

Admiral 2017 Full Year Results

28th February 2018

Introduction

David Stevens, Group CEO

Group

Geraint Jones, Group CFO

UK Insurance

Cristina Nestares, UK Insurance CEO

US Insurance and Price Comparison

David Stevens, Group CEO

European Insurance and Price Comparison

Milena Mondini, European Insurance CEO

Strategy and Wrap-up

David Stevens, Group CEO

Q&A

All

Years of Admiral

Introduction

David Stevens – Group CEO

Then and now – Admiral Management



1993

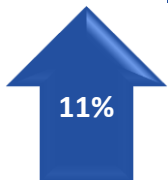


Now



Highlights¹

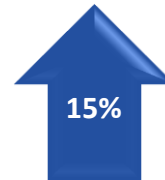
Customers



5.73m

2016: 5.15m

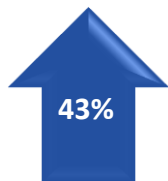
Turnover²



£2.96bn

2016: £2.58bn

Profit before tax³



£405m

2016: £284m

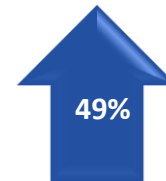
Solvency ratio



205%

2016: 212%

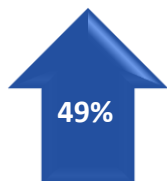
Earnings per share



117.2p

2016: 78.7p

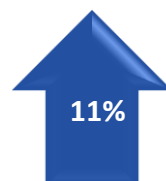
Return on equity



55%

2016: 37%








Full year dividend per share⁴



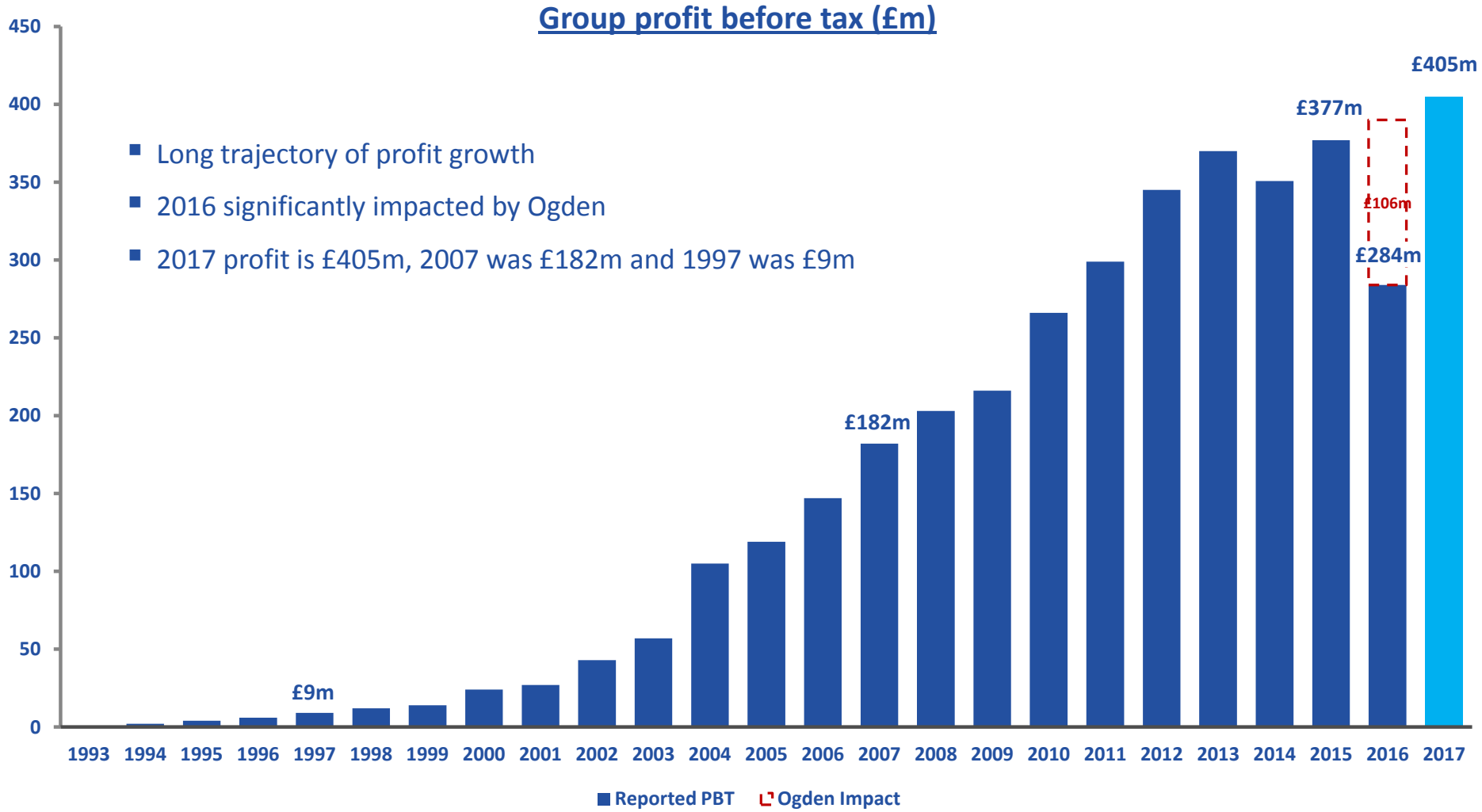
114.0p

2016: 102.5p

Pace of growth continues

	Turnover	Customers
UK Motor Insurance ¹	 £2,247m 2016: £1,987m	 3.96m 2016: 3.65m
UK Household Insurance	 £107m 2016: £76m	 0.66m 2016: 0.47m
International Insurance	 £450m 2016: £366m	 1.03m 2016: 0.86m
Price Comparison	 £144m 2016: £129m	

Group profit



Analysis of group profit

Group profit before tax¹

	2017	2016	Change
UK Insurance	£465.5m	£337.8m	+£127.7m
International Insurance	(£14.3m)	(£19.4m)	+£5.1m
Price Comparison	£7.1m	£2.7m	+£4.4m
Other Group Items	(£52.9m)	(£36.8m)	(£16.1m)
Total	£405.4m	£284.3m	+£121.1m

- Record UK Insurance profit, but comparison to 2016 distorted by Ogden
- International Insurance loss reduced (despite adverse US weather) with lower US losses and higher Italian profits
- Price comparison result improved mainly as a result of lower Compare.com loss, though with lower Confused.com profit
- Other Group items higher; various reasons including Admiral Loans P&L (-£4m in 2017) and non-repeat of unrealised gains on forex contracts in 2016 (£5m)

Analysis of group profit

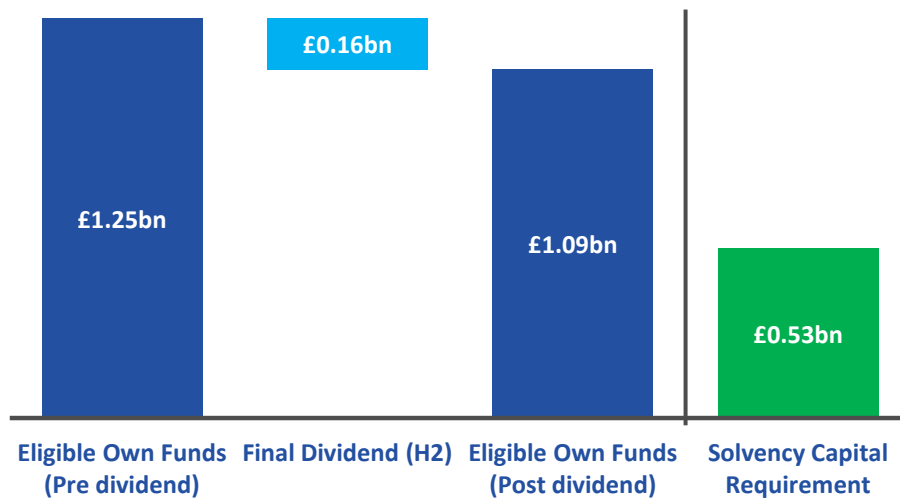
Group profit before tax¹

	2017	2015	Change
UK Insurance	£465.5m	£443.7m	+£21.8m
International Insurance	(£14.3m)	(£22.2m)	+£7.9m
Price Comparison	£7.1m	(£7.2m)	+£14.3m
Other Group Items	(£52.9m)	(£37.5m)	(£15.4m)
Total	£405.4m	£376.8m	+£28.6m
Ogden rate basis	-0.75%	+2.5%	

- Total UK Insurance profit £22m higher than 2015
- UK Household profit higher (£4.2m v £1.2m) due to bigger portfolio and improved operating ratios
- UK Motor¹ profit £461m v £443m
- 2017 results include Ogden at -0.75%, 2015 had Ogden at +2.5%
- 2017 result includes further adverse Ogden impact of c. £40m

Strong solvency position maintained

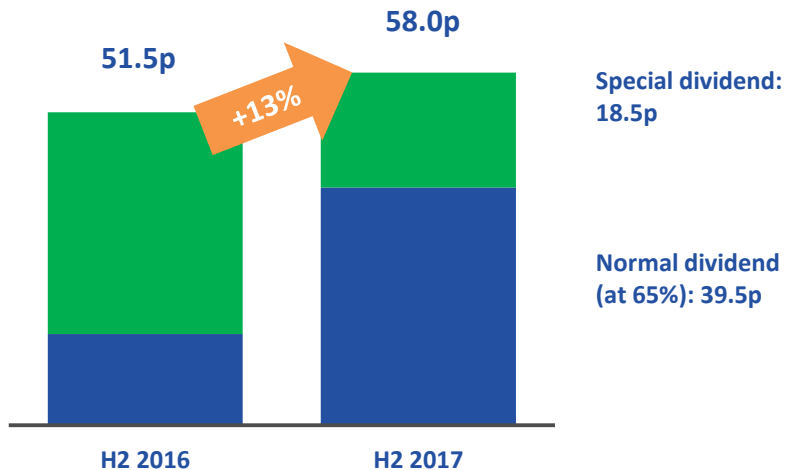
Capital position¹



- Post-dividend solvency ratio 205% (2016: 212%)
- Main movements in solvency in the six month period are economic profit, dividend and growth in the capital requirement
- Group Solvency Capital Requirement (SCR) based on Solvency II Standard Formula plus a Capital Add-On (CAO)
- Internal model development continuing, still expect to submit application in Q4 2018
- Upper end of solvency ratio range likely to be 150% post internal model approval

Higher proposed final dividend

Final 2017 dividend



- Final 2017 normal plus special dividend = 58.0p per share (£163m), 13% higher than final 2016 of 51.5p per share
- Total dividend for 2017 114.0p per share (2016: 102.5p or 114.4p with additional return of capital)
- Total 2017 payout ratio = 97% (2016: 130% or 143% with additional return of capital)

Dividend policy and guidance

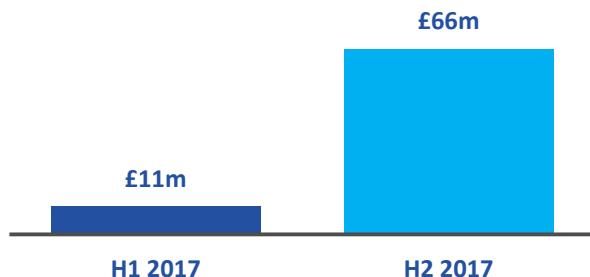
- Admiral will pay 65% of post-tax profits as a normal dividend each half-year
- Admiral expects to continue to distribute all earnings not required to be retained for solvency and buffers
- Therefore expect normal plus special dividend to be in the order of 90-95% of earnings for foreseeable future

Dividend dates

Ex-dividend date: 10 May 2018
Record date: 11 May 2018
Payment date: 1 June 2018

Beyond Motor Insurance – Admiral Loans

Loan stock balances¹



- Successful launch in 2017 with initial focus on Unsecured Personal Loans and Car Finance launched December
- Full digital offering through price comparison sites and direct, leveraging Admiral strengths and brand
- Positioned to build on Admiral capabilities in product innovation, pricing, risk selection, customer acquisition and expense efficiency
- Funded currently through Group cash and external credit facility; next phase of external funding expected to complete Q2/Q3 2018
- 2017 loss: £4m; expected 2018 loss: £5m to £10m

A screenshot of the Admiral Personal Loans website. The header reads 'Personal Loans'. The main heading is 'Three great reasons to choose an Admiral Personal Loan'. Below this are three numbered points: 1. Instant decision on your online application; 2. There are no set-up or arrangement fees; 3. Sign your agreement online today. A rating of 9.5/10 is shown with 1,127 customer reviews as of 15 Jan 2018, and a 'ReevoVerified' badge. At the bottom are two buttons: 'APPLY NOW' and 'LOAN CALCULATOR'.

A screenshot of the Admiral Car Finance website. The header reads 'NEW Car Finance'. The main heading is 'Compare our flexible finance options to make your dream car a reality.' Below this is a '5.9% Representative APR' and a 'FIND OUT MORE' button. The background features a red car and a blue car.

