ADMIRAL GROUP PLC
Annual Report and Accounts 2013

ADMIRAL GROUP plc

ABOUT ADMIRAL GROUP

The history of the Admiral Group is one of growth, profitability and innovation. Admiral launched in 1993 with just one brand, zero customers and 57 members of staff.

The Company has grown to become one of the UK's largest and most profitable car insurance providers, with over 11% market share and market-leading financial results.

The Group also has operations in Spain, Italy, France and the USA, and in total insures 3.70 million customers.

Admiral is one of the largest employers in South Wales and employs 7,000 people worldwide.

Admiral Group's strategy is simple: to continue to progress in the UK car insurance market whilst taking what we do well to new markets and products; keep doing what we're doing and do it better year after year.

Our friendly team hard at work in Cardiff.

HENRY ENGELHARDT RECEIVES ADMIRAL'S SUNDAY TIMES' BEST 100 COMPANIES TO WORK FOR AWARD:

we have a simple philosophy at Admiral: If people like what they do, they'll do it better. So we go out of our way to make this a good place to work. The result: Happier staff, record profits.

Henry Engelhardt, CEO

THE SUNDAY TIMES 100 BEST COMPANIES TO WORK FOR 2013

Chief Executive's Statement: pages 10 to 11

FEATURED IN THIS REPORT

1 Chairman's Statement
Admiral's progress in 2013

Admiral's Chairman, Alastair Lyons, discusses Admiral's 2013 performance and explains what makes Admiral different.

More: pages 4 to 5

2 Chief Executive's Statement
A good year for Admiral

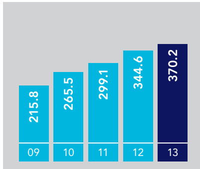
Henry Engelhardt, CEO, gives his perspective on 2013.

More: pages 10 to 11

3 Admiral's business model
How Admiral works

A focus on customer service, employee satisfaction, risk aversion, profit and returning dividends to shareholders.

More: pages 12 to 13



4 Admiral's performance
2013 financial review

Admiral's Chief Financial Officer, Kevin Chidwick, outlines the 2013 Group and divisional results – UK Car Insurance, International Car Insurance, Price Comparison and Other Group Items.

More: pages 16 to 19

REPORT CONTENTS

ANOTHER GOOD YEAR

"2013 was a good year for the Group with further increases in profit, customer numbers and dividends. Our UK Car Insurance business remains the main source of profits but pleasing contributions have also been made by our Price Comparison businesses in the UK, Spain and France."

Kevin Chidwick, Chief Financial Officer

GROUP HIGHLIGHTS

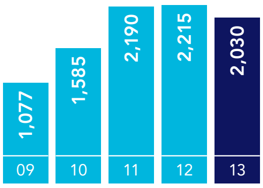
- Group profit before tax up 7% at £370 million (2012: £345 million)
- Earnings per share up 10% at 104.6 pence (2012: 95.1 pence)
- Final dividend of 50.6 pence per share bringing the 2013 total dividend to 99.5 pence per share up 10% (2012: 90.6 pence per share)
- Return on capital of 58% (2012: 60%)
- Group turnover down 8% at £2.03 billion (2012: £2.22 billion)
- Group customers up 4% to 3.70 million (2012: 3.55 million)
- International Car Insurance turnover up 15% to £188 million with customers up 18% to 515,300 (2012: £163 million and 436,000 customers)
- 7,000 staff to receive Free Shares worth £3,000 in the employee share scheme

More business news:
www.admiralgroup.co.uk/media/pressreleases/

ANNUAL HIGHLIGHTS

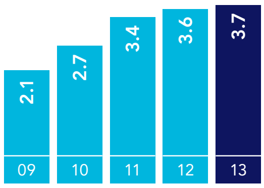
Turnover £million

£2,030m
-8.4%



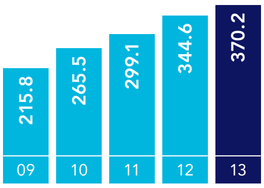
Customers million

3.7m
+4.2%



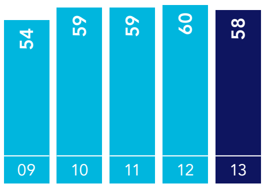
Profit before tax £million

£370.2m
+7.4%



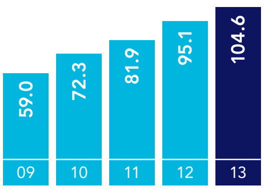
Return on capital %

58%
-3.3%



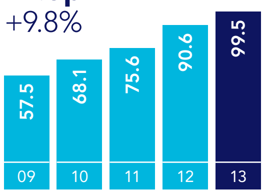
Earnings per share pence

104.6p
+10.0%



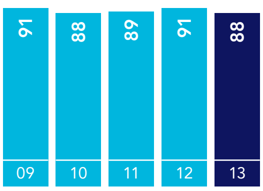
Full-year dividend per share pence

99.5p
+9.8%



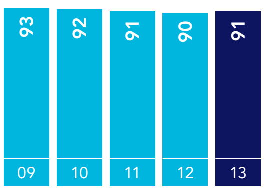
Staff satisfaction: I am happy at Admiral %

88%



Following a claim, I would renew with Admiral %

91%



MAJOR ACHIEVEMENTS THIS YEAR

2013 was a busy year for Admiral Group.
A few of the key moments are highlighted below:

Admiral

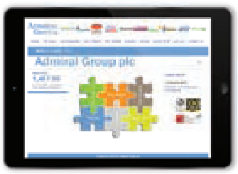
Happy Birthday Admiral Group
In January 2013, Admiral celebrated its 20th birthday, in May, ConTe turned five and December marked the first birthday for Admiral's new UK Household Insurance operation.

comparenow.com
Admirallaw
BDELaw

The Customer, The Customer, The Customer
Constantly innovating to meet customer needs, in 2013 Admiral launched a Price Comparison business in the USA, comparenow.com and two law firms in the UK, Admiral Law and BDE Law. For more information, see pages 25 and 31.

Underwriting Arrangements
Sharing risk with reinsurance partners is a key part of Admiral's business model. Extensions to agreements mean that Admiral will be able to operate its capital-efficient model to at least the end of 2016. For more information, see page 23.

Corporate Responsibility
People who like what they do, do it better, so we strive to ensure our staff enjoy coming to work. To view Admiral Group's Corporate Responsibility (CR) Report, which includes an introduction from Chief Operating Officer, David Stevens, go to the Group's corporate website.



Read more on Admiral Group's Corporate Responsibility (CR) strategy:
www.admiralgroup.co.uk/culture/csr/

THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2014

GREAT PLACE TO WORK Best Workplaces 2013 United Kingdom

GREAT PLACE TO WORK Best Workplaces 2013 Europe

A GREAT Place to Work!
In surveys voted for by members of staff, Admiral was placed:

- 2nd in the Sunday Times 25 Best Big Companies to Work For in 2014
- 2nd Best Large Workplace in the UK and 2nd Best Multinational Workplace in Europe by the Great Place to Work Institute, and received the award "Trust Champion" as one of the few companies to have appeared in the list every year since it began

WHAT MAKES ADMIRAL DIFFERENT

There are a set of attributes that together make Admiral what it is, a combination that would be very hard to replicate as you would need each and every element to come together to the right degree and in the right way.

ALASTAIR LYONS, CBE
CHAIRMAN

Admiral has achieved so much in its first 20 years, here are a few highlights from over the years:

1993
Admiral launches in Cardiff with just one brand, zero insured vehicles and 57 members of staff.

2003
With a 3% share of the UK private car insurance market, Admiral announces pre-tax profits of £57 million.

2013
Admiral celebrates its 20th anniversary with 15 brands, 3.7 million customers and 7,000 employees.

For more information on Admiral Group's history, visit: www.admiralgroup.co.uk/story

Our Business
I am frequently asked what it is that makes Admiral different. What is it that has made it possible for this business to grow in 10 years from a private company with a 3% share of the UK private car insurance market and making pre-tax profits of £57 million in 2003 to a member of the FTSE-100, one of the largest in the UK private car market, and with profits of £370 million today?

My answer is that there is no one thing that if you lifted it out of Admiral and put it into a competitor would immediately transform that company's fortunes. Rather, there are a set of attributes that together make Admiral what it is, a combination that would be very hard to replicate as you would need each and every element to come together to the right degree and in the right way. To pick out the top 10:

- **Management:** the combination of the enormous experience and proven track record in this sector of our founding executives with the capability of those of our senior managers who have successfully developed their careers inside the business
- **Our Culture:** many companies document their culture at length – the best way to understand Admiral's culture is to spend a day in one of our offices to appreciate the depth of staff engagement with a business of which they all own a part; the vibrancy of the working environment; the commitment to the customer; and the engrained desire to deliver a quality output and continuously improve that quality
- **Our Employees:** we believe that if people enjoy what they do, they do a better job – in 2013 Admiral was voted the 2nd Best Large Workplace in the UK and the 2nd Best Multinational Workplace in the Great Place to Work Institute awards; Admiral has been in the Sunday Times 100 Best Companies to Work For in the UK every year the list has been compiled
- **Focus:** Admiral has spent 20 years refining how best to provide the service people look for from their car insurer, and the last 13 years developing Price Comparison, in particular for car insurance. It is only with the advent of Admiral Household Insurance in the last year that we have dedicated any material effort outside private motor insurance and price comparison
- **Pricing:** data analysis lies at the heart of our pricing algorithms. With three million customers and substantial amounts of data our experienced pricing team is excellently placed to derive competitive advantage in the UK, and to inject that experience into our new businesses overseas as they build the scale from which one can derive meaningful analysis
- **Claims Management:** our experience, culture, and focus all combine to deliver a claims result that speaks for itself with market-leading loss ratios, sustained reserve releases and high levels of profit commission earned under our reinsurance arrangements, as well as consistent positive feedback from customers on the claims service they receive

- **Controlled Test and Learn:** everything that Admiral is now has been built from the ground up, taking measured steps to test how well we understand the challenge ahead and the effectiveness of our solutions, and then to learn from that experience and from the experience of those who have tried other strategies. That is how the Admiral team has set about building private motor businesses in five countries, Price Comparison businesses in four, and now a Household Insurance business in the UK. While slower than growth by acquisition, it is much lower risk and enables one to construct, in all respects, the platform one wants for the future
- **Low Cost:** the results speak for themselves – an expense ratio in our established UK business of 15%, almost half the market average. Cost consciousness has to be engrained to be effective, a core part of the way in which we do things. It is everyone's responsibility, not just that of the Finance team
- **Low Capital Employed:** probably because everyone at Admiral is, or becomes, a shareholder, we regard our shareholders' money as our own, seeking to use it as efficiently as we can. Hence our model based on reinsurance relationships underpinned by strong underwriting results, with Admiral itself only providing the capital backing for a minority of its business. Hence our commitment to give back to shareholders whatever surplus we do not need to support our current business. The result in 2013 – a 58% return on equity and a 95% pay-out ratio giving rise to a 8% dividend yield
- **Low Risk:** Admiral has always sought to protect its downside characterised by our reinsurance model; an approach to claims reserving that is prudent in the early stages and releases only when justified by experience; an organic growth strategy; a test and learn approach of taking measured steps before investing further; sticking to what we understand well; and a conservative approach to investment management

It is the sum of these elements that gives me confidence in Admiral's sustained competitive success across the insurance cycle. In 2013, as in 2012, the cycle was not at the right point to justify growth. Market rates fell again last year, probably by around 13%. It made no sense to chase the market down, particularly for a player such as Admiral that has a significant combined ratio advantage over the market as a whole and can, therefore, afford to raise rates less quickly than the market when the cycle turns up. Our strategy in the UK was to hold our book at its existing level, recognising that this would result in a fall in UK Car Insurance turnover. At the same time, our claims results were excellent, supporting significant reserve releases from prior years.

We continued to apply our test and learn approach to our young businesses, particularly those overseas. For example, in Europe, Admiral Seguros in Spain launched its second brand, Qualitas Auto, to broaden its market appeal. In the USA, our auto insurer, Elephant Auto, grew its vehicle base by 34%, and we started test-marketing comparenow.com, bringing the successful European model of insurance price comparison to the USA. We will progressively increase our investment in this business as justified by the performance of its marketing. Price comparison businesses typically turn profitable much earlier than insurance businesses as they have lower fixed overheads. LeLynx, our French Price Comparison business returned a profit in 2013, its third full year of operation, and Rastreator has been profitable since 2011, its second full year.

We have also been encouraged by our launch of Household Insurance in the UK and the potential this demonstrates. Admiral's overall result is, and will for some time remain, inevitably dominated by our UK Car Insurance business and, therefore, by the UK private motor insurance cycle. And it is equally inevitable in a cyclical industry that there will be periods when profit growth is more muted, derived from a balance between lower prices and consequently lower volume growth and the positive development of prior years' claims.

So it was in 2013, with Group pre-tax profits up 7% at £370 million. Taken together with our capital-efficient model this made possible full year dividends of 99.5 pence per share, 10% higher than last year. Whilst the level of dividend is something we reassess regularly, we continue to believe it is right for Admiral to retain the flexibility derived from the distinction between a normal dividend based on a 45% pay-out ratio, this year amounting to 46.9 pence per share, and the special dividend we are able to afford because of our low capital model. In 2013 this special dividend again exceeded the normal dividend at 52.6 pence per share, representing our available surplus, after taking into account our required solvency, and a margin for contingencies.

Our Board

We say goodbye at the forthcoming Annual General Meeting (AGM) to John Sussens, our Senior Independent Director (SID) and Chair of Remuneration, and Martin Jackson, our Chair of Risk. Both joined the Board in 2004 in anticipation of our flotation and are, therefore, at the end of their nine year term, beyond which they are no longer regarded as independent under the UK Corporate Governance Code. Both will be much missed for their wise counsel, energy and commitment to our business, and their teamwork. I thank them on behalf of the Board and our shareholders for all they have contributed to Admiral. I am grateful to Colin Holmes for assuming the mantle of SID and to Annette Court for taking on the Chair of Remuneration.

Balancing endings with beginnings, I am delighted to welcome Jean Park to the Board. Following the AGM she will succeed Martin as Chair of Risk and will join the Remuneration Committee. Jean has extensive knowledge of risk governance and risk management frameworks in an insurance context having been, until June 2013, Group Chief Risk Officer for Phoenix Group, the UK's largest specialist closed life and pension fund consolidator.

2013 was the year for an external review of our Board and committee effectiveness, following two successive years of internal review. Overall, the review found that the Board had continued to work very effectively in relation to most of the required dimensions and that good progress had been achieved in many of the areas identified for action in the last independent review at the end of 2010, in particular in the areas of succession planning and risk management on which I commented at the time. With a new Chair of Risk and a newly appointed Director of Risk, the review recognised the extent of change that would take place within risk governance and the role of the Group Risk Committee in exercising effective oversight during this process. It also focused on the sustained need for effective succession planning to look well ahead of the time Directors need or plan to step down. It recognised that there are practical challenges of a larger Board resulting from the policy of providing a reasonably long period of overlap to maintain the continuity of Board process and the strength of personal interaction which underlies the effectiveness of the Board as a team. In addition to our Directors we also have three senior managers as permanent contributors to our Board process as part of their personal development.

Thank You

May I start by thanking our customers both for their business and for all the feedback we get from them as to how we can improve what we do. Then our shareholders for their continued support and the time many of them take to understand our business and its drivers. Above all, may I thank our people – our staff, our management team, and our Board – for everything they do to build such a successful, and sustainably different, business.

Alastair Lyons
Chairman
4 March 2014

Read more about our strategic priorities: pages 12 to 13

ADMIRAL'S BRANDS AND MARKETS

In the UK, Admiral's brand family includes some of the most recognised car insurance providers and a leading price comparison website. The Group exports the knowledge and experience gained from its UK businesses overseas, driving the development of its international businesses.

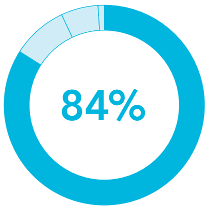
GROUP HIGHLIGHTS

Segment | **Turnover** | **Brands**

1 UK CAR INSURANCE

Admiral is one of the largest and most profitable private car insurers in the UK

Read more on: pages 20 to 25



£1,698.9m

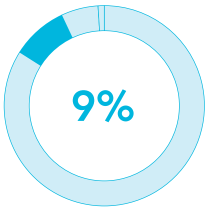
2012: £1,936.2m
-12%

Brands: Admiral, Diamond, elephant.co.uk, Bell

2 INTERNATIONAL CAR INSURANCE

Growing car insurance businesses in Spain, Italy, the USA and France

Read more on: pages 26 to 29



£187.8m

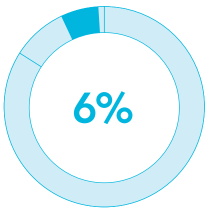
2012: £162.9m
+15%

Brands: balumba.es Seguros de coche, Qualitas Auto, ConTe.it Assicurazione auto e moto, l'olivier assurances, Elephant Auto Insurance

3 PRICE COMPARISON

Confused.com, one of the UK's leading price comparison websites, profitable operations in Spain and France and a new business in the USA

Read more on: pages 30 to 32



£112.7m

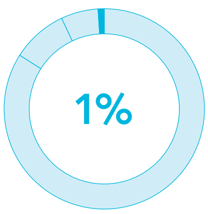
2012: £103.5m
+9%

Brands: Confused.com, LeLynx.fr, Rastreator.com Tu Comparador de Seguros, comparenow.com

4 OTHER GROUP ITEMS

Insurance for UK Household, Commercial Vehicle insurance broking, and other central costs

Read more on: page 33



£30.8m

2012: £12.5m
+146%

Brands: Gladiator, Admiral Household

Highlights

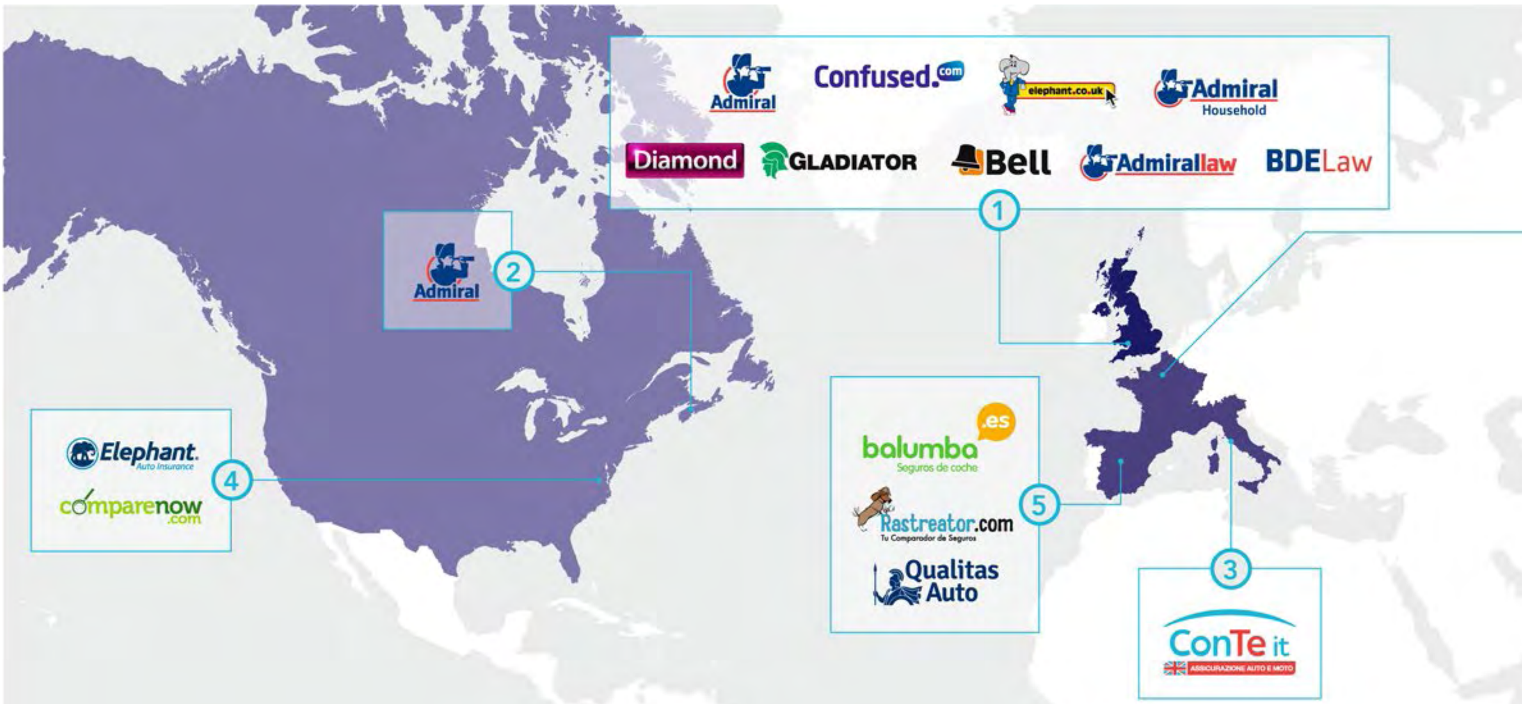
Customers **3.02m** 2012: 3.02m	Pre-tax profit **£393.9m** 2012: £372.8m +6%
Customers **515k** 2012: 436k +18%	Pre-tax loss **£22.1m** 2012: 24.5m –10%
Customer quotes **18.7m** 2012: 17.5m +7%	Pre-tax profit **£20.4m** 2012: £18.0m +13%
Gladiator customers **118k** 2012: 95k +24%	Pre-tax loss **£22.0m** 2012: £21.7m +1%

JUAN CLAUDIO, FRANCE
On customer service

People come to an insurance company because of the price. They stay with the insurance company because they have been treated well, they have a fair premium and their claim is being handled quickly and effectively: it's up to us to make it work.

A GROWING INTERNATIONAL PRESENCE ACROSS SEVEN COUNTRIES

The Group currently employs 7,000 people worldwide and is one of the largest employers in South Wales.



David Stevens
Admiral, United Kingdom

Admiral: low expense ratio; higher quality of risk selection; and consciously counter-cyclical growth strategy.

More: page 21

Cristina Nestares
Admiral Seguros, Spain

We had a strong year. Despite difficult market conditions, turnover grew by nearly 25%.

More: page 26

Milena Mondini
ConTe, Italy

After five consecutive years of growth, 2013 was a year of consolidation for ConTe.

