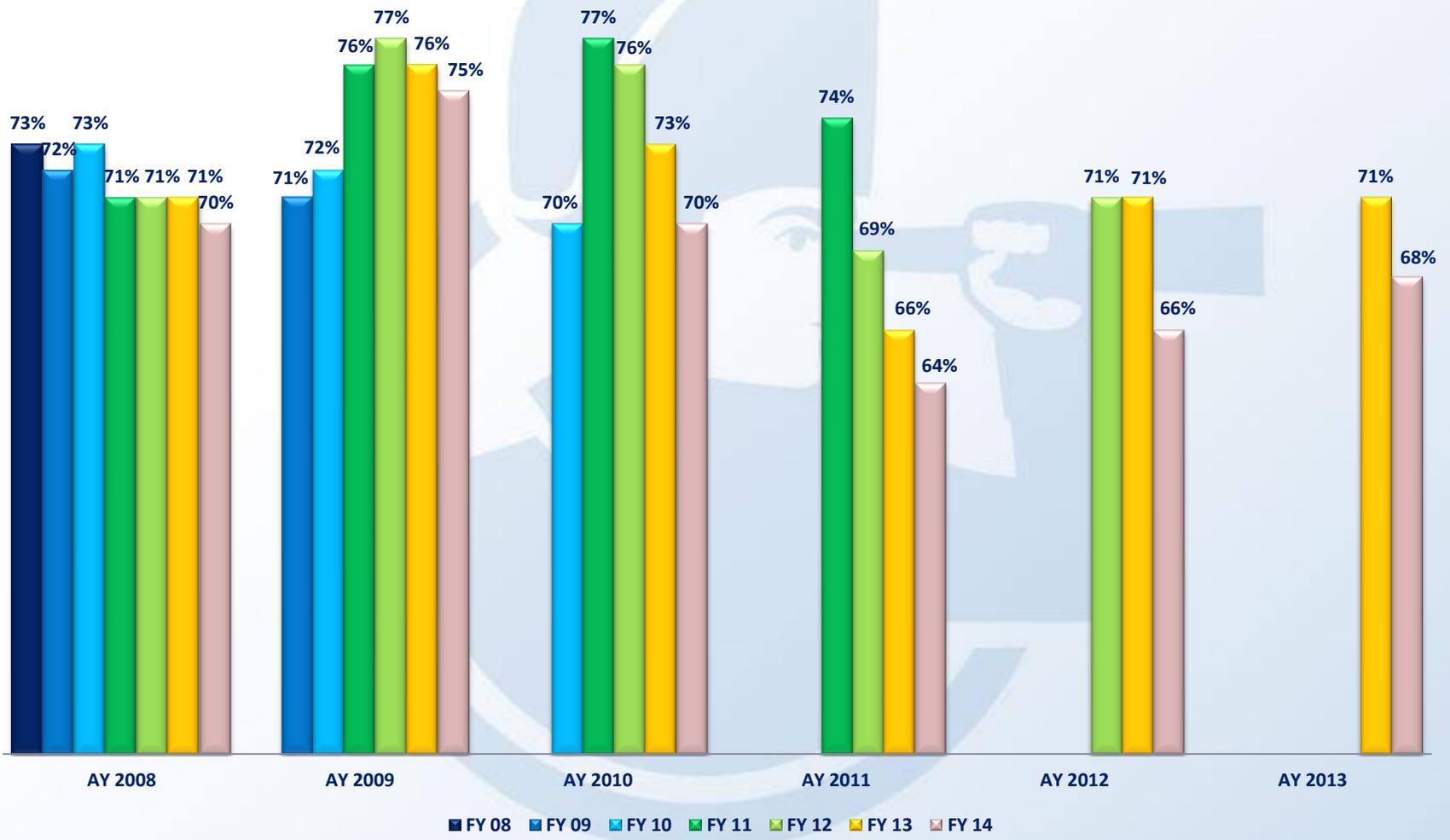
### Ultimate Combined Ratio: Admiral vs Market



Notes: (1) Analysis of PRA returns as at 31st December 2013. Market excludes Admiral. Loss ratio: pure accident year. (2) Independent actuarial projection of ultimate loss ratio on accident year basis.