Group summary



Continued strong growth across all parts of the Group

Record profit, with continued improvements in international insurance and price comparison results

UK Motor result assumes Ogden stays at -0.75%

Good early progress made by Admiral Loans

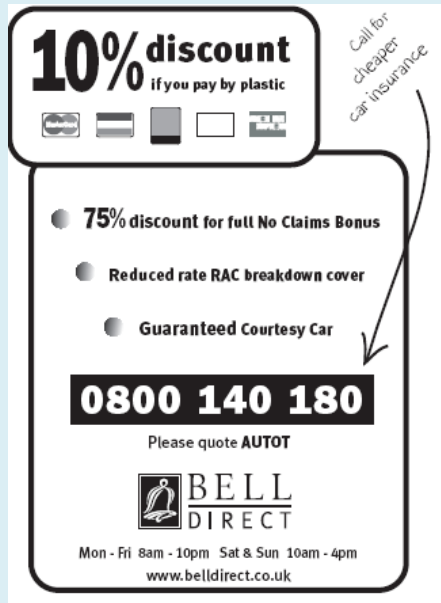
Very strong capital position maintained after 13% increase in final dividend

UK Insurance

Cristina Nestares – UK Insurance CEO

Then and now - Bell

1998



10% discount if you pay by plastic

Call for cheaper car insurance

- 75% discount for full No Claims Bonus
- Reduced rate RAC breakdown cover
- Guaranteed Courtesy Car

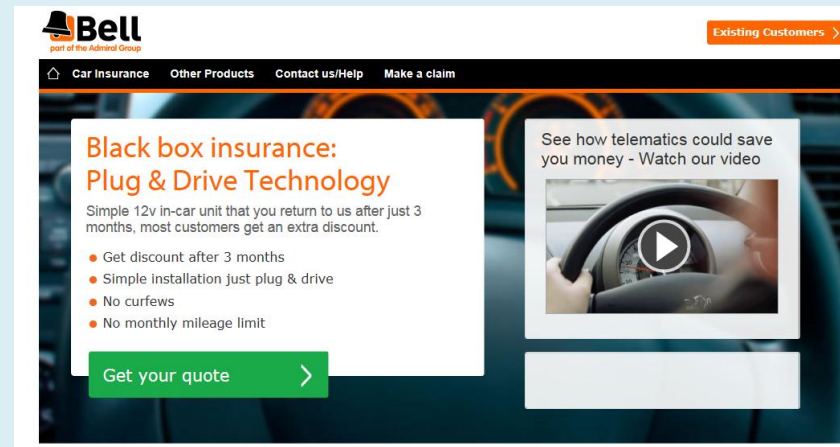
0800 140 180

Please quote AUTOT

BELL DIRECT

Mon - Fri 8am - 10pm Sat & Sun 10am - 4pm
www.belldirect.co.uk

Now



Bell
part of the Admiral Group

Existing Customers >

Car Insurance Other Products Contact us/Help Make a claim

Black box insurance: Plug & Drive Technology

Simple 12v in-car unit that you return to us after just 3 months, most customers get an extra discount.

- Get discount after 3 months
- Simple installation just plug & drive
- No curfews
- No monthly mileage limit

Get your quote >

See how telematics could save you money - Watch our video



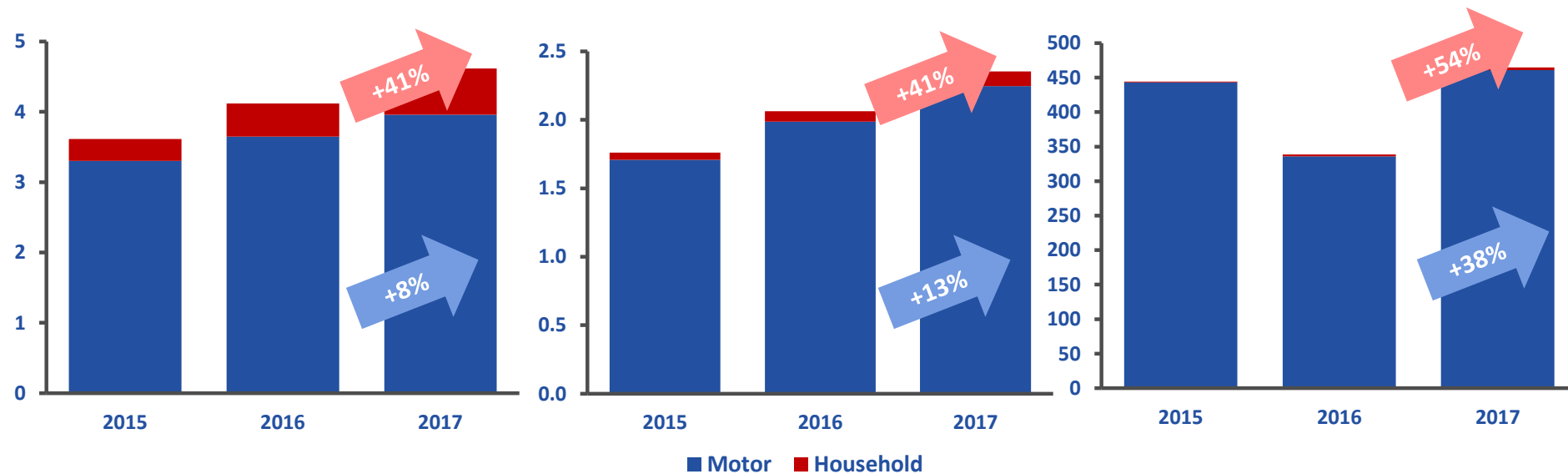
UK Insurance highlights¹



Customers (m)

Turnover (£bn)

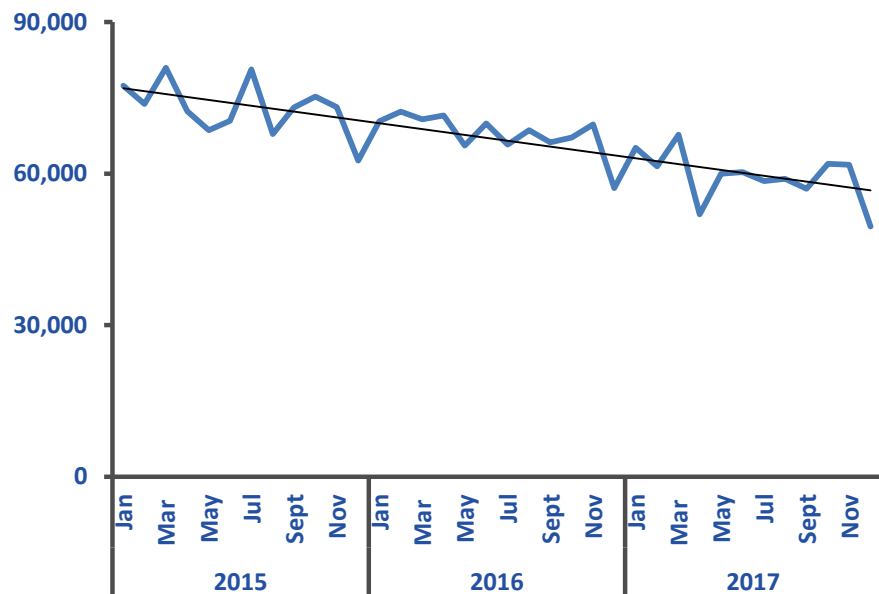
Profit (£m)



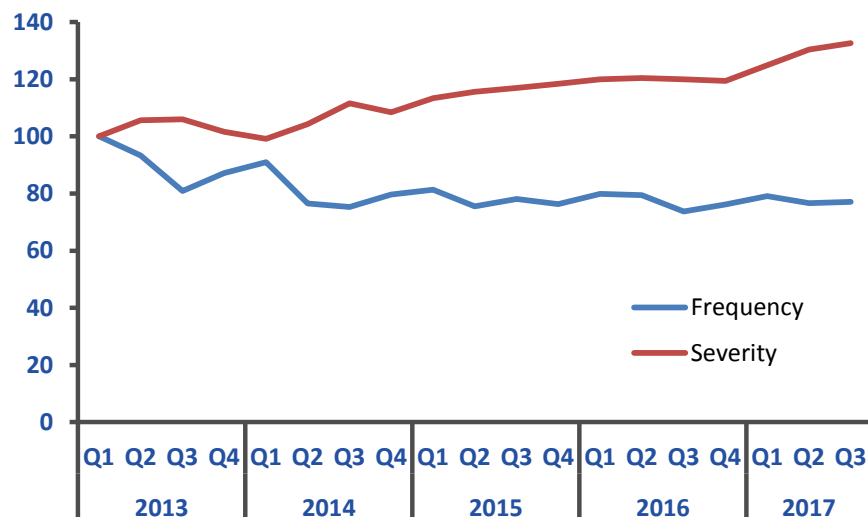
UK Motor market claims frequency is flat or declining



UK Motor market portal¹ notifications



UK Motor market cumulative change in accidental damage severity and frequency²



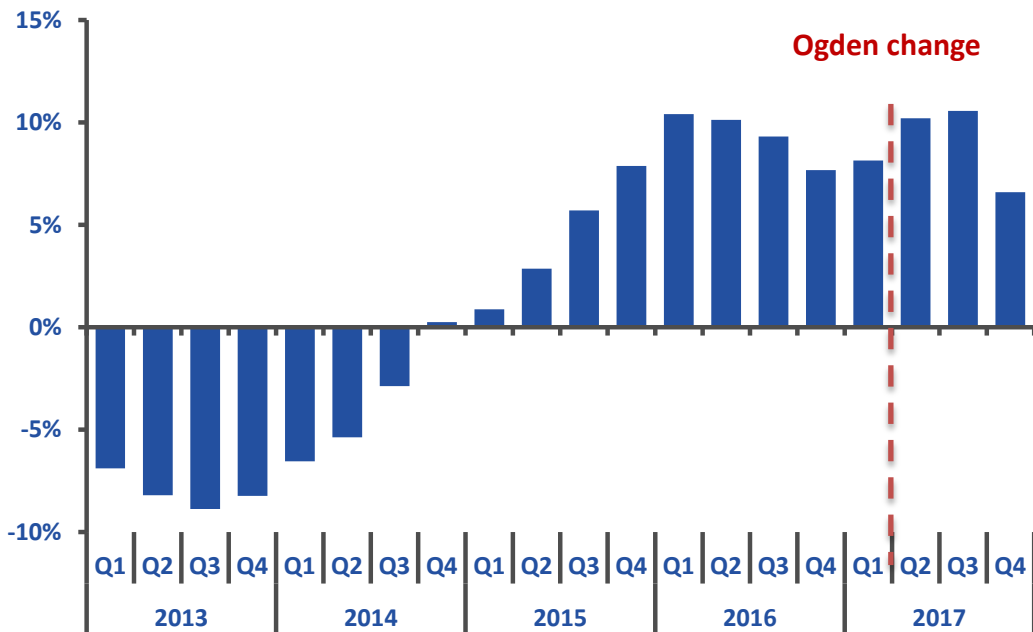
- Small bodily injury frequency continues its downwards trend
- Indications that long anticipated whiplash reforms will be implemented in April 2019

- Accidental damage frequency is flat but severity continues to increase mainly due to increasing car part costs

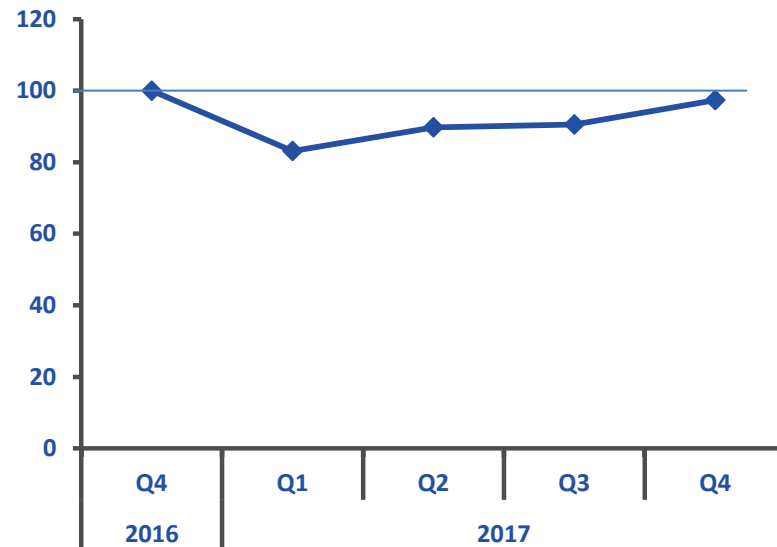
The outlook for the UK Motor market premiums remains uncertain



ABI average premium (year on year change)¹



Admiral times top²

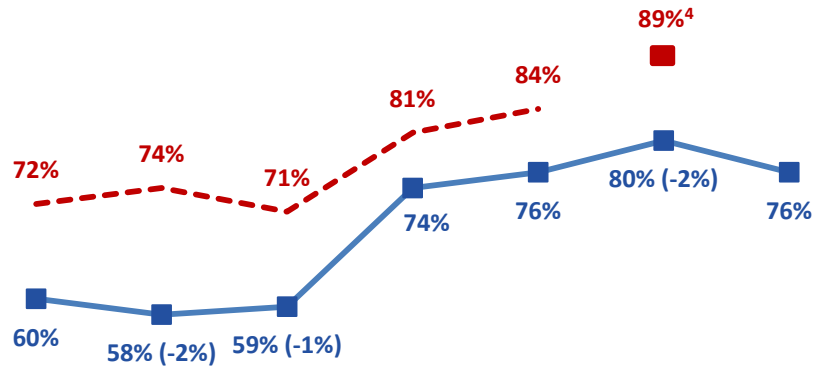


- Premiums rose sharply from March 2017 as insurers increased prices to cover the impact of Ogden
- ABI 2017 average premium of £481 is an all-time high
- We increased prices materially year on year
- Our competitiveness improved following the market's response to the change in Ogden