More: page 27

Kevin Chidwick
Elephant Auto, USA

We gained some good momentum in 2013.... Customer numbers grew by 34%.

More: page 27

1 UNITED KINGDOM
Since 1993

With a history of innovation, Admiral Group is one of the UK's largest car insurance providers with an 11% market share across four brands: Admiral, Bell, Diamond and elephant.co.uk.

Confused.com was the UK's first price comparison website, originally set up in 2002 to provide a car insurance comparison service.

Launched in 1998, Gladiator is the Group's Commercial Vehicle insurance broker, acting on behalf of several of the UK's largest commercial vehicle insurers.

Admiral Household launched in 2012.

In 2013, the Group also established two new law firms, Admiral Law and BDE Law.

Staff:
5,187

Location offices:
10
all in South Wales

2 CANADA (HALIFAX, NOVA SCOTIA)
Since 2007

Admiral Group's contact centre in Halifax, Nova Scotia, provides additional support to the UK business.

Staff:
524

Location offices:
1

3 ITALY
Since 2008

Set up in 2008, ConTe is Admiral Group's largest international operation. From offices in Rome ConTe sells car insurance across Italy.

Staff:
484

Location offices:
1

4 USA
Since 2009

Launched in Richmond, Virginia, in 2009, Elephant Auto sells car insurance in the USA. Today it underwrites in Virginia, Maryland, Illinois and Texas.

comparenow.com is the most recent addition to Admiral Group. Launched in early 2013, comparenow.com will provide an online car insurance comparison service throughout the USA.

Staff:
292

Location offices:
2

5 SPAIN
Since 2006

Set up in 2006, Balumba was Admiral Group's first business in continental Europe and sells car insurance direct to customers in the Spanish market.

Qualitas Auto is the Group's second Spanish car insurance brand, set up in 2012 and launched on TV in 2013.

Balumba and Qualitas Auto are both brands of Admiral Seguros.

Rastreator is the Group's Spanish Price Comparison website, offering comparison services since 2009.

Staff:
287

Location offices:
2

6 INDIA
Since 2009

Since 2001, Admiral Group has used an outsourced contact centre in Bangalore to provide additional support for its UK-based teams.

Admiral Technologies has provided IT and technology support to Admiral Group's operations in different countries across the globe since 2009 and is currently supporting the Group's French, Spanish and American operations.

Admiral Solutions was set up in 2012 and is a contact centre in Delhi that supports the UK Car Insurance operation.

Staff:
153 (in Admiral Solutions and Admiral Technologies);
499 (outsourced)

Location offices:
1

7 FRANCE
Since 2010

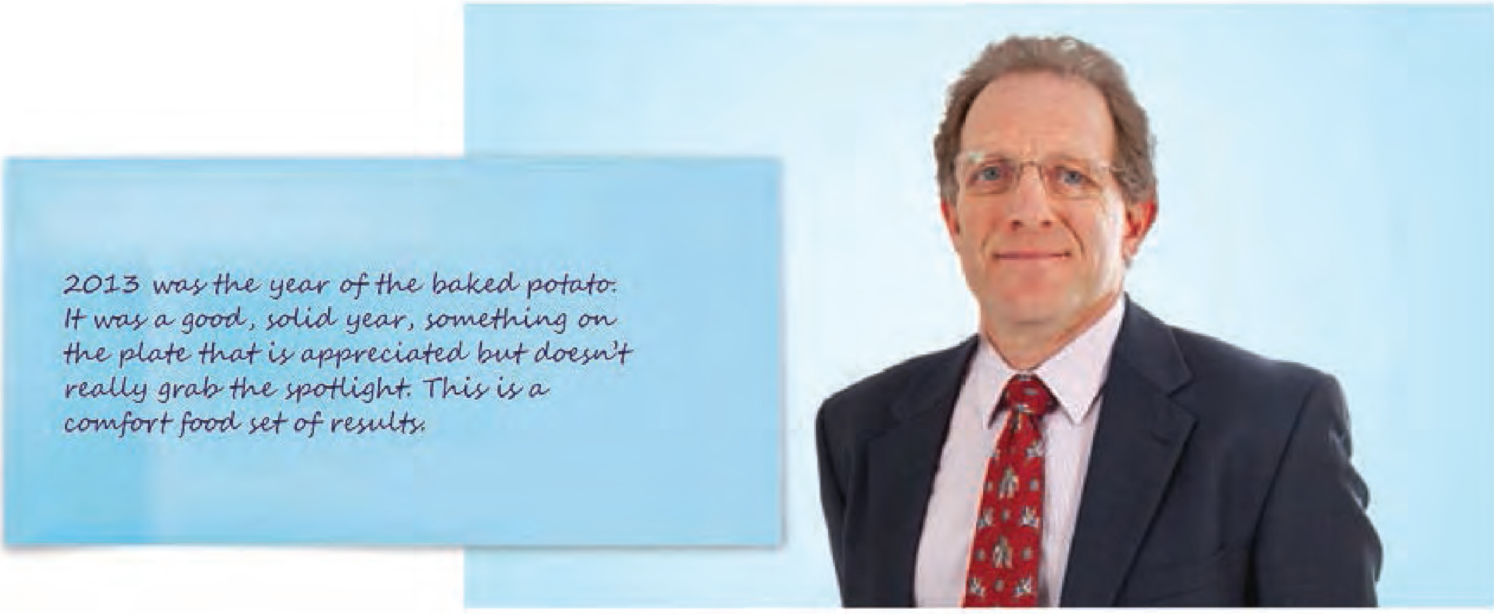
Set up in 2010, LeLynx is Admiral Group's French price comparison website. It features car, motorbike, health, home, pet, caravan and credit insurance, alongside an option to review financial services providers and internet services.

Launched in 2010, L'olivier Assurances is the Group's direct car insurer based in France.

Staff:
58

Location offices:
2

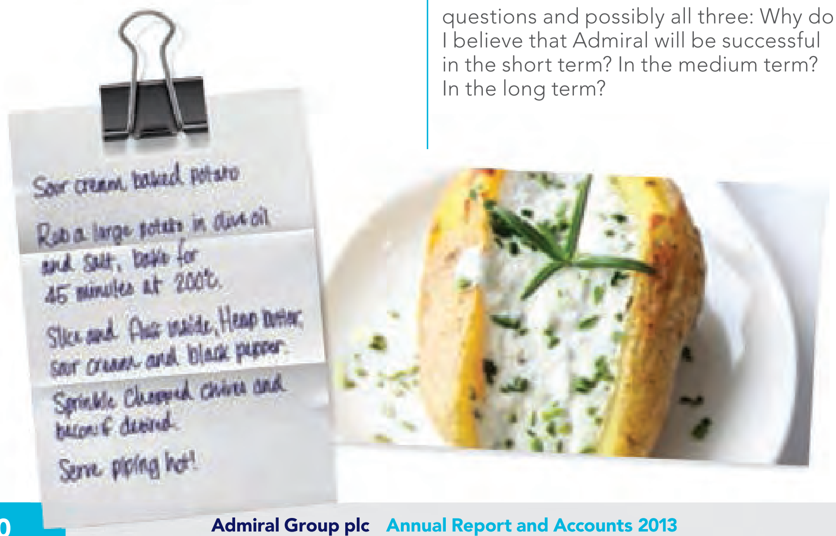
A GOOD, SOLID YEAR



HENRY ENGELHARDT, CBE
CHIEF EXECUTIVE OFFICER

IN SUMMARY

- In the short term, it’s about reserve releases from the UK business
- In the medium term, it’s about a turn in the UK cycle that will trigger price increases and provide an opportunity for growth
- In the long term, it’s about our non-UK businesses, Household Insurance and the future leaders of this organisation



2013 was the year of the baked potato. It was a good, solid year, something on the plate that is appreciated but doesn’t really grab the spotlight. This is a comfort food set of results.

Why the baked potato? Because the year was solid, but not flashy. We made more money than ever before, we grew customer numbers a little bit, we launched one new overseas business (comparenow.com), but there was no growth surge, there were no claims shocks; we just went about our business.

I’m not going to dwell on the past and review all the numbers of all the businesses which appear in copious detail later in this document. What I will do is look at the future and explain why today’s baked potato is tomorrow’s steak dinner.

As investors, I believe you all would like the answers to at least one of these three questions and possibly all three: Why do I believe that Admiral will be successful in the short term? In the medium term? In the long term?

In the short term, it’s about reserve releases from the UK business. In the medium term, it’s about a turn in the UK cycle that will trigger price increases and provide an opportunity for growth. In the long term it’s about our non-UK businesses, Household Insurance and the future leaders of this organisation.

Let me explain. Currently our bottom line is dominated by the results in UK Car Insurance. As has been well publicised, prices have fallen some 25% in the UK market in the last two years or so. This drop in prices has been in parallel with a drop in claims costs but few experts believe that they are in perfect sync. During 2013 the projected outcome for our claims reserves improved materially. As always we hold a significant margin in booked reserves above these projected results and although we made large reserve releases during the year, this margin was bigger at the end of 2013 than at the start. Over time, if the claims situation does not show adverse patterns, these reserves will be released.

If the UK market doesn’t turn soon, some people might say it will hurt Admiral. That might be true. But it will hurt our competitors earlier and harder, as they are largely unable to match our combined ratio. A slower turn will only mean a sharper turn when the turn turns.

Some people might say that our results are dependent on “Other revenue” and that this income is under regulatory threat. It’s true, we do make good money from “Other revenue”, but so does the rest of the UK market. If you took away all “Other revenue” tomorrow it might surprise you to know that I'd be the happiest guy in town. Why? Because it means that all any firm has left is its combined ratio, forcing a battle for survival of the fittest and we are, arguably, the fittest. Remember, the market average combined ratio is quite a bit above 100%. Our combined ratio is under 90%.

Medium term profitability will be greatly influenced by the eventual turn in the UK cycle and what we can do with it. We've made it clear that we don't think the current declining price environment is the optimal time to grow the business. It becomes an optimal time when competitors start putting their rates up. We too will put our rates up, just as we've taken our rates down in the current, declining price, part of the cycle. But in both instances, our move is/will be more gradual than the competition. Very simply, this means that we don't grow when rates are falling but we should grow when rates are rising.

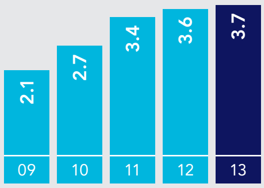
All of that sounds quite good for the short and medium terms, but what really gets me excited about this business is its long term future. Behind that statement is the secret of the baked potato. Did you know that potatoes have more potassium than bananas? They are very low in saturated fats (although I must admit, I like mine with butter or sour cream and I suspect that can't be good. Did anyone mention salt?) and they are a good source of vitamin C, vitamin B6 and magnesium. The point is, you don't look at a baked potato and think nutrients. Just as you might not look at Admiral's 2013 results and see the progress made by our non-UK operations and UK Household. But for both Admiral and the potato, they are there.

It's not just the businesses we've set up in Spain, Italy, France, the USA and UK Household that give me confidence, it's the people we've got running them. They, along with a number of others, are the future.

Success for the businesses themselves rests on a fundamental change in the delivery of insurance around the globe. The internet is an irresistible force and the world is changing from face-to-face and phone distribution to internet distribution (and in some places our Price Comparison businesses are helping to accelerate that change). The markets we've chosen to enter are all very large, agent-led markets. We like large markets because, well, because they're large: billions and billions large. It means you can quietly take a dollop of market share and have a successful business. We also see that the big competitors in these markets often have channel conflict problems, as it's their agents who are covering their overheads and, in trying to switch to internet distribution, they face the problem of alienating these agents. They are also markets of legacy. Things are done very much the way they've been done over the last few decades. Our modus operandi of making many changes in a test and learn environment should allow us to capture advantage in these markets.

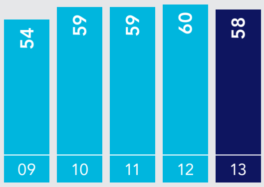
Customers million

3.7m
+4.2%



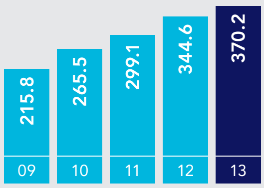
Return on capital %

58%
-3.3%



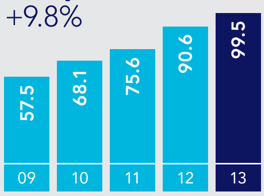
Profit before tax £million

£370.2m
+7.4%



Full-year dividend per share pence

99.5p
+9.8%



Read more about our financial performance: pages 16 to 19

But to create success stories akin to Admiral in the UK takes time and that's why these businesses come under the heading of long term. Each market is unique, with its own characteristics and idiosyncrasies and each must be approached as a local business; there is no cookie-cutter mould to success. Saying that, there are many techniques we successfully apply in the UK that can be shared across geographies and we are working to ensure best practice around the Group.

So the markets themselves are huge and interesting. But it's the people running these businesses who, although not huge, are all interesting. Here's a fact: the average age of the three Executive Directors in Admiral is 52.6. All of us are on the north side of 50 ☹. The average age of the CEOs of the other seven businesses plus the five key managers in the UK is 37.4. Nine of the 12 are still on the south side of 40 ☺. There are certainly other talented people in the Group who will also be a big part of the future, some older, some younger, but these statistics are very clear and are meant to show you the depth and talent Admiral is cultivating. These younger managers have learned the business from the ground up. They are talented, intelligent and ambitious. Working with them makes me glad that I'm a shareholder and not a competitor!

But hold the bus. The future isn't now. The future is the future. And there's a lot of work to do between now and the future to make it successful. And I'm pleased to say that the aforementioned, well-wrinkled executives are still here, still ambitious and, hopefully, still talented and intelligent.

Our strategy, once again like a baked potato, is simple: to make measured progress in the UK Car Insurance market while taking what we know and do well, which is internet and telephone delivery of insurance, to create growing, profitable, sustainable businesses outside the UK and in UK Household Insurance.

2013 was yet another good year for Admiral, but it wasn't a flashy year. It was the year of the baked potato, not brown bread ice cream.

Henry Engelhardt
Chief Executive Officer
4 March 2014

THE GROUP'S BUSINESS MODEL, OBJECTIVES AND STRATEGY

Described by Henry Engelhardt, Admiral Group CEO

1 The Customer, The Customer The Customer

Very simply, if Admiral didn't have any customers it wouldn't need a Strategic Report. With that in mind it just stands to reason that everything we do every day revolves around attracting, keeping, satisfying and ensuring customers get value for money.

Every day revolves around attracting, keeping, satisfying and ensuring customers get value for money.

Read more about our customer focus: page 14

2 A GREAT Place to Work!

Admiral has a simple philosophy when it comes to staff: if people like what they do, they'll do it better. So we go out of our way to make this a GREAT place to work. There are four pillars to our culture: communication, equality, reward and fun. It is upon these pillars that the performance of our staff rests.

Our share scheme is an important part of our culture. We want every member of staff to feel like they own a bit of the Company, so we give them a bit of the Company to own. In the core share scheme every member of staff gets the same number of shares, because every job at Admiral is important.

83% of staff are happy at Admiral, according to the 2013 staff survey

Read more about our staff focus: page 15

4 Profit Focus

Admiral is focused on bottom line profitability in the short, medium and long term. Things like size, growth and market share are by-products, not drivers, of decisions.

Read more about our work environment: page 15

3 Risk Aversion

Part of Admiral's strategy is to share risk and reward where possible. This means we have a number of partners who are supporting us in the hope that we provide them with good returns. This does mean that Admiral's absolute profits are somewhat lower than the Group actually generates at the 100% level, but it also means that Admiral does not need to put up all the capital with which to run its business. The result is a superior return on capital for Admiral shareholders and financial support if things were to go wrong. We call it the "Sleep Easy" model.

5 Dividends

Admiral believes that having excess cash in a company can lead to poor decision-making. So we are committed to returning surplus capital to shareholders. We believe that keeping management hungry for cash keeps them focused on the most important aspects of the business. We do not starve our businesses but neither do we allow them the luxury of trying to decide what to do with excess capital.

DIVISIONAL STRATEGIES

UK CAR AND HOME INSURANCE

Stay ahead of the competition which leads to the ability to price for profit and/or growth. There are five elements in order to sustain competitive advantage:

- Be a great company to work for so staff want to come to work every day and naturally give that little bit extra which makes all the difference to consumers
- Give great customer service which leads to enhanced customer retention and the ability to sell other products and services to customers
- Be creative in solving problems
- Don't waste money
- Be opportunistic. Don't ignore chances for expansion if we can provide consumers with something of value

INTERNATIONAL CAR INSURANCE

The internet is an irresistible force. Young consumers in places like Austin, TX., Salamanca, Torino and Chartres are using the internet for virtually everything they do and eventually they will use it for buying car insurance. So, being in the right distribution channel for the future is the first key for success. However, we believe further advantage can be attained through:

- Using advanced pricing techniques already established in the UK
- Creating office environments to help motivate staff combining the best of what's been learned over time in the UK with local habits and traditions
- Acting and reacting quickly to an ever-changing world. It's important that these businesses act as speedboats in a world of super-tankers
- Maintaining financial discipline, even if it results in slower growth

PRICE COMPARISON

Provide consumers with a valuable service that saves them time and, possibly, money. This service is not limited to car insurance comparison or even insurance comparison.

Read more about what Admiral Group does for its staff and customers at: www.admiralgroup.co.uk/culture/csr

HAPPY STAFF... HAPPY CUSTOMERS

1 The Customer, The Customer, The Customer

The Group strives to design products that customers want and that represent value for money, aiming to offer excellent customer service at all times.

- Admiral's employees are rewarded through incentive schemes that place emphasis on the quality of service provided to our customers.

THE GROUP EMPLOYS SEVERAL INITIATIVES TO MEASURE THE QUALITY OF ITS CUSTOMER SERVICE:

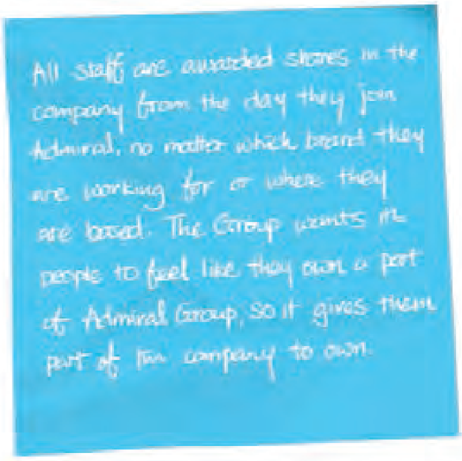
- Customer-focused measures programme
- Conduct Risk (formerly Treating Customers Fairly) reporting
- Comment form analysis
- Complaints analysis

- In 2013 Admiral implemented a new framework for the monitoring and reporting of conduct issues. The most meaningful metrics that are used to evaluate a department's performance have been amalgamated, together with complaints data, to build a Conduct Risk Management Information (CRMI) Report. This replaces the Treating Customers Fairly (TCF) reporting.
- The table below contains some of the measures of customer service from the CRMI Report:

Conduct risk measure	2012	2013	Target
% of customers who would renew following a claim	90%	91%	>85%
Customer Services, New Business and Renewals call answer rates*1	n/a	92%	>90%
Customer Services first call resolution*1	n/a	78%	>75%
Claims call answer rate	94%	95%	>90%
Complaints per 1,000 vehicles	1.2	1.2	<1.4

Notes
*1 2012 data is unavailable due to changes in reporting as described above. Customer Services first call resolution refers to the % of inbound Customer Services calls that are resolved during the initial call.

2 A GREAT Place To Work!



> **"If People Like What They Do, They'll Do It Better." 88% of staff are happy at Admiral, according to the 2013 anonymous Staff Survey.**

THE GROUP'S CULTURE RESTS UPON FOUR PILLARS:

- **Communication** – open, transparent and two way
- **Equality** – everyone is equal, regardless of seniority or length of service
- **Fun** – by encouraging its employees to have a good time in work, the Group aims to increase levels of employee satisfaction and to enable its people to feel as though they can truly commit to a career within the Group, reinforcing their desire to produce excellent results
- **Reward and recognition** – all staff receive performance-related pay and across the Group regular award ceremonies celebrate achievements

> **All staff are awarded shares to ensure interests are aligned with those of shareholders. For more information about the employee share schemes, refer to page 90.**

DIVERSITY, ETHICS AND HUMAN RIGHTS

Admiral Group respects and values the individuality and diversity of every employee. The Group's Equality, Diversity and Dignity at Work Policy ensures that every employee is treated equally and fairly and that all employees are aware of their obligations. The Group is fully committed to the health and safety and the human rights of its employees regardless of their background. In addition, the Group maintains a number of employee codes of conduct regarding appropriate ethical standards in the workplace.

The Group's principles of respect for human rights, diversity, health and safety and workplace ethical standards not only apply to staff directly employed by Admiral, but also to staff employed by the Group's outsourced partner in Bangalore, India. To meet this commitment, Admiral Group maintains regular contact with its outsourcer's management team and the Group's senior managers visit the outsourcer on a regular basis, whilst the Group also provides training and development to ensure that the team uphold these principles. In addition, Admiral Group has appointed a manager based permanently at the outsourced operation, who is responsible for ensuring that the Group's principles are adhered to by the outsourced partner, and that the wellbeing of outsourced staff is monitored.

Gender diversity

The table below provides a breakdown of the gender of Company Directors and employees at the end of the financial year:

	Male	Female
Company Directors*1	9	4
Other senior managers*2	21	13
All employees	**3,454**	**3,531**

Notes

*1 Company Directors consist of the Board of Directors, as detailed on pages 38 to 39.

*2 Other senior managers is as defined in the Companies Act 2006 (Strategic Report and Directors' Report) and include: persons responsible for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, other than Company Directors. Any other Directors of undertakings included in the consolidated accounts that are not considered strategically significant have not been included.

Environmental impact

Admiral Group's main environmental impact arises from the electricity it uses within its offices. Disclosure of the Group's greenhouse gas emissions is included in the Directors' Report, page 65, with more information available online in the Corporate Responsibility Report.

In the photo above Admiral's staff celebrate the Group's success in winning the Prince's Trust National Million Makers Challenge.
Read more at: www.admiralgroup.co.uk/culture/csr

2013 WAS A GOOD YEAR FOR ADMIRAL

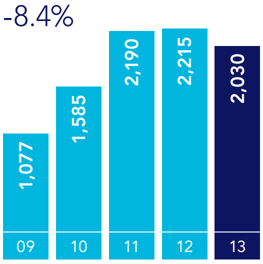
We have maintained our strong track record for increasing dividends and in total will pay over 99 pence per share (£272 million) back to shareholders for the 2013 year. This brings the total dividends returned to shareholders since listing to nearly £1.5 billion.