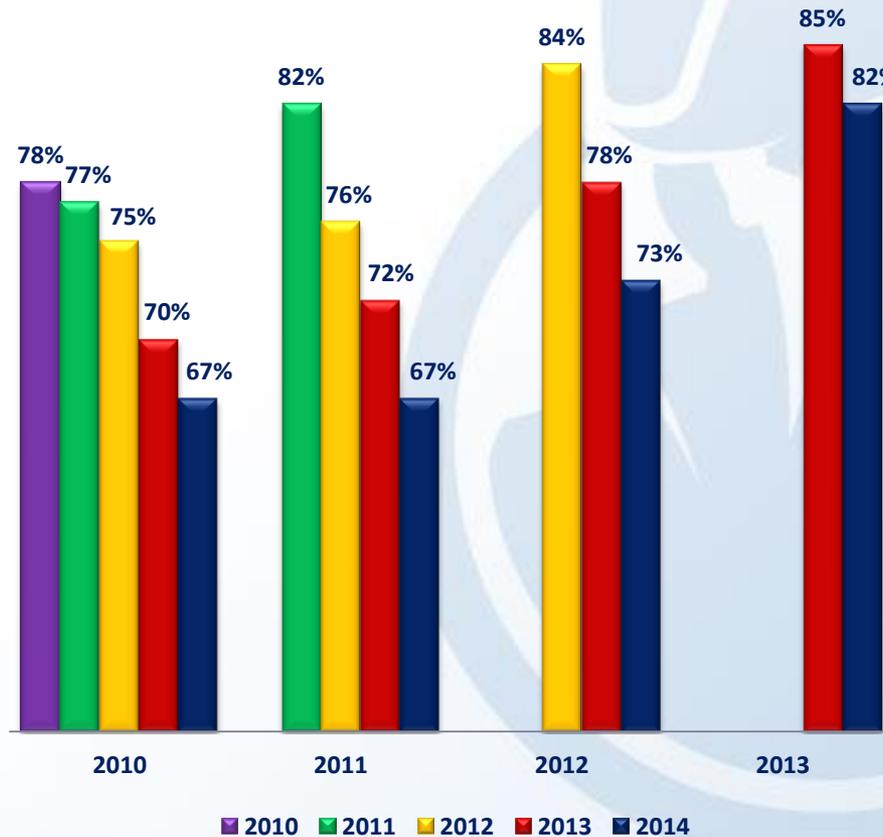
# UK Car Insurance: Ultimate Loss Ratio development by accident year





# 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	2011	2012	2013
Booked loss ratio	67%	73%	82%
PAT Impact of 1% improvement	£12m	£12m	£3m

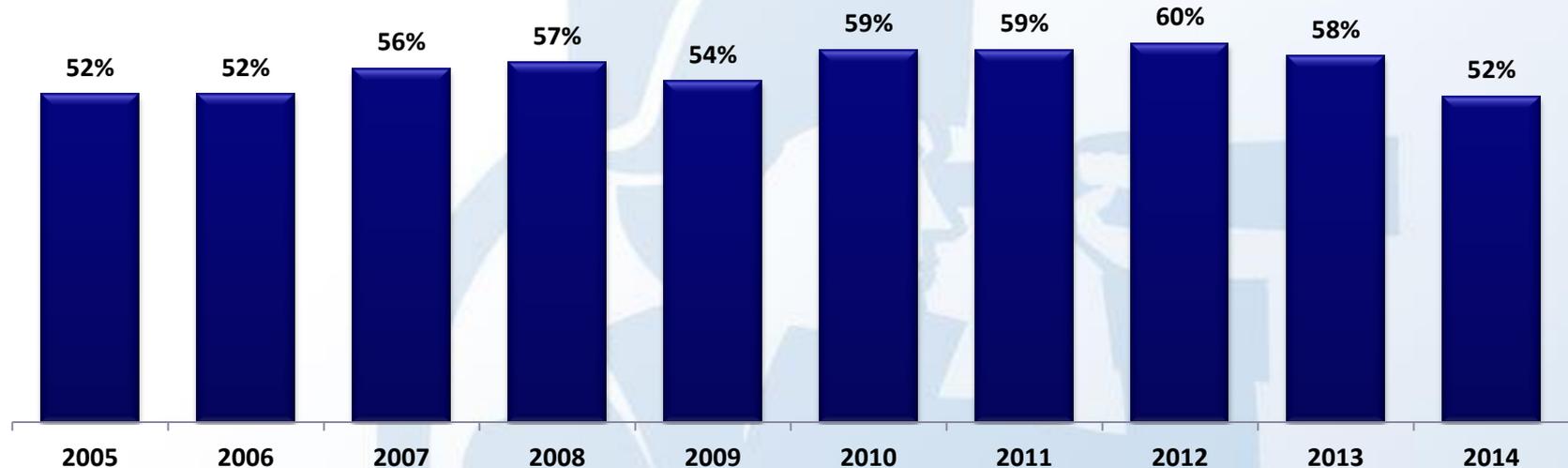
- The impact of a 1% improvement can also increase as the combined ratio drops and Admiral receives a higher share of the available profit.
- The impact includes the change in net insurance claims along with the associated profit commission movements that result from changes in loss ratios. The figures 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.*