Admiral's UK Car results remain strong



Admiral projected ultimate loss ratio

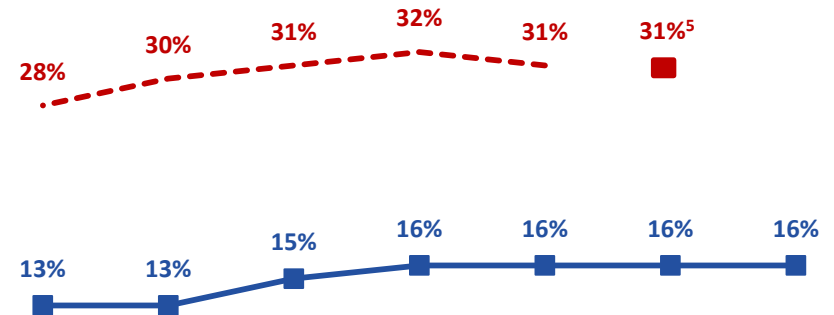


(-) – represents % movement from June 2017 to Dec 2017



- Projected ultimates tend to develop positively as certainty grows
- Development of prior underwriting years although ongoing uncertainty from Ogden remains
- Reserved at minus 0.75% and no change in discount rate is assumed

Admiral expense ratio versus the Market

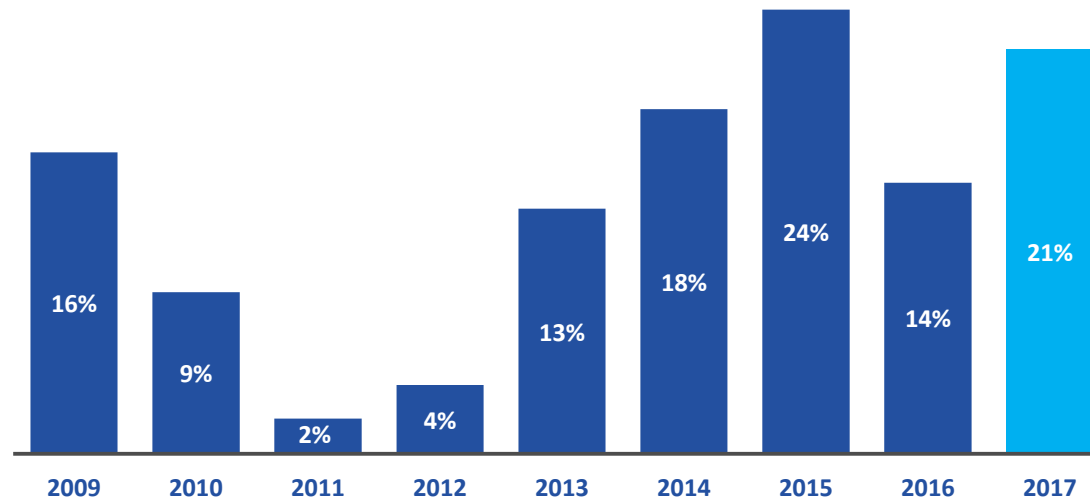


- Maintain a significant advantage over the market
- Continue to focus on cost control

UK Car reserve releases continue to be a strong feature of our results



Releases¹ on original Admiral net share

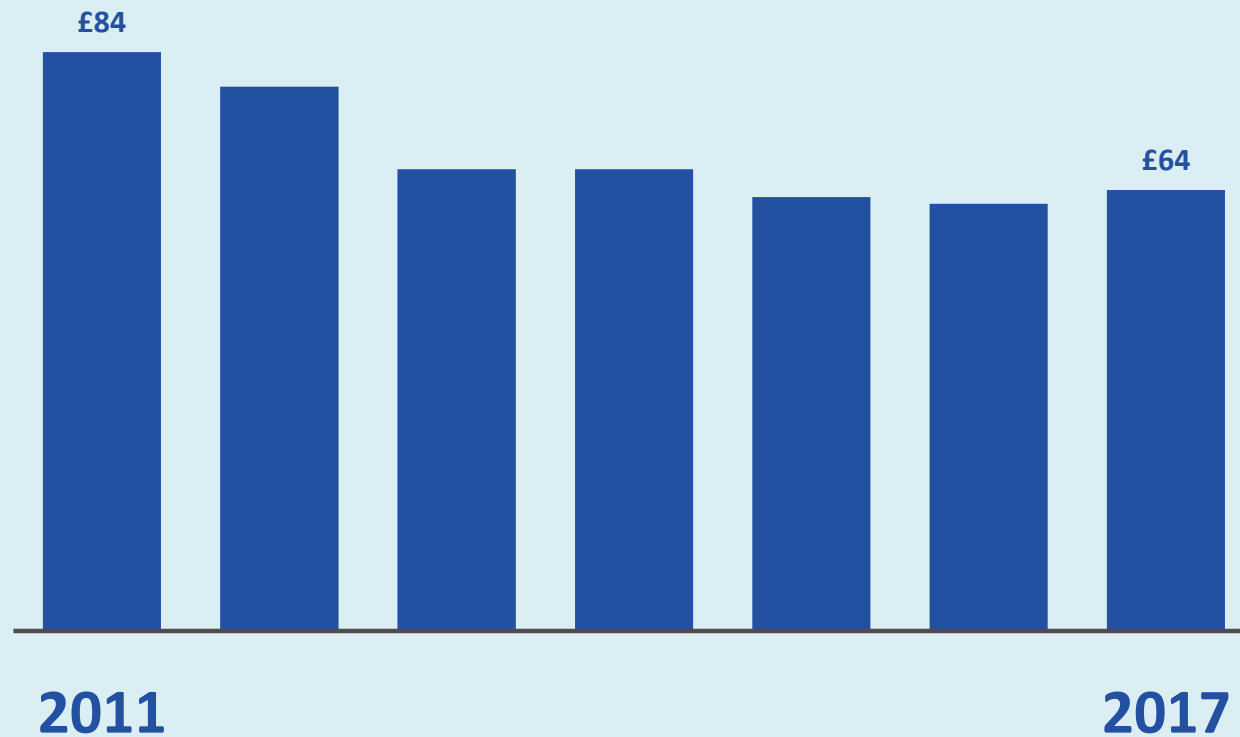


- Reserve releases in 2017 were above the long term average of c15%
- Margin in booked reserves remains prudent and significant but is slightly smaller in relative terms than at H1 2017
- Expect continuing significant reserve releases if claims develop as expected

UK Insurance

Cristina Nestares – UK Insurance CEO

Then and now - Other revenue per vehicle¹



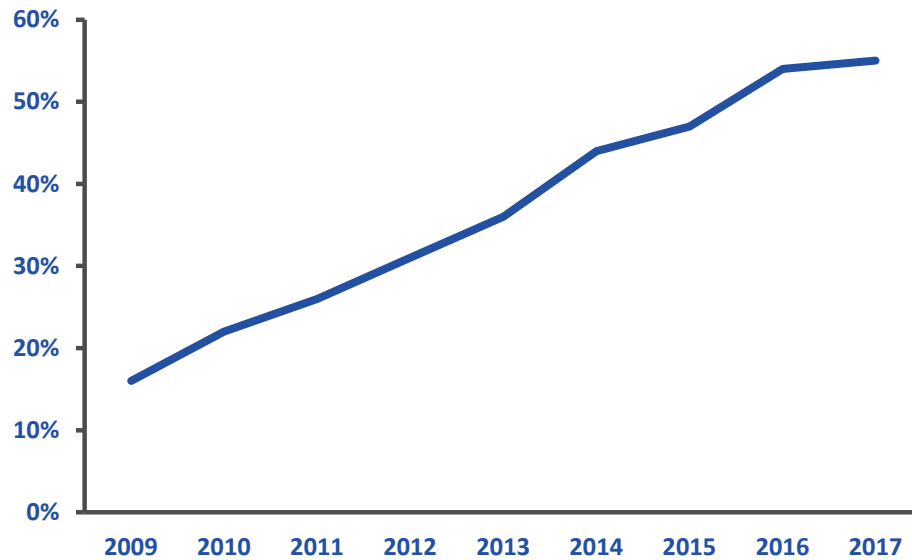
Note (1) Other revenue per vehicle refers to UK Car only and does not include Van.



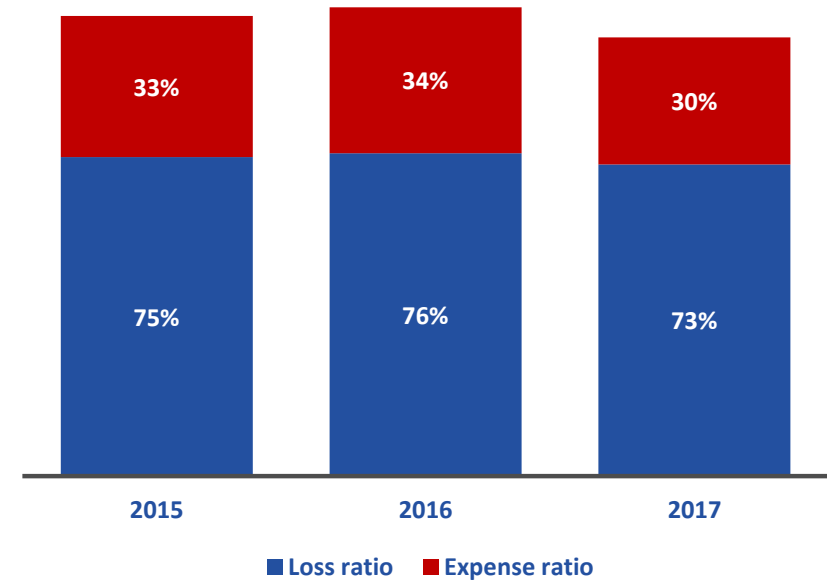
UK Household takes advantage of price comparison growth



Market price comparison share of new business sales¹



Admiral loss ratio and expense ratio (earned basis)



- Loss ratio improved in 2017 although it remains higher than the market reflecting our higher proportion of new business
- Our market leading expense ratio continues to be driven by our focus on costs

Increasing value for customers



Five years and counting.
2018 Best Car Insurance Provider.



UK Insurance summary



Growth opportunities being executed well in motor, household and van

Ogden and Whiplash reform uncertainty weighs on outlook for UK Motor pricing

Favourable experience on bodily injury frequency

Household continues to grow while improving loss and expense ratios

US Insurance and Price Comparison

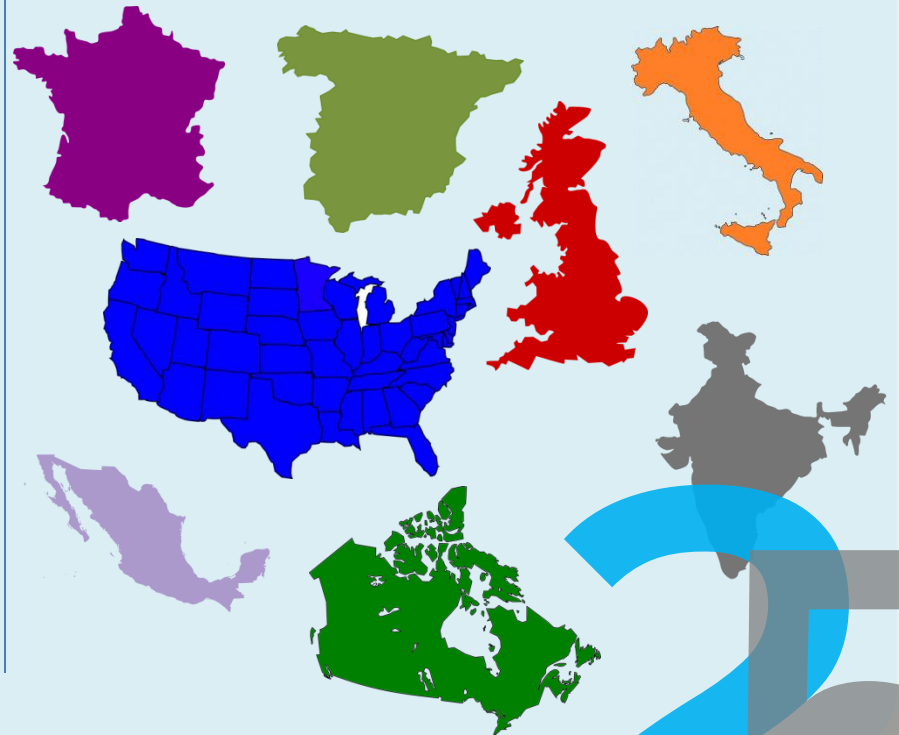
David Stevens – Group CEO

Then and now – Admiral countries

2003

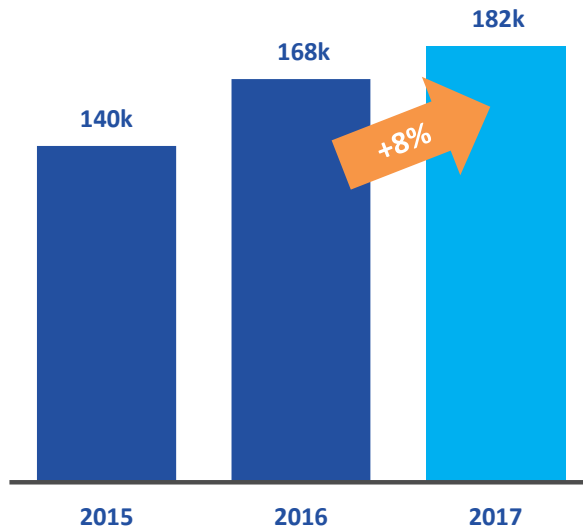


Now

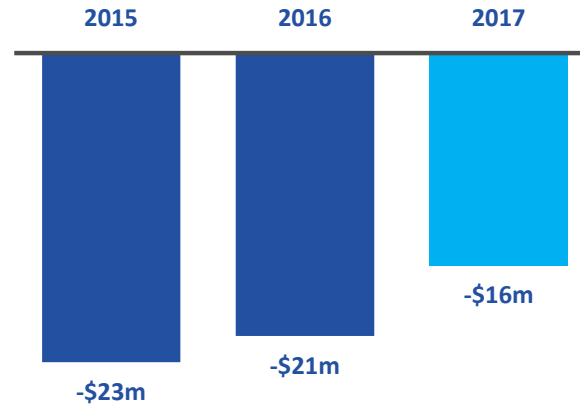


Elephant Insurance – Growing the business with lower loss

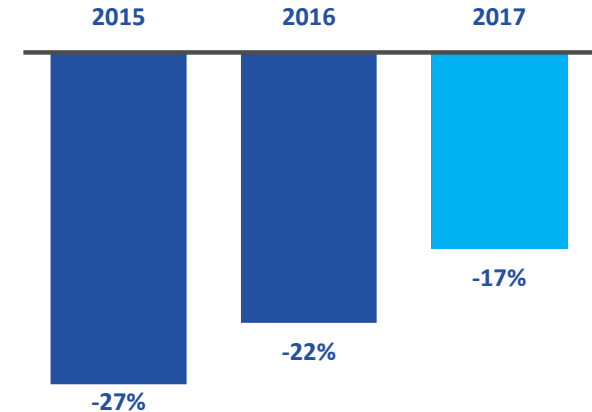
Customers



Admiral share of loss¹ (local currency)