KEVIN CHIDWICK
CHIEF FINANCIAL OFFICER

FINANCIAL HIGHLIGHTS

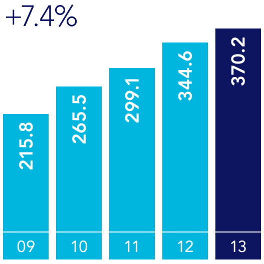
Turnover £million

£2,030m
-8.4%



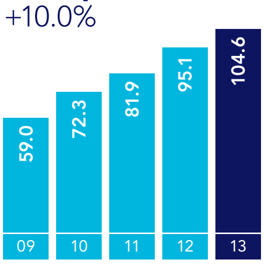
Profit before tax £million

£370.2m
+7.4%



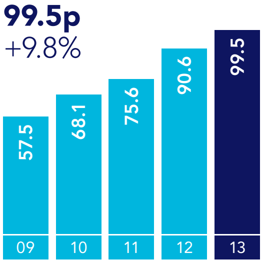
Earnings per share pence

104.6p
+10.0%



Full year dividend per share pence

99.5p
+9.8%



2013 was a good year for the Group with further increases in profit, customer numbers and dividends. Our UK Car Insurance business remains the main source of profits but pleasing contributions have also been made by our Price Comparison businesses in the UK, Spain and France.

We continue to invest in our overseas car insurance operations in Spain, Italy, USA and France and have seen strong growth in turnover and customer numbers, even if the businesses have not yet reached break-even. That's to be expected though, given their age.

We're also pleased with the progress of our two newest businesses – the UK Household Insurance operation and brand new USA Price Comparison business, comparenow.com. More details on those operations will come through as they grow.

We remain committed to delivering shareholder returns whilst remaining prudently financed with a strong, liquid balance sheet. Our return on equity remains very high at 58%, testament to the strength and success of Admiral's business model.

We have maintained our strong track record for increasing dividends and in total will pay over 99 pence per share (£272 million) back to shareholders for the 2013 year. This brings the total dividends returned to shareholders since listing to nearly £1.5 billion.

Kevin Chidwick
Chief Financial Officer
4 March 2014

Group Results and Dividend

- Admiral Group grew pre-tax profits in 2013 by 7% to £370.2 million (2012: £344.6 million)
- UK Car Insurance profit increased by 6% to £393.9 million (2012: £372.8 million)
- International car insurance losses totalled £22.1 million (2012: £24.5 million)
- Price Comparison profit increased by 13% to £20.4 million (2012: £18.0 million)
- Other Group Items, including the employee share schemes, amounted to a cost of £22.0 million (2012: £21.7 million)

Further details by segment are set out below.

Earnings per share increased by 10% to 104.6 pence (2012: 95.1 pence). The increase is higher than the 7% increase in pre-tax profit due to the lower effective rate of corporation tax in 2013. Customer numbers were 4% higher at the end of 2013 at 3.70 million (2012: 3.55 million).

Total dividends paid and proposed for the financial year amount to 99.5 pence per share (£272 million), an increase of 10% on the previous year (2012: 90.6 pence; £245 million). This is equal to 95% of earnings per share. The final dividend proposed is 50.6 pence per share (11% higher than the final 2012 dividend of 45.5 pence).

The final dividend is made up of a 24.4 pence normal element, based on the stated dividend policy of distributing 45% of post-tax profits, and a further special element of 26.2 pence. The special dividend is calculated with reference to distributable reserves after taking into account required solvency and a margin for contingencies.

The payment date is 30 May 2014, the ex-dividend date is 30 April and the record date is 2 May.

Divisional Performance Highlights

The Group's UK Car Insurance business accounts for 84% of Group turnover (2012: 87%) and 82% of customers (2012: 85%). In 2013, in the face of very strong competition in the UK market, the business continued to focus on margin rather than growth and held the number of vehicles insured steady at just over three million. Supported by strong releases from prior year claims reserves on the back of continued positive development in projected claims costs, the combined ratio improved to 81.0% (2012: 89.1%) and profit before tax was £393.9 million – up 6% on 2012's result of £372.8 million.

A focus on lower premium, lower risk business, alongside a growing contribution to the total from renewal customers, contributed to a reduction in UK turnover of 12% to £1,698.9 million (2012: £1,936.2 million).

Outside of the UK, Admiral's International Car Insurance businesses continue to develop, with combined turnover rising 15% to £187.8 million (2012: £162.9 million) and customer numbers surpassing 515,000 – an increase of 18% on a year earlier. The combined loss from the operations was lower at £22.1 million (2012: £24.5 million), primarily due to improved claims experience.

Confused.com, the Group's UK Price Comparison business, reported a pre-tax profit of £21.7 million – over £3 million higher than 2012's result. Outside the UK, Admiral's other European Price Comparison businesses (Rastreator in Spain and LeLynx in France) made a combined profit of £2.4 million (2012: loss of £0.2 million). During the year the Group invested £3.7 million in comparenow.com, a new car insurance comparison business being built in the USA.

Other Group key performance indicators include:

- Group loss ratio 69.2% (2012: 79.2%) (an improved UK loss ratio resulting from higher reserve releases and an improved international loss ratio)
- Group expense ratio 19.9% (2012: 17.7%) (a slight increase in the UK ratio due to lower average premiums and an improved but high international ratio)
- Group combined ratio 89.1% (2012: 96.9%)

Investments and Cash

Investment Strategy

Admiral maintained a low-risk investment strategy throughout the year, with a broadly consistent allocation of funds to the three main asset categories (cash at bank, cash deposits and money market funds) as in recent years.

The key focus of the Group's investment strategy is capital preservation, with additional priorities including low volatility of returns and high levels of liquidity. All objectives continue to be met.

The Group's Investment Committee continues to perform regular reviews of the strategy to ensure it remains appropriate.

Cash and Investments Analysis

	31 December 2013				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds and short-dated debt securities	1,480.6	98.4	—	29.5	1,608.5
Cash deposits	286.0	2.4	—	—	288.4
Cash	101.6	35.7	38.7	11.9	187.9
Total	**1,868.2**	**136.5**	**38.7**	**41.4**	**2,084.8**

	31 December 2012				
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Total £m
Money market funds and short-dated debt securities	1,074.5	76.7	—	74.6	1,225.8
Cash deposits	370.5	5.3	—	—	375.8
Cash	125.0	50.2	25.4	16.0	216.6
Total	1,570.0	132.2	25.4	90.6	1,818.2

Investments and Cash continued

Investment Strategy continued

The only notable change in asset allocation during 2013 was a higher proportion invested in money market funds and short-dated debt securities and a move away from cash deposits compared to 2012.

Money market funds and short-dated debt securities comprise the majority of the total; 77% at 31 December 2013, up from 67% at 31 December 2012.

Investment and interest income in 2013 was £14.3 million, down 10% on 2012 (£15.9 million). The reduction was due to the rate of return being slightly lower at 0.7% than in 2012 (0.9%).

The Group continues to generate substantial amounts of cash, and its capital-efficient business model enables the distribution of the majority of post-tax profits as dividends.

	2011 £m	2012 £m	**2013 £m**
Operating cash flow, before transfers to investments	779.1	742.0	**616.8**
Transfers to financial investments	(493.9)	(441.9)	**(295.3)**
Operating cash flow	285.2	300.1	**321.5**
Tax and interest payments	(95.3)	(79.7)	**(88.5)**
Investing cash flows (capital expenditure)	(13.2)	(10.9)	**(10.1)**
Financing cash flows (largely dividends)	(197.8)	(214.8)	**(250.3)**
Foreign currency translation impact	(1.0)	(2.7)	**(1.3)**
Net cash movement	(22.1)	(8.0)	**(28.7)**
Net increase in cash and financial investments	473.8	434.5	**266.6**

The main items contributing to the significant operating cash inflow are as follows:

	2011 £m	2012 £m	**2013 £m**
Profit after tax	221.3	258.4	**286.9**
Change in net insurance liabilities	244.3	200.0	**186.2**
Net change in trade receivables and liabilities	203.7	163.0	**22.3**
Non-cash income statement items	32.0	34.4	**38.1**
Tax and net interest expense	77.8	86.2	**83.3**
Operating cash flow, before transfers to investments	779.1	742.0	**616.8**

The key features to note are:

> Total cash plus investments increased by £267 million or 15% (2012: £435 million; 31%), the lower rate of growth resulted from lower growth in the UK business; somewhat offset by higher growth internationally

> The net change in actual cash balances was small, as funds were transferred into investments

"The Group continues to generate substantial amounts of cash, and its capital efficient business model enables the distribution of the majority of post-tax profits as dividends."

Capital Structure and Financial Position

Admiral's capital-efficient and profitable business model led to return on capital employed of 58% (2012: 60%). A key feature of the business model is the extensive use of co- and reinsurance across the Group. During 2013 and in early 2014 Admiral announced extensions to its UK co- and reinsurance arrangements with capacity fully allocated until at least the end of 2016 and Munich Re committed to underwriting 40% until at least the end of 2018. Similar long term arrangements are in place in the Group's international insurance operations and UK Household business.

The Group continues to manage its capital to ensure that all entities within the Group are able to continue as going concerns and also to ensure that regulated entities comfortably meet regulatory capital requirements. Surplus capital within subsidiaries is paid up to the Group holding Company in the form of dividends on a regular basis. Capital continues to be held in equity form, with no debt.

The majority of the Group's capital requirement is derived from its European insurance operations, Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL). The minimum capital requirements and surplus position at the end of 2013 for those companies, along with the overall Group position were as follows:

	AIGL £m	AICL £m	Group £m
Net assets less goodwill	167	73	453
Minimum capital requirement	74	27	120
Surplus over minimum requirement	**93**	**46**	**333**
Total regulatory capital requirement			283
Surplus over regulatory capital requirement*1			**170**

*1 Before accounting for the 2013 final dividend of £139.6 million.

The Directors note that during 2013 further guidance was issued on implementing the Solvency II regulatory regime in the EU. In September 2013 guidelines were issued for the preparatory phase leading to full introduction, assuming an effective date of 1 January 2016. Solvency II aims to provide an EU-wide set of capital requirement and risk management standards. Key themes include risk based capital, market consistent balance sheets and Own Risk and Solvency Assessments (ORSA). As previously noted, the Directors do not believe, based on guidance issued to date, that there will be a material change in the level of the Group's capital surplus under the new regime. The Group continues, and remains on track with its Solvency II implementation plan to ensure compliance with the full requirements and preparatory guidelines.

Taxation

The tax charge reported in the income statement is £83.3 million (2012: £86.2 million), which equates to 22.5% (2012: 25.0%) of profit before tax. The lower average rate of taxation compared to 2012 predominantly results from reductions in the rate of UK corporation tax in 2012 and 2013. The average rate of UK corporation tax in 2013 was 23.25% (2012: 24.5%). The average rate will fall to 21.5% in 2014 and 20.25% in 2015.

The Group's results are presented in three segments – UK Car Insurance, International Car Insurance and Price Comparison. Other Group Items are summarised in a fourth section.

"During 2013 and in early 2014 Admiral announced extensions to its UK co- and reinsurance arrangements with capacity fully allocated until at least the end of 2016 and Munich Re committed to underwriting 40% until at least the end of 2018."

THE GROUP'S CORE BUSINESS

UK Car Insurance Business

- The Group's core business is selling and underwriting private car insurance in the UK through four brands – Admiral, Bell, Diamond and elephant.co.uk
- Policies are distributed through Price Comparison websites and direct channels (Admiral's own websites and the telephone)
- Admiral accounts for around 11% of the UK private car insurance market in vehicle terms, insuring over three million cars at the end of 2013. Total UK premium in 2013 was £1.6 billion
- Admiral's main operations are in Cardiff, Swansea and Newport in South Wales; customers are also serviced from Halifax, Canada, and Bangalore and Delhi in India

UK Car Insurance Strategy

The strategy for Admiral's UK business is unchanged and remains simple:

- The Group aims to grow profitably its share of the UK private motor insurance market whilst maintaining a capital-efficient structure
- At the same time, Admiral endeavours always to give excellent service to customers, whilst providing a positive environment in which staff can work and develop

The Customer, The Customer, The Customer

- Admiral insures over three million UK private cars
- 91% of customers who have submitted a claim would renew with Admiral, based on their claims experience (2012: 90%)
- Winner of Best Motor Insurance Provider in the 2013 Personal Finance Awards based on consumer votes, demonstrating that the Admiral brand is valued highly by consumers
- Features of insurance and additional products and services are reviewed frequently to ensure that they meet customer needs and offer effective cover at a reasonable price
- During 2013, Admiral reviewed its internal processes with a view to improving the customer experience. A revised framework was implemented for the monitoring and reporting of conduct issues, covering, amongst other things, call answer rates, complaint handling and product features
- Admiral has a Customer Contact Strategy (CCS) team to further improve customer service. By improving customer communications and introducing new feedback channels like online polls and live chats, Admiral will track customer satisfaction throughout the different stages of their policy lifetime

A GREAT Place to Work!

- 88% of staff are happy at Admiral, according to the 2013 anonymous Staff Survey (2012: 91%)
- 2nd Best Big Company to Work For 2014, Sunday Times Best Companies to Work For
- 2nd Best Large Workplace in the UK, Great Place to Work Institute
- Admiral's UK contact centre in Halifax, Nova Scotia, won 8th Best Workplace in Canada, Great Place to Work Institute

Risk Aversion

- Underwriting arrangements extended with Munich Re until the end of 2018 and panel of reinsurers until the end of 2016
- The Group has a conservative reserving policy, aiming to initially set reserves which include a prudent margin over actuarially determined best estimates
- Investment portfolio continues to be low risk

Profit Focus

- Profit before tax increased 6% to £393.9 million (2012: £372.8 million)
- Consistent outperformance compared to market in underwriting profitability
- Combined ratio improved in 2013 to 81% from 89%
- Profit generated from other products and services of £173 million

> *"The market's marked cyclicality, with its yo-yo pricing, makes for more of a white knuckle ride for investors in car insurance than in most sectors."*

UK Car Insurance Review

David Stevens, CBE
Chief Operating Officer

A little over a decade ago, the UK's first car insurance price comparison site, Confused.com, was launched. The repercussions for the car insurance industry as a whole have been profound – disturbing the established order as dramatically as the "direct" revolution initiated by Direct Line 15 years earlier.

Admiral, with its low expense ratio and higher quality of risk selection, grew and prospered. In the years Prior to Price Comparison (PPC), the marginal media cost of exposing your prices to an extra motorist was way above the average media cost. But in the PC world, the marginal cost is the same as the average cost, and that allowed us to grow from 2% to 11% of the UK market, while still maintaining a great expense ratio. To do so required rate structures good enough to withstand the merciless scrutiny of near total price transparency. So, as well as offering customers an unbeatable combination of convenience and cost effectiveness, price comparison sites also helped Admiral to grow rapidly.

However, that "merciless price transparency" has had the less fortunate side effect of exacerbating the cyclicality of the market. The energetic shopping of the UK customer and the dominance of price comparison as a method of distribution mean that uncompetitive insurers not only write little or no new business, but also see their existing customers desert them en masse. Deviation from collective behaviour on prices means extreme feast or famine, depending on the direction of deviation. This encourages the homogeneity in pricing moves and the herd-like shifts, upwards or downwards, that characterise cyclical markets.

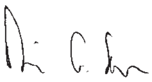
Threatened with dramatic shrinkage, along with the redundancies and office closures that go with it, many insurers at the end of the last decade waited far too long to raise prices in the face of record high combined ratios and then, with 40% plus price increases in 2010–11, increased them excessively. The subsequent overshoot on rates was then corrected in a stampede in the opposite direction, with new business rates down around 26% over the last two years.

Admiral tries to mitigate the effects of this heightened cyclicality, both for its customers and its investors. In the great inflation of 2010–11 our increases lagged the market and we declined to participate in others' large scale withdrawal from higher risk segments. As a result, we grew by nearly 60% in the two years – and quite rightly. It's now clear that the business written at the time was very profitable. Conversely, as prices have fallen, we've lagged the market and reduced our share of new business volumes, particularly in the higher premium segments, currently (temporarily?) attractive to some of our competitors.

Meanwhile, our investors benefit from our conservative approach to reserving. This means that profits earned are, to a large extent, not recognised immediately, but rather spread over a number of subsequent years. A large proportion of car insurance claims costs relate to bigger bodily injury claims whose final cost can be impossible to predict accurately in the year they occur – so delaying recognition until there is a high degree of certainty makes sense. This is particularly appropriate for a company like Admiral which pays out the majority of profits as dividends. This policy means that attractive profits earned in cyclically profitable times are only fully reflected in subsequent years – typically during cyclically less profitable times.

This conservative policy means that reserve releases have been a long term feature of Admiral's results. This year our releases account for 14% of profits and equate to 13% of premium earned. Bizarrely, some commentators discount the value of reserve releases as somehow generating lower quality profits. I say "bizarrely" for two reasons. First, to my mind, underwriting profits derived from releases on older, more developed, more predictable years cannot be lower quality than underwriting profits reported on current, undeveloped, years. Second, in Admiral's case, profits from reserve releases can't be considered "one-off" – we have released reserves every year since our flotation in 2004, at an average of 12% of premium earned.

The market's marked cyclicality, with its yo-yo pricing, makes for more of a white knuckle ride for investors in car insurance than in most sectors. Happily, for Admiral, relatively reduced profit volatility is both a welcome side effect of our justified caution in only recognising underwriting profits with some delay and an equally welcome outcome of our consciously counter-cyclical growth strategy.



David Stevens
Chief Operating Officer
4 March 2014

Non-GAAP[*1] Format Income Statement

	2011 £m	2012 £m	2013 £m
Turnover[*2]	1,966.0	1,936.2	1,698.9
Total premiums written[*3]	1,728.8	1,748.7	1,553.0
Net insurance premium revenue	418.6	455.6	425.1
Investment income	10.6	13.9	12.4
Net insurance claims	(335.5)	(355.1)	(251.3)
Net insurance expenses	(46.7)	(50.0)	(52.1)
Underwriting profit	47.0	64.4	134.1
Profit commission	61.8	108.4	99.3
Underwriting profit plus profit commission	108.8	172.8	233.4
Net other income	181.5	170.9	136.8
Instalment income	23.3	29.1	23.7
UK Car Insurance profit before tax	313.6	372.8	393.9

*1 GAAP – Generally Accepted Accounting Practice.
*2 Turnover (a non-GAAP measure) comprises total premiums written and Other revenue. Refer to note 12 for a reconciliation to financial statement line items.
*3 Total premiums written (non-GAAP) includes premium underwritten by co-insurers.

Split of Underwriting Profit

	2011 £m	2012 £m	2013 £m
Motor	47.0	59.6	121.8
Additional products	—	4.8	12.3
Underwriting profit	47.0	64.4	134.1

Key Performance Indicators

	2011	2012	2013
Reported motor loss ratio[*1]	77.9%	76.4%	68.0%
Reported motor expense ratio[*2]	14.0%	13.6%	15.0%
Reported motor combined ratio	91.9%	90.0%	83.0%
Written basis motor expense ratio	13.2%	13.0%	14.5%
Reported total combined ratio[*3]	91.9%	89.1%	81.0%
Claims reserve releases – original net share[*4]	£7.8m	£16.3m	£53.3m
Claims reserve releases – commuted reinsurance[*5]	£2.5m	£1.3m	£40.9m
Total claims reserve releases	£10.3m	£17.6m	£94.2m
Vehicles insured at year end	2.97m	3.02m	3.02m
Other revenue per vehicle	£84	£79	£67

*1 Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts. Reconciliation in note 12b.
*2 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs. Reconciliation in note 12b.
*3 Reported total combined ratio includes additional products underwritten by Admiral.
*4 Original net share shows reserve releases on the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.
*5 Commuted reinsurance shows releases on the proportion of the account that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported through underwriting and not profit commission.

“

Profit from UK Car Insurance increased 6% to £393.9 million (2012: £372.8 million). Profit from underwriting and profit commission increased 35% to 233.4 million (2012: £172.8 million), resulting largely from an improved combined ratio.”

UK Car Insurance – Co-insurance and Reinsurance

Admiral (in the UK and internationally) makes significant use of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts. These arrangements include profit commission terms which allow Admiral to retain a significant portion of the profit generated.

The two principal advantages of the arrangements are:

- Capital efficiency: the majority of the capital supporting the underwriting is held outside the Group. As Admiral is typically able to retain much of the profit generated via profit commission the return on Group capital is higher than in an insurance company with a standard business model
- Risk mitigation: co- and reinsurers bear their proportional shares of claims expenses and hence provide protection should results worsen substantially

Arrangements for 2013 to 2016

In early 2014 the Group was pleased to announce extensions to its arrangements such that capacity is fully placed until the end of 2016. The underwriting splits can be summarised as follows:

	2013	2014	2015	2016
Admiral	25.00%	25.00%	25.00%	25.00%
Great Lakes (Munich Re)	40.00%	40.00%	40.00%	40.00%
New Re	13.25%	13.25%	12.25%	12.25%
Hannover Re	8.75%	8.75%	8.75%	8.75%
Swiss Re	7.50%	9.00%	9.00%	9.00%
Mapfre Re	3.00%	4.00%	5.00%	5.00%
XL Re	2.50%	—	—	—
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

The proportion underwritten by Great Lakes (a UK subsidiary of Munich Re) is on a co-insurance basis, such that 40% of all motor premium and claims for the 2013 year accrues directly to Great Lakes and does not appear in the Group's income statement. Similarly, Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering the motor business.

Great Lakes will underwrite 40% of the UK business until at least the end of 2018. Admiral has agreed to retain at least 25% for the duration, whilst the allocation of the balance is at Admiral's discretion.

All other agreements are quota share reinsurance.

Admiral has options to commute quota share reinsurance contracts and typically does so after two or three years of an underwriting year's development when there is a reasonably certain view on the year's outcome. There is little or no impact on profit or the timing of profit recognition from commutation.

After commutation, movements in booked loss ratios result in reduced or increased net claims costs (and not profit commission).

At 31 December 2013, all material UK quota share reinsurance contracts for underwriting years up to and including 2010 have been commuted. For the 2011 year, of the original 32.5% of the business that was reinsured, contracts covering 27.5% of the business have been commuted. All reinsurance for the 2012 and 2013 years remain in effect.

