

ADMIRAL
GROUP plc



2013 Half Year Results

29th August 2013

Key Messages	Henry Engelhardt, CEO
Financial Review	Geraint Jones, Deputy CFO
UK	David Stevens, COO
USA	Kevin Chidwick, CFO & CEO of Elephant Auto
Europe	Cristina Nestares, European Manager
Price comparison	Henry Engelhardt, CEO

Q&A

All



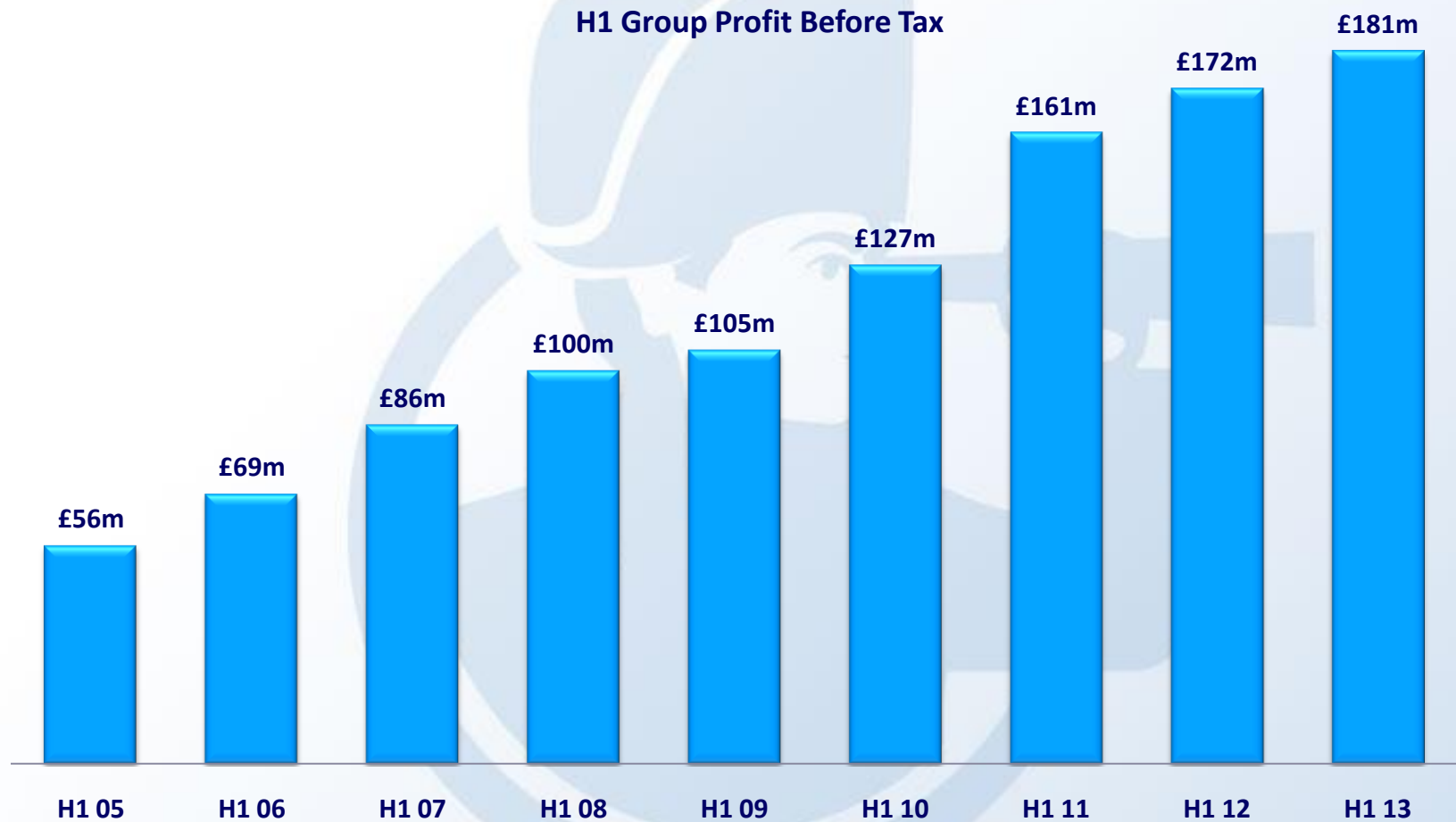


H1 2013 Group Results

- Profit before tax up 6% to £181.4 million (H1 2012: £171.8 million)
- Earnings per share up 6% to 50.1 pence (H1 2012: 47.3 pence)
- Interim dividend up 8% to 48.9 pence per share (2012 interim: 45.1 pence per share, 2012 final: 45.5 pence per share)
- Turnover down 7% to £1,089 million (H1 2012: £1,169 million)
- Vehicle count up 3% to 3.6 million (H1 2012: 3.5 million)
- Return on capital 57% (H1 2012: 61%)



Eight years of profit growth since IPO





H1 2013 Key Messages

- Strong financial position
 - ✓ Highly capital efficient with return on capital of 57%
 - ✓ Highly cash generative with a record interim dividend of 48.9 pence per share
- In the UK, focus on profit not market share
 - ✓ Competitive market environment – not the right time for us to grow
 - ✓ Positive developments in claims experience
 - ✓ Despite large releases, margin over best estimate has increased
- Good progress in international insurance businesses
 - ✓ 25% increase in vehicles insured and an improved combined ratio
 - ✓ 9% of total group turnover
- Growth of 22% in price comparison PBT
 - ✓ Pre-tax profit of £9.9 million
 - ✓ 21% increase in profit at Confused.com



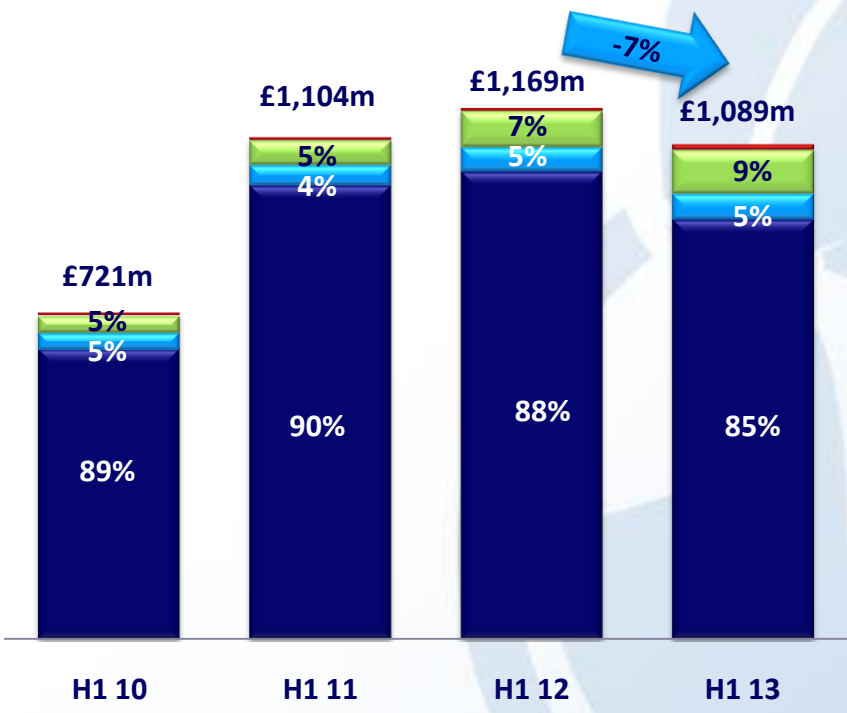
Financial Results

Geraint Jones, Deputy CFO

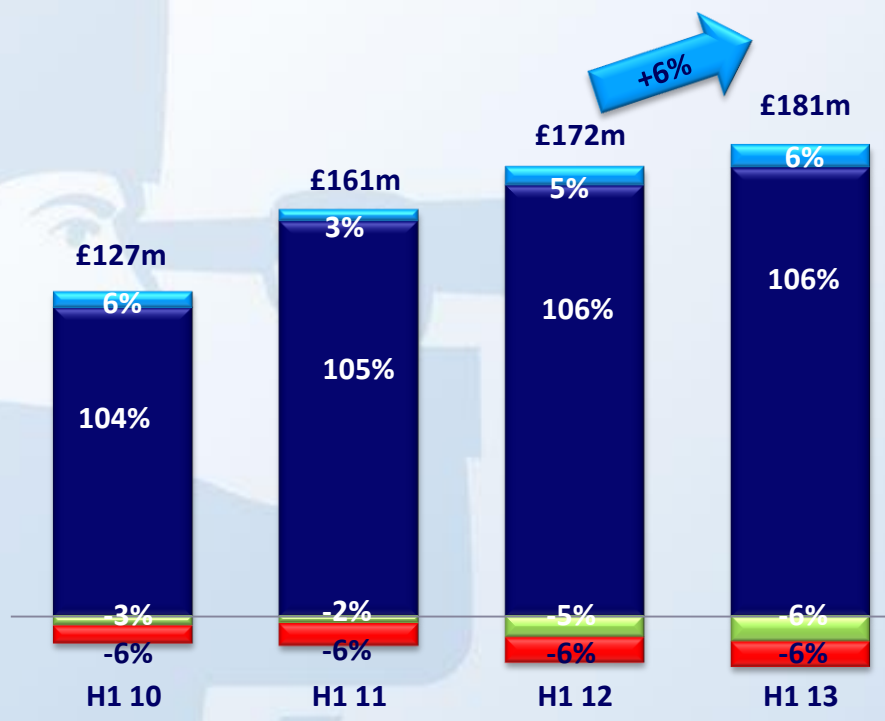


Group Financial Highlights

Components of Group Turnover¹



Components of Group PBT



■ UK car insurance ■ Price comparison
 ■ International insurance ■ Other

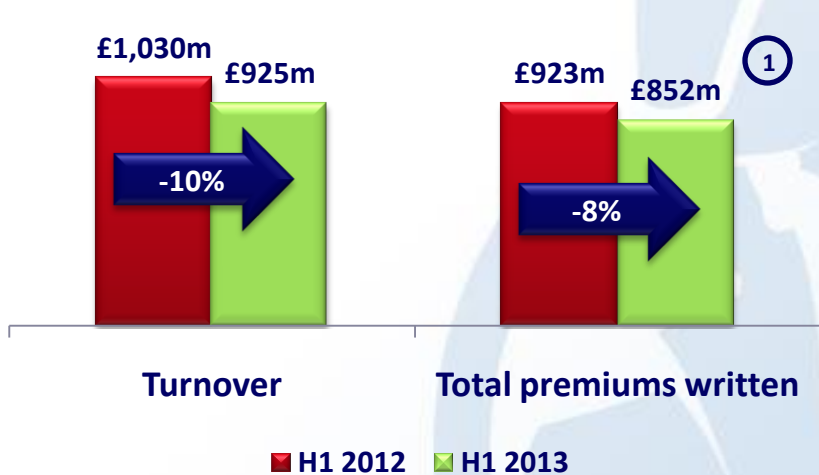
■ UK car insurance ■ Price comparison
 ■ International insurance ■ Other

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

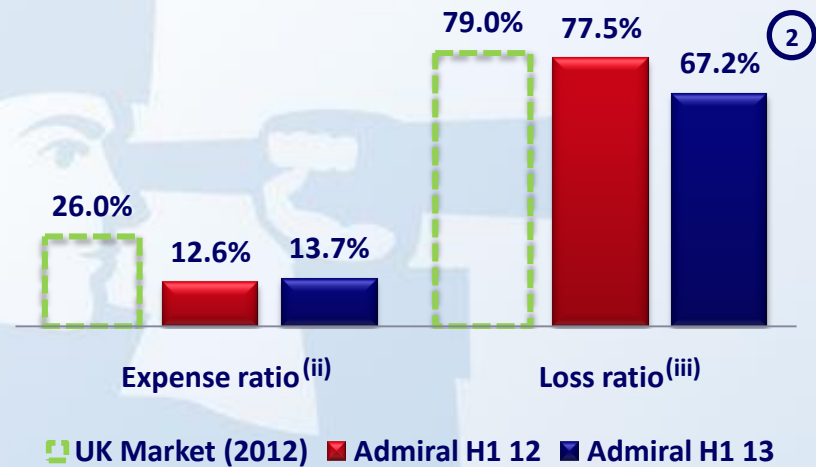


UK Car Insurance Highlights

Turnover⁽ⁱ⁾ and Total Premiums Written



Expense Ratio and Loss Ratio



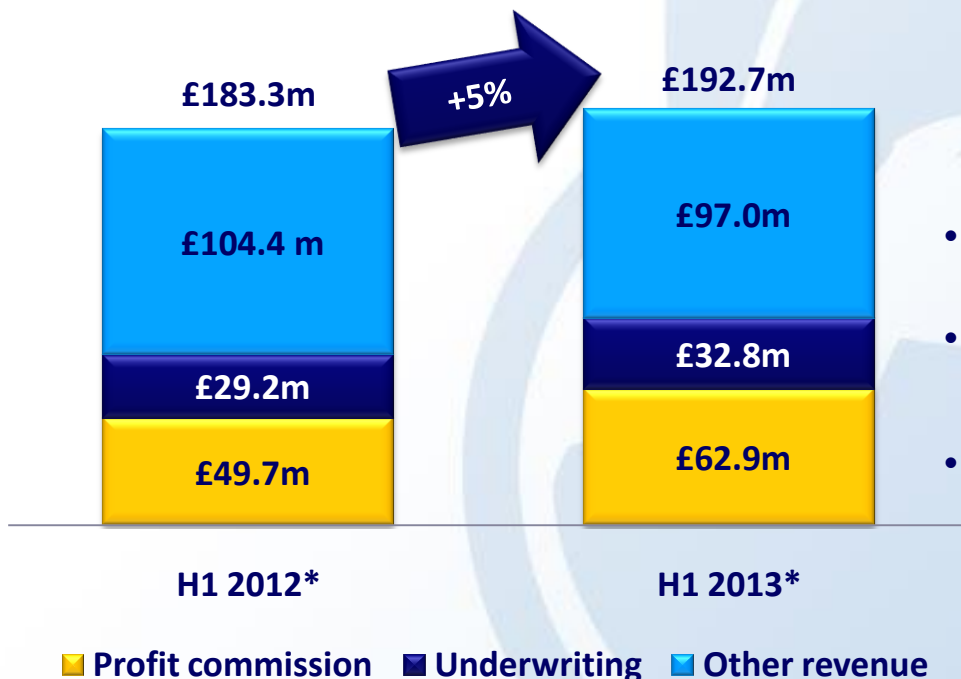
1. Vehicle count remains flat at 3.02m at H1 13; reduced premiums written is reflective of lower average premiums
2. Improvement in Combined Ratio driven by improved claims experience and corresponding reserve releases

Note: i) Turnover comprises total premiums written plus other revenue. ii) Admiral expense ratio is on a written basis. Market expense ratio is for 2012 year. iii) Admiral loss ratio adjusted to exclude releases from commuted reinsurance contracts. Market loss ratio is for 2012 year.



UK Car Insurance Highlights

UK Car Insurance Profit Before Tax



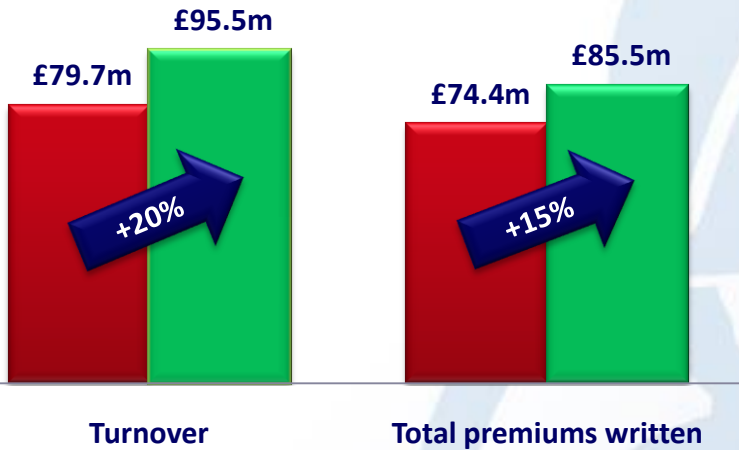
- UK Car Insurance PBT up 5% to £193 million
- Other Revenue impacted by loss of personal injury referral fees
- Adjustments due to reclassifications; refer to appendix for further details

*Note: See page 52 for accounting adjustments. H1 12 underwriting profit reduced by £1.9m releases on commuted contracts, profit commission increased by the same amount.

