



Gen Re, Axis increase reinsurance participation with Admiral

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Admiral Group plc ("Admiral", or "the Company") today announces a change to its proportional reinsurance arrangements for wholly owned underwriting subsidiary Admiral Insurance (Gibraltar) Limited ("AIGL").

With effect from 1 January 2005, Gen Re and Axis Re Europe ("Axis") have agreed to increase their reinsurance participation to 5% each of Admiral's total written premium from previously negotiated shares of 2.5% and 1%, respectively. Gen Re has secured a 12-month contract and Axis has secured a 24-month contract.

Admiral was able to offer Gen Re and Axis increased AIGL reinsurance capacity because it decided to exercise an option entitling it to cancel its 2005 reinsurance contract with Converium AG ("Converium") in the event of its credit rating falling below A-.

As previously disclosed, the Board of Directors has been reviewing the Group's reinsurance contract with Converium in light of Standard & Poor's decision last month to lower its credit rating on the reinsurer.

As a result of the Admiral Board's exercise of that option, the reinsurance contract, which would have entitled Converium to receive 7.5% of Admiral's total written premium, will cease to be effective from 1st January 2005.

Gen Re is currently AAA rated by Standard & Poor's and Axis Re is currently A rated by Standard & Poor's.

The terms of the enlarged Gen Re and Axis participation enable AIGL to anticipate receiving a slightly higher share of profits on ceded business in 2005/6 as a result of the decision to cancel the Converium contract. Under these new terms, Admiral will continue to receive 100% of the earnings from the sale of ancillary products and continue to retain 100% ownership of the Group's customers.

The Axis contract is a proportional quota share contract, with the majority of premiums being withheld by AIGL against future claims outgoings. The Gen Re deal is a proportional reinsurance agreement with an excess of loss cap on Gen Re's exposure in the event that AIGL's loss ratio exceeds 100%.

AIGL expects Converium to be able to meet its financial obligations to AIGL. However, the combination of the decision to replace Converium on future programmes and the fact that the 2003/4 Converium contract operates on a "funds withheld" basis means that, were any failure to occur, AIGL's exposure would not be significant.

Commenting on the expanded reinsurance participation of Gen Re and Axis, Henry Engelhardt, CEO of Admiral, said: "We are very pleased to welcome Gen Re and Axis as new reinsurance partners for Admiral for 2005. The addition of these two major reinsurers, alongside our established long-term co-insurance partner Munich Re, supports our unique underwriting model."

David Stevens, COO and Director of Pricing and Claims, said: "We were encouraged by the interest expressed by a number of major reinsurers in providing reinsurance to Admiral, reflecting our ability to deliver attractive and sustainable underwriting returns going forward."