## Consistent high Return on Equity

Admiral Group Return on Equity



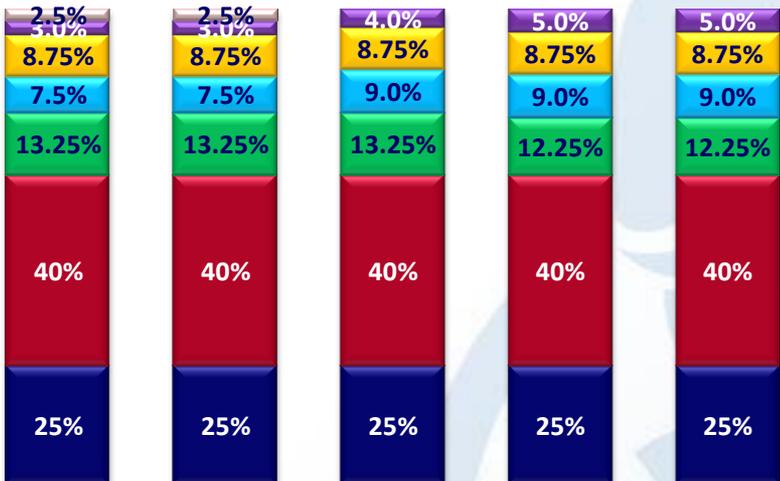
- Admiral has consistently achieved a high ROE
- Efficient use of capital
  - extensive use of co- and reinsurance
  - recent extensions to contracts

*Note: ROE calculated as post-tax result divided by average equity.*



# UK Car Insurance: underwriting arrangements

## Reinsurance arrangements pre-commutations



## Post-commutations (at 31 Dec 2014)



■ Admiral    ■ Munich Re    ■ New Re    ■ Swiss Re  
■ Hannover Re    ■ Mapfre Re    ■ XL Re

■ Admiral    ■ Munich Re    ■ New Re    ■ Swiss Re  
■ Hannover Re    ■ Mapfre Re    ■ XL Re

- New Re, Swiss Re, Hannover Re and Mapfre Re agreements all extend to at least the end of 2016
- Agreement with Munich Re runs to at least the end of 2018
- Admiral typically commutes reinsurance deals after two to three years of an underwriting year's development
- Little or no impact on profit or timing of profit recognition from commutation
- Minimal impact on solvency requirements
- Post commutation – loss ratio movements result in claims cost movements, not profit commission



## Admiral's inaugural bond issue was a success

- ✓ Opportune time to strengthen and diversify capital resources.
- ✓ Make a prudent transition into Solvency II in 2016, with the attendant capital requirements and buffers.
- ✓ Sets Admiral up well for the growth expected from all businesses in the coming years.
- ✓ Bond market conditions were favourable.