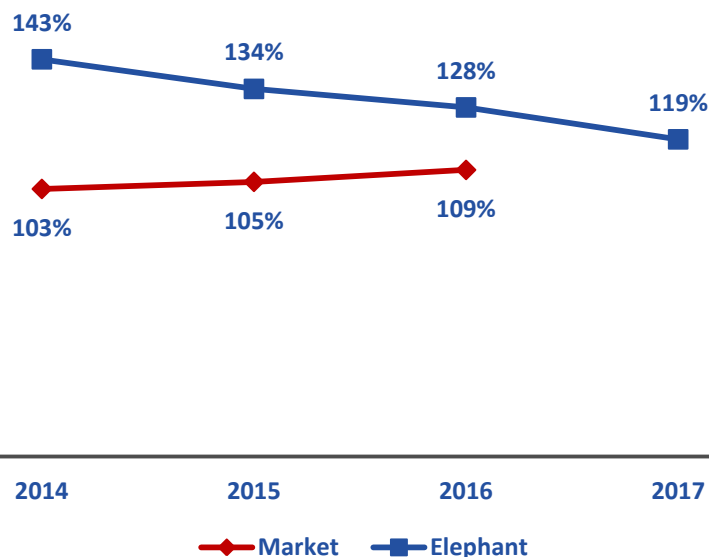
Whole account loss² (as a percent of turnover)



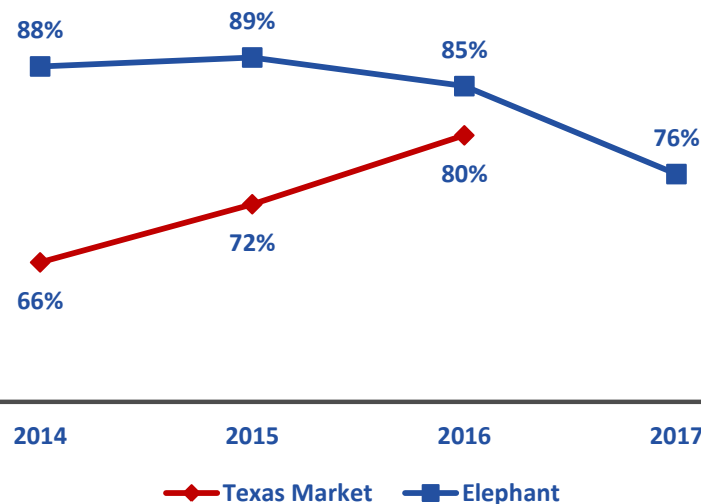
- 2017 strategy focused on loss ratio and target market
- Losses continue to fall
- Growth in 2017 continued but at a slightly lower rate due to change in strategy

Performance converging on market norms, but still some way to go

Elephant combined ratio vs market¹



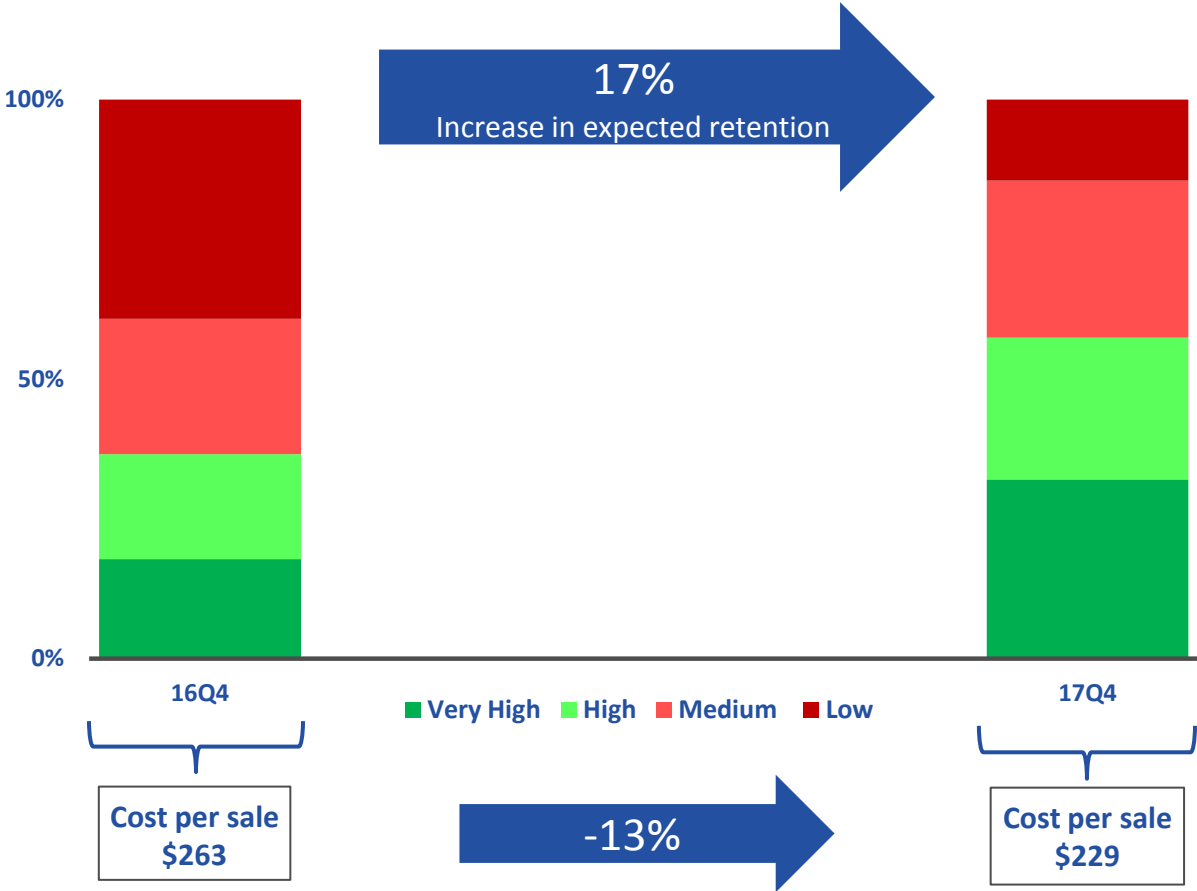
Elephant Texas loss ratio vs Texas market¹



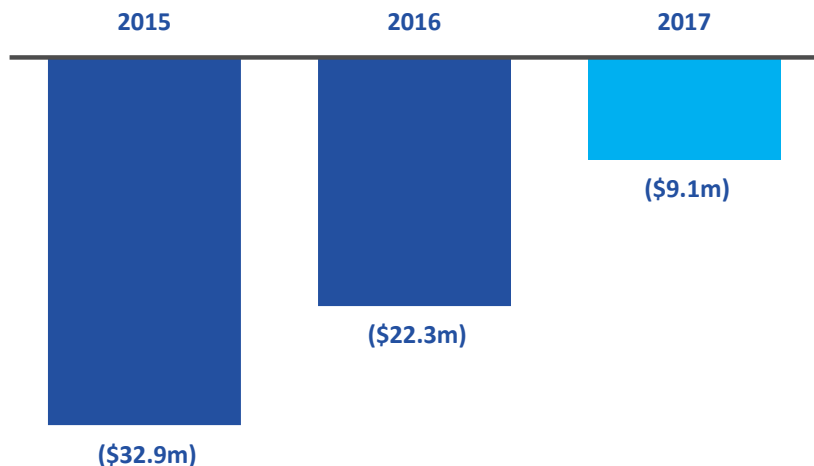
- Continuous improvement in combined ratio
- Elephant carrying value written down by £25m (parent company balance sheet)
- Improvement vs market despite Texas headwinds

Substantial change in customer mix to ensure long term value creation

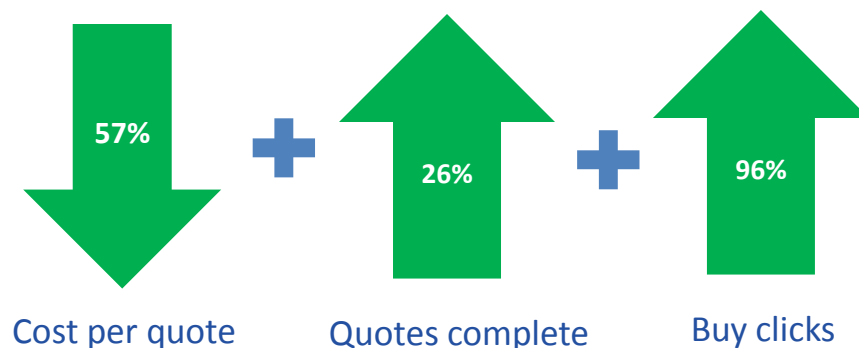
New business mix by retention propensity¹



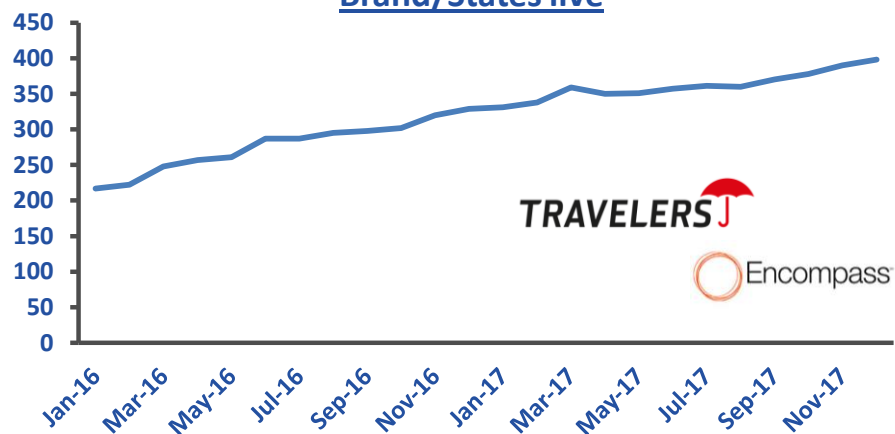
Admiral share of loss¹



Achievements 2017 vs 2016



Panel development Brand/States live



Update

- Marketing breakeven for 2017 overall
- Reduced cost per quote metrics
- Guidance for Admiral share of 2018 loss: \$5 - \$15m