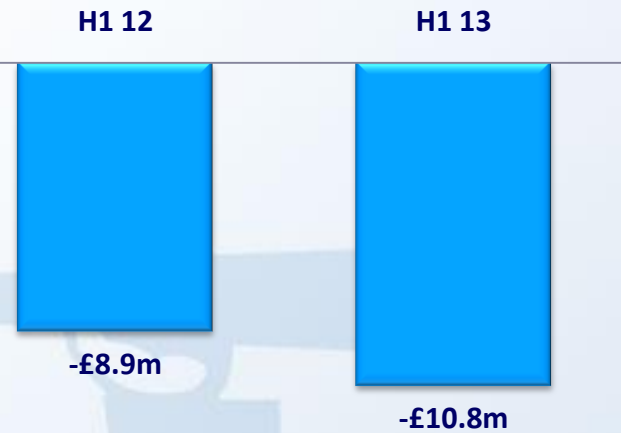


International Car Insurance Highlights

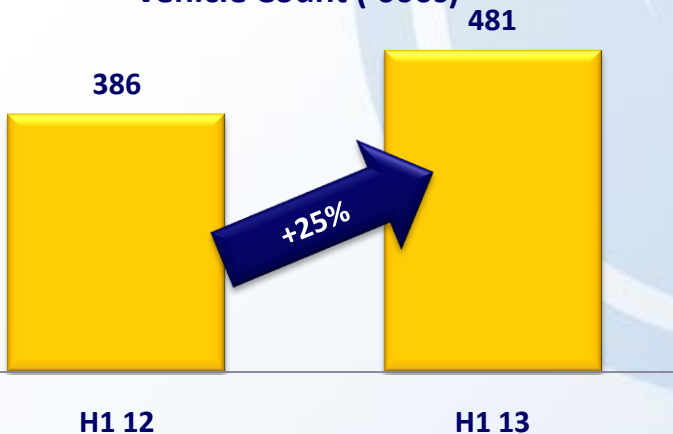
Turnover⁽ⁱ⁾ and Total Premiums Written



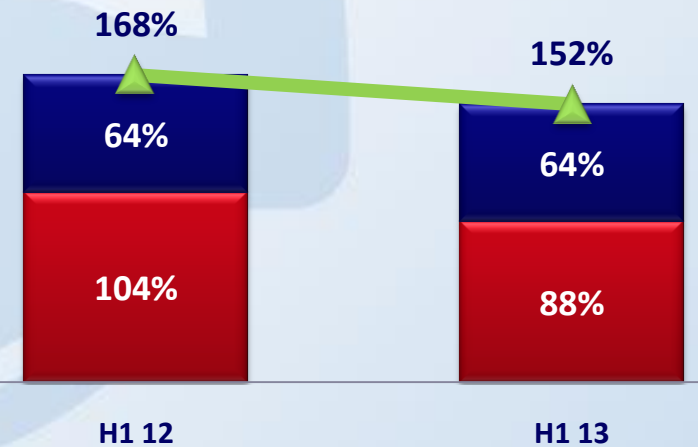
Loss Before Tax



Vehicle Count ('000s)



Reported Combined Ratios⁽ⁱⁱ⁾

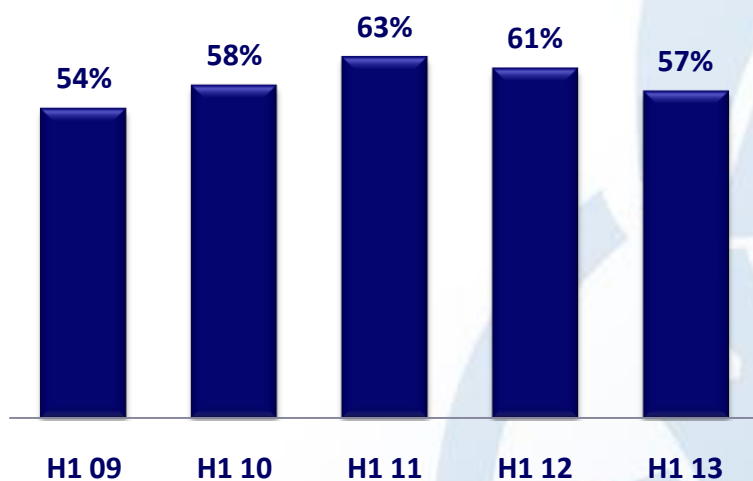


■ Loss ratio
 ■ Expense ratio
 ▲ Combined ratio

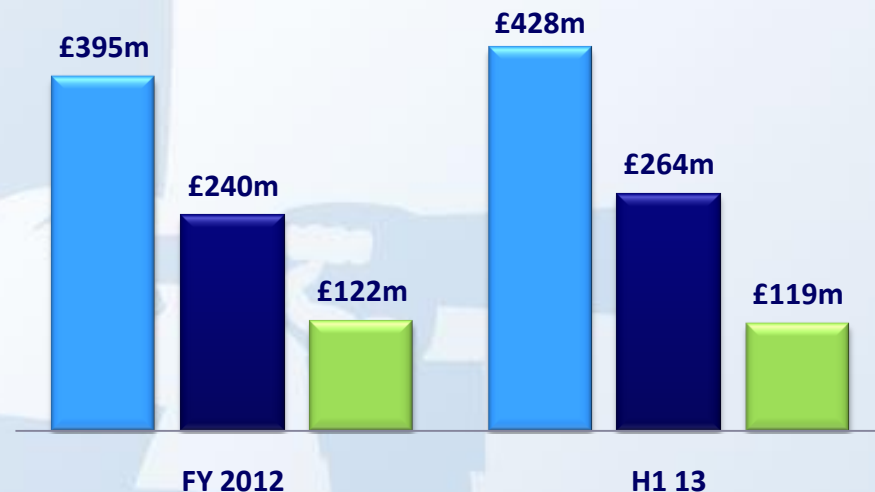
Note: (i) Turnover comprises total premiums written plus other revenue. (ii) Reported combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue.



Admiral Group Return on Capital⁽ⁱ⁾



Capital and Solvency⁽ⁱⁱ⁾



■ Total equity less goodwill ■ Total solvency capital ■ Required IGD capital

- Admiral has consistently achieved a high ROCE
- This is made possible due to Admiral's
 - High profits
 - Extensive use of co- and reinsurance

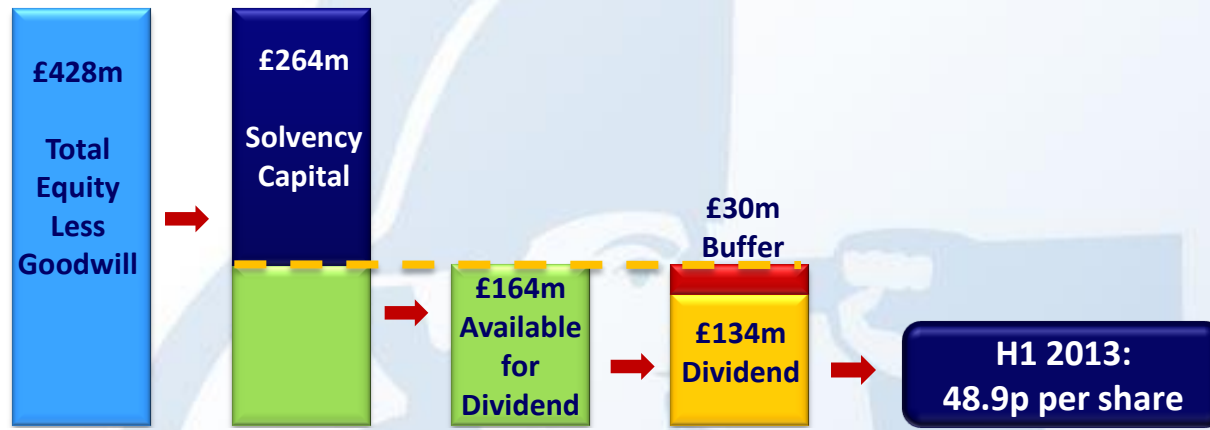
- The group continues to be strongly capitalised
 - Capital is all Tier 1
 - Debt-free
 - IGD coverage of 360% at H1 13 (324% at FY12)

Note: (i) ROCE calculated as post-tax result divided by average equity; (ii) Solvency capital is projected one year out, and takes account of international expansion and growth.

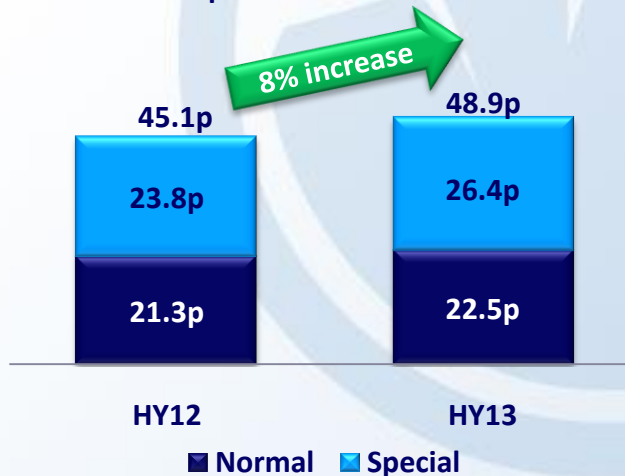


Admiral is paying an interim dividend of 48.9 pence per share

Admiral's dividend policy is to distribute available surpluses to shareholders



Admiral Group Half Year Dividend Per Share



Ex-dividend date – 11 September 2013
Record date – 13 September 2013
Payment date – 11 October 2013



UK Results

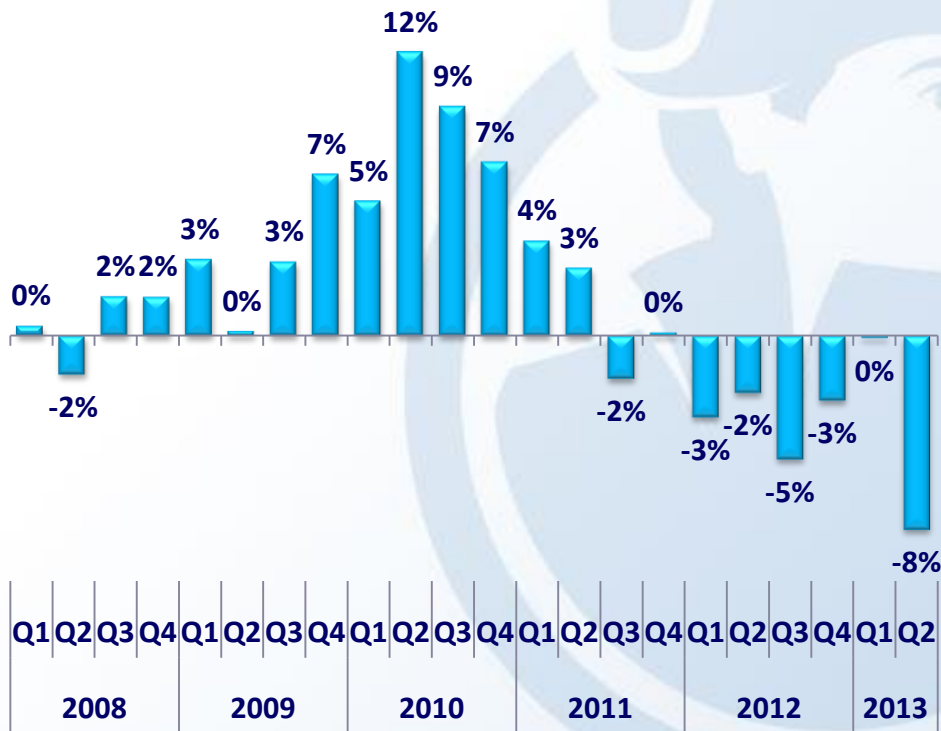
David Stevens, COO

- 
- 1. Market overview**
 - 2. Admiral performance**



Prices continue to fall in 2013

Confused.com / Towers Watson Market Premium Rate Movements



➤ Some exaggeration of deflation

- Young driver distortion post gender neutrality
- Telematics distortion

➤ ... but genuinely heading downwards

- Aggressive growers
- Response to claims changes

Source: Confused.com/Towers Watson car insurance price index. The index is compiled using anonymous data from all enquiries submitted on Confused.com and is based on the average of the best five quotes received. More than 4 million quotes are used in constructing each quarter's price index.

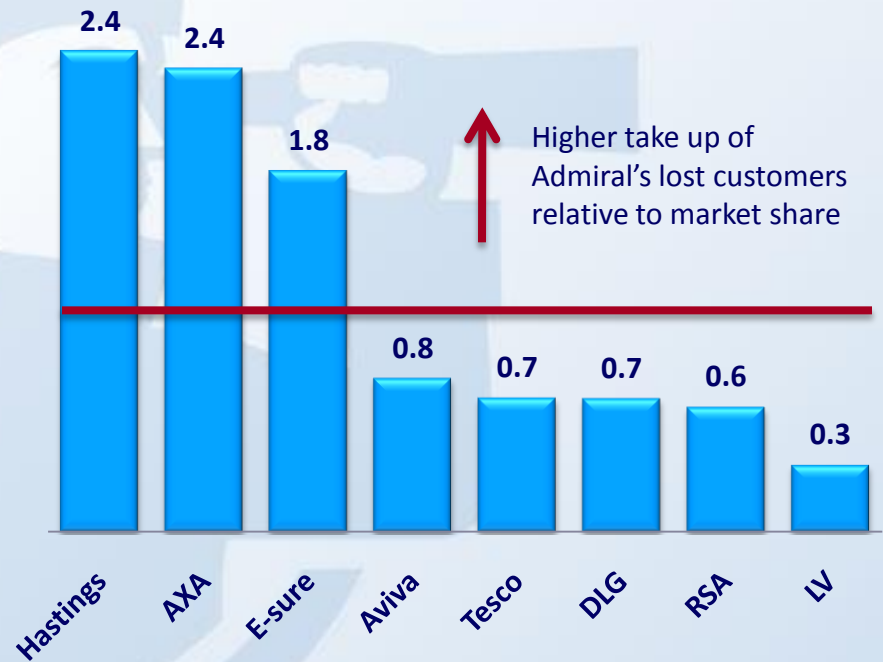


Admiral's vehicle count is flat, although a few players have been looking for growth

If Admiral customers leave us, where do they go?⁽ⁱ⁾



How does this look relative to market share⁽ⁱⁱ⁾?