**Bond: £200 million**

**Coupon Rate 5.5%**

**Investment Return  
from investment of  
bond proceeds 2.8%**



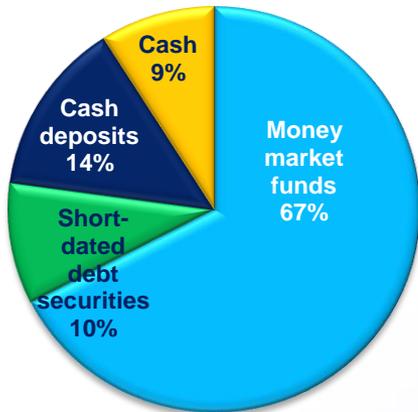
**Estimated post-tax annual cost:  
£4.3 million**



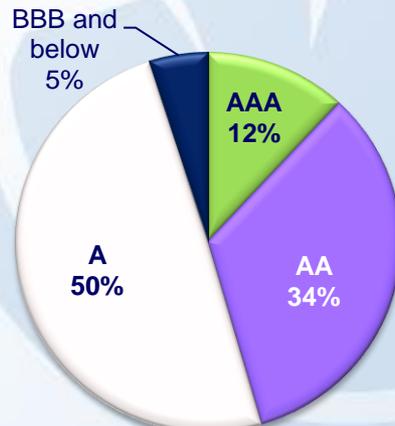
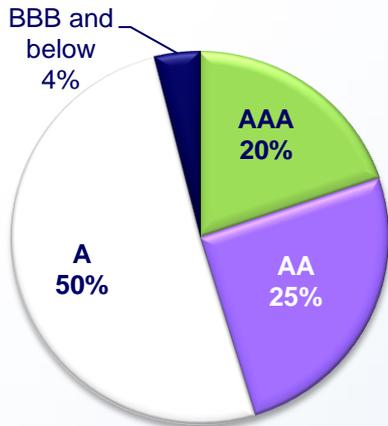
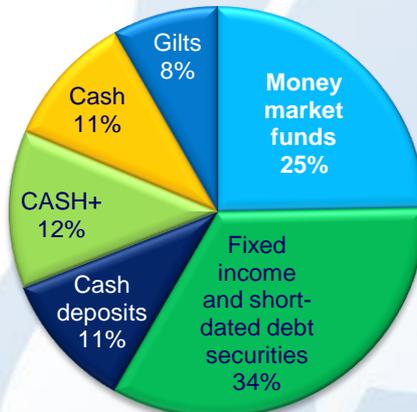
# Admiral's investment strategy is low risk