US summary



Significant improvement in Elephant's result

New strategy and operational changes implemented at Elephant

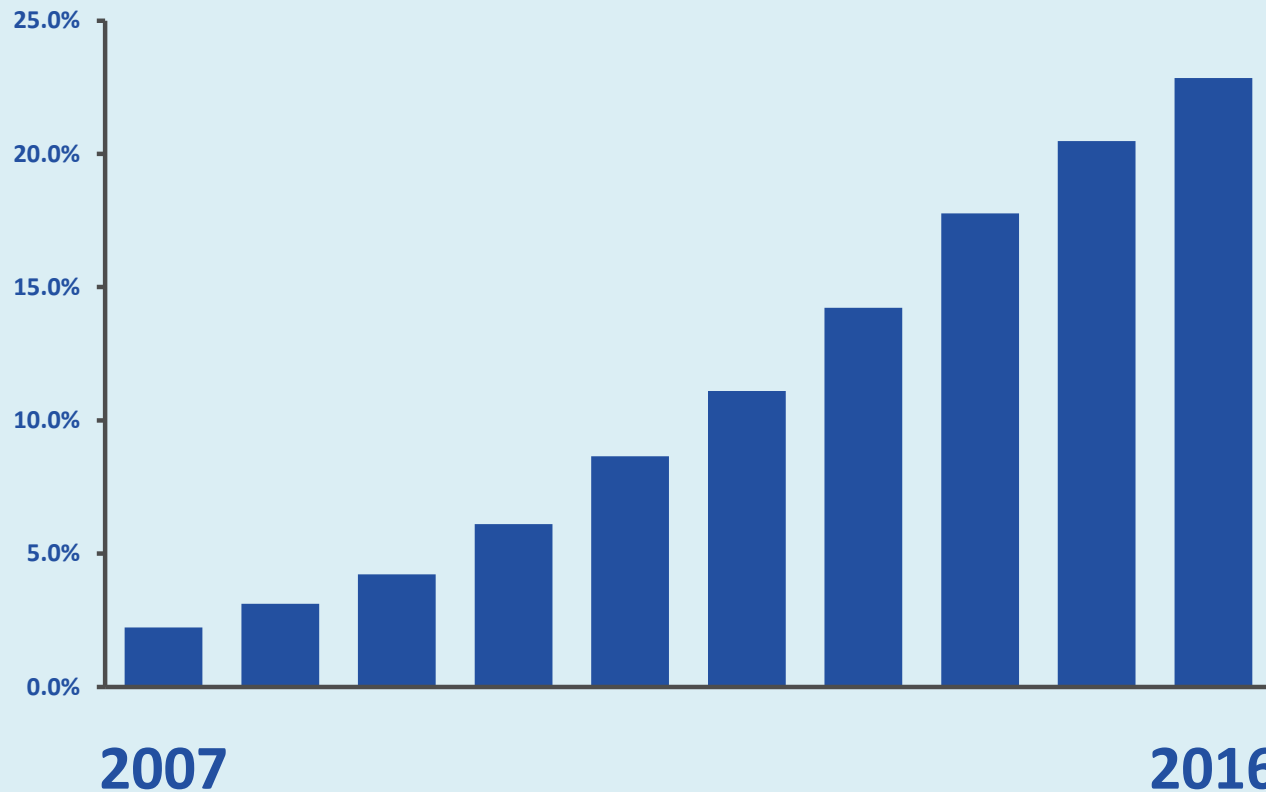
Significantly reduced loss at Compare.com

Compare.com achieved marketing breakeven for the year as a whole

EU Insurance and Price Comparison

Milena Mondini – European Insurance CEO

Then and now - Price comparison share of new business in Europe¹



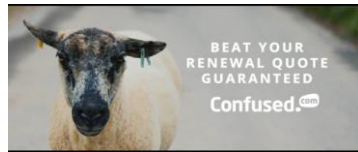
*Note (1) Average of price comparison share of new business premium across the European countries Admiral operates
Source: management information.*



Price Comparison: Mixed results



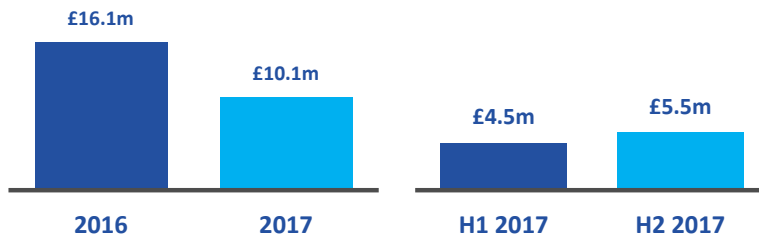
Confused.com: Investment in new strategy and products



95% of customers would recommend using Confused.com¹

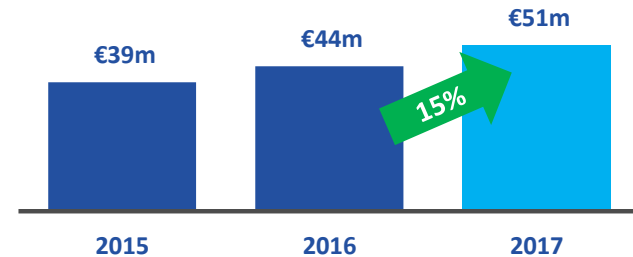


Profit before tax

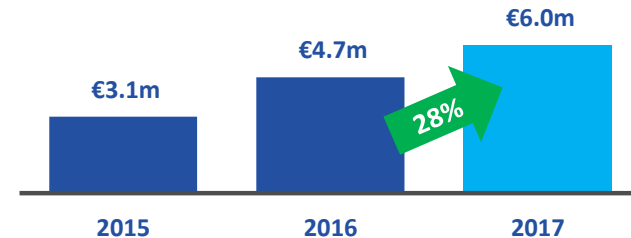


Growth continues for Rastreator and LeLynx

Combined turnover



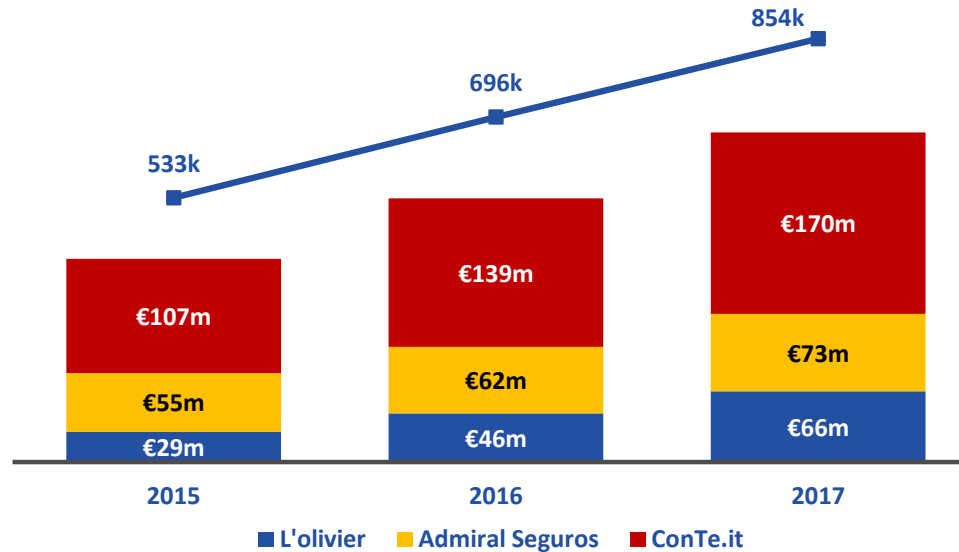
Combined profit before tax



- Rastreator remains market leader in Spain
- French PCW market growing on the back of new entrants

European Insurance: A focus on investing in growth

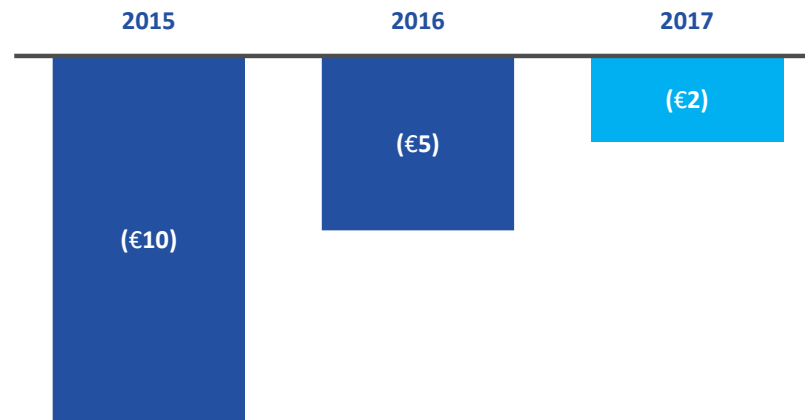
Combined customers and turnover (€m)



- Continued growth in each market...
 - Despite flat or declining market average premiums
 - Whilst reducing cost and improving efficiencies

European Insurance: A step towards profitability

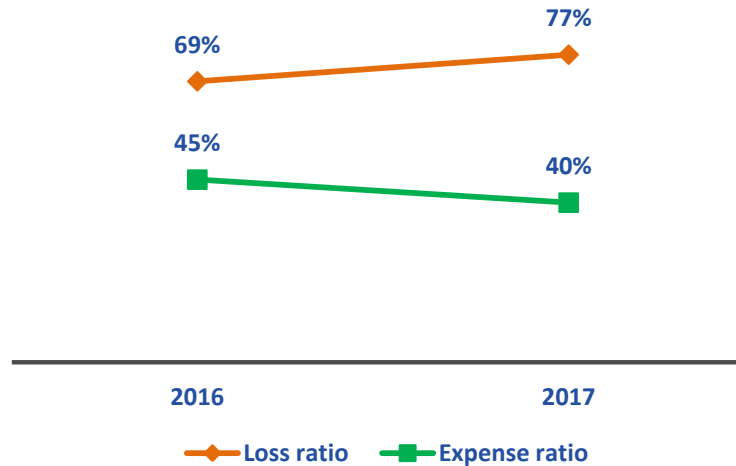
Admiral's European loss (€m)



- ConTe profitable for 4th year, Admiral Seguros close to sustainable profits, still investing in L'olivier to reach scale
- Results impacted by high reserve releases and reinsurance
- 6th in Great Places to Work in Europe

European Insurance: A step towards profitability

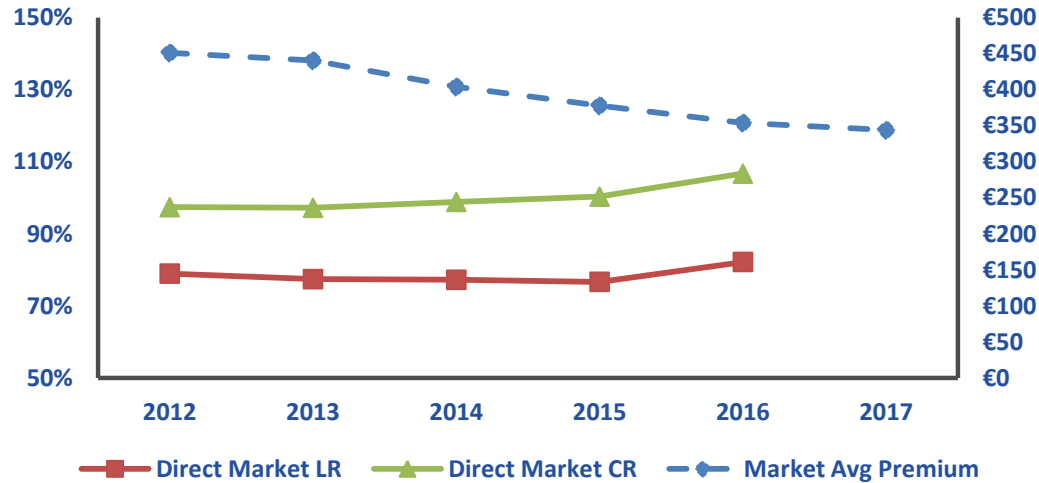
European whole account ratios¹



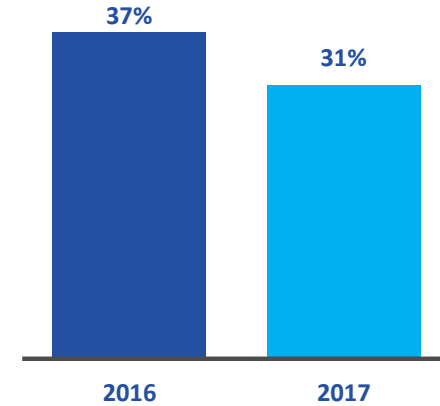
- Expense ratio higher than market for each operation, but improving due to scale and efficiencies
- Loss ratio in the range of 70-80% in last 4 years
 - Loss ratio satisfactory for each country but still volatile
 - Moving to similar conservative reserving approach in L'olivier and Admiral Seguros (similar to UK and ConTe)

Another strong year for ConTe despite challenging market

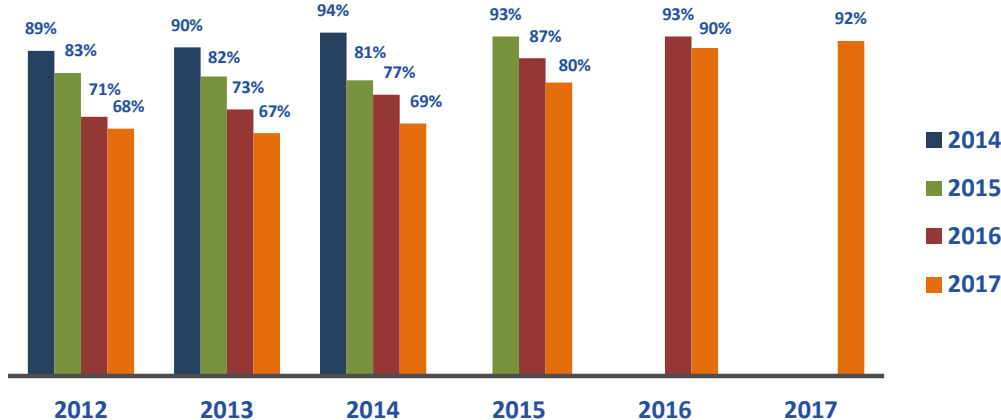
Italian market data¹



ConTe expense ratio²



ConTe booked loss ratio³

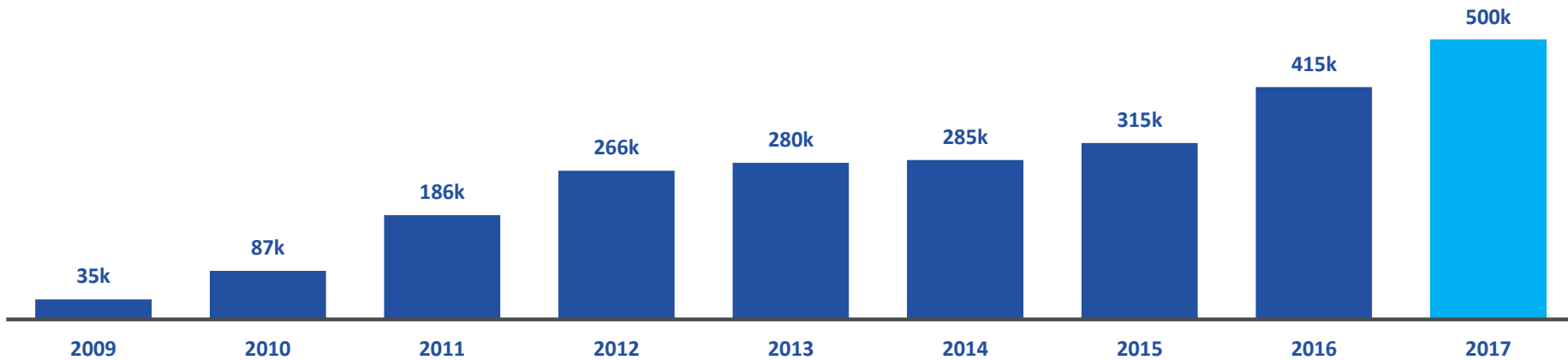


- ConTe profitable for 4th year and achieved breakeven on written basis in 2017
- Market average premiums decreased 22% over 5 years, yet ConTe expense ratio improved 6 points in 2017
- Prudent reserving approach with positive development of booked loss ratio

500,000 happy ConTe customers!