Co-insurance and reinsurance arrangements expose Admiral to two key risks:

- The risk of reduced availability of co-insurance and reinsurance arrangements
- Credit risk of significant counterparties through default of a reinsurer

Details of the potential impact and mitigating factors the Group has in place are available on page 34.

The European and USA arrangements are explained in the International Car Insurance section on pages 26 to 29 and the UK Household arrangements are explained in the Other Group Items section on page 33.

UK Car Insurance Financial Performance

As noted in the Group's interim 2013 results, after significant rate increases in 2010 and 2011, the UK Car Insurance market is now in its second year of being more price competitive. Admiral's UK business has maintained a stable vehicle count and has focused on margin rather than seeking to grow market share.

Profit

Profit from UK Car Insurance increased 6% to £393.9 million (2012: £372.8 million). Profit from underwriting and profit commission increased 35% to £233.4 million (2012: £172.8 million) resulting largely from an improved combined ratio. The combined ratio improvement was largely due to higher reserve releases that resulted from positive claims development. The increase in profit from underwriting and profit commission was offset by a 20% reduction in net other income and instalment income to £160.5 million (2012: £200.0 million).

Turnover and Premiums

UK turnover of £1,698.9 million decreased by 12% (2012: £1,936.2 million) primarily due to reductions in average premiums which led to an 11% reduction in total premiums written to £1,553.0 million (2012: £1,748.7 million). The closing vehicle count was stable at 3.02 million (2012: 3.02 million). Average written premium for the year was around £505, down 13% on 2012 (2012: £580). The reduction in average premium was largely a result of rate cuts of around 10% (year-on-year) on average across new business and renewal business combined with portfolio mix changes.

Underwriting Result and Profit Commission

The UK Car Insurance motor combined ratio improved by around seven percentage points in 2013 as follows:

UK Car Insurance motor combined ratio	2012	2013
Loss ratio excluding reserve releases from original net share and commuted reinsurance	80.1%	**81.2%**
Reserve releases – original net share*1	3.7%	**13.2%**
Loss ratio net of releases – original net share*1	76.4%	**68.0%**
Expense ratio	13.6%	**15.0%**
Combined ratio – original net share*1	90.0%	**83.0%**

*1 Ratios calculated on original net share use the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.

There was an improvement in the reported motor combined ratio, which reduced to 83.0% (2012: 90.0%) (both figures exclude the impact of reserve releases from commuted reinsurance contracts). The improvement was driven by a reduction in the reported loss ratio to 68.0% (2012: 76.4%), which was due to materially higher reserve releases (£53.3 million v £16.3 million). These higher releases were possible due to the positive claims experience during 2012 and 2013 which resulted in improvements in the projected ultimate loss ratios, especially for the 2010 to 2012 underwriting years.

Excluding reserve releases, the loss ratio increased slightly to 81.2% (2012: 80.1%), largely due to the impact of falling premiums.

Claims Reserving

Admiral's reserving policy (both within the claims function and in the financial statements) is initially to reserve conservatively, above internal and independent projections of ultimate loss ratios. This is designed to create a margin held in reserves to allow for unforeseen adverse development in open claims and typically results in Admiral making above industry average reserve releases. Admiral's booked claims reserves continue to include a significant margin above projected best estimates of ultimate claims costs.

As profit commission income is recognised in the income statement in line with loss ratios accounted for on Admiral's own claims reserves, the reserving policy also results in profit commission income being deferred and released over time.

The earned motor expense ratio increased to 15.0% from 13.6% due to the reduction in average written premium. The reduction in average written premiums was also the main reason the written basis expense ratio increased to 14.5% from 13.0%.

The projected ultimate loss ratio for Admiral for the 2013 accident year is 71%, in line with 2012. During 2013, falling premiums were offset by a reduction in claims costs.

The projected ultimate combined ratio (ultimate loss ratio plus written expense ratio) for Admiral for the 2013 accident year is 85% compared to 84% for 2012, resulting from an increased expense ratio. The reported combined ratio for the whole UK market (excluding Admiral) for 2012, excluding reserve releases was 108%.

Profit Commission

Admiral is potentially able to earn material amounts of profit commission revenue from co- and reinsurance partners, depending on the profitability of the business. Revenue is recognised in the income statement in line with the booked loss ratios on Admiral's retained underwriting.

In 2013 Admiral recognised profit commission revenue of £99.3 million (2012: £108.4 million) and reserve releases from business that was originally ceded under quota share reinsurance contracts that have since been commuted of £40.9 million (2012: £1.3 million). Total income from both of the above therefore increased by 28% to £140.2 million (2012: £109.7 million) due to improvements in prior year claims costs and the earning of the 2012 underwriting year. Note 5c to the financial statements analyses profit commission income by underwriting year.

When a quota share reinsurance contract is commuted (typically after two or three years from the start of an underwriting year), further improvement or deterioration in claims costs are reported within net claims. If the contracts were not commuted, the movement would be reported in profit commission.

Total profit from car insurance underwriting of £121.8 million and profit commission of £99.3 million increased significantly, by 32% to £221.1 million from £168.0 million in 2012.

Other Revenue

Admiral generates Other revenue from a portfolio of insurance products that complement the core car insurance product, and also fees generated over the life of the policy.

The most material contributors to net Other revenue are:

- Profit earned from motor policy upgrade products underwritten by Admiral, including breakdown, car hire and personal injury covers
- Profit from other insurance products, not underwritten by Admiral
- Vehicle Commission (see page 25)
- Fees – administration fees and referral income (see page 25)
- Instalment income – interest charged to customers paying for cover in instalments

Other revenue (net of costs and including contribution from additional products underwritten by Admiral) decreased by 16% to £172.8 million (2012: £204.8 million). This was equivalent to £67 per vehicle (gross of costs) – down from £79 at the end of 2012.

The £12 reduction in Other revenue per vehicle from full year 2012 to full year 2013 was due to changing accounting recognition and treatment (£6) and true economic changes (£6) as follows:

Changing accounting recognition and treatment

- Change to accounting recognition and treatment of Motor Legal Expenses Insurance (MLEI) and vehicle commission (£6), where profit has been reallocated from Other revenue to Underwriting

True economic changes

- Reduction in income earned from personal injury referral fees (£4)
- Reduction in instalment income reflecting lower average premiums (£2)

UK Car Insurance Other revenue – Analysis of Contribution

	2011 £m	2012 £m	2013 £m
Contribution from additional products and fees	213.9	205.2	170.4
Contribution from additional products underwritten by Admiral*1	—	4.8	12.3
Instalment income	23.3	29.1	23.7
Other revenue	237.2	239.1	206.4
Internal costs	(32.4)	(34.3)	(33.6)
Net other revenue	204.8	204.8	172.8
Other revenue per vehicle*2	£84	£79	£67

*1 Included in underwriting profit in income statement but re-allocated to Other revenue for purpose of KPIs.
*2 Other revenue (before internal costs) divided by average active vehicles, rolling 12 month basis.

Motor Legal Expenses Insurance (MLEI) and Vehicle Commission

As reported in the 2012 Annual Report, with effect from 1 April 2012, Admiral no longer earns Other revenue from the sale of MLEI. In addition, the Group began charging its panel of co- and reinsurers a vehicle commission. Admiral's car insurance policies continue to include MLEI as an integral feature and there has been no impact on customers in the level of cover or cost of policies as a result of this change. The overall net economic impact of these two changes is not significant although there are differences in the timing of revenue recognition.

During 2013 the intra-group element of vehicle commission totalling £18.4 million was eliminated (from the insurance expenses and Other revenue lines in the income statement). This reduced Other revenue per vehicle by approximately £6 during 2013. There is no profit impact of the elimination as profit is reallocated from Other revenue to Underwriting. Further details are provided in note 4b.

Referral Fees

As reported in the 2012 Annual Report, personal injury referral fees were banned with effect from 1 April 2013. The ban reduced Admiral's Other revenue per vehicle by £4 per vehicle during 2013. Admiral expects this reduction in revenue will be offset by reductions in claims costs.

Admiral notes that in December 2013 the UK Competition Commission released its provisional findings on its review of the Car Insurance market. Admiral welcomes action aimed at curbing the compensation culture that currently exists in the UK motor insurance market. A potential outcome of the review is regulatory change resulting in a reduction or elimination of credit hire referral fees and a reduction in associated claims costs. Admiral expects any such reduction in revenue from credit hire referral fees would be offset by reductions in claims costs. In 2013, Admiral earned £14 million in credit hire referral fees.

Admiral Law and BDE Law

During H1 2013, Admiral entered into two joint ventures with law firms Lyons Davidson and Cordner Lewis to form Admiral Law and BDE Law. Both ventures were granted alternative business structure (ABS) licenses by the Solicitors' Regulation Authority (SRA).

Bringing the provision of legal services into the Group will allow Admiral to administer a claim throughout the process and offer a materially better quality of service. New and proposed reforms to the handling of bodily injury claims mean that the businesses are not expected to make a material contribution to Group profits in the foreseeable future.

Additional Products Underwritten by Admiral

There are a number of products which are core to providing car insurance to customers (including personal injury insurance, breakdown cover and car hire cover). During the second half of 2012 Admiral began to underwrite the majority of these within the Group (they were previously underwritten by external insurers). The advantages of doing this include improved products for customers and increased control and flexibility with regards to their features and terms.

Contribution from these products underwritten by Admiral during 2013 was £12.3 million and this is included in underwriting profit in the income statement, but reallocated to Other revenue for the purpose of management key performance indicators.

Instalment Income

Instalment income is interest charged to customers paying for their insurance in instalments. During 2013 Admiral earned £23.7 million from instalment income, down 19% on the prior period (2012: £29.1 million). This reduced Admiral's Other revenue per vehicle by around £2 compared to the end of 2012. Instalment charges are calculated as a percentage of premium and therefore a reduction in average premium leads to a reduction in instalment income.

Regulatory Environment

The UK Car Insurance business operates predominantly under the regulation of the UK Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA), and through a Gibraltar-based insurance company, under the Financial Services Commission (FSC) in that territory.

The FCA and PRA regulate the Group's UK registered subsidiaries including EUI Limited (an insurance intermediary) and Admiral Insurance Company Limited (AICL; an insurer), whilst the FSC regulates Admiral Insurance (Gibraltar) Limited (AIGL; also an insurer).

All three companies are required to maintain capital at levels prescribed by their regulator, and all three maintain surpluses above those required levels at all times.

INVESTING TO BUILD PROFITABLE, SUSTAINABLE AND GROWING BUSINESSES

International Car Insurance Business
The Group has four direct car insurance businesses operating outside the UK:

> Admiral Seguros (Seville, Spain): the most mature of the Group's international businesses, having traded since October 2006. The business trades via two brands – Balumba and Qualitas Auto
> ConTe (Rome, Italy): launched in May 2008, ConTe is the largest of the non-UK insurers within the Group
> Elephant Auto (Richmond, Virginia, USA): launched in October 2009 and provides car insurance in four US states (Virginia, Maryland, Illinois and Texas) with a market size greater than the UK
> L'olivier Assurances (Paris, France): the Group's youngest (and smallest) international insurance business, launched in December 2010

International Car Insurance Strategy
An important element of Group strategy is to exploit the knowledge, skills and resources attached to Admiral's established UK businesses to promote expansion overseas in private car insurance. Admiral's objective is to create profitable, sustainable and growing businesses, aiming where possible to minimise any negative financial impact on the Group.

Admiral initially identified five markets into which expansion was desirable (based on, among other things, the size of the market and the nature of distribution and regulation), and having sold its German insurer AdmiralDirekt in 2011, the Group has an active presence in the remaining four.

The Customer, The Customer, The Customer
> Admiral insures 515,300 customers across its Spanish, Italian, American and French operations
> The Group's international businesses continue to take advantage of the experience gained by Admiral within the UK, including customer feedback received by the established UK businesses, to provide a comparable customer experience for overseas customers

A GREAT Place to Work!
> Admiral Group won 2nd Best Multinational Workplace in Europe, Great Place to Work Institute
> Admiral Seguros (Balumba and Qualitas Auto) won 5th Best Workplace in Spain, Great Place to Work Institute
> ConTe was named 11th Best Workplace in Italy, Great Place to Work Institute
> Elephant Auto placed as 18th Best Large Employer in Virginia, USA, Best Companies Group

Risk Aversion
> The Group utilises co- and reinsurance and typically retains the risk on around one third of premiums written
> Admiral employs a test and learn approach to expansion taking small and inexpensive steps to test different approaches and identify the best way forward

Profit Focus
> The Group is investing to build four profitable, growing and sustainable insurance businesses. Although they remain loss making, as should be expected at this stage in their development.
> Total losses from international insurance businesses in 2013 were £22.1 million, 6% of Group profit before tax

Spain – Cristina Nestares
CEO, Admiral Seguros
The Spanish market has enjoyed over 10 years of profitability, and 2013 was probably no different. The market combined ratio in 2012 (including ancillaries) was 97%, (up 1 percentage point on 2011), reflecting loss ratios remaining relatively flat and expense ratios increasing a little with a fall in average premiums. That said, the effects of the challenging economic backdrop are being felt: gross written premium (GWP) shrank 6%, and media spend is falling with competitors paying more attention to retention rather than attracting new business. Pricing remains highly competitive; premiums have now fallen 19% since 2008.

Admiral Seguros has had a strong year of growth. Despite the difficult market conditions noted above we grew turnover by nearly 25%. During the year we successfully launched a new brand, Qualitas Auto, which grew quickly in awareness propelled by a TV campaign starring Pierce Brosnan. If economic conditions improve in Spain we would expect to see more serious growth from Admiral Seguros; however, we will be patient and not accelerate growth in difficult market conditions.

"

Admiral's objective is to create profitable, sustainable and growing businesses. In 2012, Admiral's international insurance businesses continued to grow, adding over 79,000 customers and ending the year 18% larger than in 2012."

Italy – Milena Mondini
CEO, ConTe

2013 was dominated by the reactions to the market's 2012 92% combined ratio, an improvement of 9 percentage points on 2011. After five consecutive years of price increases coupled with a large stock of reserves, prices unsurprisingly fell, by c.5% in the first three quarters, but this was not coupled with a reversion of the insurance cycle. In fact, there was a minor decrease in the loss ratio at the end of the first half caused by a 3% reduction in claim frequency due to the ongoing financial crisis reducing car usage and fuel consumption.

Although the difficult economic climate has resulted in a reduction in the total number of vehicles insured in Italy, it has perhaps also encouraged people to shop for their car insurance, (the percentage has almost tripled since our 2008 launch), supported by the abolition of automatic renewals. Distribution through the internet keeps growing steadily and price comparison websites, four of which are now advertising on TV, are becoming an integral part of the buying process.

After five consecutive years of growth, 2013 was a year of consolidation for ConTe. Turnover grew £4 million and the number of customers grew by 14,000. The main driver of this consolidation was the aforementioned reduction of prices, and therefore margins, in the market. But the timing of this was good for ConTe, as the organisation was able to step back, review processes, implement better IT, give more training to staff and generally improve the quality of the operation. However, if prices in the market continue to decline it implies limited growth for ConTe in 2014. Patience, is once again, a key word.

USA – Kevin Chidwick
CEO, Elephant Auto

The US car insurance market is the largest in the world, representing 200 million vehicles and $170 billion of premium. Roughly a quarter of the USA market is direct, and this is growing, with record media spend encouraging consumers to shop around for their quotes. What is perhaps surprising is that European-style price comparison has not yet established in the USA, and in the meantime the direct writers are engaged in a fierce media battle for customers.

In terms of pricing and claims inflation, the USA car insurance market is much less volatile than the UK. The nature of USA car insurance claims are two thirds car repairs and only one third bodily injury, the opposite of the UK market. As at March 2014, overall market numbers are not yet available for 2013, but claims inflation remains very benign and premium inflation has followed suit. So overall profitability for the market remains relatively stable with a combined ratio, including investment income, in the high 90%'s.

Elephant Auto gained good momentum in 2013. Elephant Auto trades in four states: Virginia, Maryland, Illinois and Texas. Combined, there are some 34 million vehicles, about 25% more than the entire UK market, in just these four states. Elephant's customer numbers grew by 34% and in Texas this figure was 41%. This growth was achieved at what, for the USA market, was a reasonable cost. However, that cost is still high relative to other markets Admiral trades in. The USA market presents a huge challenge to the Group, but it is also a huge potential prize. Clearly creating a valuable franchise in the USA will take, yes, you may have guessed it: patience.

France – Christophe Sanchez
CEO, L'olivier Assurances

The French motor market was one of the few European markets where premiums grew in 2013. Despite frequency improvements, the industry combined ratio increased by 4 percentage points to 105% on the back of increasing bodily injury claims costs. We expect this trend to continue increasing pressure on claims costs and on the market's combined ratio in 2014. Customer switching is an accelerating trend with the expansion of the price comparison market and ongoing investment by LesFurets and Admiral's LeLynx. Additionally, there are regulatory changes in discussion that will substantially simplify switching insurers for consumers.

L'olivier Assurances, our French operation, had a busy year of growth in 2013. We no longer know all our customers by first name. But 2014 promises to be even busier, as we in-source operations and build an IT system with which to service our customers. For these reasons we don't expect much growth in France in 2014 but we are building a platform from which we can expand in the future. The Hamon Law, passed by the Senate, should go into effect later in 2014 and this will remove many of the physical barriers consumers currently face when trying to change car insurers. However, we do not think this law will lead to revolution and a huge shift in distribution but, rather, evolution and the beginning of a continual change in consumer behaviour.

Non-GAAP Format Income Statement

	2011 £m	2012 £m	**2013 £m**
Turnover	122.1	162.9	**187.8**
Total premiums written	112.5	148.5	**168.3**
Net insurance premium revenue	27.2	43.3	**54.1**
Investment income	0.2	0.1	**—**
Net insurance claims	(28.3)	(49.4)	**(49.1)**
Net insurance expenses	(16.2)	(27.4)	**(32.9)**
Underwriting result	(17.1)	(33.4)	**(27.9)**
Net other income	8.0	8.9	**5.8**
Other revenue and charges	(0.4)	—	**—**
International Car Insurance result	(9.5)	(24.5)	**(22.1)**

Note – Pre-launch costs excluded

Key Performance Indicators

	2011	2012	**2013**
Reported loss ratio	104%	114%	**91%**
Reported expense ratio	60%	63%	**61%**
Reported combined ratio*1	164%	177%	**152%**
Reported combined ratio, net of Other revenue*2	134%	157%	**141%**
Vehicles insured at period-end	306,000	436,000	**515,300**

*1 Reported combined ratio is calculated on Admiral's net share of premiums and excludes Other revenue.

*2 Reported combined ratio, net of Other revenue is calculated on Admiral's net share of premiums and includes Other revenue.

Geographical Analysis

	Spain	Italy	France	USA	**Total**
2013					
Vehicles insured at period end	**136,500**	**279,900**	**28,600**	**70,300**	**515,300**
Turnover (£m)*1	**40.6**	**93.4**	**13.0**	**40.8**	**187.8**
2012					
Vehicles insured at period end	104,300	265,800	13,450	52,450	436,000
Turnover (£m)*1	32.8	89.6	6.4	30.4	159.2

*1 Turnover includes total premium written and income generated by the sale of additional products and services and fees. In 2012 £3.7 million of turnover from Admiral Direkt is included to bring the total to £162.9 million.

International Car Insurance Co-insurance and Reinsurance

As noted earlier, Admiral makes significant use of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts.

For the 2013 year Admiral retained 35% (Italy), 30% (France and Spain) and 33% (USA) of the underwriting risk respectively.

The arrangements for 2014 will remain the same, other than in Italy, where Munich Re will retain 40% of the risk, down from 65% in 2013, and Swiss Re will reinsure the remaining 25%.

All contracts are subject to certain caps on the reinsurers' exposures and all contracts have profit commission terms that allow Admiral to receive a proportion of the profit earned on the underwriting once the business reaches cumulative profitability. The contracts include proportional sharing of Other revenue.

International Car Insurance Financial Performance

Admiral's international insurance businesses (in aggregate and individually) continued to grow, adding over 79,000 customers and ending 2013 18% larger than a year earlier. Turnover grew 15% to £187.8 million (2012: £162.9 million). Vehicles and turnover from these businesses represent 14% and 9% of the Group totals respectively, up from 12% and 7% in 2012.

Improved prior year claims development in the more mature operations, led to a lower combined ratio, which decreased from 177% to 152%. This improvement in conjunction with higher net insurance premium revenue led to a lower loss, of £22.1 million in 2013, down from £24.5 million in 2012. The lower combined ratio was a result of a 23 percentage point improvement in the loss ratio to 91% (2012: 114%) whilst the expense ratio improved by 2 percentage points to 61% (2012: 63%). The expense ratio is high in comparison to Admiral's UK business because all of the international operations need to grow to achieve economies of scale. In addition, there are market specific reasons why the expense ratios are higher, for example high acquisition costs in the USA.

As the Group's international insurance operations grow, it is expected that they will make losses until appropriate scale has been achieved. The Group is satisfied with the progress each business continues to make towards the goal of becoming a sustainable, growing, profitable operation.

Admiral Seguros (Spain) was launched in 2006 and is the oldest of Admiral's international operations. During the first half of the year, Admiral Seguros launched a second brand (Qualitas Auto) to complement its original Balumba brand. The business insured 136,500 customers at the end of 2013, 30% more than a year earlier.

The Group's largest international operation is ConTe in Italy which had 279,900 vehicles at the end of 2013, up 5% year-on-year. ConTe was launched in 2008 and has benefited from a period of generally favourable market conditions which has recently come to an end. ConTe is focused on improving underwriting margin and during 2013 ConTe's claims experience was significantly better than in prior years.

Admiral's youngest and smallest international insurance business is L'olivier Assurances, launched in 2010 in France. L'olivier insured 28,600 vehicles at the end of 2013, up over 125% on a year earlier. L'olivier was initially established with a different start-up model to Admiral's other operations, with certain functions outsourced to keep expenses low in the initial phases of development. During 2014 L'olivier will bring a number of these functions in-house, therefore, management focus on vehicle count growth is expected to be lower.

The consolidated result of Admiral's insurance operations in Spain, Italy and France was a loss of £11.7 million, the same as 2012. The combined ratio*1 improved to 138% from 155% primarily due to improved claims experience.