## Investments Breakdown

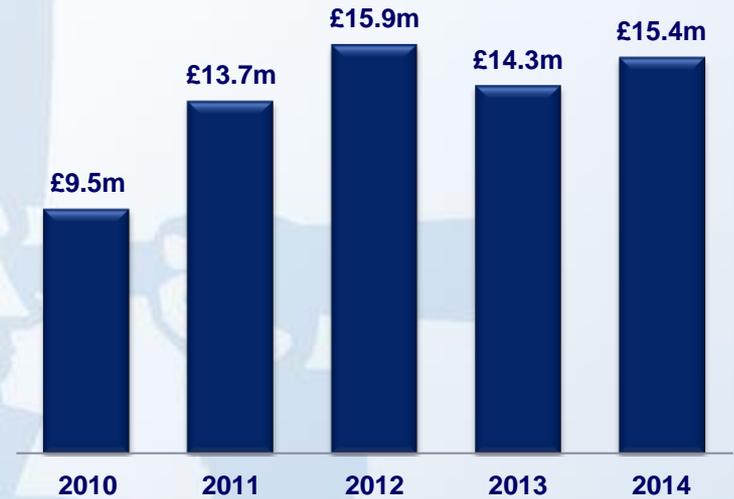
FY 13: £2,085m



FY 14: £2,452m



## Investment and Interest Income



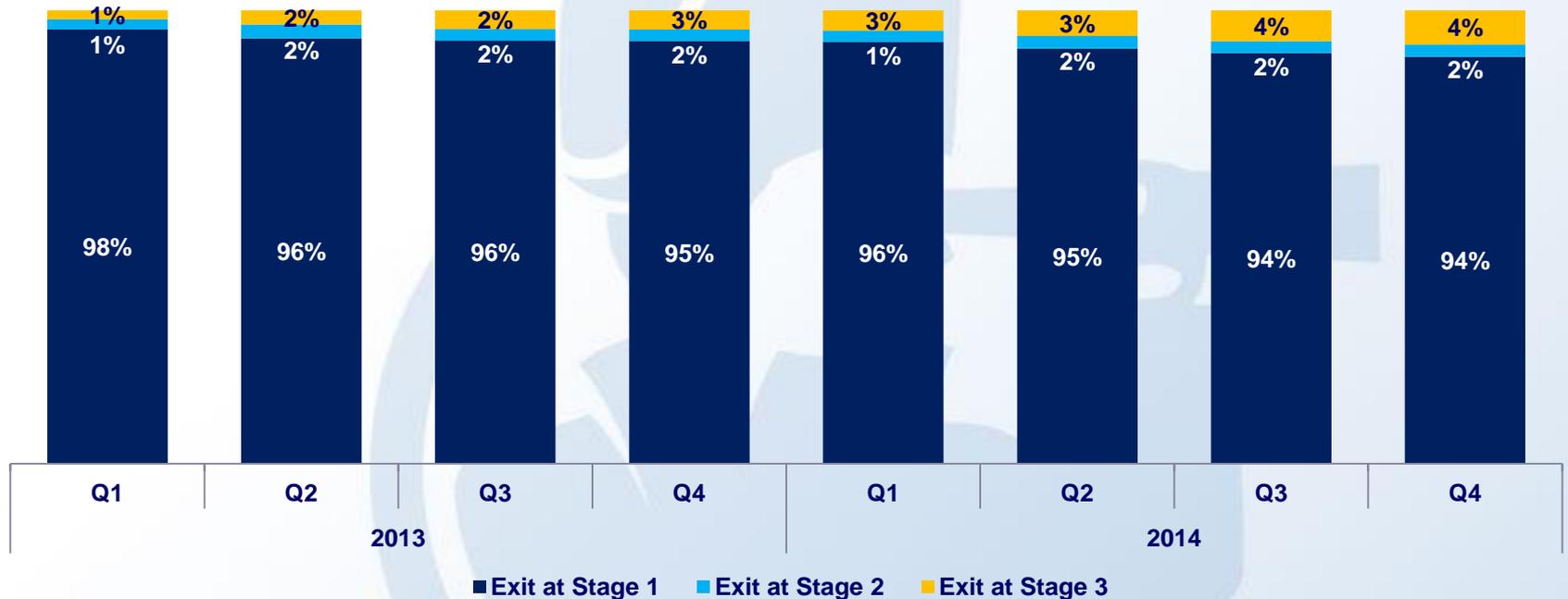
## Admiral's Investment Approach

- Funds continue to be held in money market funds, short dated debt securities, term deposits or cash
- Key focus is capital preservation, with additional priorities being low volatility of investment return and high levels of liquidity



# The return of claim inflation: higher general damages

MOJ Portal cases proceeding to Stage 3 (litigation) have more than doubled since 2013  
(Market Data)



## MOJ Portal Timeline:



Source: MOJ Research.



# International Car Insurance market statistics

	 (2014)	 (2014)	 (2014)	 (2014)
<b>Gross Written Premium</b> 	£8bn	£11bn	£117bn	£14bn
<b>Direct insurer share of market</b>	21% of total market	3% of total market	25% of total market	9% of total market
<b>Vehicles</b> 	22m	35m	220m	43m
<b>Combined Ratio</b> 	98%	107%	102%	90%-92%



## Key definitions

Term	Definition
<b>Accident Year</b>	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.
<b>Underwriting Year</b>	The year in which the policy was incepted. It is also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was written.
<b>Written / Earned Basis</b>	A policy can be written in one calendar year but earned over a subsequent calendar year.
<b>Loss Ratio</b>	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.
<b>Ultimate Loss Ratio</b>	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.
<b>Reported / Booked / First-Picked Loss Ratio</b>	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.
<b>Expense Ratio</b>	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.
<b>Combined Ratio</b>	The sum of the loss ratio and expense ratio.
<b>Co-insurance</b>	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.
<b>Reinsurance</b>	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.
<b>XOL Reinsurance</b>	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.
<b>Total / Gross / Net Premiums Written</b>	Total = total premiums written including coinsurance Gross = total premiums written including reinsurance but excluding coinsurance Net = total premiums written excluding reinsurance and coinsurance



# Admiral's Brands





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