Customers



Increasing synergies across Europe



There's more to come at 2018 Investor Day

Europe summary



A year of investment in Confused.com

Strong growth in continental Europe for both PCWs and insurers

Improvement in each insurance operation with reduced combined losses and record profits in ConTe

Strategy and Wrap-up

David Stevens – Group CEO

Then and now - Awards

First appearance in
Sunday Times Best
Companies to Work For
list at position 32

Ten consecutive years
in Best Companies To
Work For list



Sunday Times Best Companies To
Work For Awards 2018:

- 3rd Best Big Company
- Lifetime Achievement Award
- Best Leader – David Stevens
- Give Something Back Award



1993

2001

2011

2018



Strategy – Reminder

Ensure Admiral remains one of the best insurers in the UK

Serve more customers

Know your customer better

Keep customers longer (and happier)

Demonstrate that Admiral can be a great insurer beyond the UK

Exploit strengths and adapt locally

Focus on existing countries

Accelerate channel switch

Develop sources of growth and profit beyond insurance

Exploit strengths

Test relevant products (eg Loans)

Q&A

The Team - 2007



David Stevens



Geraint Jones



Milena Mondini



Cristina Nestares



Appendix

Years of Admiral



Group key performance indicators

KPI	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Group Financial										
Turnover £m	910	1,077	1,585	2,190	2,215	2,030	1,971	2,119	2,576	2,958
Customers m	1.7	2.1	2.7	3.4	3.6	3.7	4.1	4.4	5.2	5.7
Group pre-tax profit ¹ £m	202.5	215.8	265.5	299.1	344.6	370.7	356.5	376.8	284.3	405.4
Earnings per share	54.9p	59.0p	72.3p	81.9p	95.1p	104.6p	103.0p	107.3p	78.7p	117.2p
Dividend per share	52.5p	57.5p	68.1p	75.6p	90.6p	99.5p	98.4p	114.4p	114.4p	114.0p
UK Insurance										
Customers (000)	1,587	1,862	2,459	2,966	3,019	3,065	3,316	3,612	4,116	4,616
Total premiums £m	690	805	1,238	1,729	1,749	1,562	1,482	1,590	1,863	2,098
Reported combined ratio	81.0%	84.9%	83.5%	91.9%	90.0%	81.0%	80.0%	79.0%	88.4%	79.7%
UK insurance pre-tax profit £m	179.9	206.9	275.8	313.6	372.8	393.7	397.9	444.2	338.5	466.6
Other revenue per vehicle £		77	84	84	79	67	67	63	62	64
International Car Insurance										
Vehicles covered	73,700	121,000	195,000	306,000	436,000	515,300	592,600	673,000	864,200	1,034,900
Total premiums £m	26	43	71	112.5	148.5	168.3	185.4	213.3	331.3	401.4
Reported ² combined ratio	198%	204%	173%	164%	177%	140%	127%	126%	125%	121%
International car insurance result £m	(4.1)	(9.5)	(8.0)	(9.5)	(24.5)	(22.1)	(19.9)	(22.2)	(19.4)	(14.3)
Price Comparison										
Total revenue £m	66.1	80.6	75.7	90.4	103.5	112.7	107.5	108.1	129.2	143.6
Operating profit /(loss) ¹ £m	25.6	24.9	11.7	10.5	18	20.4	3.6	(7.2)	2.7	7.1

Statutory summary Income Statement

	UK Insurance			International Car Insurance			Price Comparison			Other			Admiral Group		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Turnover	1,760.2	2,063.1	2,354.0	232.4	365.9	449.8	108.1	129.2	143.6	18.1	17.6	10.8	2,118.8	2,575.8	2,958.2
Total premiums written	1,590.4	1,862.6	2,098.0	213.3	331.3	401.4				1.5	0.0	0.0	1,805.2	2,193.9	2,499.4
Gross premiums written	995.6	1,162.9	1,540.3	199.3	314.8	381.3				1.6	0.0	0.0	1,196.5	1,477.7	1,921.6
Net premiums written	418.1	488.4	494.0	72.1	106.2	128.8				1.1	0.0	0.0	491.3	594.6	622.8
Net earned premium	397.4	454.4	491.6	62.3	91.3	123.0				5.1	0.1	0.0	464.8	545.8	614.6
Investment income	26.1	39.3	32.6	0.0	0.4	0.6				5.3	12.4	8.1	31.4	52.1	41.3
Net insurance claims	(169.5)	(317.9)	(250.1)	(50.9)	(75.5)	(94.1)				(5.5)	(0.1)	0.0	(225.9)	(393.5)	(344.2)
Insurance related expenses	(55.7)	(66.6)	(67.9)	(40.1)	(46.2)	(58.0)				0.0	0.0	0.0	(95.8)	(112.8)	(125.9)
Underwriting result	198.3	109.2	206.2	(28.7)	(30.0)	(28.5)				4.9	12.4	8.1	174.5	91.6	185.8
Profit commission	85.4	54.3	67.0	0.0	0.0	0.0				0.0	0.0	0.0	85.4	54.3	67.0
Gross ancillary revenue	175.0	188.5	193.2	7.5	10.6	14.1				0.0	0.0	0.0	182.5	199.1	207.3
Ancillary costs	(41.8)	(47.9)	(56.5)	(1.2)	(2.0)	(2.4)				0.0	0.0	0.0	(43.0)	(49.9)	(58.9)
Instalment income	27.3	34.4	56.7	0.2	2.0	2.5				0.1	0.0	0.0	27.6	36.4	59.2
Gladiator contribution										1.9	2.0	1.1	1.9	2.0	1.1
Price comparison revenue							108.1	129.2	143.6				108.1	129.2	143.6
Price comparison expenses							(123.6)	(132.1)	(138.2)				(123.6)	(132.1)	(138.2)
Loans contribution										0.0	0.0	(4.4)	0.0	0.0	(4.4)
Interest income										1.2	1.0	0.4	1.2	1.0	0.4
Other (mainly share scheme)				0.0						(34.8)	(41.8)	(48.0)	(34.8)	(41.8)	(48.0)
Interest payable										(11.1)	(11.4)	(11.4)	(11.1)	(11.4)	(11.4)
Profit/(loss) before tax	444.2	338.5	466.6	(22.2)	(19.4)	(14.3)	(15.5)	(2.9)	5.4	(37.8)	(37.8)	(54.1)	368.7	278.4	403.5

Balance Sheet

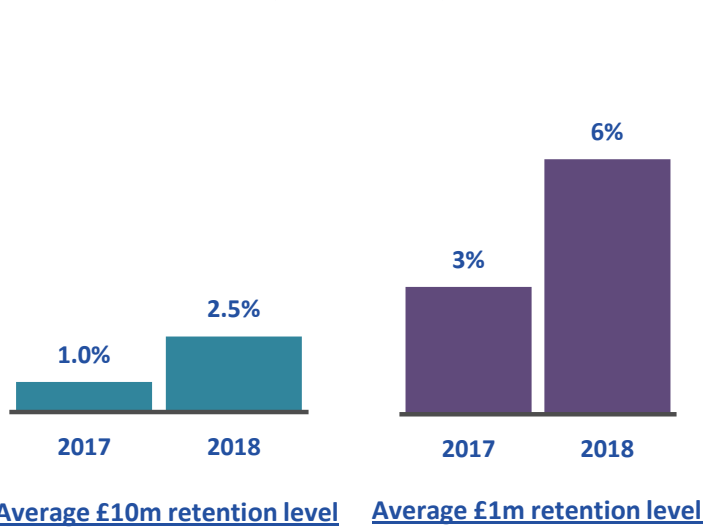
	Dec-15 £m	Dec-16 £m	Dec-17 £m
ASSETS			
Property, plant and equipment	34.9	32.0	31.3
Intangible assets	142.3	162.3	159.4
Reinsurance contracts	878.7	1,126.4	1,637.6
Financial assets	2,323.5	2,420.2	2,697.8
Deferred income tax	20.6	8.4	0.3
Insurance and other receivables	537.1	784.9	1,005.9
Cash and cash equivalents	265.3	326.6	326.8
Total assets	<u>4,202.4</u>	<u>4860.8</u>	<u>5,859.1</u>
EQUITY			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	599.6	505.7	580.3
Other reserves	2.7	51.8	52.4
Total Equity (shareholders)	615.7	570.9	646.1
Non-controlling interests	17.2	10.8	9.7
Total equity	632.9	581.7	655.8
LIABILITIES			
Insurance contracts	2,295.0	2,749.5	3,313.9
Subordinated liabilities	223.9	224.0	224.0
Trade and other payables	1,015.0	1,292.2	1,641.6
Corporation tax liabilities	35.6	13.4	23.8
Total liabilities	3,569.5	4,279.1	5,203.3
Total liabilities and equity	<u>4,202.4</u>	<u>4,860.8</u>	<u>5,859.1</u>

2018 reinsurance renewals showed significant price increases

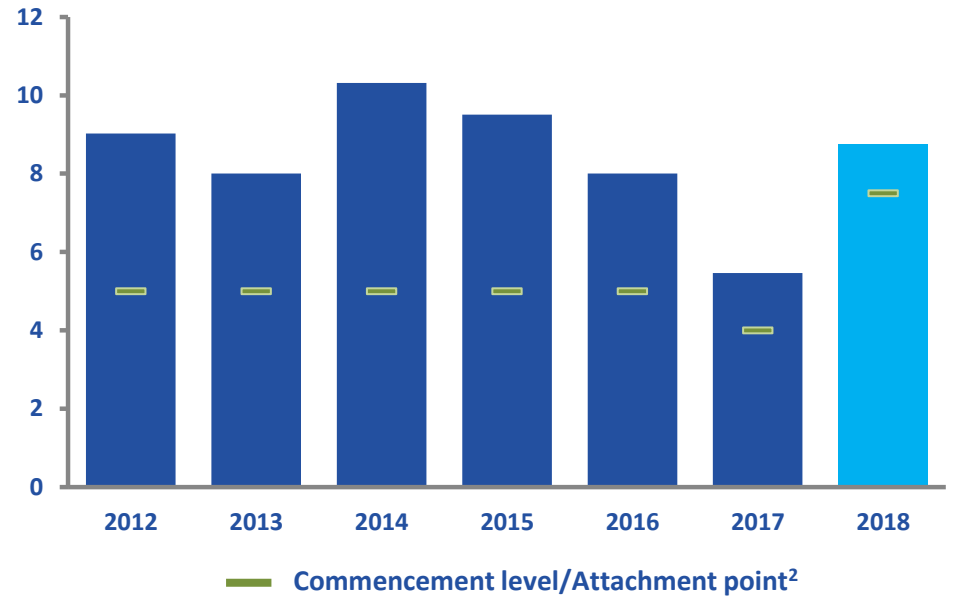


Snapshot from the market

Cost as a percent of premium



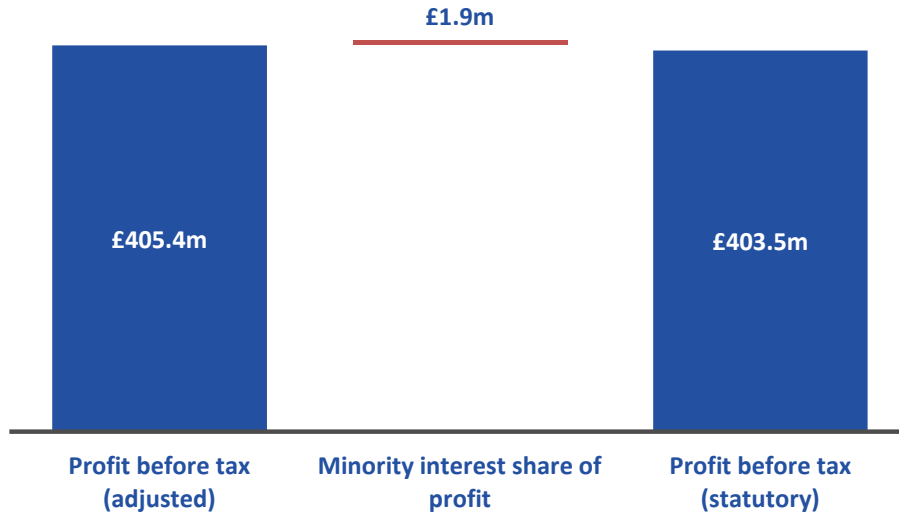
Admiral's XoL weighted average deductible (£m)¹