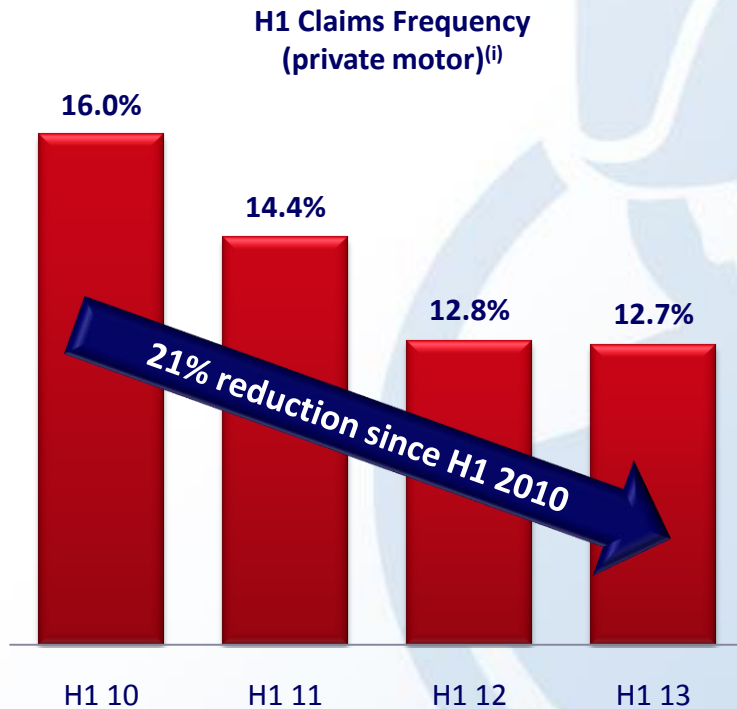


Source: (i) Management Information - % Admiral Lapses by Insurer, Jan - Jun 2013 (all brands); (ii) Market share calculated based on 2012 gross written premium; Calculation = % lapses divided by % market share

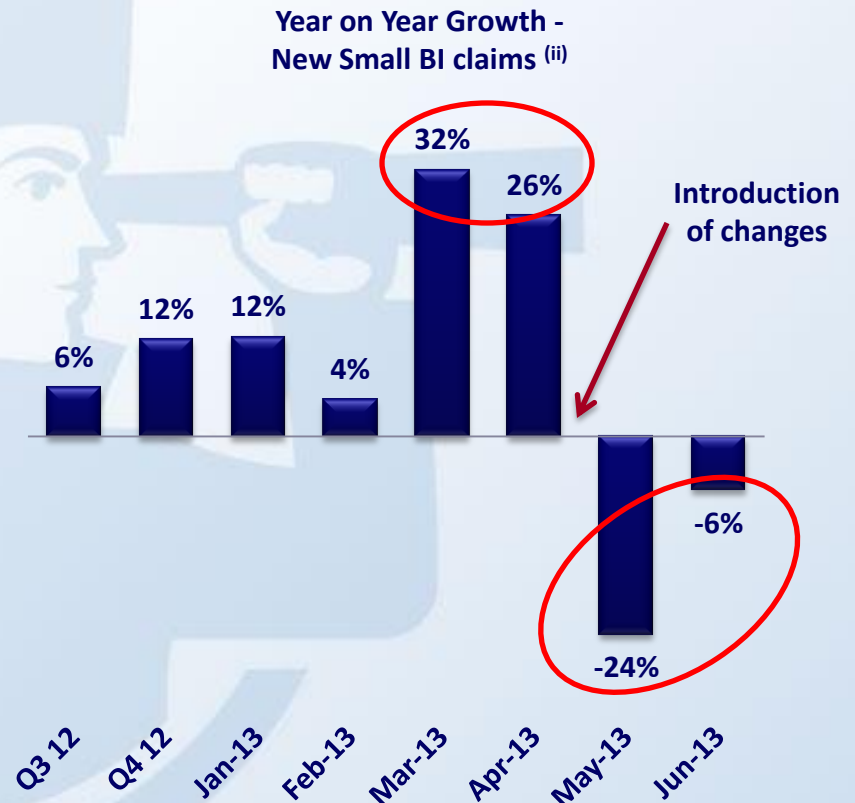


Appetite for market share reflects very benign claims patterns

Overall claims volumes continue to fall...



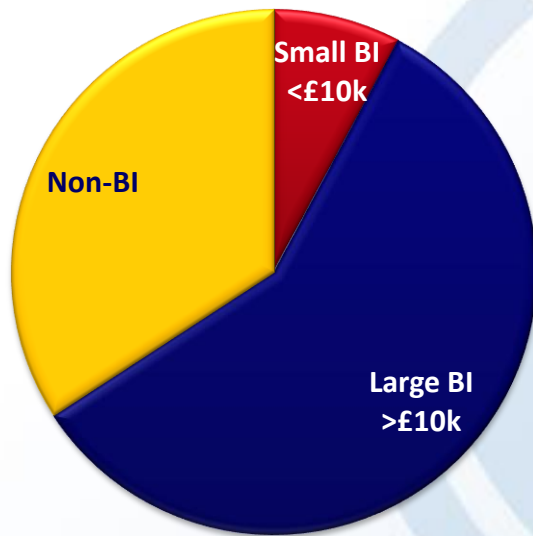
... and new small bodily injury claims are down since April



Source: i) ABI – all claims; ii) Based on data from Ministry of Justice Claims portal notifications. The Road Traffic Act claims portal records low value personal injury claims in road traffic accidents (up to £10,000 to July 2013)

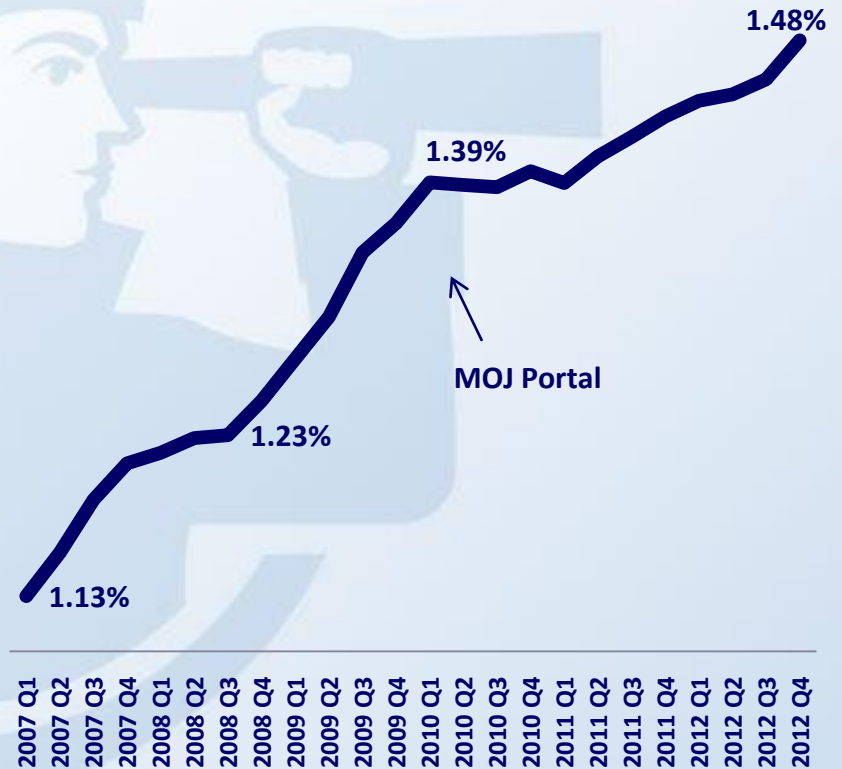
Small bodily injury is not a huge percentage of overall claims costs...

Admiral Claims Costs⁽ⁱ⁾



... and the market is adaptive

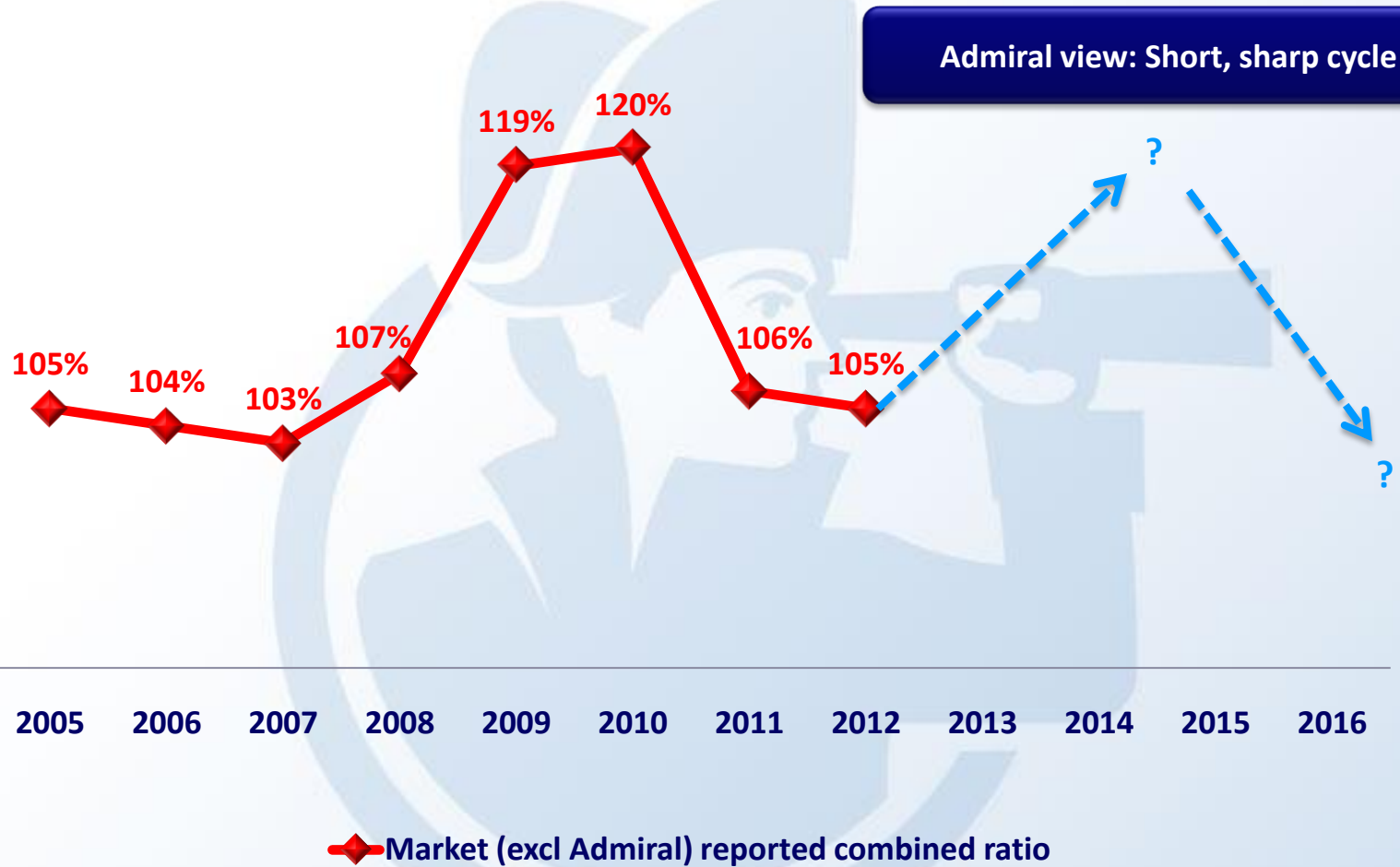
Market Frequency of Reported Bodily Injury Claims in calendar period⁽ⁱⁱ⁾




Source: i) Management information, based on 2011 underwriting year, ii) Source: Third Party Working Party



Market prospects – market combined ratio



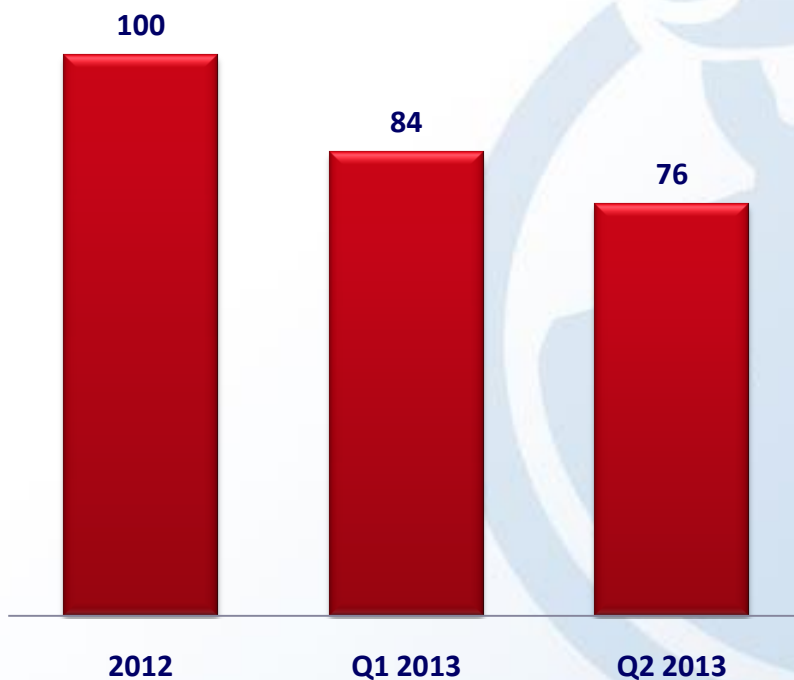
- 
1. Market overview
 - 2. Admiral performance**



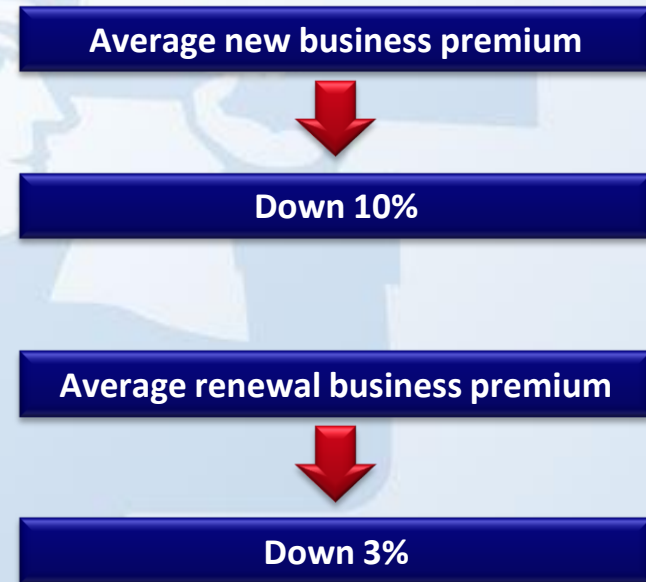
Admiral's price cuts lag the market, and our mix has also changed

How often does Admiral rank first on price comparison sites? ⁽ⁱ⁾

(indexed 2012 = 100)



Movements in Admiral's average premiums⁽ⁱⁱ⁾ H1 12 v H1 13

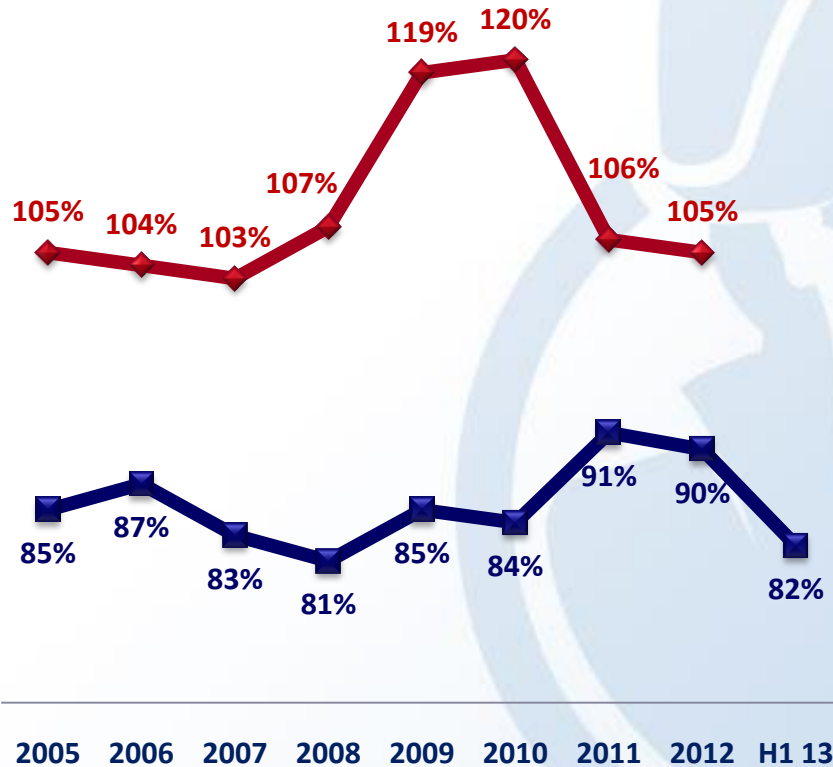


Note: (i) Source: management information. (ii) New business and renewals premium written in six month period (before cancellations) divided by new business/renewals vehicles added in the six month period

