



Admiral Group PLC : Statement re Ogden Discount Rate

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Update on Ogden Discount Rate and deferral to 8 March 2017 of the Group's preliminary results announcement for the year ended 31 December 2016

27 February 2017

Admiral Group plc notes today's announcement by the Lord Chancellor of a change from 2.5% to -0.75% in the discount rate used by the courts in England and Wales to calculate personal injury damages awards, commonly referred to as the Ogden discount rate.

In order for the impact of the new rate to be reflected in the Company's 2016 results, Admiral has decided to postpone the preliminary announcement of the results for the year ended 31 December 2016 from 1 March 2017 to 8 March 2017.

The reduction in the discount rate will have the effect of increasing the cost of personal injury claims, therefore also increasing the ultimate loss ratio for all business written up to the effective date, part of which will be earned and part unearned. The majority of the financial impact in respect of premiums earned during 2016 and prior years will be reflected as a one-off charge against 2016 second half profits. The balance (along with the impact on business written but unearned at the date of change) will be recognised as lower reserve releases and profit commission mainly over the subsequent three to five financial years as the affected claims settle.

The estimated total net financial impact¹ of all claims settling at the new rate is £140m to £175m. The estimated net financial impact on 2016 reported profit is £70m to £100m.

Given the Group's strong capital position, and reflecting the non-recurring nature of this charge, the Group expects to maintain the final dividend at last year's level of 51.5 pence per share, notwithstanding the reduced level of second-half reported profits.

The Group anticipates that if market pricing adjusts future premiums to reflect the lower discount rate, there will be no significant impact on future business and its profitability after the change. The Group is also confident that its strong capital position, along with its prudent approach to claims reserving, will allow it to address the outcome without significant change to its business or long term financial outlook.

Admiral notes the announcement by the Lord Chancellor of her decision to review the framework under which the rate is set and looks forward to the prompt conclusion of the review.

Further information (including in relation to the potential for future returns of surplus capital to shareholders) will be provided with the results announcement on 8 March 2017.

- 1. Estimated net financial impact represents the profit impact after reinsurance and taxation at 20%. This represents the financial impact of a change in the discount rate applied to all open claims and projected future claims in respect of business written up to the date of the change settling at the new rate.*

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