- Increased cover for 2017 to cover Ogden shocks
- 2018 – returned to long term average XoL but at a higher cost
- Uncertainty around Ogden timing and outcome remains

Group profit before tax reconciliation

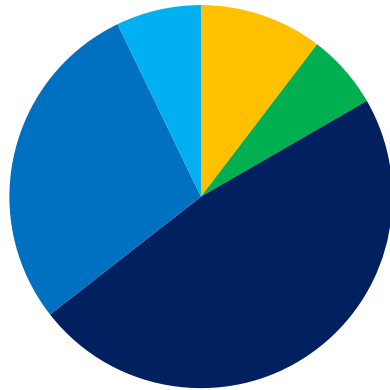
Reconciliation from statutory to adjusted profit before tax



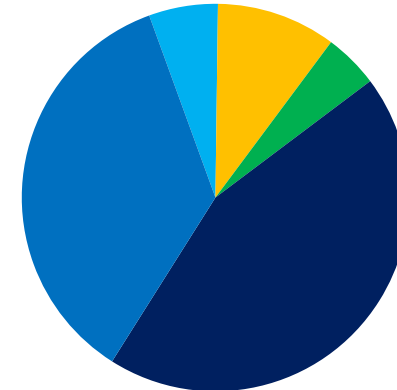
- Admiral has five operations with shared ownership: Rastreator (Admiral share of ownership 75.0%); compare.com (71.1%); Admiral Law and BDE Law (90.0%); Preminen (50.0%)
- Profit or losses in period accruing to minority parties reduce or increase the results respectively
- compare.com is 29% owned by third parties. Total loss was £9.9 million, therefore £2.9 million is added back to Group Profit Before Tax
- The impact of other minority interest is not significant

Investment update

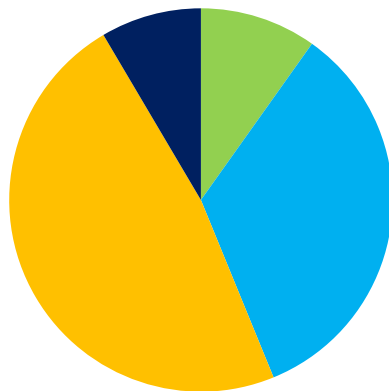
Dec '16: £2,747m



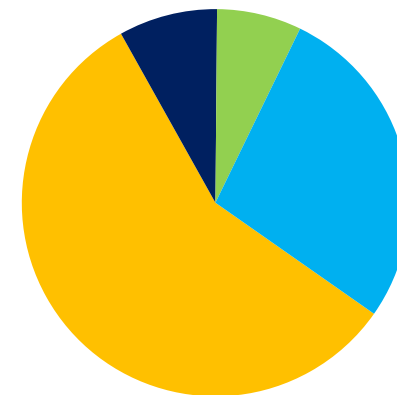
Dec '17: £3,038m



- Cash
- Deposit
- LDM
- MMF
- GILTS



- AAA
- AA
- A
- BBB



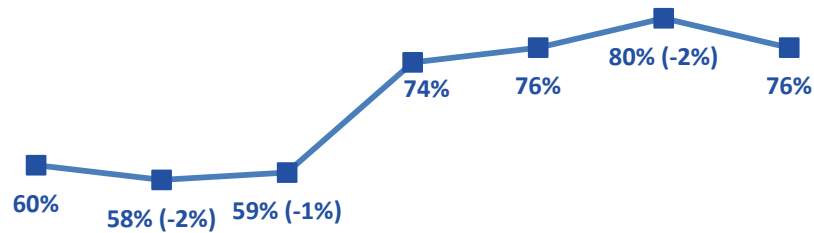
Analysis of Other Group items

	2017	2016
UK Commercial vehicle	1.1	2.0
Admiral Loans	(4.4)	-
Other interest & investment income	8.4	13.4
Share scheme charges	(35.2)	(31.5)
Business development	(5.2)	(5.2)
Other central overheads	(6.2)	(4.1)
Finance charges	(11.4)	(11.4)
Total	(52.9)	(36.8)

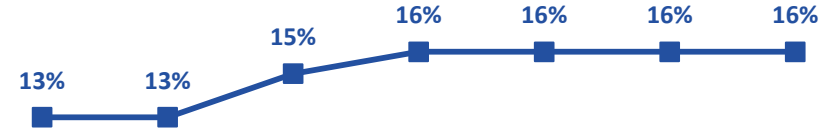
- UK commercial vehicle - represents Gladiator broking business which is migrating to being underwritten within UK Insurance. Future results from the business are expected to be insignificant.
- Admiral Loans - the Group expects the business to make small losses in its early phase mostly as a result of high fixed costs relative to the current scale of the business.
- Other interest and investment income - includes realised gains on investments held by the Group parent company and unrealised gains/losses in respect of forward foreign exchange contracts.
- Share scheme charges - relate to the Group's two employee share schemes. The Group does not anticipate further significant increases in the volume of awards.
- Business development costs - represents costs associated with potential new ventures. The Group does not anticipate significant increases.
- Finance charges - represent interest on the £200 million subordinated notes issued in July 2014.
- Other central overheads - Increased due to a number non-recurring off costs relating ongoing Group-wide projects.

UK Car Insurance: Ultimate Loss Ratio, Expense Ratio and Combined Ratio

Admiral projected ultimate loss ratio¹ (at Dec 2017)



Admiral expense ratio² (at Dec 2017)

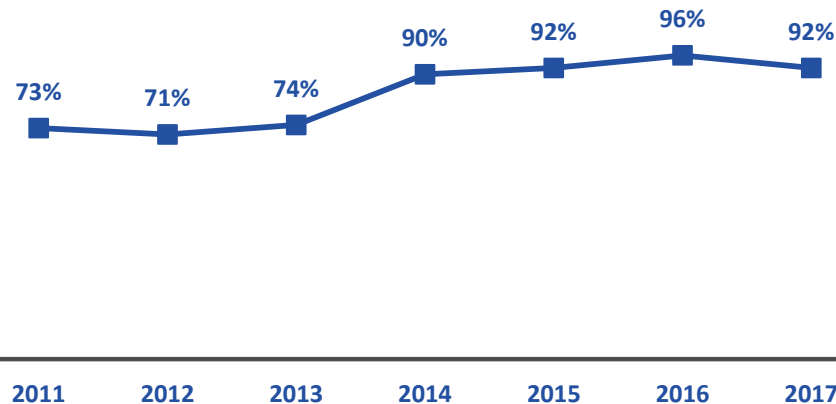


(-) – represents % movement from June 2017 to Dec 2017

2011 2012 2013 2014 2015 2016 2017

2011 2012 2013 2014 2015 2016 2017

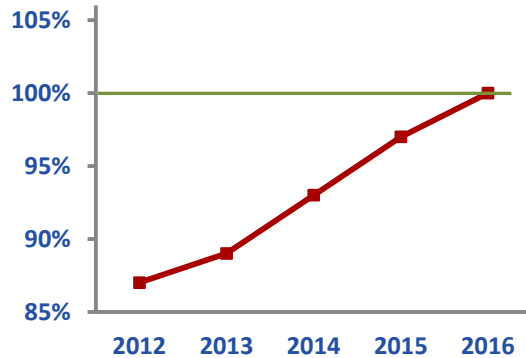
Admiral ultimate combined ratio (at Dec 2017)



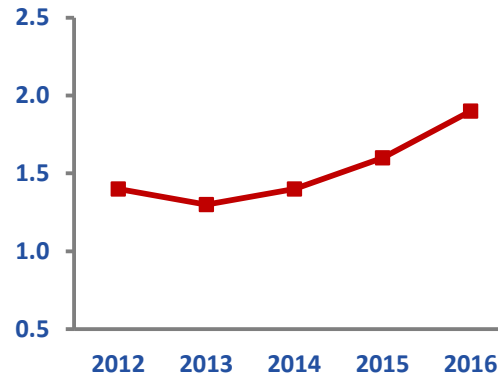
2011 2012 2013 2014 2015 2016 2017

Admiral Seguros

Market cycles – combined ratio



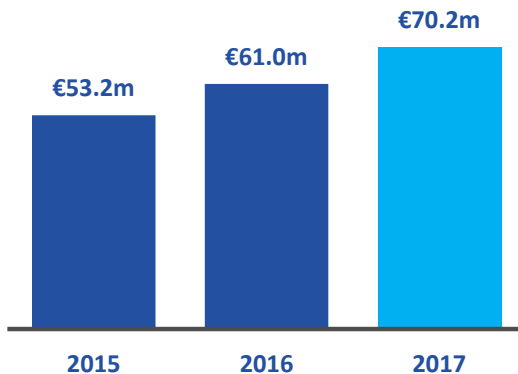
New cars registered (millions)



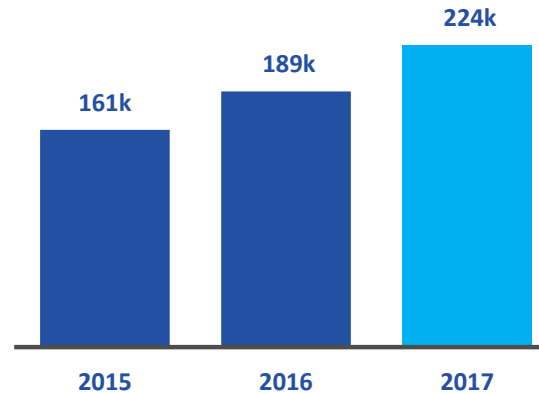
2017 Performance

- Increased customers by 19%
- Focus areas in 2017 included customer journey improvements
- Strong growth in direct to site digital sales

Turnover (€m)



Customers

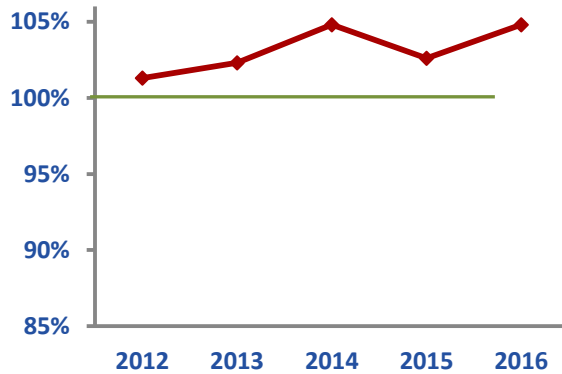


Outlook

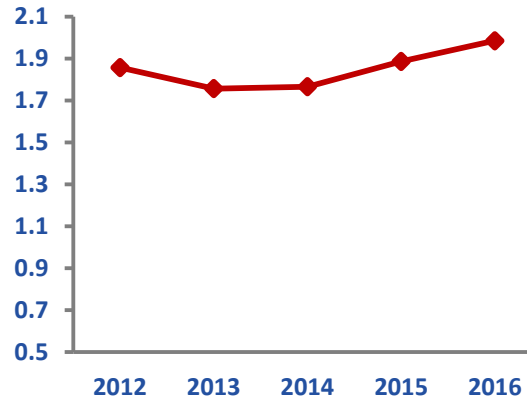
- Maintain focus on scaling up business in a sustainable way

L'olivier – assurance auto

Market cycles – combined ratio



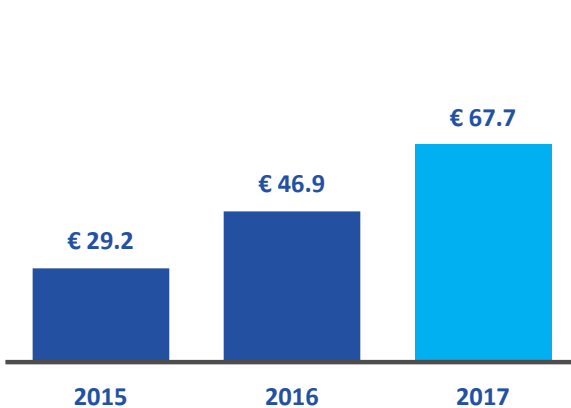
New cars registered (millions)



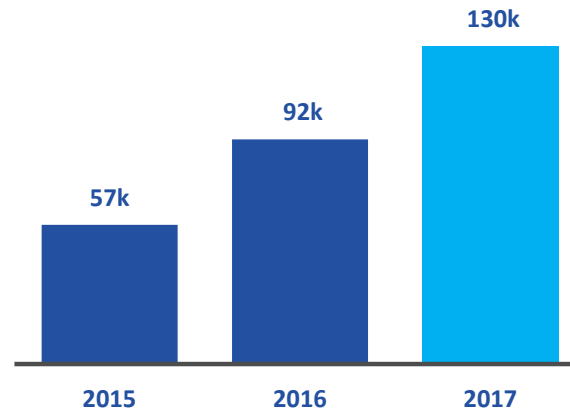
2017 Performance

- Significant growth in customers and turnover
- In 2017 we took advantage of a growing aggregator market in France
- TV advertising improved brand awareness

Turnover (€m)