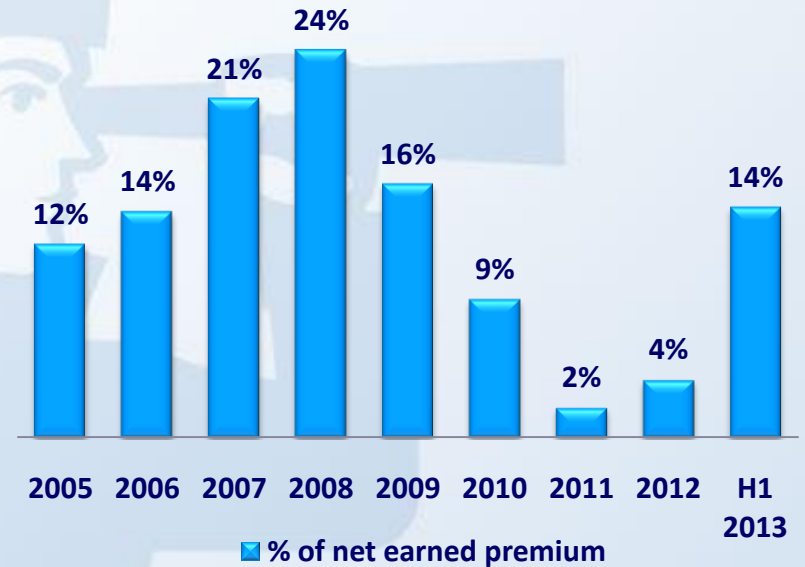


Benign claims patterns are being reflected in reported combined ratios

Reported combined ratio: Admiral v Market



Claims reserve releases (Admiral net share)



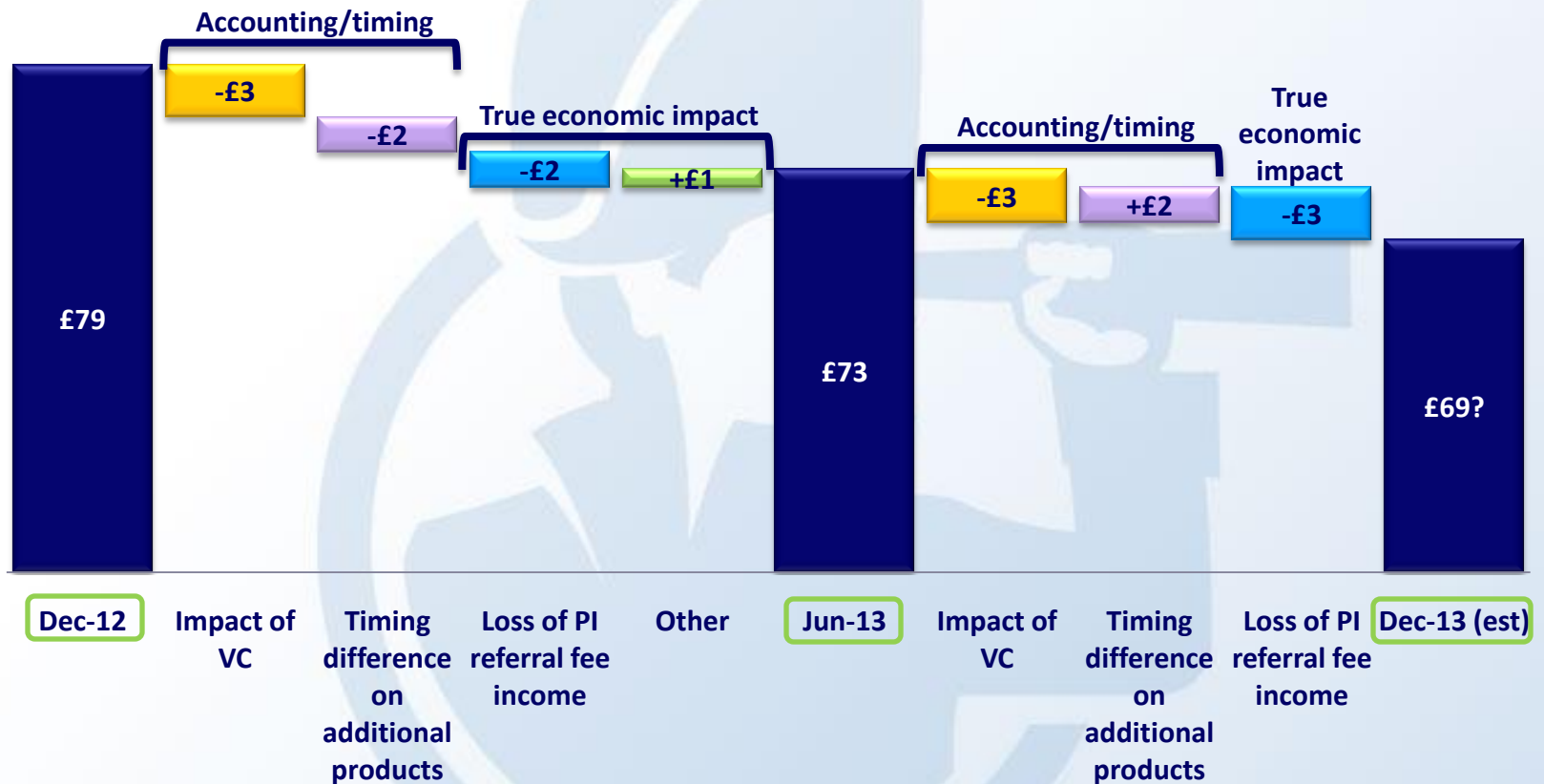
- ◆ Market (excl Admiral) reported combined ratio (i)
- Admiral reported motor combined ratio (ii)

Note: (i) Source: Deloitte annual motor insurance seminar data, Towers Watson Synthesis data (ii) Admiral combined ratio is adjusted to exclude impact of reserve releases on commuted reinsurance contracts



A combination of factors has led to lower reported other revenue per vehicle

Other Revenue Per Vehicle⁽ⁱ⁾ Reconciliation



- Vehicle Commission (-£3) accounting change from Jan '13 reallocates profit from Other Revenue to Underwriting profit. We expect a further £3 reduction by the full year.
- Change to underwriting arrangements for additional products impacting the timing of revenue recognition (-£2) at the half year. We expect this to reverse by the full year.
- Personal injury (PI) referral fees are banned from April 2013. This will be offset by reductions in claims costs. We expect a further £3 reduction in Other Revenue for PI by the full year.

Note (i): 12 month rolling basis

Market conditions and claims environment

- Competitive environment is putting pressure on prices
- But claims trends are currently positive

Admiral performance and prospects

- We have continued to reduce prices in 2013 but have lagged the market because this is not the right time for us to grow
- Despite significant reserve releases in H1 13, the margin over best estimate has increased
- If claims patterns continue to develop positively, there is scope for increased future releases
- Admiral continues to invest in new developments...





New developments...

Telematics



Household



Various product trials ongoing

- Bell from Admiral
- Little Box
- New app launched in H1 13
 - Motormate by Confused.com
- ... But do customers really want a telematics product?

- On all four UK price comparison sites from August 2013
- Long term support from re-insurers
- Building competitive household business

MotorMate
By Confused.com

Looking for cheaper car insurance?
Discounts of up to 10% available!

Terms & conditions apply [Find out more](#)





International Results

Kevin Chidwick, CFO and CEO of Elephant Insurance

Cristina Nestares, European Manager



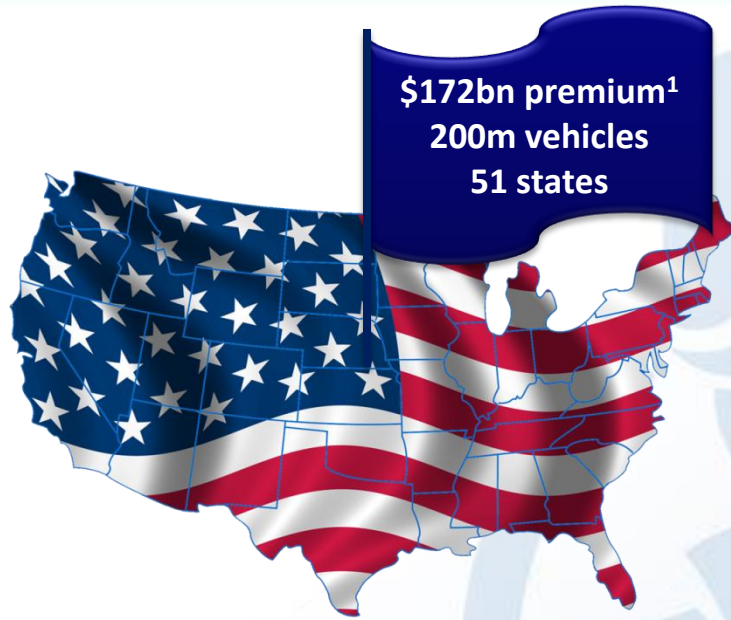
Elephant Auto Results

Kevin Chidwick, CFO and CEO of Elephant Insurance

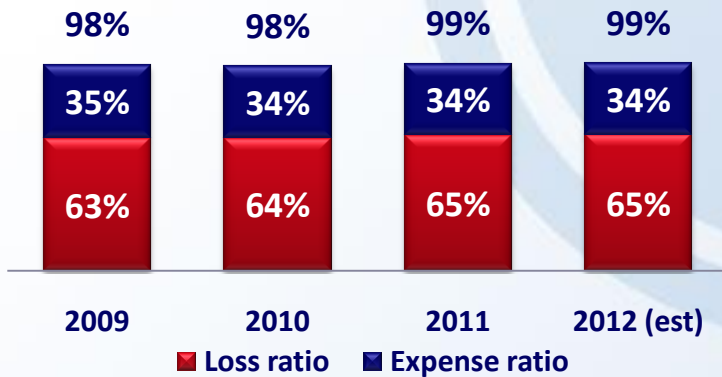




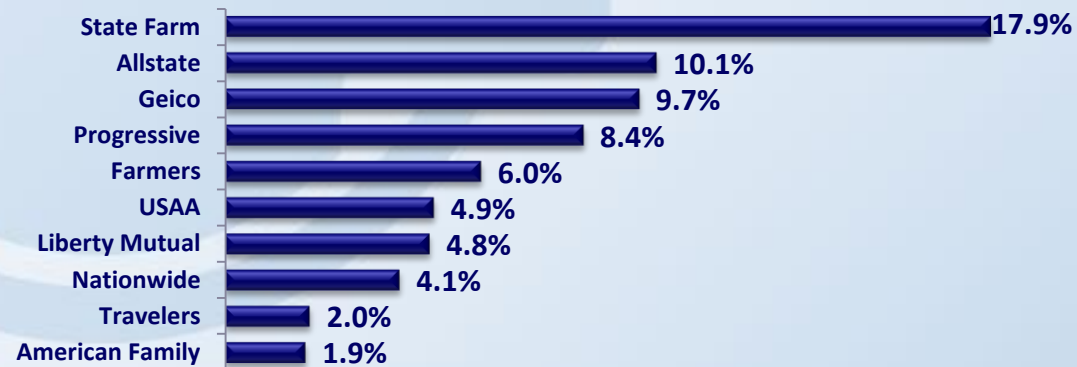
Motor Insurance Market in the USA...



Market Combined Ratios²



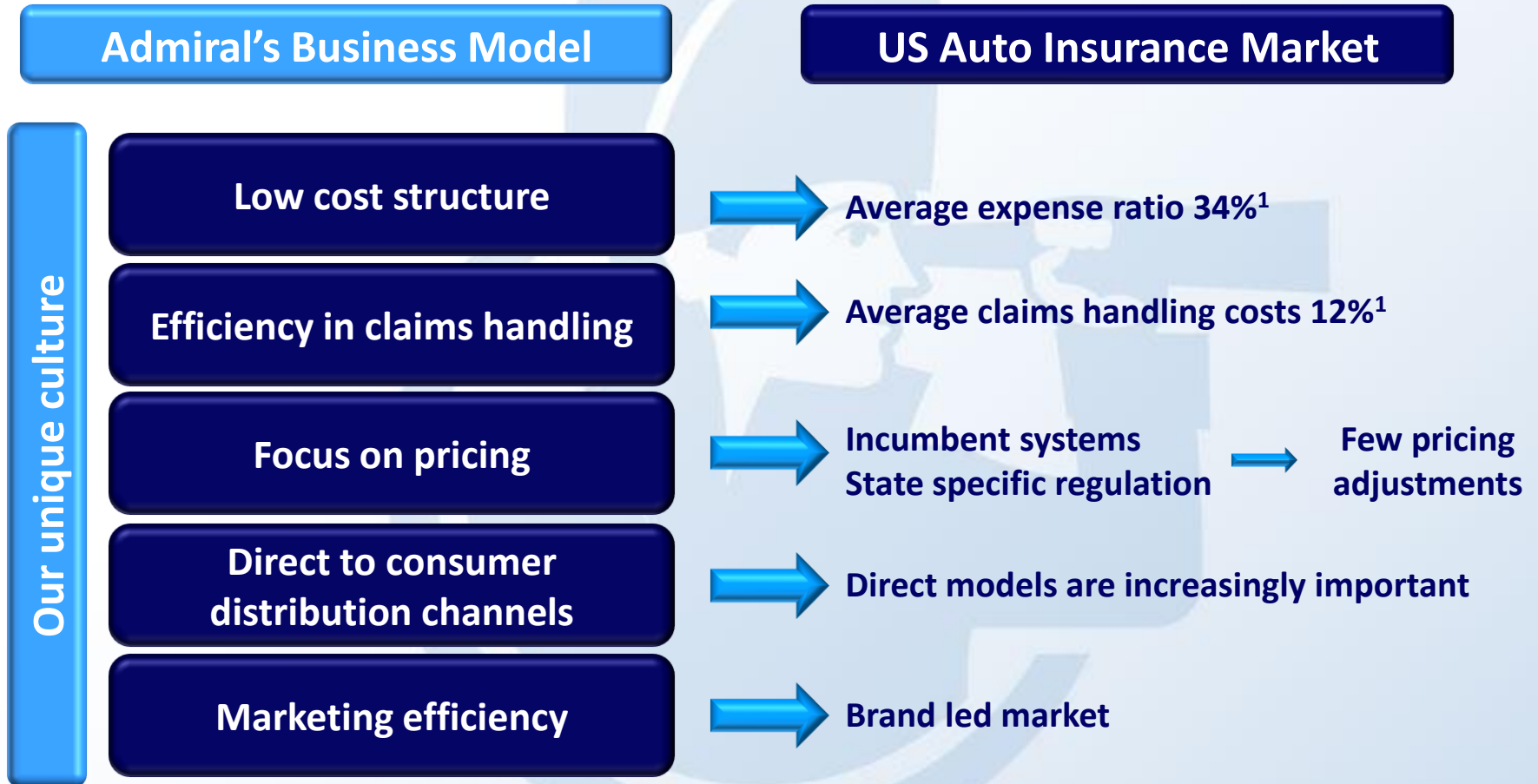
Market Share Leaders – Total market¹



Source: (1) Auto Industry Report, June 2013; (2) PCI Greenbook 2012; Management Information; (3) Management estimates, market data