In the USA, Admiral operates in four states (Virginia, Maryland, Illinois and Texas) through its Elephant Auto business, which launched in 2009. At the end of 2013, Elephant Auto insured over 70,000 vehicles, up around 34% year-on-year. Elephant Auto's expense ratio is currently high as the business is spending significant amounts on advertising to develop the Elephant Auto brand and grow the portfolio. Elephant Auto's written combined ratio*1 improved from 175% in 2012 to 152% in 2013 primarily resulting from an improved expense ratio due to vehicle count growth.

*1 European combined ratio is calculated on the earned basis, and Elephant Auto combined ratio is calculated on the written basis due to market claims patterns. Both combined ratios are calculated on 100% of underwritten premium (including co- and reinsurer's share) and include the results from the sale of additional products and services and fees.

Regulatory Environment

Admiral's European insurance operations are subject to the same regulation as the UK Car Insurance business, details of which are summarised on page 25.

The Group's USA insurer, Elephant Insurance Company is regulated by the Virginia State Corporation Commission's Bureau of Insurance. The Company is required to maintain capital at levels prescribed by the regulator, and holds a surplus above these requirements at all times.

TAKING WHAT WE DO WELL, OVERSEAS

UK

Price Comparison

- Confused.com is predominantly an insurance and financial services comparison website
- Operating in the UK, the site allows consumers to compare a range of general insurance and financial services products across price and policy benefits
- Confused.com's income is primarily generated from commissions paid by the product provider on the sale of an insurance policy or financial product
- Confused.com is one of the UK's leading car and home insurance comparison websites

Price Comparison Strategy

- Confused.com's strategy is focused on car insurance comparison and is aimed at making Confused.com the most competitive car insurance price comparison website in the UK market

International

Price Comparison

- At the end of 2013, the Group had three Price Comparison businesses operating outside the UK:
  - In Spain, Rastreator (launched in March 2009) offers comparison on motor, home, motorcycle and life insurance
  - LeLynx in France (launched January 2010) offers comparison on a similar range of products
  - comparenow.com in the USA (launched March 2013) offers comparison on motor insurance

Price Comparison Strategy

- A key part of the Group's overall strategy is to exploit its UK expertise in Price Comparison and export this overseas
- To date Admiral has targeted four markets (Spain, France, Italy and the USA)
- The Group disposed of its Italian operation (Chiarezza.it) in April 2012

Success in achieving the strategy for Price Comparison is measured against a large number of key performance indicators which are common across the UK and international businesses. These include market share, quote volumes, conversion rates, sales volumes, income per sale, revenue per customer and cost per sale. Much of this information is considered to be commercially sensitive and is therefore not disclosed in the Annual Report.

The Customer, The Customer, The Customer

- Quote volumes: Confused.com, 13.6 million (2012: 13.2 million); Rastreator, LeLynx and comparenow.com combined, 5.1 million (2012: 4.3 million)
- 95% of customers would recommend Confused.com to a friend, according to research conducted by Confused.com on 1,335 respondents (September 2013 – January 2014)
- During 2013, Confused.com implemented a revised framework for the monitoring and reporting of conduct issues with a view to improving customer experience

A GREAT Place to Work!

- Rastreator won 4th Best Small Workplace in Spain, Great Place to Work Institute

Risk Aversion

- 25% of Rastreator and 32.2% of comparenow.com are owned by third parties, to share the risk of starting new operations
- Admiral employs a test and learn approach to expansion taking small and inexpensive steps to test different approaches and identify the best way forward

Profit Focus

- Confused.com's profit before tax increased 19% to £21.7 million (2012: £18.2 million)
- Rastreator and LeLynx are both profitable, contributing £2.4 million to Group profit

UK – Martin Coriat
CEO, Confused.com

The UK car insurance price comparison market is one of the, if not the most, mature in Europe, with around 65% of new business sales in the market originating via price comparison. Even though there was a constant stream of rate reductions for car insurance in 2013, which typically will be a brake on consumer shopping, price comparison as a whole actually grew by nearly 10% in the year.

The UK market is characterised by four main players, of which Confused.com is one, and another four or five minor players. There is great competition within this market, as evidenced by the high levels of advertising spend.

Confused.com had a good year in 2013, growing profits by 19% to £21.7 million. This profit growth was down to the success of the "BRIAN the Robot" TV campaign, careful and efficient use of advertising money and a myriad of operational improvements. Even though the competition has increased its advertising spend levels, Confused.com maintained market share. Beyond the comparison of car insurance Confused.com continues to extend its product line, finding success for example, with the comparison of life insurance and credit cards.

During the year the price comparison sector has come under incremental scrutiny from the Financial Conduct Authority (FCA). There is currently a review taking place to examine the true customer benefit of price comparison. The results of this review are expected later this year.

Spain – Elena Betes
CEO, Rastreator

Four and a half years after Rastreator's launch, it is now the leading price comparison website in Spain, with brand recognition of 74%. Price comparison continues to grow in Spain but the rate of growth slowed in 2013 compared to previous years because of lower advertising spend.

Many more customers now shop for car insurance, largely down to the influence of price comparison, than ever before. This is particularly heartening considering there are not large price increases in the market, nor are there large volumes of cars being bought or sold, both of which are typical shopping triggers.

Rastreator is profitable due to the growth in the core business and is now beginning to leverage the good experience consumers have had on the site by extending its search services beyond insurance.

France – Diane Larramendy
CEO, LeLynx

The French car insurance market is poised for change. Price comparison is growing quickly, with quote volumes up over 25% in 2013 from 2012. In the background lies the Hamon Law, which will simplify the current complicated process of changing insurer.

LeLynx was launched four years ago and now enjoys a market-leading position and is a profitable business in its own right. However, there are new entrants into the market that will both stimulate more French consumers to shop but also put pressure on LeLynx for the market leadership position.

USA – Andrew Rose
CEO, comparenow.com

Typically, Americans are good shoppers for most things. However, up until now, they haven't been particularly good shoppers for car insurance. comparenow.com is positioned to change that by bringing European-style price comparison to the world's largest car insurance market. European-style price comparison means the customer can get a price on the website that will be honoured by the insurance company. Until the arrival of comparenow.com, this was not a feature of the USA car insurance market.

comparenow.com's test launch, which began in March 2013, has been followed by a regional advertising campaign in January 2014. Rollout across the US will take place slowly during 2014. Response to the initial TV campaign has exceeded expectations, but it is very early days.

"Admiral employs a test and learn approach to expansion, taking small and inexpensive steps to test different approaches and identify the best way forward."

Price Comparison Financial Performance
Non-GAAP Format Income Statement

	2011 £m	2012 £m	**2013 £m**
Revenue:			
Car insurance price comparison	72.2	82.5	**87.2**
Other	18.2	21.0	**25.5**
Total revenue	90.4	103.5	**112.7**
Operating expenses	(79.9)	(85.5)	**(92.3)**
Operating profit	10.5	18.0	**20.4**
Confused.com profit	16.1	18.2	**21.7**
International Price Comparison result*1	(5.6)	(0.2)	**(1.3)**
	10.5	18.0	**20.4**

*1 Excludes pre-launch costs. Figures include results of Chiarezza.it, which was sold in April 2012. The disposal did not have material impact on the income statement.

UK Price Comparison – Confused.com

Confused.com produced an improved result, with revenue 6% higher at £87.7 million (2012: £82.7 million) and profit up 19% to £21.7 million (2012: £18.2 million).

Revenue from non-car insurance comparison sources increased in actual terms, and now represents nearly one quarter of total revenue. Confused.com's operating margin improved to 25% (2012: 22%).

Price Comparison Financial Performance
continued

International Price Comparison
Following the sale of the Italian Price Comparison operation (Chiarezza.it) during H1 2012 and the launch in Q1 2013 of a new operation in the USA, Admiral now operates three Price Comparison businesses outside the UK: in Spain (Rastreator), France (LeLynx) and the USA (comparenow.com).

The combined revenue from the European operations in 2013 increased by 20% to £25.0 million, with 19% more quotes provided. Both Rastreator and LeLynx have strong positions and brands in their respective markets. The combined result for Rastreator and LeLynx was a profit of £2.4 million (2012: £0.2 million loss) reflecting increased quote volumes and improved conversion rates. Admiral Group owns 75% of Rastreator, whilst the remaining 25% is owned by Mapfre.

In March 2013, Admiral launched a new Price Comparison operation in the USA (based in Virginia), trading as comparenow.com. During the year the operation has incurred staff and IT costs and some initial marketing expenses totalling £3.7 million. Admiral Group owns 67.8% of comparenow.com, White Mountains Insurance Group Ltd owns 21.1% and Mapfre USA owns 11.1%.

The combined result for International Price Comparison was therefore a loss of £1.3 million – the profit from Rastreator and LeLynx offset by investment in comparenow.com.

Regulatory Environment
Confused.com is regulated by the Financial Conduct Authority (FCA) as an insurance intermediary and is subject to all relevant intermediation rules, including those on solvency capital.

The European operations are all structured as branches of UK companies, with the UK insurance intermediary permission passported into Europe. comparenow.com is a regulated insurance agency in Virginia, USA.

HEMNATH, UK
On Admiral's culture

The culture at Admiral is different, which I didn't expect. It is more people-centric. They really love people, and they make people happy, always. People satisfaction is the most important thing. I love working at Admiral. It's not only work, fun, team involvement and the way people behave with other people: everything is really excellent.

OTHER GROUP ITEMS

"UK Household Insurance was launched in December 2012 as Admiral Household."

	2011 £m	2012 £m	2013 £m
UK Household Insurance underwriting result	—	—	(0.1)
UK Commercial Vehicle operating profit	2.8	2.5	2.5
Group net interest income	2.9	1.9	1.9
Share scheme charges	(18.6)	(20.6)	(22.5)
Business development costs	(0.8)	(2.1)	(0.3)
Other central overhead	(1.8)	(3.4)	(3.5)

UK Household Insurance

UK Household Insurance was launched in December 2012 under the Admiral brand. The product is underwritten within the Group and in common with other businesses it is supported by proportional reinsurance covering 70% of the risk (shared between Munich Re, 40% and Swiss Re, 30%). In addition the Group has purchased excess of loss reinsurance to mitigate the impact of catastrophe event claims. At the end of the first 12 months of trading, Admiral Household total loss before tax was £0.1 million.

UK Commercial Vehicle

The Group operates a Commercial Vehicle insurance broker (Gladiator) offering Van Insurance and associated products, typically to small businesses. Distribution is via telephone and internet (including price comparison websites).

UK Commercial Vehicle operating profit in the year remained in line with 2012 at £2.5 million, and customer numbers increased from 94,800 at the end of 2012 to 117,900 at the end of 2013.

Interest Income

Interest income in 2013 was £1.9 million, in line with 2012.

Share Scheme Charges

These costs relate to the Group's two employee share schemes, further detail on which is set out in the notes to the financial statements. The increase in the charge is due to a combination of a higher share price at the end of 2013 compared to 2012 and an increase in number of awards across the Group resulting from headcount growth.

Other Central Overhead

Other central overheads include Group Directors' remuneration and other Group central costs.

The table below sets out the principal risks which could have a material adverse affect on Admiral and have been identified through the risk management framework. The report on Corporate Governance on pages 50 to 51 describes the risk management framework in place throughout the Group.

RISK	IMPACT	MITIGATING FACTORS
Reserving Risk in UK and International Car Insurance		
Admiral is exposed to reserving risk through its underwriting of motor insurance policies. Claims reserves in the financial statements may prove inadequate to cover the ultimate cost of open claims which are by nature uncertain.	Adverse run-off leading to higher claims costs in the financial statements.	Admiral has a conservative reserving policy and continues to hold a material margin in its financial statement claims reserves above actuarially determined best estimates. Best estimate reserves are estimated internally and externally by an independent actuary. Many of the potential causes of claims shocks are outside the control of Admiral and the focus is, therefore, on how to prepare for and react to the occurrence of such events. Admiral holds a buffer in booked reserves to cover significant legislative changes impacting existing claims. Furthermore, Admiral continues to hold an additional buffer in its reserves in excess of the projected ultimate outcomes to cover other potential claim shocks. The Group continues to make material investments in staff and systems to work on the identification and prevention of claims fraud. For very large claims Admiral purchases excess of loss reinsurance, which mitigates the loss to the selected deductible amount.
Reduced Availability of Co-insurance and Reinsurance Arrangements		
Admiral uses proportional co-insurance and reinsurance across its insurance businesses to reduce its own capital needs (and increase return on the capital it does hold) and to mitigate the cost and risk of establishing new operations. There is a risk that support will not be available in the future if the results and/or future prospects of either the UK business or (more realistically) one or more of the newer operations are not satisfactory to the co- and/or reinsurers.	A potential need to raise additional capital to support underwriting. This could be in the form of equity or debt. Return on capital might reduce compared to current levels.	Admiral mitigates the risk to its reinsurance arrangements by ensuring that it has a strongly-rated and diverse range of partners. Admiral has enjoyed a long term relationship with one of the world's strongest reinsurers, Munich Re, which has supported Admiral since 2000. Admiral also has relationships with a number of other reinsurers, including Amlin Re, Hannover Re, Mapfre Re, New Re, Swiss Re and XL Re. In the UK, co-insurance and reinsurance arrangements have been agreed until at least the end of 2016, reflecting confidence in the Admiral UK Car Insurance business. The long term agreement with Munich Re (covering 40% of the UK Car Insurance business) will remain in place until at least the end of 2018. Long term arrangements are also in place for international and household businesses.
Potential Diminution of Other Revenue		
Admiral earns Other revenue from a portfolio of products and other sources. The level of this revenue could diminish due to regulatory or legal changes, customer behaviour or market forces.	Lower profits from insurance operations and lower return on capital.	Admiral continuously assesses the value to its customer of the products it offers, and makes changes to ensure the products continue to offer good value. Admiral seeks to minimise reliance on any single source by earning revenue from a range of products. This would mitigate the impact of a regulatory change which might affect a particular product or income stream.
Underwriting Risk in UK and International Car Insurance		
The Group is exposed to the risk that claims costs on business written and earned in the future is higher than expected. This might arise due to very large or catastrophic man-made or natural individual or multiple claims.	Higher claims costs and loss ratios, reducing profitability or resulting in underwriting losses.	There are a number of aspects which contribute to Admiral's strong UK underwriting results, including: > Experienced and focused senior management and teams in key business areas including pricing and claims management > Highly data-driven and analytical approach to business decisions, particularly pricing > Continuous appraisal of and investment in staff, systems and processes Admiral purchases excess of loss reinsurance, designed to mitigate the impact of very large individual or catastrophe event claims. The Group continues to work to establish similar expertise in its newer international businesses.

RISK	IMPACT	MITIGATING FACTORS
Erosion of Competitive Advantage in UK Car Insurance		
Admiral typically maintains a significant combined ratio advantage over the UK market. This advantage and/or the level of underwriting profit (and associated profit commission) could be eroded.	A worse UK Car Insurance result and lower return on capital employed. A sustained and uncorrected erosion of competitive advantage could affect the ability of Admiral to extend its reinsurance arrangements, which might in turn require Admiral to hold more capital.	Admiral's focus remains on the wide range of factors that contribute to Admiral's combined ratio outperformance of the UK market. Some are set out above, but in addition: > Track record of innovation and ability to react quickly to market conditions and developments > Keen focus on maintaining a low-cost infrastructure and efficient acquisition costs
Failure of Geographic and/or Product Expansion		
Admiral continues to develop and support the overseas operations. During 2012 Admiral also launched a home insurance product. One or more of the operations could fail to become a sustainable, profitable long term business.	Higher than planned losses (and potentially closure costs) and distraction of key management. A collective failure of these businesses would threaten Admiral's objective to diversify its earnings by expanding into new markets and products.	Admiral's approach to expansion remains conservative. Overseas insurance businesses have executed cautious launch strategies and are all backed by proportional reinsurance support which provides substantial mitigation against start-up losses in the early years. New price comparison businesses have aligned their marketing investment with the extent of improvement in trading key performance indicators such as average cost per quote and conversion ratio. The Group also considers partial disposals of equity to share start-up losses with partners. The Directors are mindful of management stretch and regularly assess the suitability of the management structure in place for Admiral's international operations. The new UK Household Insurance business is backed by proportional reinsurance support which provides mitigation against start-up losses and excess of loss reinsurance which mitigates potential losses from catastrophe events.
Competition in UK Price Comparison		
Admiral is dependent on the four main UK price comparison websites as an important source of new business and growth. Growth in this distribution channel could slow, cease or reverse, or Admiral could lose one or more of the websites as a source of customers.	A potentially material reduction in UK Car Insurance new business volumes. The impact on Confused.com of higher levels of competition in the price comparison market, either through the aggressive activities of existing players or the entry of significant new participants would be to lower profits. However, a more competitive market might benefit the car insurance business through lower acquisition costs.	Admiral's ownership of Confused.com (one of the leading UK price comparison websites which operates independently of the UK Car Insurance business) helps to mitigate the risk of over-reliance on this distribution channel. Admiral also contributes materially to the revenues of other price comparison businesses and therefore it is not considered probable that a material source of new business would be lost. The management of Confused.com maintains a very keen awareness of the risks of continued competition.
Credit Risk of Significant Counterparties		
Admiral is primarily exposed to credit risk in the form of a) default of reinsurer and b) failure of banking or investment counterparty. One or more counterparties suffer a significant event leading to a credit default.	Additional capital may need to be raised as a result of a major credit event, dependent on its nature and severity. Admiral would also need to ensure that it had sufficient liquid assets to meet its claims and other liabilities as they fell due.	Admiral only conducts business with reinsurers of appropriate financial strength. In addition, most reinsurance contracts are operated on a funds withheld basis, which substantially reduces credit risk, as Admiral holds the cash received as collateral. With respect to investment counterparties, there are no specific concentrations of credit risk due to the structure of the liquidity funds which invest in a wide range of very short duration, high quality securities. Cash balances and deposits are placed only with highly rated credit institutions. Admiral considers counterparty exposure frequently and in significant detail and has in place appropriate limits to mitigate exposure to individual investment counterparties.

The Board also considers the following risks to be significant:

Customer/Conduct Risk – failure of products or service to meet customer expectations and failure to address customer complaints promptly or appropriately. Further detail on how Admiral interacts with its customers is set out on page 14 and in the Corporate Responsibility (CR) Report available online.

People Risk – failure to recruit, develop and retain suitable talent. Further detail on how Admiral interacts with its employees is set out on page 15 and in the CR Report available online.

Read more on Admiral Group's Corporate Responsibility (CR) strategy: www.admiralgroup.co.uk/culture/csr/.

IT Development Risk – failure to invest in appropriate technology to support the Group's future business development, mitigated by regular review of the effectiveness of the Group's IT capability by executive management and the Board.

Regulatory Risk – failure to comply with regulatory requirements and/or changes, mitigated by regular review of the Group's compliance with current and proposed requirements and interaction with regulators by executive management and the Board.

This Strategic Report was approved by the Board of Directors and signed on its behalf by:

Henry Engelhardt
Chief Executive Officer
4 March 2014

ALASTAIR LYONS, CBE
CHAIRMAN

Dear Shareholder,
On behalf of the Board I am pleased to present the Corporate Governance Report for the financial year ended 31 December 2013. The Board remains committed to maintaining the highest standards of corporate governance. This Report sets out the Admiral framework of governance and the approach the Board has taken during 2013 to achieve the standards of good corporate governance for which it is accountable to the Group's shareholders.

The year has seen considerable changes to narrative and remuneration reporting regulations and we have set out in the report how we have met the requirements of these new regulations. We also confirm the Group's compliance, during the year under review, with the principles and provisions set out in the UK Corporate Governance Code (the Code).

We believe that having a sound corporate governance framework enables effective and efficient decision making and ensures that there is the right balance of skills and experience to assess and manage the risks in the markets in which the Group operates and inherent in the Group's activities. However we also believe that good governance should be proportionate and that individual responsibility and accountability should not be lost within a multi-layered committee structure that distances senior management from the day-to-day reality of operational activity.

This year, in line with corporate governance best practice, the Group undertook an external Board evaluation facilitated by an independent external consultant. This process confirmed that the Board and its Committees continue to operate effectively and that each Director demonstrates the required commitment to the role and makes a valuable contribution to Board decision making. The results of the evaluation and the areas for development identified by it are set out at pages 42 and 43.

This Corporate Governance Report is structured in order to demonstrate to shareholders that the Board has complied during 2013 in all respects with each section of the Code: Leadership; Effectiveness; Accountability; and Relations with Shareholders. Remuneration is dealt with in the separate Directors' Remuneration Report.

Alastair Lyons
Chairman
4 March 2014

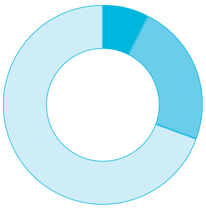
ADMIRAL'S GOVERNANCE FRAMEWORK

We believe that having a sound corporate governance framework enables effective and efficient decision making and ensures that there is the right balance of skills and experience to assess and manage the risks in the markets in which the Group operates and inherent in the Group's activities.

However, we also believe that good governance should be proportionate and that individual responsibility and accountability should not be lost within a multi-layered committee structure that distances senior management from the day to day reality of operational activity.