Customers

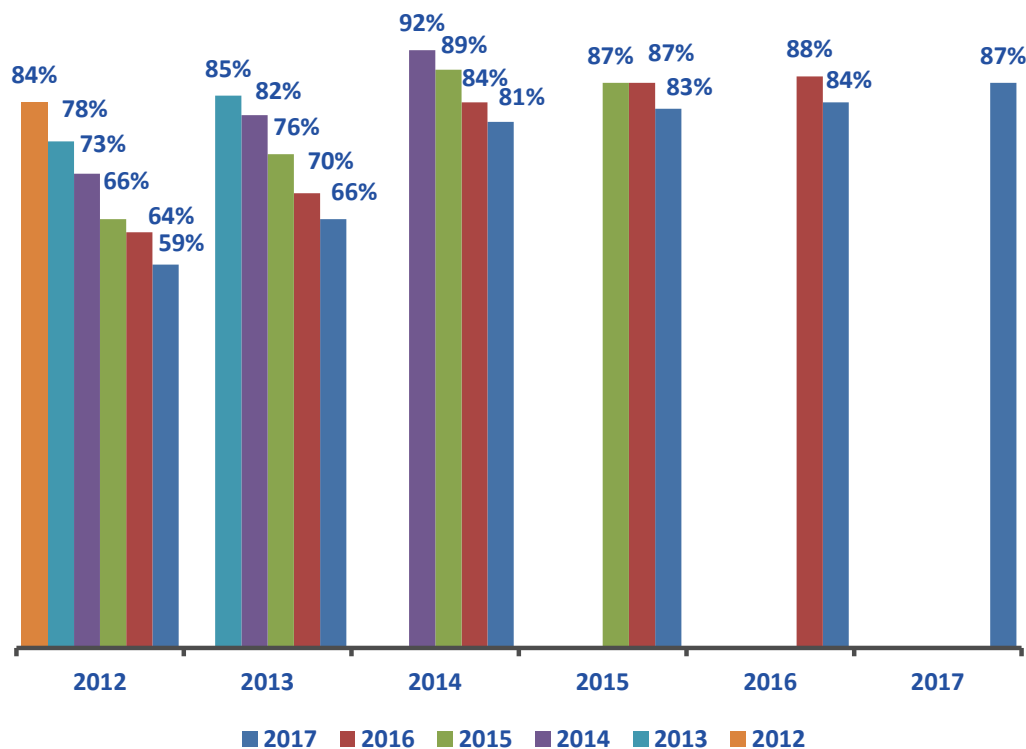


Outlook

- Focus on services quality to keep growing and build scale

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)

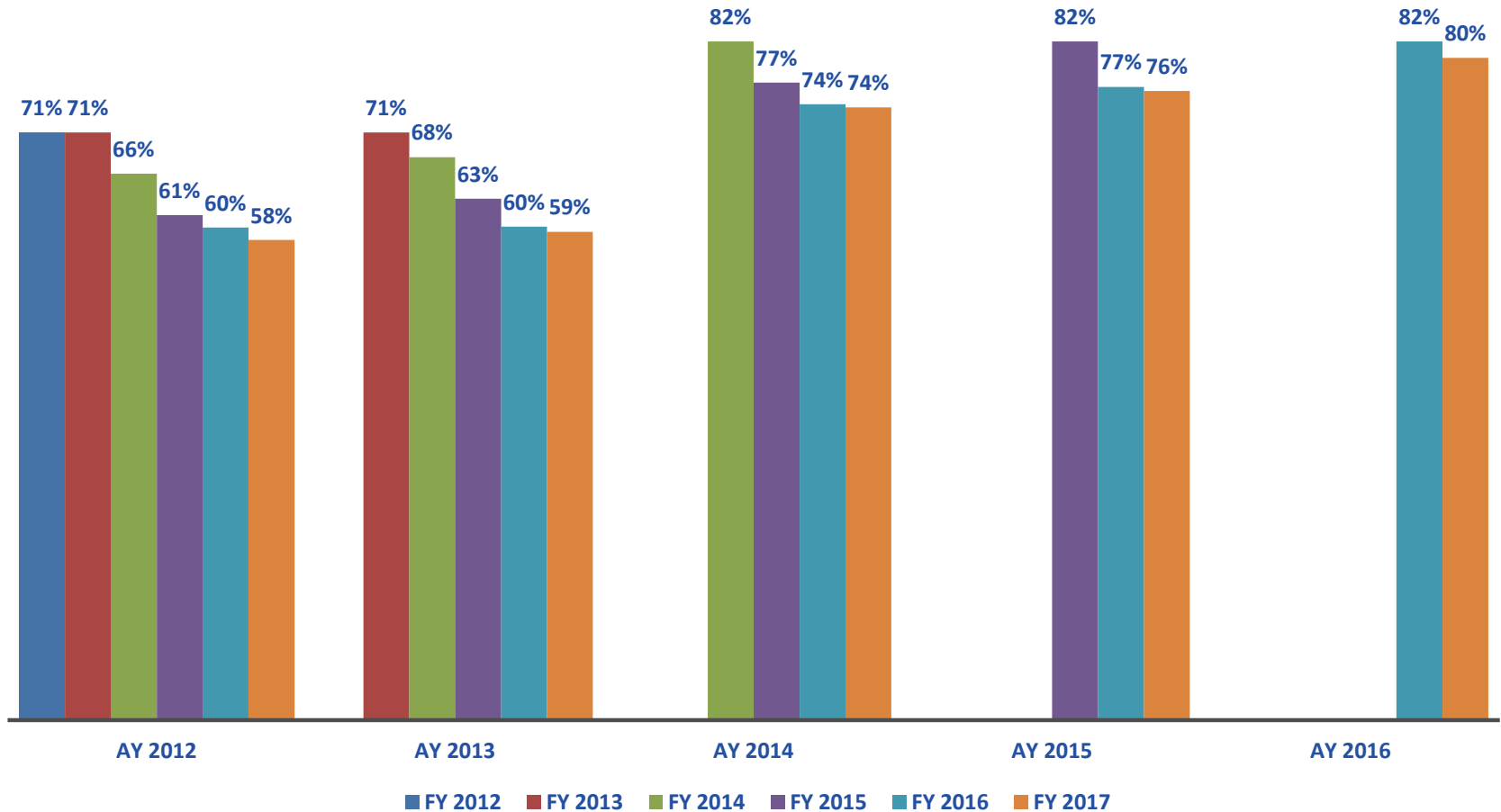


Sensitivity of booked loss ratio

Underwriting year	2014	2015	2016	2017
Booked loss ratio	81%	83%	84%	87%
PAT impact of 1% improvement	6.9m	5.8m	3.5m	1.8m

- 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.

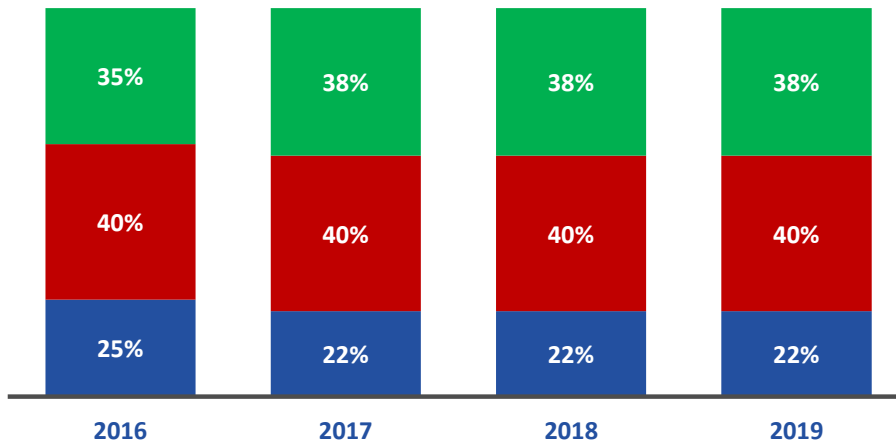
UK Car Insurance: ultimate loss ratio development by accident year



UK Reinsurance arrangements

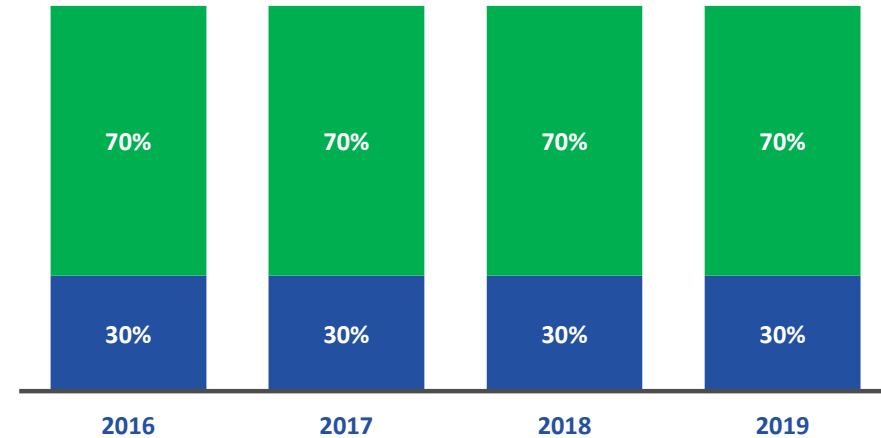
Motor

■ Admiral ■ Munich Re ■ Other



Household

■ Admiral ■ Quota share

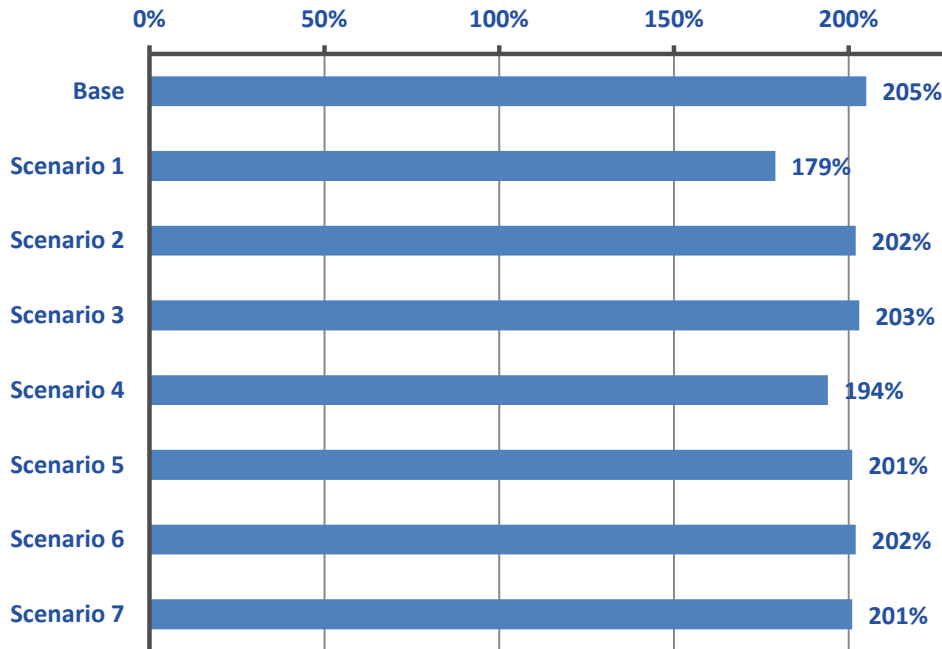


- Fully placed reinsurance arrangements until the end of 2019
- Similar contract terms and conditions
- Reduction of underwriting share from 25% to 22% with effect from 2017
- Munich Re continues to underwrite 40% of the UK business until at least the end of 2020

- Similar long term quota share contracts to UK motor
- Admiral retains 30%

Solvency Ratio Sensitivities

The sensitivities below have been selected to show a range of impacts on the reported base case solvency ratio. They cover the two main material risk types - insurance risk and market risk. Within each risk type the sensitivities performed cover the underlying drivers of the risk profile. The sensitivities have not been calibrated to individual return periods.



Scenarios

1. UK Motor – incurred loss ratio +5%
2. UK Motor – 1 in 200 catastrophe event
3. UK Household – 1 in 200 catastrophe event
4. Interest rate – yield curve down 50 bps
5. Credit spreads widen 100 bps
6. Currency – 25% movement in euro and US dollar
7. ASHE – long term inflation assumption up 0.5%

International car insurance markets



(2016)



(2016)



(2016)



(2016)

**Gross Written
Premium**

£9.2bn

£16bn

\$214bn

£16bn

**Direct insurer
share of
market**

22%
of total market

3%
of total market

40%
of total market

11%
of total market

Vehicles

23m

37m

230m

44m

Combined Ratio

98%

105%

109%

97%

Key definitions

Term	Definition
Accident year	The year in which an accident occurs, also referred to as the earned basis.
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.
Combined ratio	The sum of the loss ratio and expense ratio.
Commutation	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a particular reinsurance contract.
Expense ratio	Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums.
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements. The rate is set by the Lord Chancellor, the most recent rate of minus 0.75% being announced on 27 February 2017.
Loss ratio	Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums.
Periodic Payment Order (PPO)	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
Total / Gross / Net Premium	Total = total premiums written including coinsurance Gross = total premiums written including reinsurance but excluding coinsurance Net = total premiums written excluding reinsurance and coinsurance
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
Ultimate loss ratio	The projected ratio for a particular accident year or underwriting year, often used in the calculation of underwriting profit and profit commission.
Underwriting year	The year in which the latest policy term was inception.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.

Admiral brands

balumba
seguros

 **Qualitas
Auto**


ConTe.it
 **GRUPPO ADMIRAL**

 **Elephant**
Auto Insurance


L'olivier
assurance auto

 **Admiral**

Diamond


elephant

 **Bell**

 **Admiral**
law

BDELaw  **GLADIATOR**

Confused.com

 **Rastreator.com**

LeLynx.fr
Comparateur d'assurances

compare.com

 **seguros.es**
el comparador de seguros


**Admiral
Solutions**

 **Admiral**
TECHNOLOGIES

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