... plays to Admiral's strengths





We are making steady progress

Vehicles in Force



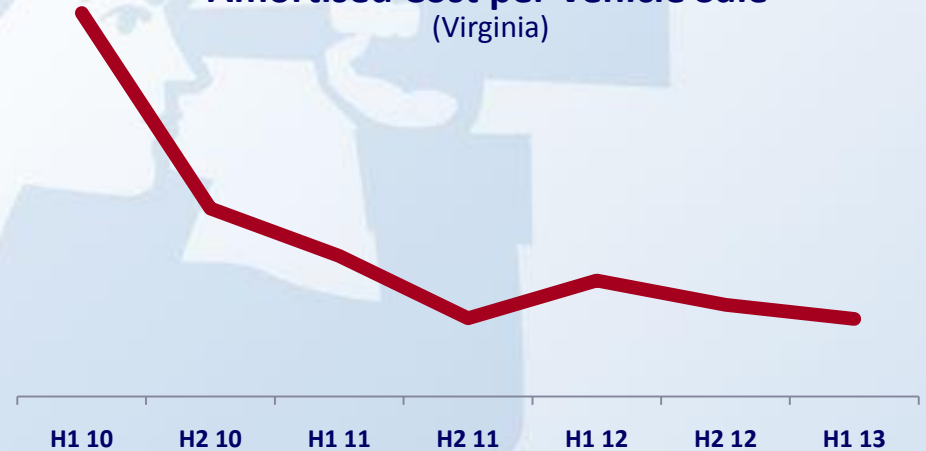
Combined Ratio¹

H1 12 = 196%

H1 13 = 149%



Amortised Cost per Vehicle Sale² (Virginia)



Total Written Premium + Other Income



Note: 1) Combined ratio based on whole book including additional products, written basis; 2) Calculated as cost of sales at new business divided by expected life expectancy of the policy

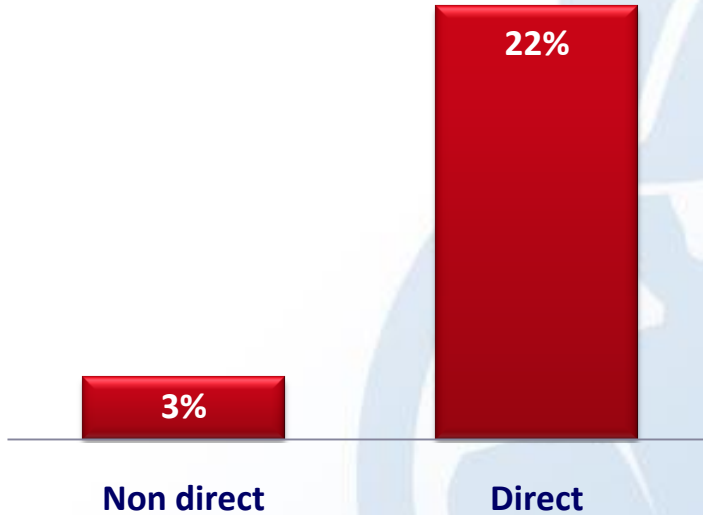


The US market looks promising for Elephant

✓ Direct distribution is increasingly important

✓ The US market has huge potential

2009 – 2012 Growth in Premium⁽ⁱ⁾



Recent M&A Activity



Vehicle count	Total Market	New Business Market	Elephant Market Share
Virginia, Maryland, Illinois, Texas	34m	3.4m	0.2%
USA Total	200m	20m	0.0%

Source: (i) Auto industry Report; relates to growth of Top 10 insurers by GWP



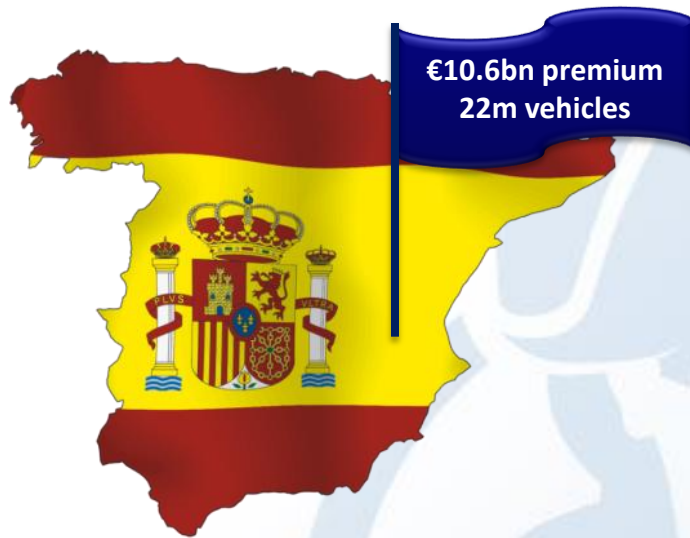
European Insurance Results

Cristina Nestares, European Manager

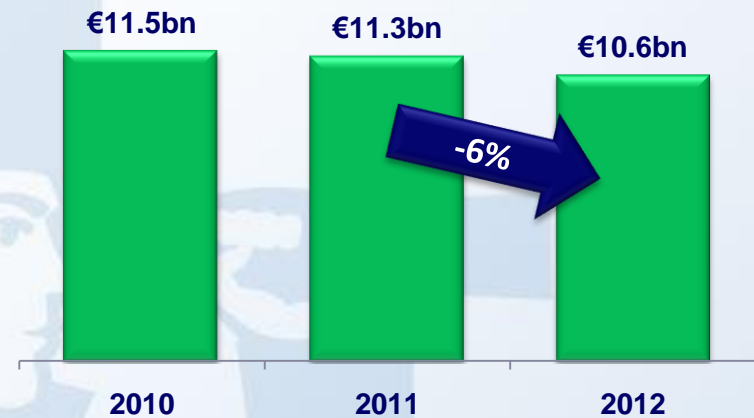




Motor Insurance Market in Spain



Market Gross Written Premium



Market Combined Ratio



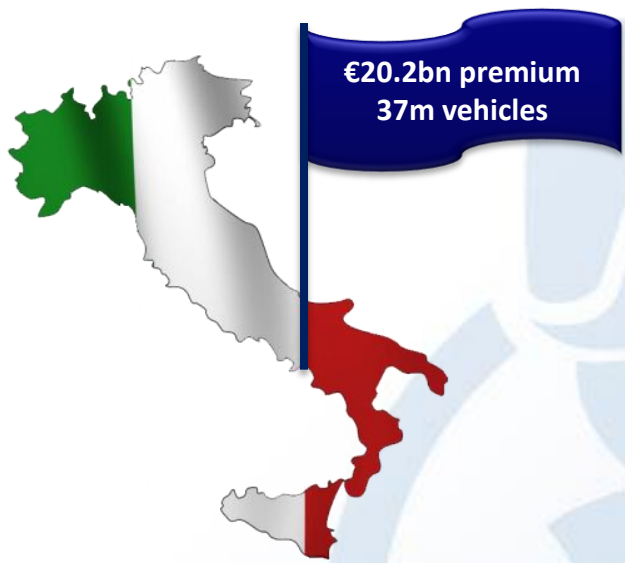
Distribution Shift

- Direct insurers are investing heavily in media and promotions to attract new customers
- Rapid growth of price comparison
 - This channel already represents 13% of new business sales

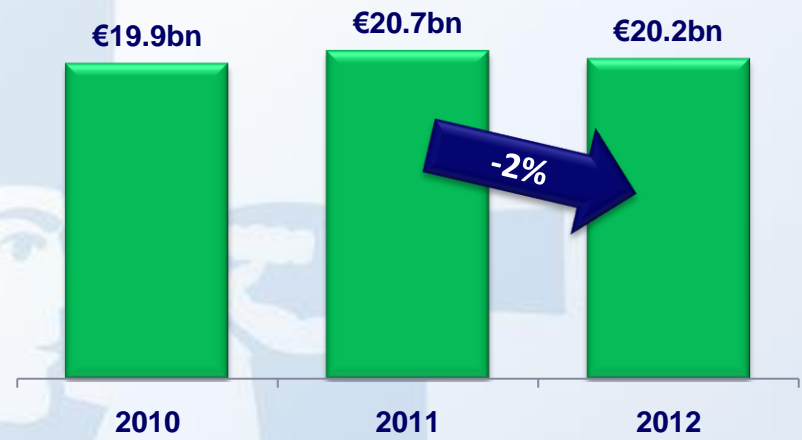
Source: Management information, ICEA & DGS



Motor Insurance Market in Italy



Market Gross Written Premium



Market Combined Ratio



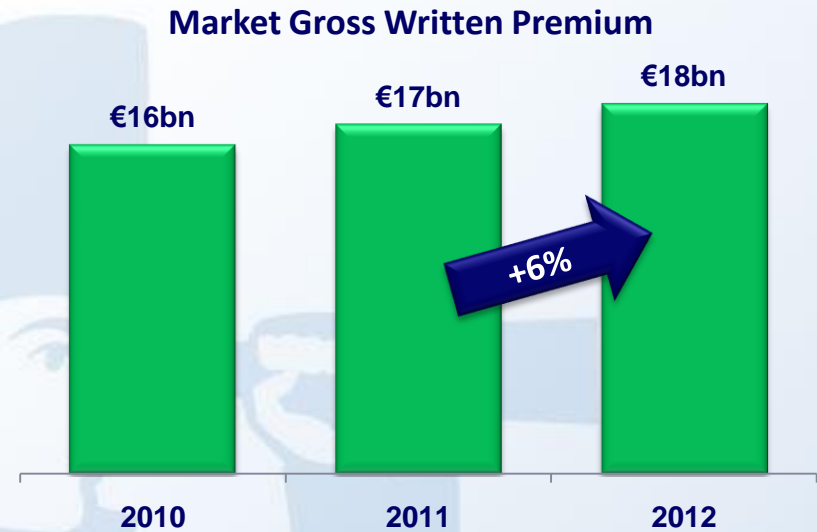
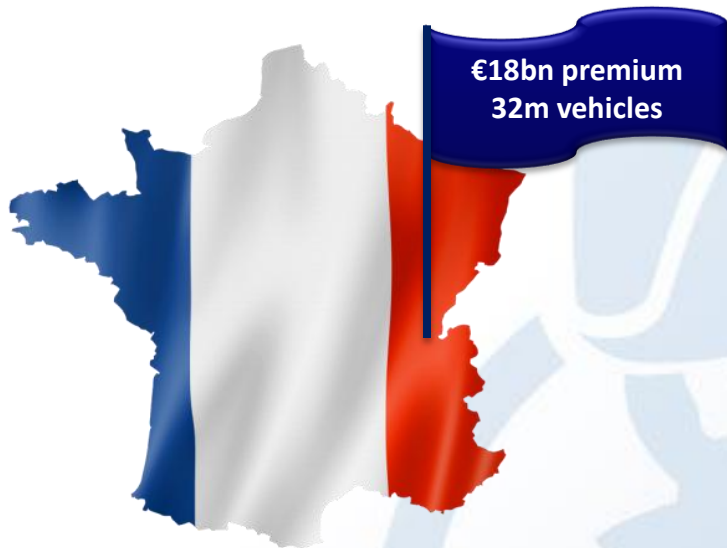
Distribution Shift

- Shift to direct insurance, year on year growth of c10%
- Rapid growth of price comparison
- New regulation abolished automatic renewal

Source: Management information, Ania, Assinews & IVASS



Motor Insurance Market in France



Market Combined Ratio



Distribution Shift

- Rapid growth of price comparison
 - Increased TV spend
 - New players
- Hamon Law will make cancellations easier

Source: Management information, FFSA – French Insurance Federation



Admiral's strengths are relevant in each market

Admiral's Business Model

Low cost structure

Efficiency in claims handling

Focus on pricing

Direct to consumer
distribution channels

Marketing efficiency

Our unique culture

3

1

2

Most
important right
now...

1

Pricing capabilities

- Replicating our UK model
- Asking more questions
- Having a larger footprint

2

Change in distribution

- Fast growth of price comparison
- Lots of advertising

3

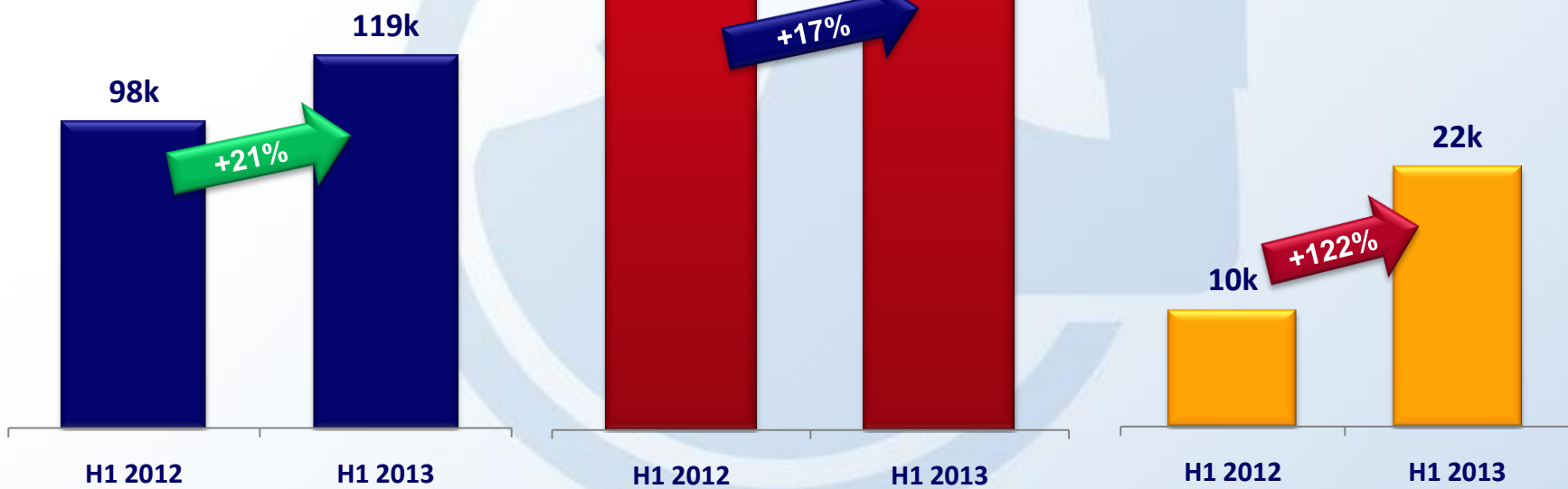
Culture

- Knowledge from the UK
- Test and learn mentality
- Nimble and flexible



Vehicle count has increased in each operation

Growth in Vehicles By Country





Results in the first half of 2013 reflect good progress but, as ever, there is more work to do...