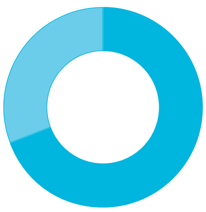
Alastair Lyons, CBE
Chairman

**Board Composition
Executive/Non-Executive
as at 4 March 2014**



Chairman (1)	7.7%
Executive (3)	23.1%
Non-Executive (9)	69.2%

**Board Composition
Gender Diversity
as at 4 March 2014**



Male (9)	69.2%
Female (4)	30.8%

Read more about our gender diversity within the Company:
page 15

THE BOARD OF DIRECTORS

- **To read about Board activity in 2013**
turn to page 40
- **The Board will undergo compositional changes in 2014**
read more on page 39
- **To find the Directors' Remuneration Report**
turn to page 54

BOARD COMMITTEES

REMUNERATION COMMITTEE

Membership at 31 December 2013:

- **John Sussens (Chairman)**
- **Roger Abravanel**
- **Martin Jackson**
- **Margaret Johnson**

Meetings held during 2013: **6**

More:
pages 54 to 64

AUDIT COMMITTEE

Membership at 31 December 2013:

- **Colin Holmes (Chairman)**
- **Annette Court**
- **Margaret Johnson**

Meetings held during 2013: **6**

More:
pages 46 to 49

NOMINATION COMMITTEE

Membership at 31 December 2013:

- **Alastair Lyons (Chairman)**
- **Colin Holmes**
- **Lucy Kellaway**

Meetings held during 2013: **5**

More:
pages 52 to 53

GROUP RISK COMMITTEE

Membership at 31 December 2013:

- **Martin Jackson (Chairman)**
- **Annette Court**
- **David Stevens**
- **John Sussens**

Meetings held during 2013: **4**

More:
pages 50 to 51

BOARD OF DIRECTORS

Alastair Lyons, CBE
Non-Executive Chairman

Henry Engelhardt, CBE
Chief Executive Officer

David Stevens, CBE
Chief Operating Officer

Kevin Chidwick
Chief Financial Officer

Manfred Aldag
Non-Executive Director

John Sussens
Non-Executive Director

Martin Jackson
Non-Executive Director

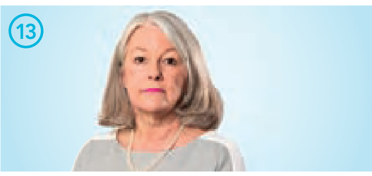
Margaret Johnson, OBE
Non-Executive Director

Lucy Kellaway
Non-Executive Director

Colin Holmes
Non-Executive Director

Roger Abravanel
Non-Executive Director

Annette Court
Non-Executive Director



Jean Park
Non-Executive Director

(1) **Alastair Lyons, CBE (60)**
Non-Executive Chairman, appointed July 2000

- Non-Executive Chairman of Serco Group plc
- Non-Executive Chairman of the Towergate Insurance Group
- Group Deputy Chairman of Bovis Homes Group plc

In his executive career Alastair has been Chief Executive Officer (CEO) of the National Provident Institution and of the National & Provincial Building Society, Managing Director of the Insurance Division of Abbey National plc and Director of Corporate Projects at National Westminster Bank plc. He has held numerous non-executive roles, having most recently stepped down as Senior Independent Non-Executive Director at the Phoenix Group. He has also been a Non-Executive Director of both the Department for Transport (DfT) and the Department for Work and Pensions (DWP), as well as of its predecessor, the Department of Health and Social Security (DHSS).

A Fellow of the Institute of Chartered Accountants, he was awarded a CBE in the 2001 Birthday Honours for services to social security.

(5) **Manfred Aldag (63)**
Non-Executive Director, appointed in March 2003

- Chief Executive Manager of Munich Re, responsible for UK and Ireland

Manfred graduated from University of Essen with a degree in economics and business management. Since 1981, Manfred has been working for Munich Re.

(9) **Lucy Kellaway (54)**
Non-Executive Director, appointed in September 2006

- Lucy is a management columnist on the Financial Times

In her 20 years at the Financial Times Lucy has been an oil correspondent, a Lex columnist and Brussels correspondent. Lucy has authored various books.

(13) **Jean Park (59)**
Non-Executive Director[*3], appointed in January 2014

- Non-Executive Director of Murray Income Trust plc
- Non-Executive Director of the National House Building Council

Jean was Group Chief Risk Officer at the Phoenix Group from 2009 until June 2013, during which time she held responsibility for the Group's relationship with the regulator and founded the Board Risk Committee. Previously, she was Risk Management Director of the Insurance and Investments division of Lloyds TSB and, before that, Head of Compliance and Audit at Scottish Widows. Jean is a Member of the Institute of Chartered Accountants of Scotland.

2 **Henry Engelhardt, CBE (56)**
Chief Executive Officer, appointed in October 1999

> Trustee of the Wales Millennium Centre (WMC)

Henry is a founder Director of Admiral and was recruited by the Brockbank Group in 1991 to set up the Admiral business. Prior to joining Admiral, Henry was the original Marketing and Sales Manager for Churchill Insurance. Henry has an MBA from INSEAD, a BA from the University of Michigan and was awarded an honorary CBE in 2008 for services to business in Wales.

3 **David Stevens, CBE (51)**
Chief Operating Officer, appointed in October 1999

> Trustee of the Waterloo Foundation

David is a founder Director of Admiral and was recruited in 1991 to set up the Admiral business. Prior to joining Admiral David worked at McKinsey & Co, in the Financial Interest Group, and Cadbury Schweppes in the UK and the USA. David has an MBA from INSEAD and he was awarded a CBE in 2010 for service to business and the community in Wales.

4 **Kevin Chidwick (50)**
Chief Financial Officer, appointed in September 2006

Kevin is responsible for finance, compliance and investments, as well as the subsidiary Elephant Auto. Kevin joined Admiral in 2005, becoming Chief Financial Officer in September 2006. Prior to Admiral Kevin worked in UK financial services for over 25 years and he held a number of senior roles in other insurance organisations, including being the Finance Director of Engage Mutual Assurance and Cigna UK. Kevin is a Fellow of the Chartered Institute of Certified Accountants and has an MBA from London Business School.

6 **John Sussens (68)**
Senior Independent Non-Executive Director*1, appointed in August 2004

John was a Non-Executive Director of Cookson Group plc from 2004. He remained with Vesuvius post the Cookson split as Senior Independent Non-Executive Director and Chairman of the Remuneration Committee before retiring from the Vesuvius Board in June 2013. Prior to this he was the Group Managing Director of Misys plc between 1998 and 2004, having been on the Board of the Company since 1989. John has previously served as Manufacturing Director of JC Bamford Excavators Ltd, and as a Non-Executive Director of Chubb plc.

7 **Martin Jackson (65)**
Non-Executive Director*2, appointed in August 2004

> Non-Executive Director and Chairman of the Audit Committee of IG Group Holdings plc

Martin was Chairman of the Admiral Group Audit Committee from August 2004 until January 2012, when he became Chairman of the newly formed Group Risk Committee (GRC). Martin was the Group Finance Director of Friends Provident plc between 2001–2003 and Friends Provident Life Office between 1999–2001. Prior to this he was the Group Finance Director at London & Manchester Group plc from 1992, up to the date of its acquisition by Friends Provident Life Office. Martin is a Fellow of the Institute of Chartered Accountants.

8 **Margaret Johnson, OBE (55)**
Non-Executive Director, appointed in September 2006

> Group Chief Executive Officer of Leagas Delaney

Margaret has worked for the international advertising agency Leagas Delaney for the past 15 years. Margaret was awarded an OBE in 2013 in recognition of her services to the creative industries and her voluntary work for charities.

10 **Colin Holmes (48)**
Non-Executive Director, appointed in December 2010

> Non-Executive Director and Chairman of the Remuneration Committee of Bovis Homes Group plc

> Chairman of GO Outdoors Ltd

Colin was formerly a member of the Executive Committee of Tesco plc and during his 22 year career at Tesco he held a wide range of positions, including UK Finance Director and CEO of Tesco Express. Colin is a Chartered Management Accountant.

11 **Roger Abravanel (67)**
Non-Executive Director, appointed in March 2012

> Non-Executive Director serving on, amongst others, the Boards of: Luxottica Group S.p.A; Teva Pharmaceutical Industries Ltd; Banca Nazionale del Lavoro S.p.A. and COFIDE S.p.A.

> Board member of the Italian Institute of Technology

> Chairman of the INSEAD Advisory Group in Italy

Roger has significant international consulting experience having been with McKinsey and Co. from 1972 until his retirement as Director Emeritus in 2006. Roger holds an MBA from INSEAD. Roger has authored several books and currently writes for an Italian daily newspaper.

12 **Annette Court (51)**
Non-Executive Director, appointed in March 2012

> Non-Executive Director of Jardine Lloyd Thompson Group plc, Foxtons plc and Workshare

Between 2007 and 2010 Annette was CEO of Europe General Insurance for Zurich Financial Services and a member of the Group Executive Committee. Annette is former CEO of the Direct Line Group (formerly known as RBS Insurance). In this role Annette was also a member of the RBS Group Executive Management Committee. Annette has previously served as a member on the Board of the Association of British Insurers (ABI).

COMMITTEE KEY

- RC Remuneration Committee member
- AC Audit Committee member
- NC Nomination Committee member
- GRC Group Risk Committee member

- * Committee Chairman
- SID Senior Independent Director

Changes to the Admiral Group Board in 2014

*1 John Sussens will retire as a Director immediately following Admiral Group's 2014 AGM.

*2 Martin Jackson will retire as a Director immediately following Admiral Group's 2014 Annual General Meeting (AGM).

*3 Following receipt of regulatory approval, Jean Park was appointed to the Board with effect from 17 January 2014.

Following the departure of Martin Jackson and John Sussens, the Board Committees will undergo the following compositional changes:

> Colin Holmes will replace John Sussens as Senior Independent Director (SID)

> Annette Court will replace John Sussens in the role of Remuneration Committee Chairman

> Jean Park will replace Martin Jackson as Group Risk Committee Chairman, in addition to joining the Remuneration Committee

Thank you

"The Board would like to thank all of the staff and the management team at Admiral Group for everything they have done this year to help build such a successful and sustainably different business."

LEADERSHIP

The Role of the Board
The Board is the principal decision-making forum for the Group providing entrepreneurial leadership, both directly and through its committees, and delegating authority to the Executive team. The Board is responsible for organising and directing the affairs of the Group in a manner that is most likely to promote its success for the benefit of its members as a whole. The Board is accountable to shareholders for setting and achieving the Group's strategic objectives; for the creation and delivery of strong sustainable financial and operational performance; for ensuring that in carrying out its duties the Group's legal and regulatory obligations are being met; and for ensuring that it operates within appropriately established risk parameters. The Group's UK regulated entities are responsible to the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) for ensuring compliance with the Group's UK regulatory obligations and that dealings with the FCA and PRA are handled in a constructive, co-operative and transparent manner. Similar provisions apply in respect of the Group's international businesses with regard to the relevant regulatory authorities in those overseas jurisdictions in which the Group also operates.

The Board has adopted a formal schedule of matters reserved for the Board's consideration. This is monitored by the Company Secretary and reviewed by the Board on an annual basis. Specific matters reserved to the Board include the approval of:

- The Group's long term objectives and corporate strategy
- Operating and capital budgets, financial results, and any significant changes to accounting practices or policies
- The Group's capital structure
- Results and financial reporting
- The system of internal control and risk management
- The Group's overall risk appetite
- Changes to the structure, size and composition of the Board, including new appointments
- Succession plans for the Board and senior management
- Dividend policy and proposals for dividend payments
- Major acquisitions, disposals, and other transactions outside delegated limits
- The annual review of its own performance and that of its Board Committees
- The review of the Group's overall corporate governance arrangements

Board Activity During 2013
At each scheduled meeting the Board receives updates from the Chief Executive, Chief Operating Officer and Chief Financial Officer on the financial and operational performance of the Group and any specific developments in their areas of the business for which they are directly responsible and of which the Board should be aware. Items that are considered on an annual basis are included in an annual schedule of rolling agenda items to ensure that they are considered at the appropriate point in the financial and regulatory cycle. Meetings are structured so as to allow for consideration and debate of all matters. Mindful of the need to ensure effective Director succession through senior managers below Board level having exposure to and gaining experience of the operation of the Board, the heads of the Group's Italian and Spanish direct insurance businesses (respectively Milena Mondini and Cristina Nestares) and the Group's Deputy Chief Financial Officer (Geraint Jones) are invited to attend every Board meeting and Board dinner.

The Board met on seven occasions in 2013 with five of these meetings being held over two days.

In addition to the regular consideration of financial and operating performance and risk management and compliance, the Board received presentations on a variety of topics including updates from the management teams of each of the Group's overseas businesses. Several external organisations were also invited to present their external perspectives on the Company's activities in the context of the markets in which it operates.

The Chairman seeks to visit each of the Group's overseas operations every year and Non-Executive Directors are invited to join either him or the Chief Executive on one or more of their overseas visits each year. In addition, the Non-Executive Directors and the Chairman met during the year without the Executive Directors being present. In order to increase their understanding of the operation of the Group below Board level, the Non-Executive Directors and the Chairman also attended two dinners with members of the Group's senior management team without the Executive Directors being present.

Meetings and Attendance

Directors are expected to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Group to perform their duties. Where Directors are unable to attend meetings they receive papers for that meeting giving them the opportunity to raise any issues with the Chairman in advance of the meeting. The number of scheduled Board meetings and Committee meetings of which they are a member attended by each Director during 2013 is provided in the adjacent table.

Agendas and papers are circulated to the Board in a timely manner in preparation for Board and Committee meetings. The Board agenda is carefully structured by the Chairman in consultation with the Company Secretary and Chief Executive. These papers are supplemented by information specifically requested by the Directors from time to time. All Board and Committee meetings during the year were held in an open atmosphere conducive to robust and constructive challenge and debate. All Directors have, therefore, been able to bring independent judgement to bear on issues such as strategy, risk management, performance, and resources. Additional meetings are called when required and there is contact between meetings, where necessary, to progress the Group's business.

The Company Secretary

All the Directors have access to the advice and services of the Company Secretary. He has responsibility for ensuring that Board procedures are followed and for advising the Board, through the Chairman, on governance matters. The Company Secretary provides updates to the Board on regulatory and corporate governance issues, new legislation, and Directors' duties and obligations. The appointment and removal of the Company Secretary is one of the matters reserved for the Board.

Meetings and Attendance

	Scheduled Board meetings	Audit Committee meetings	Group Risk Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Total meetings held	**7**	**6**	**4**	**5**	**6**
Alastair Lyons (Chairman)	7			5	
Henry Engelhardt (Chief Executive Officer)	7				
David Stevens (Chief Operating Officer)	7		4		
Kevin Chidwick (Chief Financial Officer)	7				
Roger Abravanel	6				4
Manfred Aldag	7				
Annette Court	7	6	4		
Colin Holmes	7	6		5	
Martin Jackson	7		4		5
Margaret Johnson	7	6			6
Lucy Kellaway	7			5	
John Sussens	7		4		6

EFFECTIVENESS

Board Effectiveness
Although now a Code requirement that FTSE 350 companies should carry out an externally facilitated evaluation of the Board at least every three years, the Group already had such a policy in place and having last carried out an external evaluation in 2010 the Group underwent an externally facilitated evaluation in 2013.

The evaluation process was led by Karen Walls, an independent external consultant with experience of evaluating and making recommendations to improve Board effectiveness of a number of FTSE 100 companies. Karen has no connection with the Group. The objectives of the evaluation were to build on the improvements made since the last evaluation, thereby improving both the collective contribution of the Board as a whole and also the behaviour, competence and effectiveness of each individual Director.

Karen, in consultation with the Chairman and supported by the Company Secretary compiled and circulated a comprehensive questionnaire for completion by all Directors and Board attendees, the aim of which was to evaluate the performance and effectiveness of the Board and its Committees.

The questionnaire considered:

> Board processes and their effectiveness
> Time management of Board meetings
> Board composition and dynamics
> The effectiveness of the Board in considering the Group's risk management framework and internal controls
> Its strategic and operational oversight
> Succession planning
> Priorities for change
> Board support
> Content of discussion and focus at Board meetings
> Directors were also invited to indicate where specific improvements could be made to improve the effectiveness of the Board

Completion of the questionnaire by each Director and attendee was followed by one-to-one discussions with Karen where the Board's role and structure, process, relationships, and any emerging issues and areas for improvement were discussed. The results of the evaluation were considered by Karen and the Chairman, with Karen presenting to the Board in January 2014 her external perspective on the Board's strengths; future challenges; progress against recommendations made in the last review; and areas for improvement.

Overall the review found that the Board had mostly continued to work very effectively; that each Director contributes effectively and demonstrates full commitment to his/her duties; that the Board was effectively chaired; and that good progress had been achieved in many of the areas identified for action in the last independent review at the end of 2010. In particular in the areas of succession planning; risk management with the establishment of a Group Risk Committee; increased Board exposure of senior managers from the UK business through attendance at dinners with Non-Executive Directors without Executive Directors being present and discussion at Board level of talent profiles of existing managers identified as having executive potential.

The particular themes and areas of focus identified during the 2013 review included:

> Allow the new Chair of Risk to develop the appropriate strategy to achieve the requisite balance and focus between procedural and substantive aspects of risk and to create the most efficient and effective reporting materials
> Create a clear structure in presenting materials that shows the original forecast, agreed approach and any assumptions made at the time and the bridge to the current position showing changes to current forecast and suggested approach
> Create an action list and tracker of agreed recommendations in the Board pack and review at each meeting to ensure progress is made
> The Board to set annually the key objectives of the Board
> On an annual basis review the calendar and location of meetings to optimise balance
> Invite external experts to present on customers, competitors, and/or social trends every one to two years to provoke thinking and debate in advance of likely changes in customer preferences and/or competitor practices

The Roles of the Chairman and Chief Executive Officer

The Board has approved a statement that sets out the clear division of responsibilities between the Chairman and the Chief Executive Officer

CHAIRMAN

The Chairman is primarily responsible for the leadership and workings of the Board, setting its agenda, and monitoring its effectiveness. The Chairman is not involved in the day-to-day management of the business

CHIEF EXECUTIVE OFFICER

Save for matters reserved for decision by the Board, the Chief Executive, with the support of the other Executive Directors, is responsible for proposing the strategy to be adopted by the Group; running the business in accordance with the strategy agreed by the Board; and implementing specific Board decisions relating to the operation of the Group.

During the year and in order to provide regular feedback as to the effectiveness of each Board meeting, the Board continued with the process of Directors providing feedback, via the completion of an online questionnaire, on such pertinent topics as the efficacy of the presentation of discussion topics; whether time available for the meeting was used effectively; and what areas could be improved upon.

The Chief Executive to whom they report, appraises annually the performance of the individual Executive Directors. The Chairman, taking into account the views of the other Directors, reviews the performance of the Chief Executive. The performance of the Chairman is reviewed by the Board led by the Senior Independent Director (SID). Following the latest review, the SID considered and discussed with the Chairman the comments and feedback that had been received from the Directors as part of the Chairman's evaluation questionnaire, and was able to confirm that the performance of the Chairman continues to be effective and that he continues to demonstrate appropriate commitment to his role.

The Roles of the Chairman and Chief Executive

The Board has approved a statement that sets out the clear division of responsibilities between the Chairman and the Chief Executive. The Chairman is primarily responsible for the leadership and workings of the Board, setting its agenda, and monitoring its effectiveness. The Chairman is not involved in the day-to-day management of the business. Save for matters reserved for decision by the Board, the Chief Executive, with the support of the other Executive Directors, is responsible for proposing the strategy to be adopted by the Group; running the business in accordance with the strategy agreed by the Board; and implementing specific Board decisions relating to the operation of the Group. The statements of division of responsibilities and matters reserved for decision by the Board are reviewed annually.

Board Balance and Independence

The Board continues to give careful consideration to its structure and balance particularly given several Directors will reach nine years' service in the next two to three years. In this context the Group is mindful of the need to refresh Board and committee membership in an orderly manner so as to maintain the continuity of Board process and the strength of personal interaction which underlies the effectiveness of the Board as a team. The Board remains satisfied that it has the appropriate balance of skills, experience, independence and knowledge of the Group to enable it and its Committees to discharge their duties and responsibilities effectively, as required by the Code.

The table below details the length of service of the Chairman and each of the Non-Executive Directors and illustrates the balance of experience and fresh perspectives.

The Board currently comprises thirteen Directors, the Chairman (who was independent on appointment), three Executive Directors, eight independent Non-Executive Directors, and one Non-Executive Director, Manfred Aldag, who is employed by a significant shareholder and is not, therefore, considered independent. There is no requirement that the significant shareholder has representation on the Board and, accordingly, Mr Aldag's appointment is subject to the same appointment and removal process as the other Board Directors. As can be seen from the Directors' biographies on pages 38 to 39, the Directors have a broad range of skills and experience and can bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct which are integral to the success of the Group.

As part of the ongoing review of the balance and composition of the Board and in the context of several of the Non-Executive Directors reaching their maximum term over the next two years, the Nomination Committee initiated the process of recruiting a Non-Executive Director with experience of managing risk in a financial services context and someone capable of taking over as Chair of the Group Risk Committee when Martin Jackson steps down from that role at the AGM in April 2014. Appointments to the Board are the responsibility of the Board as a whole, acting on the advice and recommendations of the Nomination Committee. Appointments are made on merit and against objective criteria, having due regard to the benefits of diversity, including gender. Following a formal, rigorous and transparent process implemented and led by the Nomination Committee the Board was delighted to appoint Jean Park as an independent Non-Executive Director with effect from 17 January 2014. Jean joined as a member of the Risk and Remuneration Committees on appointment and will be subject to election by shareholders at the forthcoming AGM.

Current length of service as Chairman or a Non-Executive Director at 31 December 2013

Director	Date of Appointment	Length of service as at 31 December 2013
Alastair Lyons (Chairman)	1 July 2000	13yrs 6mths
Manfred Aldag	13 March 2003	10yrs 9mths
John Sussens	19 August 2004	9yrs 4mths
Martin Jackson	19 August 2004	9yrs 4mths
Margaret Johnson	4 September 2006	7yrs 4mths
Lucy Kellaway	4 September 2006	7yrs 4mths
Colin Holmes	3 December 2010	3yrs 1mth
Roger Abravanel	6 March 2012	1yr 10mths
Annette Court	21 March 2012	1yr 9mths
Jean Park	17 January 2014	n/a

EFFECTIVENESS CONTINUED

Board Balance and Independence continued
Although Colin Holmes holds, with Alastair Lyons, a cross-directorship in Bovis Homes Group plc, the Board has determined that Colin Holmes remains independent in character and judgement and that his holding of a cross-directorship does not affect his ability to present an objective, rigorous and constructive challenge to the assumptions and viewpoints presented by management and the Board.

The Board, having given thorough consideration to the matter, considers eight of the Non-Executive Directors to be independent and is not aware of any relationships or circumstances which are likely to affect, or could appear to affect, the judgement of any of them. It is the view of the Board that the independent Non-Executive Directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

Independent Non-Executive Directors are currently appointed for fixed periods of three years, subject to election by shareholders. The initial three-year period may be extended for two further three-year periods subject to re-election by shareholders. Their letters of appointment may be inspected at the Company's registered office or can be obtained on request from the Company Secretary.

Although the Chairman has served in that role since July 2000 the Board remains of the view that he should continue in office. The Chairman, along with all the Directors, seeks election by shareholders annually.

The Chairman performs a number of other non-executive roles outside the Group and details of these are included in the Chairman's biography. The Board continues to be satisfied that these other commitments are not such as to interfere with the performance of his duties within the Group and will not impact on his ability to allocate sufficient time to discharge effectively his responsibilities to the Group.

