Admiral Meets IPO Expectations and Enters 2005 with Confidence

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Before entering its closed period on 21 January 2005, Admiral Group plc ("Admiral", or "the Company") today provides an update on current trading. The Company will announce its preliminary results for the year ended 31 December 2004 on 21 March 2005.

Admiral expects to deliver profits in 2004 in line with management expectations set out at the time of the Company's Initial Public Offering in September 2004.

2004 Highlights

- ## Total premium written rose 27% to £470 million

  The premium written by Admiral for its own account and on behalf of reinsurer partners grew from £372 million in 2003 to £470 million in 2004. The policy count at year-end grew from 778,000 to 1,008,000, lifting Admiral's share of the UK private car insurance market from 3% to over 4%.

- ## New business policies sold rose 45% to 557,000

  The increase in new business policies sold in 2004 from 383,000 in 2003 to 557,000 reflects the success of Admiral's internet offering in general, and elephant.co.uk in particular. During 2004, Admiral's share of the internet new business market remained slightly above 20%. For the market as a whole, new business sourced from the internet continued to increase its share of new business activity, rising from 30% of new car insurance sales in October 2003 to 38% of new sales in October 2004*.

- ## Ancillary revenue averaged £51 per policy

  Admiral's performance in terms of ancillary revenue per policy in the second half of 2004 exceeded that of the first half. Revenue per policy of £51 for 2004 as a whole was in line with revenue per policy achieved in 2003. The rapid growth of policies written combined with a stable level of revenue per policy led to an increase of around 30% in overall ancillary revenues in 2004.

Market Developments

The market saw a substantial increase in overall marketing spend, with press and TV spend rising 41% year on year**. These higher levels of marketing expenditure and the continued growth of the internet business mean 2004 is likely to have seen a further shift in market share from brokers to direct insurers.

Admiral believes premium rates in the overall market drifted down by around 3% during 2004, but our conversion data suggests the decreases were more focussed on the lower premium segments which are not part of Admiral's core market. Following a small increase in rates in the second half of 2004, Admiral's own rates finished the year roughly 2% below the level at the start of the year.

These market developments are consistent with the outlook for the UK private car insurance market described by Admiral at the time of the Initial Public Offering. Admiral predicts gradual market deterioration from the peak levels of profitability of 2001/2 due to the failure of premium inflation to keep up with claims inflation.

Admiral anticipates that, whilst there will be deterioration in market profitability, the market will not experience the sustained and substantial rate-cutting activity that led to record high combined ratios in the late 1990s.

Instead, Admiral expects a greatly flattened cycle. This reflects both the rapid consolidation of the market since the late 1990s (with Royal Bank of Scotland and Norwich Union now accounting for almost 50% of the private car insurance market), and higher barriers to entry in a direct-dominated, rather than broker-dominated, market.

The substantial rise in marketing spend in 2004 is consistent with this analysis of the market, with the leading players rationally investing in extra marketing rather than substantial rate-cutting to defend share.

Outlook for 2005

Admiral has already implemented the first of a planned series of rate increases for 2005. This reflects our plan for 2005 of decelerating policy growth and widening margins relative to industry averages, as industry profitability deteriorates. The Company does not, therefore, currently anticipate asking Munich Re for permission to exceed 11% policy count growth in 2005***.

Admiral implemented the new Insurance Conduct of Business (ICOB) rules on disclosure at point-of-sale during October 2004 and November 2004 in advance of the new FSA regime taking effect in January 2005. Experience to date suggests these rules will not have a material effect on either revenues or costs.

Against the market backdrop of deteriorating profitability, Admiral's plan for continued, if slower, volume growth in 2005 and its unique business model give it confidence that it will meet investors' expectations, with continued out-performance versus the car insurance market as a whole.

Henry Engelhardt, Chief Executive Officer of Admiral, said: "We are delighted with our current business performance. We are trading exactly in line with our expectations at this point in the cycle and as communicated at the time of the IPO, in September 2004.

"I want to thank everyone who has made Admiral the success that it is for their hard work during the past historic year. We are in great shape and look forward to what promises to be an exciting year of sustained and stable growth for the Company," he added.

Notes

* Source: ebenchmarkers. Admiral's market share of internet new business in the six months to Oct 03 = 21%; 6 months to April 04 = 24%; 6 months to Oct 04 = 23%.

** Source: AC Nielsen, Dec 02-Nov 03 v Dec 03-Nov 04.

*** Under the terms of its reinsurance arrangements with Munich Re, Admiral requires Munich Re's permission to exceed 11% policy count growth in any calendar year.