European Consolidated Results



Note 1) Combined ratio is calculated on the earned basis for 100% of underwritten premium (including co and reinsurer's share) and includes the results from the sale of additional products and services and fees. 2) Loss before tax is Admiral's share only



Price Comparison

Henry Engelhardt, CEO

Confused.com

LeLynx.fr
Comparateur d'assurances

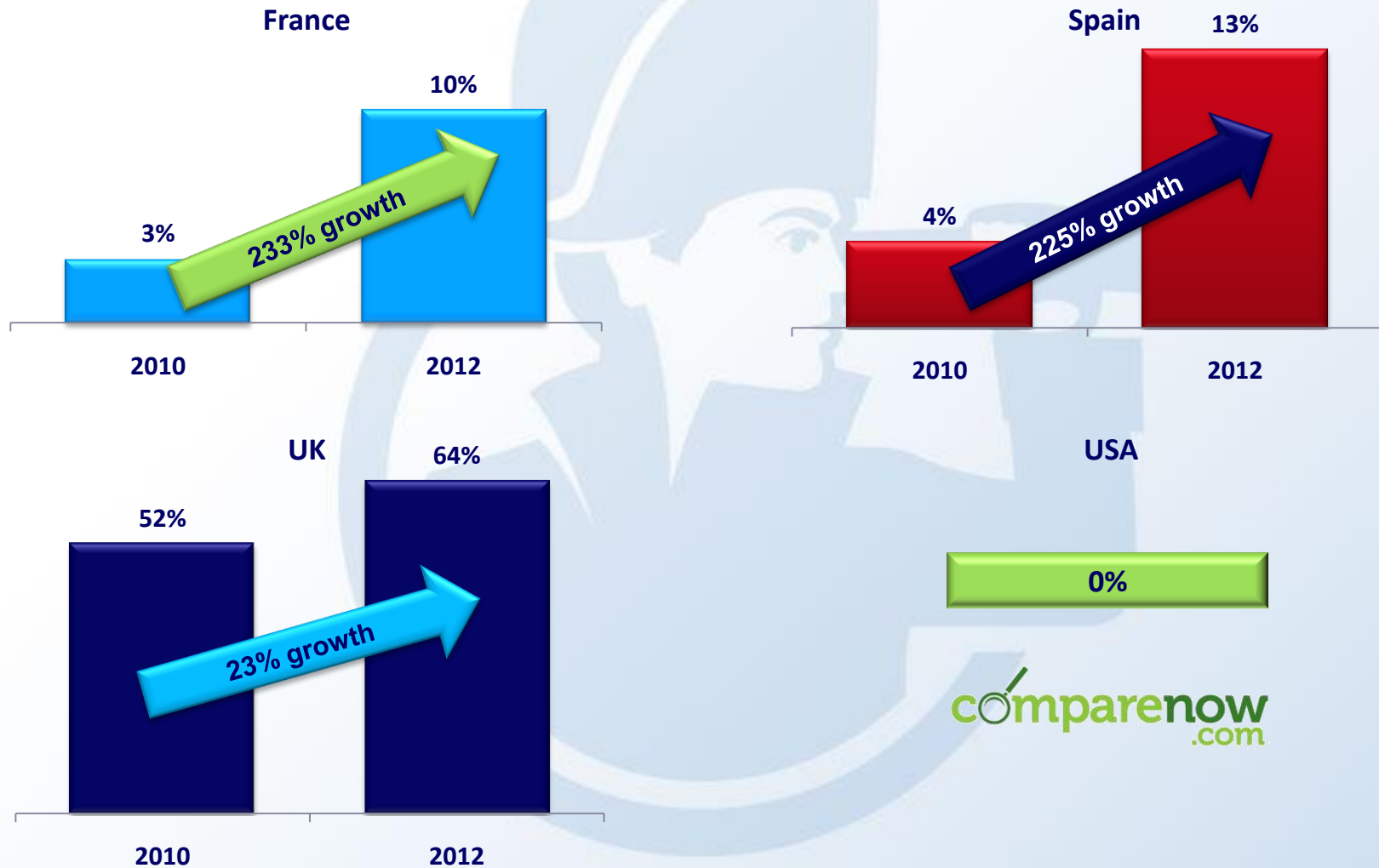
 **Rastreator.com**
Tu Comparador de Seguros

comcomparenow.com



The internet is an irresistible force

Market New Business Sales via Price Comparison



comparenow
.com

Source: Management information



European price comparison makes money



Number of Quotes Generated



Six Month Results

	H1 12	H1 13	Movement	
Turnover	£10.1m	£12.7m	£2.6m	26%
Expenses	(£10.3m)	(£11.9m)	(£1.6m)	16%
Profit/(loss) before tax	(£0.2m)	£0.8m	£1.0m	>100%



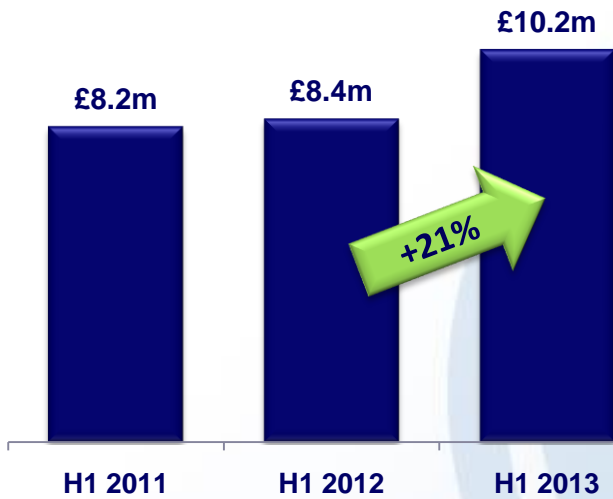
Note: Total Price Comparison Profits are made up of European Profits £0.8m + Confused.com profits £10.2m – Comparenow.com investment (£1.1m) = £9.9m



Confused profits up 21%

Confused.com

Profit Before Tax



Six Month Results



	H1 12	H1 13	Movement	
Turnover	£43.2m	£44.8m	£1.6m	4%
Expenses	(£34.8m)	(£34.6m)	£0.2m	(1%)
Profit before tax	£8.4m	£10.2m	£1.8m	21%

Note: Total Price Comparison Profits are made up of European Profits £0.8m + Confused.com profits £10.2m – Comparenow.com investment (£1.1m) = £9.9m



Recap



UK Insurance

- Not the right time for us to grow
- ... but positive developments in claims experience
- ... and despite large releases, the margin over best estimate has increased

International Insurance

- Committed to ongoing investment
- ... because each is showing good progress

Price Comparison

- Performing well in competitive markets
- ... great potential for growth



H1 2013 Group Results

- Profit before tax up 6% to £181.4 million (H1 2012: £171.8 million)
- Earnings per share up 6% to 50.1 pence (H1 2012: 47.3 pence)
- Interim dividend up 8% to 48.9 pence per share (2012 interim: 45.1 pence per share)
- Turnover down 7% to £1,089 million (H1 2012: £1,169 million)
- Vehicle count up 3% to 3.6 million (H1 2012: 3.5 million)
- Return on capital 57% (H1 2012: 61%)
- Over 6,600 employees eligible to receive £1,500 of shares each via the Employee Share Scheme, based on the H1 2013 result
- 2nd Best Large Workplace in the UK and 2nd Best Multinational Workplace in Europe



Q&A



Appendix



Appendices

- **Admiral Group**
 - Key Performance Indicators
 - Summary Income Statement
 - Balance Sheet

 - **UK Car Insurance**
 - Impact of accounting classifications
 - Underwriting arrangements
 - Co- and reinsurance 2013 terms
 - Booked loss ratio development by underwriting year
 - Admiral v Market ultimate loss ratio and combined ratio
 - Ultimate loss ratio projections 2011 to 2012
 - Motor regulatory reforms update
 - Admiral v Market expense ratio

 - **Investments**

 - **Key Definitions**

 - **Admiral's Brands**

 - **Disclaimer Notice**
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Admiral Group Key Performance Indicators

KPI	2004	2005	2006	2007	2008	2009	2010	2011	2012	H1 10	H1 11	H1 12	H1 13
Group Financial													
Turnover £m	540	627	698	808	910	1,077	1,585	2,190	2,215	721	1,104	1,169	1,089
Vehicles (000)	1,041	1,141	1,285	1,491	1,746	2,076	2,748	3,360	3,550	2,373	3,154	3,502	3,600
Group pre-tax profit £m	98.1	119.5	147.3	182.1	202.5	215.8	265.5	299.1	344.6	126.9	160.6	171.8	181.4
Earnings per share	28.4p	32.7p	39.8p	48.6p	54.9p	59.0p	72.3p	81.9p	95.1p	33.7p	43.3p	47.3p	50.1p
Dividend	9.3p	24.6p	36.1p	43.8p	52.5p	57.5p	68.1p	75.6p	90.6p	32.6p	39.1p	45.1p	48.9p
UK Car Insurance													
Vehicles covered (000)	1,008	1,105	1,240	1,382	1,587	1,862	2,459	2,966	3,019	2,123	2,827	3,025	3,016
Total premiums £m	470.4	533.6	566	617	690.2	804.7	1,237.60	1,728.80	1,748.70	555.8	881.7	922.8	851.7
Reported combined ratio*1	82.0%	84.9%	87.2%	83.4%	81.0%	84.9%	83.5%	91.9%	90.0%	82.9%	90.2%	89.7%	82.2%
Other revenue per vehicle £						77	84	84	79	80	86	82	73
UK car insurance pre-tax profit £m	94.7	110.0	121.1	142.2	179.9	206.9	275.8	313.6	372.8	131.5	168.2	183.3	192.7
International Car Insurance													
Vehicles covered			2,200	46,900	73,700	121,000	195,000	306,000	436,000	154,100	236,000	385,600	481,400
Total premiums £m			0.6	14.2	26.0	43.0	71.0	112.5	148.5	34.0	49.5	74.4	85.5
Reported combined ratio			-	232%	198%	204%	173%	164%	177%	183%	157%	168%	152%
International car insurance result £m			(0.1)	(0.7)	(4.1)	(9.5)	(8.0)	(9.5)	(24.5)	(4.1)	(3.2)	(8.9)	(10.8)
Price Comparison													
Total revenue £m	3.2	12.0	38.5	69.2	66.1	80.6	75.7	90.4	103.5	38.0	45.4	53.3	57.5
Operating profit £m	1.3	6.9	23.1	36.7	25.6	24.9	11.7	10.5	18	7.1	5	8.1	9.9
Operating margin – Confused.com only	41%	58%	60%	53%	39%	32%	24%	21%	22%	24%	20%	19%	23%

*1 Reported combined ratio has been adjusted to exclude impact of reserve releases on commuted reinsurance contracts for all periods from 1 January 2011.



Summary Income Statement

£m	UK Car Insurance			International Car Insurance			Price Comparison			Other			Admiral Group		
	H1 11	H1 12	H1 13	H1 11	H1 12	H1 13	H1 11	H1 12	H1 13	H1 11	H1 12	H1 13	H1 11	H1 12	H1 13
Turnover	999.3	1,030.0	924.5	53.9	79.7	95.5	45.4	53.3	57.5	5.8	6.3	11.6	1,104.4	1,169.3	1,089.1
Total premiums written	881.7	922.8	851.7	49.5	74.4	85.5							931.2	997.2	937.2
Gross premiums written	529.0	553.7	504.4	39.0	60.0	71.9							568.0	613.7	576.3
Net premiums written	238.8	228.8	220.4	16.4	24.7	28.6							255.2	253.5	249.0
Net earned premium	190.0	226.8	214.6	11.5	19.7	26.4							201.5	246.5	241.0
Investment income	3.4	5.9	5.6	0.1	0.1	0.0							3.5	6.0	5.6
Net insurance claims	(151.0)	(179.7)	(125.2)	(11.1)	(20.5)	(23.3)							(162.1)	(200.2)	(148.5)
Insurance related expenses	(20.7)	(21.9)	(26.3)	(6.9)	(12.6)	(16.9)							(27.6)	(34.5)	(43.2)
Underwriting result	21.7	31.1	68.7	(6.4)	(13.3)	(13.8)							15.3	17.8	54.9
Profit commission	45.3	47.8	40.4										45.3	47.8	40.4
Gross ancillary revenue	107.1	108.0	86.2	4.2	5.1	3.3							111.3	113.1	89.5
Ancillary costs	(16.4)	(17.9)	(15.0)	(0.6)	(0.8)	(0.4)							(17.0)	(18.7)	(15.4)
Instalment income	10.5	14.3	12.4	0.2	0.2	0.1							10.7	14.5	12.5
Gladiator contribution										1.2	1.3	1.4	1.2	1.3	1.4
Price comparison revenue							45.4	53.3	57.5				45.4	53.3	57.5
Price comparison expenses							(40.4)	(45.2)	(47.6)				(40.4)	(45.2)	(47.6)
Interest income										1.6	0.9	1.1	1.6	0.9	1.1
Other (mainly share scheme)				(0.6)	(0.1)	0.0				(12.2)	(12.9)	(12.9)	(12.8)	(13.0)	(12.9)
Profit / (loss) before tax	168.2	183.3	192.7	(3.2)	(8.9)	(10.8)	5.0	8.1	9.9	(9.4)	(10.7)	(10.4)	160.6	171.8	181.4



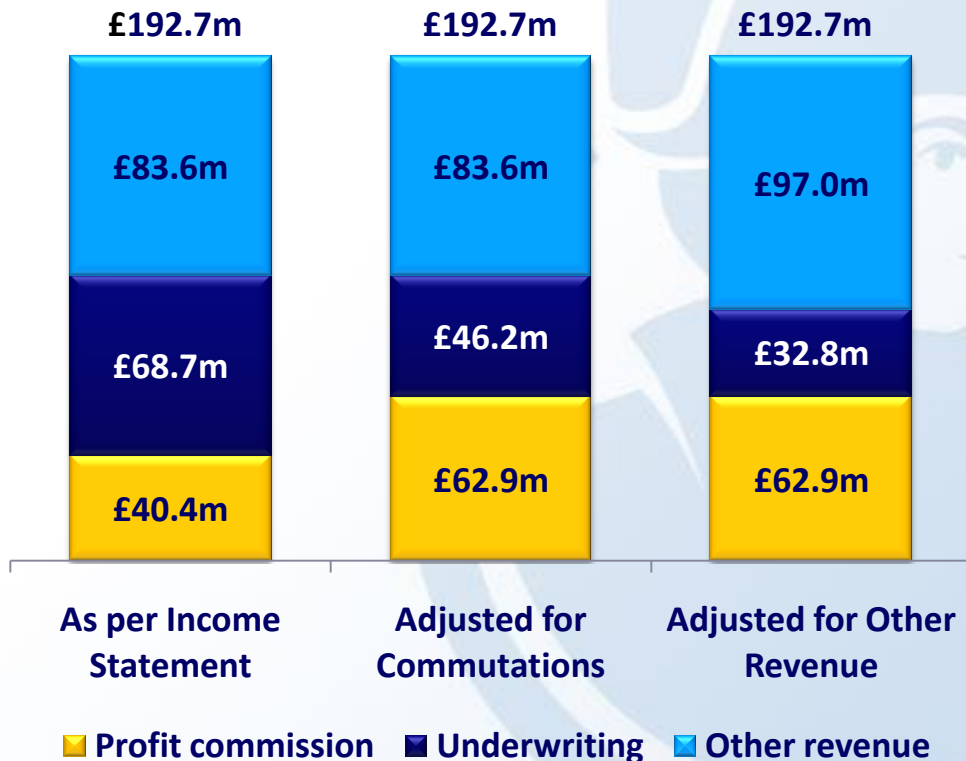
Balance Sheet

	June 2012 £m	December 2012 £m	June 2013 £m
ASSETS			
Property, plant and equipment	16.4	16.5	15.3
Intangible assets	88.9	92.5	92.8
Reinsurance contracts	723.6	803.0	733.3
Financial assets	1,793.6	2,005.1	2,194.0
Deferred income tax	10.0	15.2	15.9
Trade and other receivables	65.7	55.3	75.4
Cash and cash equivalents	277.1	216.6	205.6
Total assets	<u>2,975.3</u>	<u>3,204.2</u>	<u>3,332.3</u>
EQUITY			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	419.6	443.0	471.9
Other reserves	7.3	4.3	8.3
Total equity	440.3	460.7	493.6
LIABILITIES			
Insurance contracts	1,586.4	1,696.9	1,836.8
Trade and other payables	910.0	1,006.5	961.4
Corporation tax liabilities	38.6	40.1	40.5
Total liabilities	2,535.0	2,743.5	2,838.7
Total liabilities and equity	<u>2,975.3</u>	<u>3,204.2</u>	<u>3,332.3</u>



Impact of accounting classifications

There is no impact on UK Car Insurance H1 13 PBT from the accounting reclassifications



There have been a number of accounting classification changes that impact on the presentation of results in the income statement. Three of these adjustments are significant and are described below:

- **Reserve releases from commuted contracts**
(1) Reserve releases from commuted contracts are included within underwriting profit, not profit commission. These amount to £22.5m for H1 13 (H1 12: £1.9m).
- **Other revenue**
In H1 12, Vehicle Commission (“VC”) was included in Other Revenue. In addition, in-house additional products were also included within Other Revenue.

(2) Accounting for VC has changed from Jan 2013. Profit is reallocated from Other Revenue to Underwriting (£9.7m). Further detail is available on the following slide. There is no profit impact of the change.