John Sussens is the Senior Independent Non-Executive Director (SID). He is available to shareholders if they have concerns that contact through the normal channels of Chairman, Chief Executive, or Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

He is also responsible for leading the Board's discussion on the Chairman's performance and the appointment of a new Chairman, as and when appropriate.

John Sussens and Martin Jackson, both having served for nine years as Non-Executive Directors, will be retiring from the Board at the forthcoming AGM in April 2014 and will not be submitting themselves for re-election by shareholders. Colin Holmes will become SID when John steps down at the AGM in April and it is anticipated that this will be a smooth transition given Colin's knowledge and experience of the Group gained through his Board position and Chairmanship of the Audit Committee. From April, Annette Court will replace John as Chair of the Remuneration Committee and Jean Park will replace Martin Jackson as Chair of the Group Risk Committee.

> *"The Company attaches considerable importance to communications with shareholders and engages with them regularly."*

In accordance with the requirement under the Code for annual election of Directors, all Directors will be submitting themselves for re-election by shareholders at the forthcoming AGM. The Board is satisfied that all are properly qualified for their reappointment by virtue of their skills and experience and their contribution to the Board and its Committees.

The Directors are given access to independent professional advice at the Group's expense, should they deem it necessary to carry out their responsibilities.

Professional Development
On appointment, Directors take part in a comprehensive induction programme whereby they receive financial and operational information about the Group; details concerning their responsibilities and duties; as well as an introduction to the Group's governance, regulatory and control environment.

This induction is supplemented by visits to the Group's head office in Cardiff, overseas offices, and meetings with members of the senior management team and their departments. Development and training of Directors is an ongoing process. Throughout their period in office the Directors are regularly updated on the Group's business; legal matters concerning their role and duties; the competitive environments in which the Group operates; and any other significant changes affecting the Group and the industry of which it is a part. All Board members are also encouraged to attend relevant training courses at the Company's expense.

The Board receives presentations from senior managers within the Group on a regular basis and Non-Executive Directors are encouraged to make informal visits to different parts of the Group to meet with local management.

Engagement with Shareholders
The Company attaches considerable importance to communications with shareholders and engages with them regularly. Open and frequent dialogue with investors enables them to understand fully the Group's strategy, objectives and governance. The Investor Relations team has day-to-day primary responsibility for managing communications with institutional shareholders through a combination of briefings to analysts and institutional shareholders, both at the half-year and full year results. A number of analysts and investors visited the Group's Cardiff

office during the year to meet with the Executive Directors and senior management in order to get a better understanding of how the Group operates and how it intends to achieve its strategic and operational objectives. Senior Executives from the Group's overseas businesses also visit the UK in order to present to, and meet with, analysts and investors. Site visits and individual discussions with the Executive Directors are also arranged throughout the year with individual shareholders.

In addition the Chairman had individual meetings during the year with major shareholders and reported to the Board on issues raised with him.

This is supplemented by feedback to the Board on meetings between management and investors. External analysts' reports are circulated to all Directors by the Company Secretary. In addition, the Investor Relations team produces a quarterly Investor Relations Report that is circulated to the Board. The Report contains an analysis of share price performance; a summary of analyst reports received during the month and of meetings that have been held with investors and analysts; together with details of any significant changes to the shareholders' register.

The Senior Independent Director has specific responsibility to be available to investors who have any issues or concerns, and in cases where contact with the Chairman, Chief Executive Officer and Chief Financial Officer has either failed to resolve their concerns, or for where such contact is inappropriate. No such concerns have been raised in the year under review.

All shareholders are invited to attend the Company's Annual General Meeting (AGM). The Chairs of the Audit, Remuneration, Nomination and Group Risk Committees attend the AGM along with the other Directors and are available to answer shareholders' questions on the activities of the committees they chair. Shareholders are also invited to ask questions during the meeting and have an opportunity to meet with Directors after the formal business of the meeting has been concluded. Details of proxy voting by shareholders, including votes withheld, are made available on request and are placed on the Company's website following the meeting.

"All shareholders are invited to attend the Company's Annual General Meeting (AGM). The Chairs of the Audit, Remuneration, Nomination and Group Risk Committees attend the AGM along with the other Directors and are available to answer shareholders' questions on the activities of the committees they chair."

Conflicts of Interest

In compliance with the requirements of the Companies Act 2006 regarding Directors' duties in relation to conflicts of interest, the Group's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits as it thinks fit. The Company has put in place procedures to deal with conflicts of interest. These procedures include each Board member completing, annually, a conflict of interest questionnaire that sets out any situation in which they, or their connected persons have, or could have, a direct or indirect interest that could conflict with the interests of the Company. Any current directorships that they, or their connected persons hold, any advisory roles or trusteeships held, together with any companies in which they hold more than 1% of the issued share capital are also disclosed. These procedures were reviewed by the Board in December 2013 and it was concluded that they continued to operate effectively.

Board Committees

The Board has delegated authority to a number of permanent committees to deal with matters in accordance with written Terms of Reference. The principal committees of the Board – Audit, Remuneration, Risk and Nomination – all comply fully with the requirements of the Code.

All committees are chaired by an Independent Director, except the Nomination Committee which is chaired by the Chairman of the Board, and comprise a majority of Independent Directors. Appointments to the committees are made on the recommendation of the Nomination Committee and are for a period of up to three years, which may be extended for two further three-year periods, provided the Director remains independent. The committees are constituted with written Terms of Reference that are reviewed annually to ensure that they remain appropriate and reflect any changes in good practice and governance. These Terms of Reference are available on request from the Company Secretary and can also be found on the Company's website: www.admiralgroup.co.uk. Directors are fully informed of all Committee matters by the committee Chairmen reporting on the proceedings of their committee at the subsequent Board meeting. Copies of committee minutes are also distributed to the Board. Committees are authorised to obtain outside legal or other independent professional advice if they consider it necessary. The Chairman of each committee attends the AGM to respond to any shareholder questions that might be raised on the committee's activities.

The Group maintains a corporate website (www.admiralgroup.co.uk) containing a wide range of information of interest to institutional and private investors.

The major shareholders of the Company are listed on page 65

STATEMENT FROM COLIN HOLMES
CHAIRMAN OF THE AUDIT COMMITTEE

Dear Shareholder,
I'm pleased to provide an update on the main activities of Admiral's Audit Committee during 2013.

The key focus of the Committee's work has, as usual, been to support the Board in its oversight of financial reporting and the control environment across the Group. The key accounting judgement in the Group's financial statements continues to be the setting of insurance claims reserves, and the Committee placed considerable focus on reviewing the recommendations of management and discussing the key reserving judgements with the Group's independent actuaries and external auditor. The Committee also reviewed the Group's Reserving Policy which, with appropriate amendments, was subsequently approved by the Board.

The Committee studied a number of key control issues, highlighted through a range of different sources including the risk register, internal audit and the Committee's previous work. In each case the Committee found the responses and action plans from management appropriate to the issues raised. With the scale of the Group's international activities increasing, the Committee also took the opportunity to more formally document the relationship between the Group Head of Internal Audit and the international subsidiaries.

The Committee also considered, with management and the Group's auditor, the matters raised in 2012 Annual Report and Accounts review letter received by the Group from the Financial Reporting Council (FRC). The Group was able to respond satisfactorily to each of the queries raised by the FRC, but as part of the review process agreed a revised disclosure on grossing up expenses within the income statement. Additionally, the Committee received presentations from the Group's auditors on relevant accounting, regulatory and corporate governance changes, ensuring their impact had been fully considered by the Group.

I hope you find the above summary, and the more detailed report, both useful and informative.

Colin Holmes
Chairman of the Audit Committee
4 March 2014

The Audit Committee's Primary Responsibilities are to:

- Monitor the integrity of the Group's financial statements and any formal announcement relating to the Group's financial performance, reviewing any significant financial reporting judgements which they contain
- Keep under review the effectiveness of the Company's internal financial controls, internal control and risk management systems
- Review the Group's procedures for handling allegations from whistleblowers and for detecting fraud
- Monitor and assess the role and effectiveness of the Group's internal audit functions in the context of the Group's overall internal control and risk management systems
- Consider and make recommendations to the Board, to be put to shareholders for their approval at the AGM, in relation to the appointment, reappointment and removal of the Group's external auditor
- Review the external auditor's independence and objectivity and the effectiveness of the audit process
- Review the policy on the engagement of the external auditor to provide non-audit services, considering the relevant regulatory guidance regarding the provision of non-audit services by the external auditor

SUMMARY OF ACTIVITIES DURING 2013

During the Year the Committee Reviewed the Following:

- The Annual Report and interim results
- Reports from the internal audit departments within the Group on the effectiveness of the Group's risk management and internal control procedures, details of key audit findings, and actions taken by management to manage and reduce the impact of the risks identified
- Reports from the external auditor on the principal findings from its review of the Group's systems and controls, and on its key accounting and audit issues and conclusions on the half and full year reporting
- Reports from the Chair of the Group Risk Committee on the principal risks faced by the Group and the work undertaken by the Committee to ensure risk is appropriately managed
- Presentations from independent actuaries to assist the Committee in concluding on the adequacy of the Group's reserves
- The Group's Reserving Policy as drafted by management to develop a final version that was approved by the Board
- Reports from the external auditor on its proposed audit scope, fees, audit findings, and auditor independence
- Performance and effectiveness of the internal audit department including review of the results of the external effectiveness review of internal audit
- All reports from internal audit including management responses to the conclusions set out in the reports
- The recommendation to more formally describe the relationship between the Group Head of Internal Audit and the international subsidiaries
- The effectiveness of the Group's Whistleblowing Policy which sets out the arrangements for raising and handling allegations from whistleblowers
- The effectiveness of the procedures for detecting fraud
- The committee also had presentations and discussions on a range of important issues including the approach to reserving within the Group, a review of large claims and profit commission arrangements
- The 2012 Annual Report and Accounts review letter from the FRC and considered, with external auditor, the response of management to the issues raised
- Its own Terms of Reference
- Its own effectiveness

Membership

Membership of the Committee at the end of the year was: Colin Holmes (Chair), Margaret Johnson and Annette Court. Composition of the Committee is well balanced, with Committee members having a broad range of financial and business experience such that they are able to effectively analyse, challenge and debate the issues that fall within the Committee's remit.

The Company Secretary acts as secretary to the Committee. The Committee meets at least four times per year and has an agenda linked to events in the Company's financial calendar and other important issues that arise throughout the year which fall for consideration by the Committee under its remit.

The Board considers that the members of the Committee have the appropriate competence and experience necessary to contribute meaningfully to the Committee's deliberations and further considers that Colin Holmes (Committee Chair), as a Chartered Management Accountant, has appropriate recent and relevant financial experience having previously been the UK Finance Director for Tesco plc.

The Committee is kept up to date with changes to accounting standards and relevant developments in financial reporting, company law, and the various regulatory frameworks through presentations from the Group's external auditor, Deputy Chief Financial Officer and Company Secretary. In addition members attend relevant seminars and conferences provided by external bodies. The Terms of Reference of the Audit Committee include all the matters required under the Code.

Other individuals such as the Chief Financial Officer (and his Deputy), Chief Operating Officer, Chief Executive Officer, Chairman of the Board, the Heads of Risk, Compliance and Internal Audit, and representatives of different parts of the Group may be invited to attend all or part of any meeting as and when appropriate. The external auditor was invited to attend all of the Committee's meetings held in 2013, excepting those agenda items when its own performance was to be reviewed and provision of non-audit services discussed. In addition, a number of private meetings were held between members of the Committee and the auditor.

Significant Issues Considered by the Committee

After discussion with both management and the external auditor, the Audit Committee determined that the key risks of misstatement of the Group's financial statements related to: insurance liabilities; profit commissions; and both co-insurance and reinsurance contracts.

These issues were discussed with management during the year and with the auditor at the time the Committee reviewed and agreed the auditor's Group audit plan; when the auditor reviewed the interim financial statements in August 2013 and also at the conclusion of the audit of these full year financial statements.

Insurance Liabilities

The Audit Committee considered the provision for claims outstanding comprising provisions for the estimated cost of setting all claims incurred but unpaid as at the balance sheet date, whether reported or not. The Board has approved a Reserving Policy that sets out the methodology by which management sets reserves in the financial statements that are sufficient, to a high degree of likelihood, to cover any liabilities that can be reasonably assumed to arise from business earned up to the valuation date. The approach is to ensure that an appropriate margin is provided above actuarial best estimates to allow for uncertainty and volatility.

The Audit Committee held separate meetings with the Group's external actuaries at which there was challenge and debate of the methodology used and best estimates developed by the external actuaries and recommended for adoption by management and the Group's internal actuary. At these meetings management provided further information on the reserving levels proposed and were challenged by the Committee as to their adequacy and level of inherent prudency.

Whilst acknowledging that the setting of reserves to cover future claims is a complex and judgemental area and having had the opportunity at the separate meetings referred to above to consider and question the recommended best estimates, the Committee is satisfied that an appropriate process has been followed and that there has been scrutiny, challenge and debate to give confidence that the reserving levels set provide an appropriate margin above best estimates and allowed for a level of prudency.

The Audit Committee also received an update from the auditor regarding the procedures it had used to test management's methodology in setting best estimates and considered the auditor's assertion that it had challenged the reserving approach taken by management and was satisfied with management's assumptions and that the Group's approach to setting reserves was in compliance with current accounting standards.

Profit Commission

The Committee considered the impact on profit commission income of future changes in claims reserves as the recognition of this income is dependent on the loss ratio booked in the financial statements and cash receivable is dependent on actuarial projections of ultimate loss ratios.

The Committee received a detailed paper from the Deputy Chief Financial Officer which provided an analysis of profit commission, its accounting treatment and the risks to this income stream. In addition, the Committee considered legal advice obtained on the Group's reinsurance and co-insurance contracts and was able to gain assurance that the profit commission clauses operated effectively, that profit commission was correctly accounted for by the Group, and that it was in accordance with the contractual arrangements that were in place.

The Audit Committee considered the auditor's overall findings on this area which indicated that it considered the profit commission recognised was appropriate in the context of the financial statements as a whole.

Co-insurance and Reinsurance

The Group has in place a number of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or reinsurance contracts. There is judgement involved in the assessment of whether significant risk has transferred which impacts on the appropriate accounting.

The Committee considered key accounting judgements as part of its review and approval of Group financial statements at interim and year-end meetings. The Committee received reporting from the Group Finance team that supported key accounting estimates and judgements and this formed the basis for the Committee's discussion. Risk transfer was considered on a periodic basis or more frequently in the case of changes to contractual arrangements. In the light of the information received by the Committee, the Committee considered that the appropriate risk transfer had taken place.

Recognition of Intra-group Trading

The Committee considered and reviewed the following unadjusted difference, reported by the external auditor, relating to intra-group trading which had not been eliminated on consolidation.

Management confirmed to the Committee that although the auditors continued to report an unadjusted difference in relation to intra-group trading between Admiral and Confused.com in the UK as a result of their inclusion on the insurance panel, management had opted not to make the elimination adjustments as the effect would be misleading on the key ratios used by the industry and also due to consistency with prior years. KPMG confirmed that although this was an unadjusted difference, it was both immaterial and consistent with prior years.

The Committee fully considered and challenged management on the approach they had taken not to make elimination adjustments on the grounds of immateriality. Following comprehensive review, the Committee confirmed its acceptance of management's position on the basis that accounting for intra-group trading in this way was acceptable given the immateriality of the sums involved and resulted in a better overall presentation of the financial statements.

Misstatements

Aside from the intra-group trading issue noted above, no misstatements were reported by the auditor to the Committee and no material amounts remain unadjusted. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management and consulting where necessary with the auditors, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Non-Audit Fees

During the year the Committee reviewed its policy on non-audit services that sets out the procedure for approval, by the Committee, of expenditure with the Group's auditor of over £30,000, including the process where it is necessary for approval of such work to be given outside of the normal Committee meeting timetable. Such circumstances will require the approval of the Audit Committee Chair who will consider and approve such fees on behalf of the Committee and will ensure that auditor independence and objectivity are not compromised. Such approval of fees in excess of £30,000 will then be notified by the Committee Chair to the next Committee meeting following approval. The Group's auditor, KPMG Audit plc, provides some non-audit services, the majority of which comprise compliance and advisory services related to various taxation issues within the Group, and which are not considered by the Committee to compromise its independence and objectivity as auditor. This decision is typically based on the merit of using KPMG's existing knowledge of the Group's business; its particular expertise in relation to the advice sought on each relevant transaction and the consequent value added and inherent saving of fees. The level of non-audit fees is reviewed at each Committee meeting and details are included in the Annual Report.

Effectiveness of the External Audit Process

The Committee undertakes an annual review to assess the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements, the progress achieved against the agreed audit plan, and the competence with which the auditor handled the key accounting and audit judgements. Following this review the Committee concluded that the auditor, KPMG Audit plc, remained independent and provided a service that was robust and fit for purpose.

Audit Tender

The Committee has noted that the Code has introduced new recommendations that audits should be put out for tender at least every 10 years. The last such tender was carried out by the Group in 2006. In view of the high quality of service received by the Group from the auditor; and the fresh perspective provided by the recent rotation of the audit engagement partner in 2011; the Committee recommended that a re-tender process should not be undertaken in 2013 but that the relationship with and effectiveness of KPMG should be kept under review. A resolution for the reappointment of KPMG as auditor will, therefore, be proposed at the forthcoming AGM. There are no contractual obligations that restrict the Group's choice of external auditor.

In line with the recent findings of the UK Competition Commission and the Guidance for Audit Committees issued by the FRC, it is the Committee's intention to put the audit services contract out to tender at the end of the five-year rotation of the current audit engagement partner. Therefore, the audit for the year ending 31 December 2016 will be put out to tender in 2015. The Committee continues to monitor the changes proposed by the European Union and UK Competition Commission in respect of auditor services and re-tendering which remains a work in progress.

Internal Audit

The Group Head of Internal Audit attends all Audit Committee meetings and provides a range of presentations and papers to the Committee, through which the Committee monitors the effectiveness of the Group's internal controls. The Committee reviewed and approved the Group Internal Audit Terms of Reference which set out the role; objectives; reporting lines and accountability; authority; independence; and objectivity of the internal audit function. The role and competence of each internal audit function across the Group was also assessed and considered by the Committee. It was agreed that the Group Head of Internal Audit would have increased responsibility to ensure the quality of the internal audit activities in the Group's overseas locations.

Members of the Committee also receive all issued audit reports, enabling them to challenge the reports' content and related recommendations. The Committee approves the internal audit programmes at the start of each calendar year whilst the effectiveness and workload of the internal audit functions and the adequacy of available resources are monitored throughout the year.

In accordance with agreed parameters, the overseas operations in Spain, Italy and the USA have their own locally based internal auditors, who report to their respective country heads. All reports are evaluated by the Group Head of Internal Audit to ensure the quality and effectiveness of the reported findings. In addition, the UK internal audit department carries out high level governance reviews of all foreign operations, assessing the internal control frameworks and system of risk management. The overseas internal auditors attend Committee meetings periodically.

Committee Effectiveness Review

As part of the Committee's detailed annual review of its performance and processes, each Committee member completed a comprehensive online questionnaire designed to provide objective assessment of the Committee's performance, including its effectiveness in monitoring internal and external audit. The Committee discussed the results of the review and it was concluded that the Committee and the audit process were effective; that the Committee had full access to all the information it required; that the Committee had appropriate Terms of Reference; and that it was adequately discharging its responsibilities.

STATEMENT FROM MARTIN JACKSON
CHAIRMAN OF THE GROUP RISK COMMITTEE

Dear Shareholder,
During the year the focus of the Committee remained on ensuring that the Group is able to operate within the Board's approved strategy and stated risk appetite and that the Group's risk management framework is appropriately structured and effectively implemented.

The Committee is pleased to welcome Jean Park who joined the Committee on appointment in January 2014. Jean brings a wealth of risk governance experience to the Committee gained during her time as Group Chief Risk Officer for Phoenix Group. Jean will take over from me as Chair of the Committee when I step down in April 2014. Mindful of the need to keep under review and strengthen where necessary the risk capability within the Group, James Armstrong has been appointed as Director of Risk. Given his experience in this area, I am sure that James will be a valuable addition to the risk team.

Martin Jackson
Chairman of the Group Risk Committee
4 March 2014

Membership at the end of the year was: Annette Court, Martin Jackson (Chair), David Stevens and John Sussens.

The Company Secretary acts as secretary to the Committee. The Committee met four times during the year.

The duties and responsibilities of the Committee are set out in Terms of Reference that were approved by the Board in January 2013 and updated and approved in January 2014. The responsibilities of the Committee can be summarised as:

> Agreeing the Group's risk management framework, including the remits of Risk Management Committees that are established within each of the Group's operational entities and overseeing the risk management functions
> Monitoring the Group's prudential risk exposure, which includes ensuring that the Group's capital resources and liquidity profile are appropriate to its needs whilst meeting minimum regulatory requirements, including overseeing and challenging the design and execution of the Group's stress and scenario testing
> Ensuring the adequacy and effectiveness of the Group's systems and controls for the prevention of financial crime, including prevention of bribery and adequacy of anti-money laundering and data protection systems and controls
> Monitoring the adequacy and effectiveness of the Group's compliance functions
> Reviewing the Group's progress towards achieving Solvency II compliance
> Reviewing compliance with Group policies, including the established Reserving Policy and process
> Considering and recommending to the Board for approval the Group's risk appetite, including any changes to the appetite for each material type of risk faced by the Group

The work of the Committee is supported by more detailed work undertaken by Executive Risk Management Committees in each of the Group's operational entities. The membership of the UK Risk Management Committee includes the Group Chief Executive and the Chief Operating Officer. Membership of the other UK and overseas Committees includes the Managing Director of the operation. At each meeting, the Risk Management Committees consider significant movements in the operation's risk profile, any risks that have arisen and any emerging risks. Risk Management Committees also assess and monitor any regulatory issues, ensuring that their resolution and the action taken are appropriately recorded. In the UK, the Risk Management Committee receives regular information on conduct risk, such as complaint handling reports and other management information.

The Committee Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, as set out in previously circulated minutes to the Board. The Committee Chairman also reports on the activities of the Committee in a formal written report that is submitted to and discussed by the Board every six months.