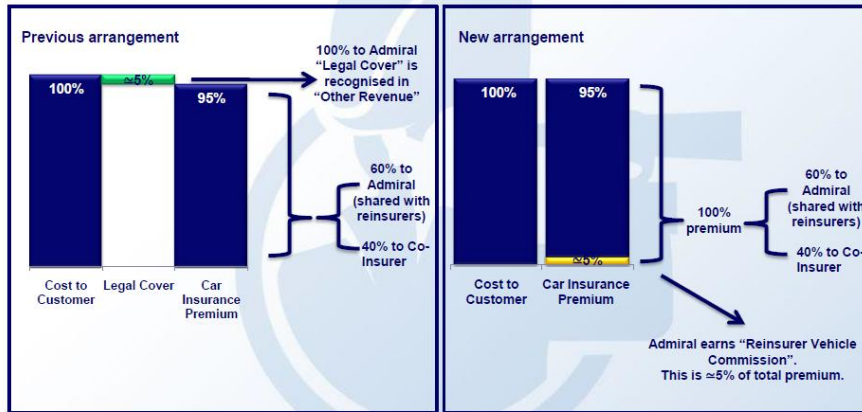
(3) Additional products underwritten in house (a process started in H2 2012) are now recognised on an earned basis over the life of the policy rather than at the point of sale. The income is accounted in Underwriting Profit rather than Other Revenue (£3.7m at H1 13).



In H1 2012 we made an adjustment to our Other Revenue and Premium accounting that deferred £16 million from PBT at the FY 2012 (change 1)

H1 2012

There has been a change to recognition of "Legal Cover" and an introduction of a "Reinsurer Vehicle Commission" charge



Note: "Legal Cover" provides help for our policyholders in recovering uninsured losses in the event of a non-fault claim. It is underwritten outside of the Group.

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- During H1 2012 we no longer earned Other Revenue from the sale of legal protection policies.
- 100% of the customers premium is now recognised through Total Premium.

FY 2012

UK Car Insurance income statement – impact of change from legal cover to vehicle commission

Full Year 2012 UK Car Insurance ONLY	Reported	Without Change	Difference	Commentary
Total premiums written	£1,749m	£1,686m	+£63m	£63 million of vehicle commission is included in premium
Net earned premium	£456m	£449m	+£7m	£7 million has been earned
Investment income	£14m	£14m		
Net insurance claims	(£355m)	(£355m)		
Insurance related expenses	(£50m)	(£43m)	(£7m)	Increase in premium is matched by an increase in expenses
Underwriting result	£64m	£64m		
Profit commission	£108m	£108m		
Total other revenue less costs	£200m	£216m	(£16m)	£16 million decrease in other revenue
Profit before tax	£373m	£389m	(£16m)	Total impact of £16 million on 2012 PBT
Motor expense ratio	14%	13%	+1pp	
Motor loss ratio	76%	77%	(1pp)	
Motor combined ratio	90%	90%		

- The impact of the change from legal cover (recognised at the point of sale) to vehicle commission (earned over the life of the policy) is set out for each line of the UK car insurance income statement.
- Overall there was an impact of £16 million on the 2012 financial year.

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- At the FY 2012 there was no impact of this change on Underwriting profit.
- There was a deferral of Other Revenue as we started to recognise this income over the life of the policy not at the point of sale.



In H1 2013 there has been a further adjustment that has no impact on PBT

<u>Full Year 2012</u> <u>UK Car Insurance ONLY</u>	Before Any Change	As <u>Reported</u> FY 2012 (Change 1)	If it was <u>restated now</u> (Change 2)	Difference (<u>Reported</u> <u>to Restated</u>)	Commentary
Total premiums written	£1,686m	£1,749m	£1,749m		
Net earned premium	£449m	£456m	£456m	-	
Investment income	£14m	£14m	£14m	-	
Net insurance claims	(£355m)	(£355m)	(£355m)	-	
Insurance related expenses	(£43m)	(£50m)	(£43m)	£7m	Reversal of change (1)
Underwriting result	£64m	£64m	£71m	£7m	Underwriting profit is increased by £7m
Profit commission	£108m	£108m	£108m	-	
Total other revenue less costs	£216m	£200m	£193m	(£7m)	Other revenue is decreased by £7m
Profit before tax	£389m	£373m	£373m	-	No impact on PBT
Motor expense ratio	13%	14%	12%	(2pp)	
Motor loss ratio	77%	76%	76%	-	
Motor combined ratio	90%	90%	88%	(2pp)	

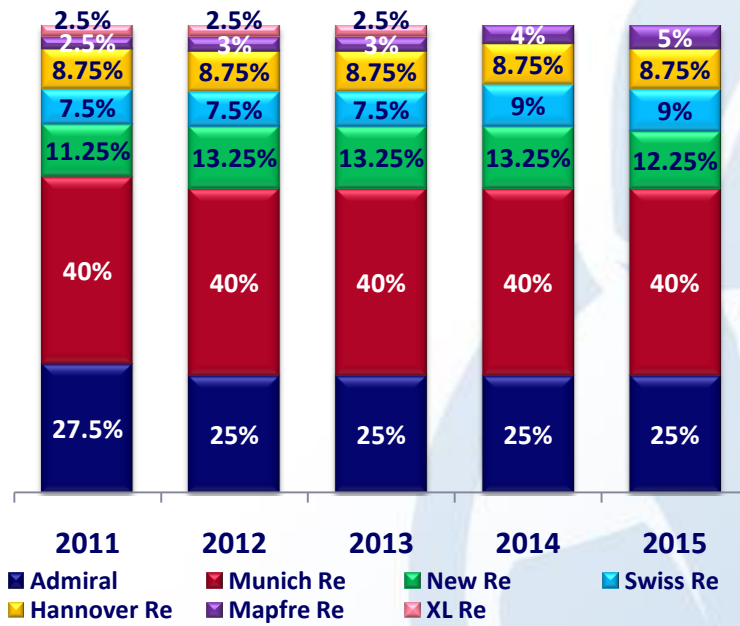
- The table above walks you through the FY 2012 income statement, illustrating the 2 changes. The final column is the difference between Change 1 and Change 2.
- Change 2 has had no impact on PBT but it has improved the Combined Ratio and in turn reduced the Other Revenue per vehicle KPI.

Note: Ratios are calculated on motor premiums, claims and expenses excluding additional products underwritten in house.

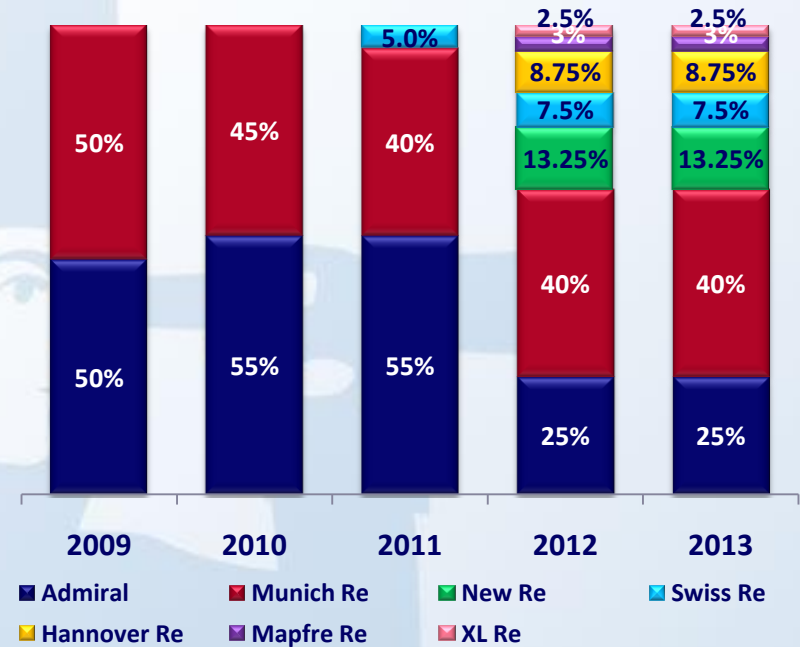


Underwriting Arrangements

Reinsurance arrangements – pre-commutations



Post commutations (at 30 June 2013)



- New Re, Swiss Re, Hannover Re and Mapfre Re agreements all extend to at least the end of 2015
- Co-insurance agreement with Munich Re runs to at least the end of 2016
- 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



Co-insurance and Reinsurance 2013 Terms

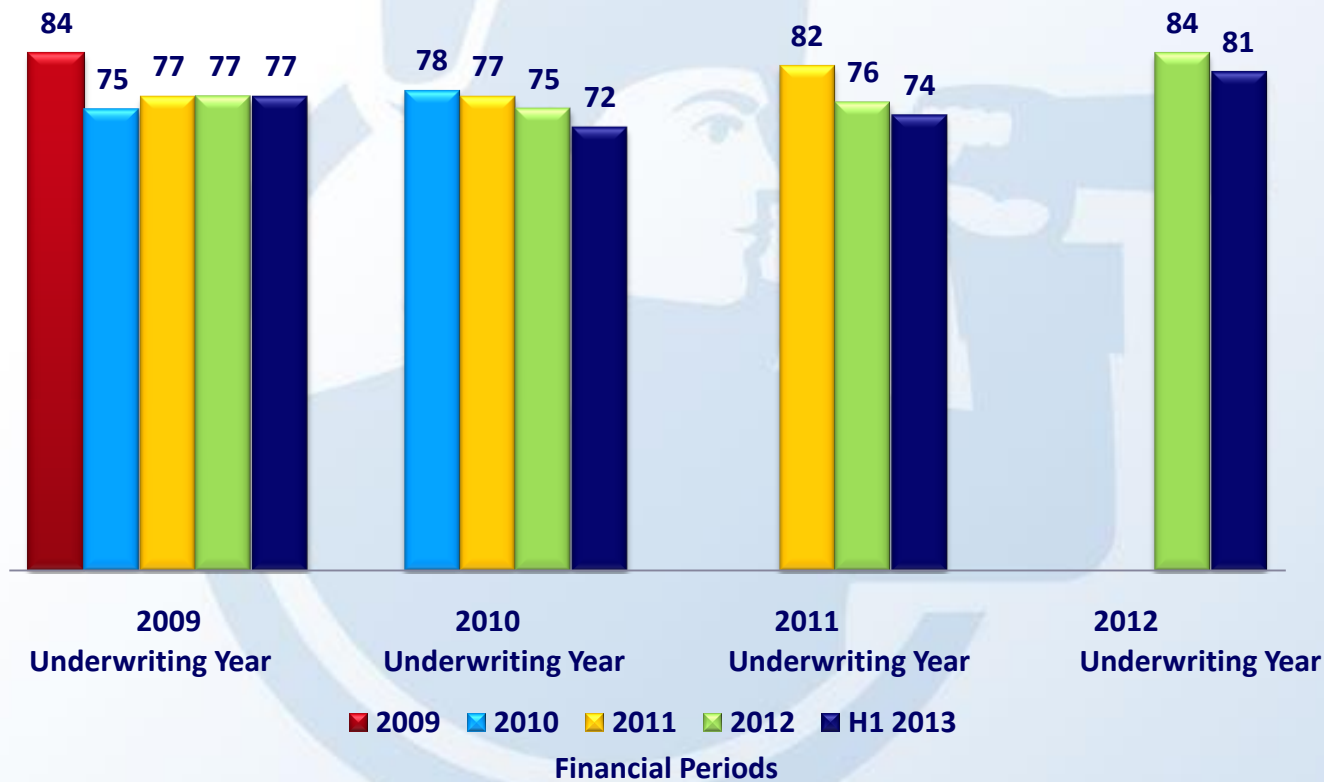
	Munich Re	Swiss Re	New Re	Mapfre Re	Hannover Re	XL Re
Type	Proportional* co-insurance	Proportional* reinsurance				
Share of premium	40%	7.5%	13.25%	3.0%	8.75%	2.5%
Term	At least to December 2016	At least to December 2015				To end December 2013
Cost to Admiral	Variable, depending on combined ratio	Fixed (not disclosed)	Fixed – c2% of premium			
Risk protection	Co-insurance	Starts at 100% + Investment Income				
Profit commission	Profit share % based on combined ratio Different %'s operate in tranches Calculated with written basis expense ratio	Starts at 100%. Fixed allocation to Swiss Re, then 100% profit rebate to Admiral thereafter Below "x"% = 100% Calculated with earned basis expense ratio	Same as Swiss Re (though at different cost) Below 98.3% = 100% Calculated with earned basis expense ratio			
Funds withheld	No	No	Yes			
Investment income	Munich Re	Admiral (provided combined ratio <100%)				
Instalment income	Munich Re	Admiral				
Other terms	Improved PC terms from 2010	In 2014 Swiss Re increases from 7.5% to 9.0% and Mapfre Re from 3.0% to 4.0%, replacing XL Re's 2.5% share. Admiral has option to commute contracts and typically does this after 2 to 3 years.				

*Proportional means that every policy written by Admiral is shared between the co- and reinsurers according to the % share of premium. Eg policyholder A is 40% co-insured by Munich Re, 7.5% reinsured by Swiss Re, 13.25% reinsured by New Re etc.



Booked Loss Ratio Development By Underwriting Year

UK Booked Loss Ratio (%)
Development by Financial Period (colour-coded)
Split by Underwriting Year (x axis)

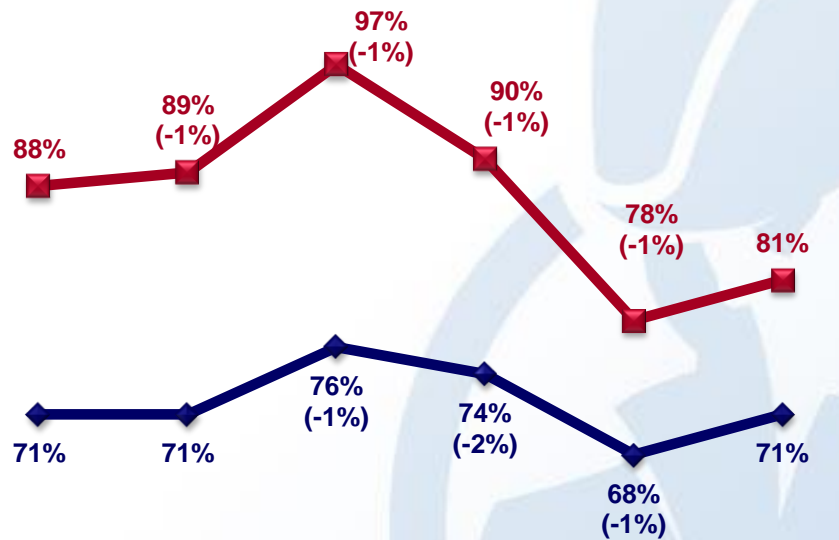


Note: Direct comparison to ultimate loss ratios on accident year basis is inappropriate.



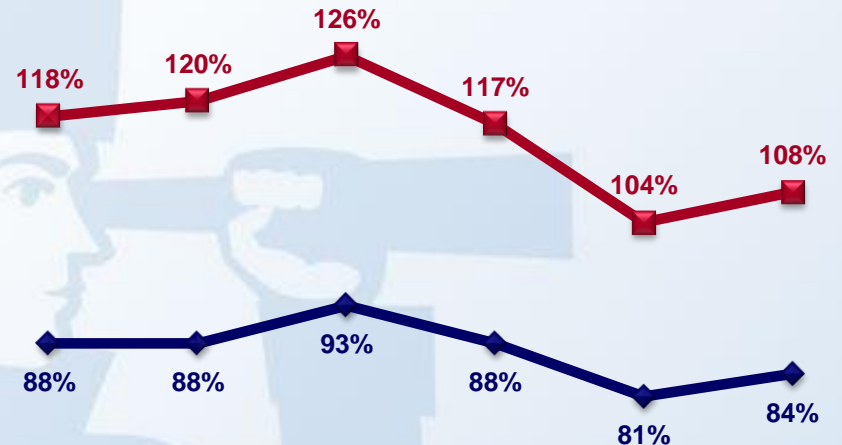
Admiral v Market Ultimate Loss Ratio and Combined Ratio

Projected Ultimate Loss Ratio: Admiral v Market



() shows change June 13 v Dec 12
 () shows change Dec 12 v Dec 11

Ultimate Combined Ratio: Admiral v Market



2007 2008 2009 2010 2011 2012 2007 2008 2009 2010 2011 2012

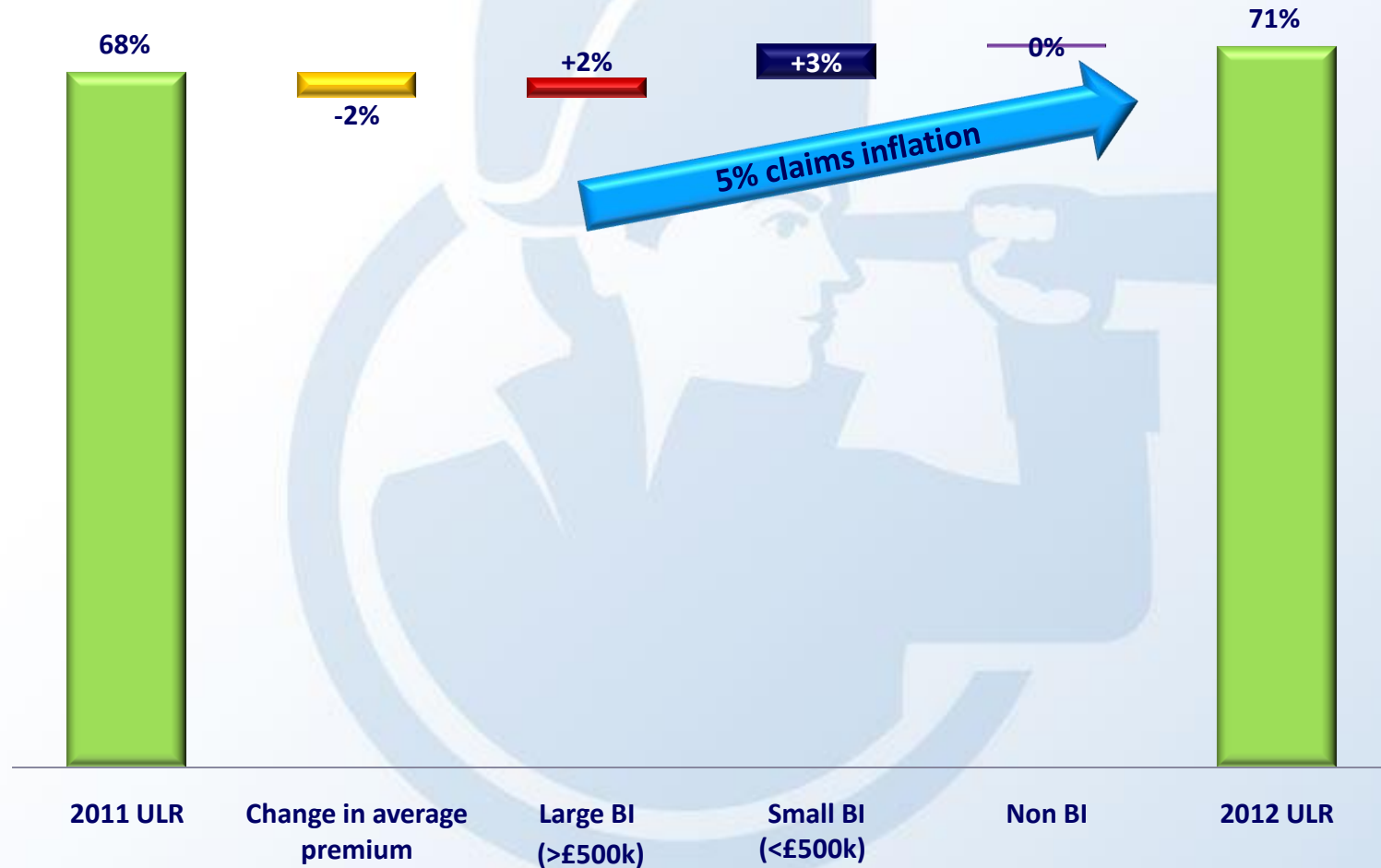
◆ Admiral UK projected ultimate loss ratio (June 2013)⁽ⁱ⁾
 ■ Market loss ratio⁽ⁱⁱ⁾

◆ Admiral UK Combined Ratio⁽ⁱⁱⁱ⁾
 ■ Market Combined Ratio^(iv)

Source: (i) Independent actuarial projection of ultimate loss ratio on accident year basis. Note that ultimate loss ratios include allowances for future PPO and potential future Ogden discount rate change; (ii) TowersWatson & Synthesis analysis of FSA returns as at 31st December 2012, pure accident year loss ratio. (iii) Ultimate loss ratio plus written basis expense ratio. (iv) Combined ratio includes expense ratio with an adjustment for UKI. Market excludes Admiral.



Ultimate Loss Ratio Projections 2011 to 2012



Source: Management information, accident year basis, figures shown are gross of excess of loss insurance. Small BI is capped at £500k.



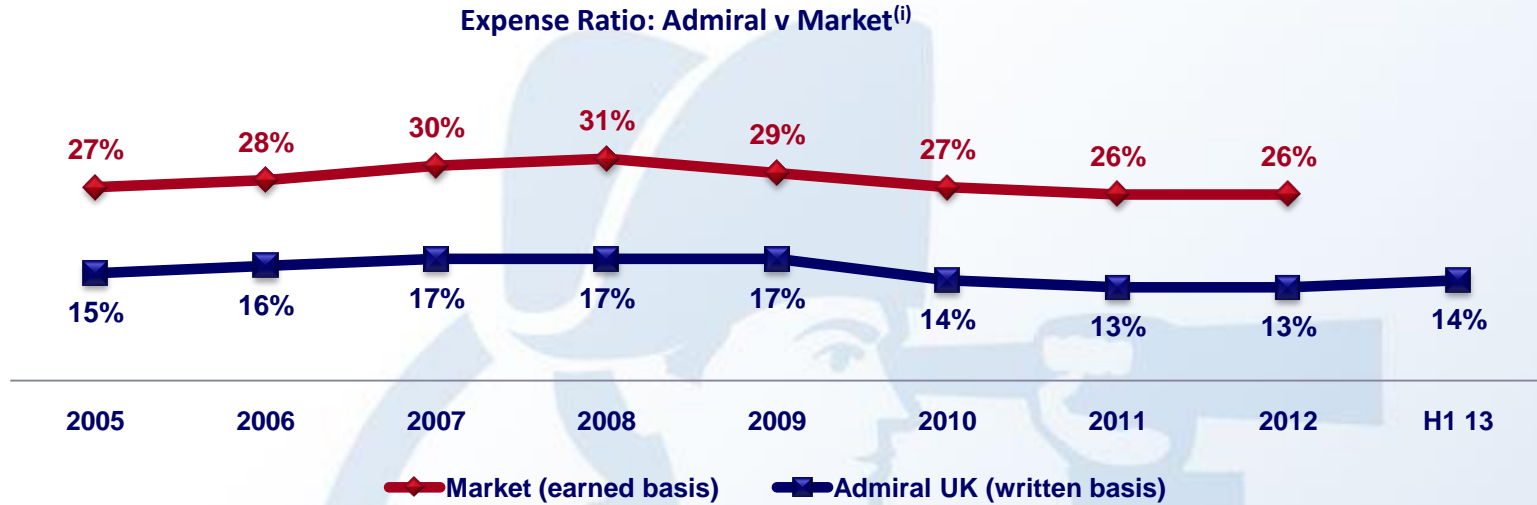
Motor regulatory reforms update

	What has happened?	Effective Date	Implications for Admiral
Other Revenue	Personal injury referral fee ban (LASPO) – ATE and success fees cease to be recoverable	1 st April 2013	Well flagged reductions in Other Revenue per vehicle (c£6), possible associated reductions in claims costs (not yet fully determined).
Claims Costs	Reduction in fixed legal costs in RTA portal from £1,200 to £500 (MOJ)	30 th April 2013	All intended to reduce the cost of bodily injury claims, which would in turn reduce costs for motor insurers and bring premiums down for consumers.
	RTA portal limits extended from £10k to £25k	31 st July 2013	
	10% increase in general damages	1 st April 2013	
	What is still under review?	Next steps and implications	
Claims Costs	Whiplash	Whiplash reforms aim to reduce bodily injury claims costs.	
	1. Increase in small claims track limit from £1k to £5k	Government consultation proposals to be published this Autumn Transport Select Committee was against this proposal.	
	2. Reform of medical reporting focusing on more independence and objectivity	Government consultation proposals to be published this Autumn Transport Select Committee recently announced its support for this reform.	
	Ogden		
	An ongoing review to determine how the discount rate should be set within the current legal framework.	Consultation period is now closed and the MOJ response is outstanding.	
Other revenue	Competition Commission review		
	3. The following areas are under review for any features which distorts or restricts competition: <ul style="list-style-type: none"> Credit hire Garage repair costs Price comparison most favoured nation clauses 	The Competition Commission has requested responses to its working papers by end of Q3 2013. Admiral has already flagged c£5 at risk for credit hire referral fees but it is expected that there will be offsetting improvements in claims costs.	
	Motor legal expenses insurance (MLEI)		
	FCA has performed a thematic review of wording and positioning of MLEI. They have agreed it is a complex product that can be useful for consumers.	FCA has stated they intend to review this again in 2014. Admiral's car insurance policies currently include MLEI as an integral feature.	

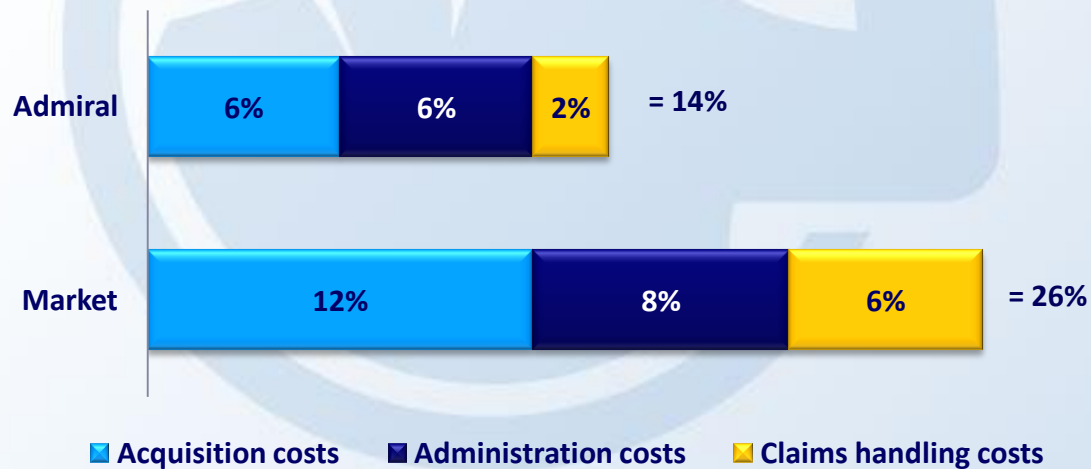


Admiral v Market Expense Ratio

Expense Ratio: Admiral v Market⁽ⁱ⁾



Expense Ratio Components⁽ⁱⁱ⁾



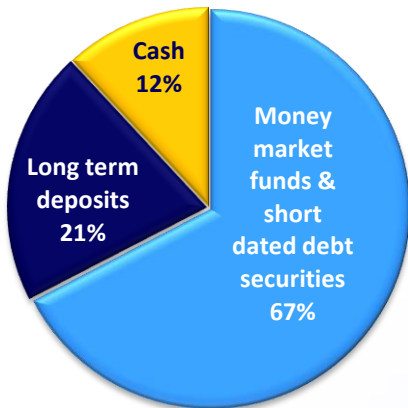
Source: (i) Towers Watson and Deloitte analysis of FSA returns as at 31st December 2011/2012. The Market analysis excludes Admiral. The expense ratio is adjusted to exclude UKI in 2010, 2011 and 2012. If UKI was included the results would be 24%, 28% and 30% respectively. (ii) Towers Watson 2012 UK Motor Industry Report. Note that the market ratios are calculated on an earned net premium basis; Admiral ratios are calculated on a written net premium basis



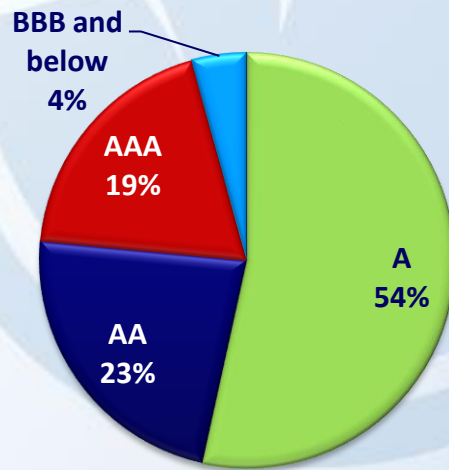
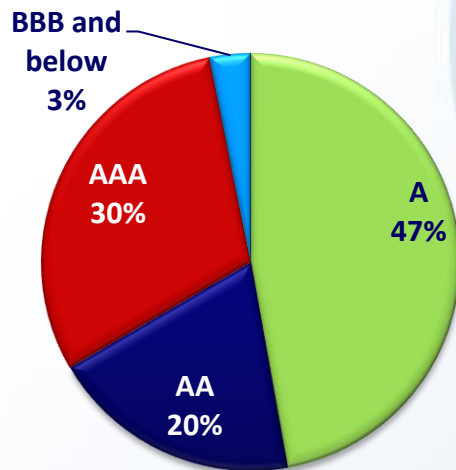
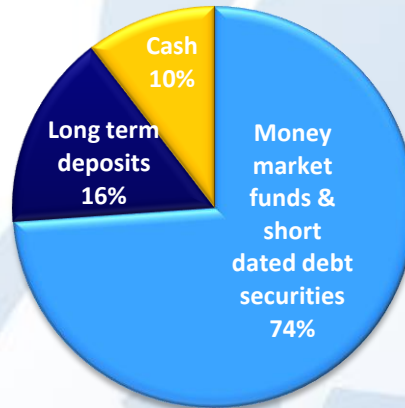
Admiral's investment strategy is low risk

Investments Breakdown

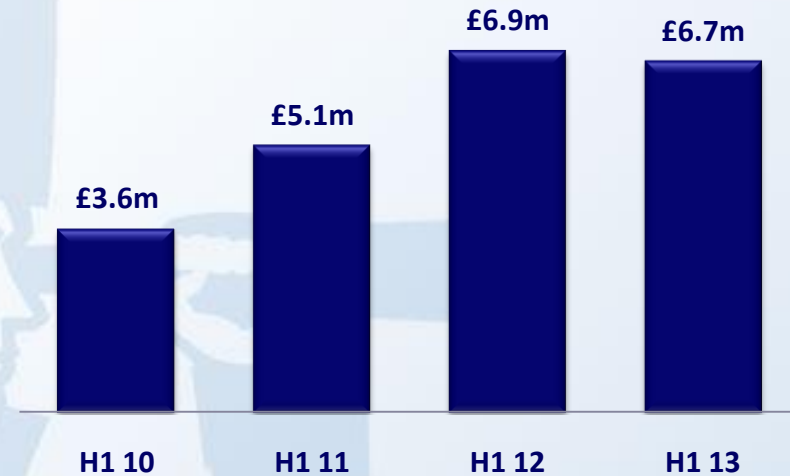
FY 12: £1,818m



H1 13: £1,979m



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
- Our key focus is capital preservation, with additional priorities being low volatility of investment return and high levels of liquidity



Key definitions

Term	Definition
Accident Year	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 accident took place.
Underwriting Year	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.
Written / Earned Basis	A policy can be written in one calendar year but earned over a subsequent calendar year.
Loss Ratio	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.
Ultimate Loss Ratio	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.
Reported / Booked / First-Picked Loss Ratio	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.
Expense Ratio	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.
Combined Ratio	The sum of the loss ratio and expense ratio.
Co-insurance	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.
Reinsurance	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.
XOL Reinsurance	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 £5m, for any individual claim that is in excess of £5m the reinsurance company covers the costs above £5m.
Total / Gross / Net Premiums Written	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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