In December 2013 the Committee carried out a review of its effectiveness. The process was led by the Chair of the Committee, with support from the Company Secretary, and consisted of each Committee member completing a questionnaire in which they were asked to evaluate the performance of the Committee against set criteria that included time management and Committee composition; Committee processes and support; and priorities for change. The results of the evaluation were discussed at the Committee meeting in January 2014 and it was concluded that overall the Committee was operating effectively and within its remit. However, there were some areas that were identified for improvement, including reducing the length of meetings to improve the effectiveness of the Committee, with greater focus on the main risks affecting the business and less time spent on operational detail, which will continue to be monitored by the Risk department.

Internal Control and Risk Management
The Board is ultimately responsible for the Group's system of internal control and, through the Audit Committee, has reviewed the effectiveness of these systems. The systems of internal control over business, operational, financial, and compliance risks are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

SUMMARY OF KEY ACTIVITIES DURING 2013

During the Year the Committee Reviewed the Following:

- Reviewed the Group's risk appetite and profile of material risks
- Considered the adequacy of risk mitigation measures and contingency plans
- Reviewed the Group's risk strategy in the context of the Group's agreed strategic objectives
- Monitored the Group's progress towards implementation of Solvency II and plans for compliance with the EIOPA interim guidelines
- Recommended to the Board approval of the Group Individual Capital Assessment
- Approved the design and reviewed the results of the stress and scenario testing programme
- Reviewed in-depth analysis of a number of the Group's most significant risk areas, including insurance risk in the UK Car Insurance operation
- Monitored key risk indicators within the overall risk management framework
- Reviewed management information on conduct risk and complaints within the Group. From January 2014 the Committee Chairman provides a quarterly written report to the Group Board on conduct risk and complaints
- Reviewed its own Terms of Reference
- Approved a number of new/revised key risk management policies
- Received internal presentations on a number of key risk areas including reinsurance, investment strategy and IT
- Reviewed its own effectiveness and sought to identify potential improvements that could be made to the Committee's oversight of risk management in the Group

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's internal controls; that it has been in place for the year ended 31 December 2013; and that, up to the date of approval of the Annual Report and Accounts, it is regularly reviewed by the Board and accords with the internal control guidance for Directors provided in the Code.

A key element of the control system is that the Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clearly defined lines of responsibility. As described above, in order to ensure these responsibilities are properly discharged, the Board has delegated the task of supervision of risk management to the Group Risk Committee (GRC) and of internal control to the Audit Committee.

There are several key elements to the risk management environment throughout the Group. These include the setting of risk management strategy, risk appetite and risk policy by the GRC; dissemination of that policy by the Chief Executive; delivery of the policy by the UK Risk Management Committee and the Group's other UK and overseas entities through the application of the Group's systems of internal control and risk management; and the overall assurance provided to the Audit Committee by internal audit that the systems operate effectively. The Board recognises that the day-to-day responsibility for implementing these policies must lie with the senior management whose operational decisions must take into account risk and how this can be controlled effectively. The GRC reports on its activities to the Audit Committee in support of the overall assurance provided by the Audit Committee that the Group's risk management and compliance systems operate effectively.

The Risk Department defines and prescribes the financial and operational risk assessment processes for the business; maintains the risk registers; undertakes regular reviews of these risks in conjunction with line management; and records any actual losses or near misses that occur as a consequence of the realisation of risk. The Head of Risk has responsibility for ensuring that managers are aware of their risk management obligations, providing them with support and advice, and ensuring that the risk management strategy is properly communicated. Reports are produced showing the most significant risks identified and the controls in place. Internal Audit uses the risk registers to plan and inform their programme of audits around the most significant risks to the Group to ensure that the prescribed controls are in place and are operating effectively.

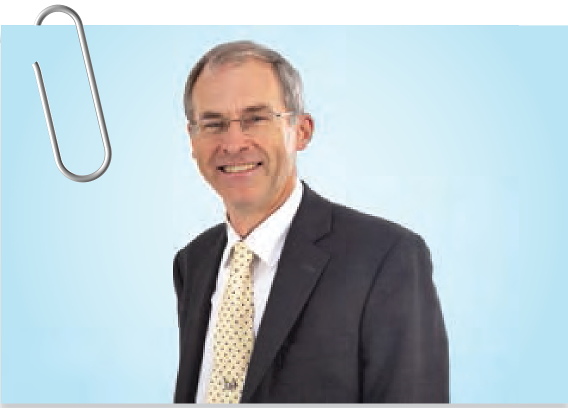
The GRC, UK RMC and other UK and overseas committees receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms that are embedded within the operational units. They, together with the Audit Committee, also receive regular reports from the relevant internal audit functions, which include recommendations for improvement of the control and operational environment. Twice a year the Chairman of the Group Risk Committee provides a comprehensive written report to the Board on the Group's risk appetite, risk strategy and risk management policy with focus on a consideration of the principal assessed exposures and the effectiveness of the mitigation strategies adopted. In addition, the Board receives reports from the Chairman of the Audit Committee as to its activities, together with copies of the minutes of the UK RMC and the GRC and Audit Committees.

The Audit Committee's ability to provide the appropriate assurance to the Board depends on the provision of periodic and independent confirmation, primarily by internal audit, that the controls established by management are operating effectively and where appropriate provides a high-level challenge to the steps being taken by the GRC to implement the risk management strategy. The internal audit functions undertake regular reviews of internal control systems and business processes, identifying control weaknesses and making recommendations to management on improvements where necessary.

In March 2014 the Board carried out the annual review of the effectiveness of the Group's system of internal controls for the 2013 year, also taking account of events since 31 December 2013, by considering documentation from the Audit Committee including the Internal Audit Annual Report prepared by the Group's Head of Internal Audit.

The Board confirms that there were no significant issues arising during the year under review. However, the Board continues to review the adequacy of the risk management and control framework. As the Group's operations grow, the Board looks for opportunities to make improvements and add appropriate resources when necessary.

STATEMENT FROM ALASTAIR LYONS
CHAIRMAN OF THE NOMINATION COMMITTEE



Dear Shareholder,
As part of the Committee's remit to review regularly the composition and experience of the Board to ensure that the range of skills, breadth of the experience and diversity are fully considered, the Committee undertook a thorough review of the Group's succession planning requirements given a number of Directors were coming to the end of their nine-year terms in the next few years, and that Independent Non-Executive Directors would normally be regarded as having lost their independence after nine years.

It was agreed that given this degree of Board change, the Committee should develop a clear structured succession plan that would ensure appropriate action was taken well ahead of the dates on which individuals would be retiring in order to achieve their replacement, if appropriate, with individuals of the appropriate skills, experience and fit to the Board.

Alastair Lyons
Chairman of the Nomination Committee
4 March 2014

The membership of the Committee at the year end was Alastair Lyons (Chairman), Colin Holmes and Lucy Kellaway. The Company Secretary acts as secretary to the Committee. The Committee invites the Chief Executive to attend meetings when it deems appropriate. The Committee met on five occasions during 2013.

The Committee leads the process for making appointments to the Board or where the appointee is likely to become a Board member. The Committee ensures there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board through a full evaluation of the skills, knowledge and experience required of Directors. The Committee also ensures plans are in place for orderly succession for appointments to the Board, and reviews the succession plans for other senior management positions. Responsibility for making senior management appointments rests with the Chief Executive.

During 2013, as part of the Board's commitment to review the size of the Board and the balance of its composition and having regard to the length of service of some of the existing Board members, the Board decided to initiate a search for a Non-Executive Director. The Group has in place a policy of recruiting well ahead of impending retirements in order to ensure continuity of knowledge and Board dynamics. The Nomination Committee led this process and assessed the balance of skills, knowledge, independence, diversity and experience on the Board. The Committee developed an appropriate specification for this role identifying the need for the successful candidate to have both risk management experience and insurance experience.

Following this process, the Committee identified Jean Park, who has extensive knowledge of risk governance and risk management frameworks and was, until June 2013, Group Chief Risk Officer (CRO) for Phoenix Group, the UK's largest specialist closed life and pension fund consolidator. A member of the Institute of Chartered Accountants of Scotland, she has previously been Head of Compliance and Audit for Scottish Widows and Risk Management Director of the Insurance and Investment Division for Lloyds TSB. Jean is currently a Non-Executive Director of Murray Income Trust plc and National House Building Council. There are a very limited number of individuals who have held the role of Chief Risk Officer of major insurance companies, hence the Nomination Committee took the opportunity of Jean's retirement as CRO of the Phoenix Group to approach her to ascertain her interest in joining the Board of Admiral. Given her background, experience and competence, and the external references that were obtained, the Committee did not consider it either necessary or appropriate to undertake a full search led by an external recruitment consultancy.

Each Committee member met separately with Jean and agreed that, given the increasing focus on the governance of the Group's risk management framework, Jean would bring invaluable risk experience to the Board. The Board approved the Committee's recommendation and following regulatory approval Jean was formally appointed to the Board with effect from 17 January 2014.

In addition to the recruitment of Jean Park and in order to strengthen the Group's risk capability, the Committee initiated a search for a Group Director of Risk (a non-Board position). External search consultants were engaged and a shortlist of candidates identified. James Armstrong emerged as a strong candidate given his experience in this area whilst working for Lloyds Banking Group and Deloitte. The Committee met with James and recommended that he should be appointed as Director of Risk. The Board approved the recommendation and James will join the Group in March 2014.

The Board, at its meeting in January 2013, considered the Group's current succession plan which considered the senior roles within the Group and identified whether there was emergency short term cover in place in the event that an individual left the organisation, and whether there was a permanent replacement available within the organisation, or whether the position would need to be filled externally. It also identified where there were individuals who, with further experience and guidance, would be capable of moving into particular senior management roles.

At this meeting the emerging talent across the Group was discussed in detail with the Executive team identifying key individuals within the organisation who had impressed in their current roles and who had the potential to contribute to the business by working on projects in other areas of the Group. Such exposure would also assist with their development in order that, at the appropriate time, they might be in a position to succeed to senior management positions.

The Committee remains satisfied that succession plans for Directors and senior management are in place to ensure the continued ability of the Group to implement strategy and compete effectively in the markets in which it operates.

The Group remains strongly supportive of the principle of boardroom diversity, of which gender is an important, but not the only, aspect. What is important is diversity of thought, experience and approach and each new appointment must complement what already exists at the Board table. Accordingly, appointments will always be made on merit against objective criteria, including diversity, and not just to achieve an externally prescribed number. Given women already constitute over 25% of our plc Board, the Group has already met the target set for 2015 by Lord Davies in his report, Women on Boards. The Group remains committed to providing equal opportunities, eliminating discrimination, and encouraging diversity amongst its workforce both in the UK and overseas. A breakdown of the gender of Company Directors and senior employees at the end of the financial year together with details of the Group's Equality, Diversity and Dignity at Work Policy are set out in the Strategic Report at page 15.

Full details of the membership, responsibilities and activities of the Remuneration Committee can be found in the Directors' Remuneration Report set out on pages 55 to 64.

"The Group remains committed to providing equal opportunities, eliminating discrimination, and encouraging diversity amongst its workforce both in the UK and overseas."

STATEMENT FROM JOHN SUSSENS
CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder,
I am pleased to introduce the Directors' Remuneration Report (the Report) for the year ended 31 December 2013, which has been prepared by the Remuneration Committee (the Committee) and approved by the Board.

This Report covers the reporting period from 1 January 2013 to 31 December 2013 and provides details of the activities of the Committee and Remuneration Policy of the Company.

In August 2013, the UK Government Department of Business Innovation & Skills (BIS) published regulations setting out what companies must disclose in the directors' remuneration report with the aim of improving transparency and promoting best practice. The Report is therefore divided into three sections:

- Remuneration Committee Chairman statement
- Directors' Remuneration Policy, which details Admiral's remuneration policies and links to Group strategy, as well as projected pay outcomes under various performance scenarios
- Annual Report on Remuneration, which focuses on the remuneration arrangements and outcomes for the year under review, and how the Committee intends to implement the Remuneration Policy in 2014

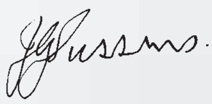
2013 has been another strong year for the Group despite a challenging external environment. The Group increased profits in the year by 7% to £370 million with a return on capital employed of 58% which supported total dividends for the financial year of 99.5 pence per share, representing a distribution of 95% of our earnings. The Group's strategy remains to continue to maximise our position in the UK while taking what we know and do well, which is internet and telephone delivery of car insurance and price comparison, to our overseas insurance and price comparison businesses.

Two of the three Executive Directors are founding Directors and receive remuneration that comprises salary and modest benefits only. The Committee continues to hold the view that this is appropriate, as their significant shareholdings provide a sufficient alignment of their interest with those of other shareholders. In order to provide full transparency of pay arrangements for our Executive Directors, this Report includes single figure and comparative data for our CFO as well as for our CEO, as the pay arrangements for the CFO are more reflective of those for (non-founder) Executives.

During the year ended 31 December 2013, the Committee met on six separate occasions. The key matters considered included:

- Reviewing salary and fee proposals for the Executive Directors, the Chairman and senior management
- Reviewing the appropriateness of the performance conditions for both the Discretionary Free Share Scheme (DFSS) and Free Share Incentive Plan (SIP) awards
- Reviewing the Company's performance against the performance conditions applicable to the DFSS and SIP awards and where appropriate authorising the vesting of awards
- Reviewing and authorising the grant of awards under both DFSS and SIP plans
- Reviewing the Committee's Terms of Reference and recommending amendments to the Board for approval
- Reviewing new requirements for remuneration disclosure under BIS and responding accordingly
- Reviewing the efficiency of DFSS awards for overseas businesses

As the 10 year life of the DFSS expires in 2015 and given the changes in both size and geography to the business since flotation in 2004, the opportunity will be taken in 2014 to review whether any changes need to be made to the DFSS scheme rules. These will then be put to shareholders for approval at the Group's AGM in 2015.



John Sussens
Chairman of the Remuneration Committee
4 March 2014

DIRECTORS' REMUNERATION POLICY

Compliance Statement

This Remuneration Report has been prepared according to the requirements of the Companies Act 2006 (the Act), Regulation 11 and Schedule 8 of the Large and Medium–Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and other relevant requirements of the FCA Listing Rules. In addition, the Board has applied the principles of good corporate governance set out in the UK Corporate Governance Code (the Code), and has considered the guidelines issued by its leading shareholders and bodies such as the Association of British Insurers and the National Association of Pension Funds.

This section of the report sets out the policy for Executive Directors which shareholders are asked to approve at the 2014 Annual General Meeting (AGM). The Committee intends that this policy will formally come into effect from the date of the 2014 AGM.

Remuneration paid to Executive Directors in 2013 and remuneration arrangements proposed for 2014 are set out in the Annual Report on Remuneration.

Key Principles of Admiral Remuneration Arrangements

The Group is committed to the primary objective of maximising shareholder value over time and ensuring that there is a strong link between performance and reward. This is reflected in the Group's stated Remuneration Policy of paying competitive, performance-linked and shareholder-aligned remuneration packages comprising basic salaries coupled with participation in performance-based share schemes to generate competitive total reward packages for superior performance. The Board is satisfied that the adoption of this policy continues to meet the objectives of attracting and retaining Executives of the highest quality across the Group.

The Committee reviews the framework and remuneration packages of the Executive Directors and the most senior managers and recognises the need to ensure that the Remuneration Policy is firmly linked to the Group's strategy, including its risk management approach. In setting the policy and making remuneration decisions, the Committee takes into account pay and conditions elsewhere in the Group.

The main principles underlying the Remuneration Policy are:

- **Competitive** – the Group aims to combine salaries with attractive performance-related incentives, which provide the potential for competitive total reward packages for the achievement of superior performance. Base salaries reflect the role, job size and responsibility together with individual performance and effectiveness. Prevailing market and economic conditions and developments in governance are also considered, as are general salary levels throughout the organisation. In considering total remuneration for the Executive Directors, the Committee takes into account remuneration in companies of a similar size in the financial services sector
- **Performance linked** – a significant part of the Executive Directors' (excluding the founding Directors) and senior managers' reward remains shareholder aligned given that it is determined by the Group's earnings growth v LIBOR (see following Remuneration policy table)
- **Transparent** – all aspects of the remuneration structure are clear to employees and openly communicated

Remuneration Policy Table

This table describes the key components of the remuneration arrangements for Executive Directors for 2013 and beyond. No changes to the structure of remuneration are proposed for 2014.

Purpose and link to strategy	Operation	Opportunity and performance metrics
Base Salary To attract and retain talent by setting base salaries at levels appropriate for the business	Salaries are reviewed annually or following a significant change in responsibilities. Salary levels/increases take account of: > Scope and responsibility of the position > Individual performance and effectiveness, and experience of the individual in the role > Average increase awarded across the Group	Any salary increases are applied in line with the outcome of the review. In respect of existing Executive Directors, it is anticipated that salary increases will be in line with the increase for the general employee population over the term of this policy. In certain circumstances (including, but not limited to, a significant increase in role size or complexity) the Committee has discretion to make adjustments to salary levels to ensure they remain appropriate.
Pension To provide retirement benefits	The Group operates a Personal Pension Plan, a Defined Contribution scheme. This is available to all employees following completion of their probationary period.	The Group matches employee contributions up to a maximum of 6% of base salary subject to an overall maximum employer contribution of £9,000. Salary is the only element of remuneration that is pensionable. Henry Engelhardt and David Stevens have declined to be included in the plan.

DIRECTORS' REMUNERATION POLICY CONTINUED

Remuneration Policy Table continued

Purpose and link to strategy	Operation	Opportunity and performance metrics
Other Benefits To provide competitive benefits	Includes (but not limited to): > Death in service scheme > Private medical cover > Permanent health insurance > Relocation, at the Committee's discretion All benefits are non-pensionable.	Benefits may vary by role. None of the existing Executive Directors received total taxable benefits exceeding 5% of salary (excluding relocation) during the most recent financial year, and it is not anticipated that the cost of benefits provided will exceed this level over the term of this policy. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances driven by factors outside the Company's control (e.g. material increases in insurance premiums).
Discretionary Free Share Scheme (DFSS) To motivate and reward longer term performance, grow market share profitably, reduce staff attrition, and further strengthen the alignment of the interests of shareholders and staff	Executive Directors may be granted awards annually at the discretion of the Committee. Henry Engelhardt and David Stevens have declined to participate given their significant shareholdings. Awards are generally made as a specific number of shares, and vest after three years subject to Group performance and continued employment.	Maximum opportunity: £1,000,000 or 600% of base salary if lower. CFO award size for 2013: 52,250 shares, with a value on the date of award of £631,703. Awards vest by reference to growth in the Group's EPS in excess of a risk free return, defined as average three-month LIBOR, over a three-year period. Threshold performance will result in vesting of 10% of the maximum award.
DFSS Bonus To further align incentive structures with shareholder interests through the delivery of dividend equivalents	To incentivise shareholder value creation, in particular in the form of dividends, management participate in a bonus scheme which directly links their awards to dividends paid to shareholders. Bonus is calculated to be equivalent to dividends that would have been payable during the year on all outstanding DFSS shares awarded but not vested.	Maximum opportunity: sum equal to dividends payable during the year on awarded but unvested DFSS shares. The DFSS bonus amounted to 26%, 29% and 34% of salary in 2011, 2012 and 2013 respectively for the CFO. No bonus is payable unless dividends are payable on Admiral shares.
Approved Free Share Incentive Plan (SIP) To encourage share ownership across all employees using HMRC approved schemes	All UK employees participate in the SIP (except Henry Engelhardt and David Stevens who have declined to participate). Grants are made twice a year based on the results of each half-year, and vest after three years subject to continued employment.	Maximum opportunity: £3,000 per annum. The SIP is an all-employee scheme and Executive Directors participate on the same terms as other employees. The acquisition of shares is therefore not subject to the satisfaction of a performance target.

The Committee retains discretion to make non-significant changes to the policy without reverting to shareholders.

Notes to the Remuneration Policy Table

Payments from Existing Awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy.

Selection of Performance Measures

EPS v LIBOR has been selected as the performance measure for awards under the DFSS as the Committee feels it is a strong indicator of long term shareholder return. It is also transparent, visible and motivational to Executives.

Performance targets are set to be stretching and achievable, taking into account the Company's strategic priorities and the economic environment in which the Company operates. Targets are set, taking into account a range of reference points including the Group's strategic plan and broker forecasts for both Admiral and its insurance peers. The Committee believes that the performance targets set are very stretching and that the maximum outcomes are only available for truly outstanding performance.

Remuneration Policy for Other Employees

The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the role size, experience required, individual performance and pay levels in comparable companies.

In general, the Remuneration Policy which applies to other Senior Executives is consistent with that for Executive Directors. Remuneration is typically linked to Company and individual performance in a way that reinforces shareholder value-creation.

Approximately 1,800 employees from across the Group, as well as the CFO, participate in the DFSS. The Committee recommends for approval by the Board awards to all participants under the DFSS. For the CFO, all share awards are subject to the performance condition detailed in the policy table. For below-Board employees, awards are split: 50% of the award is subject to the same performance condition, and the other 50% has no performance conditions attached other than the requirement that the recipient remains an employee of the Group at the date of vesting. Award sizes vary by organisational level. All holders of DFSS awards receive the DFSS bonus.

All employees are eligible to participate in the SIP on the same terms.

Remuneration Arrangements for Founding Directors

Two of the three Executive Directors (Henry Engelhardt and David Stevens) are founding Directors. They and the Committee continue to hold the view that the significant shareholdings held by them provide a sufficient alignment of their interest in the performance of the Group with the interests of other shareholders. In light of this, their remuneration packages consist only of a below market rate salary and benefits such as private medical cover, permanent health insurance and death in service cover. The Group does not contribute to any pension arrangements on behalf of these Executive Directors, and they have not participated, nor is it intended that they participate, in any Group share schemes.

Service Contracts and Leaver/Change of Control Provisions

The Company's policy is to limit termination payments on termination to pre-established contractual arrangements. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Under normal circumstances, Executive Directors are entitled to receive termination payments in lieu of notice based on base salary and compensation for loss of benefits. The Company has the ability to pay such sums in instalments, requiring the Executive Director to mitigate loss over the relevant period. The notice period for all Executive Directors is one year.

Executive Director	Date of appointment
Henry Engelhardt	22/10/99
David Stevens	22/10/99
Kevin Chidwick	04/09/06

There is no provision in the Executive Directors' contracts for compensation to be payable on early termination of their contract over and above the notice period element. Executive Director service contracts are available to view at the Company's registered office.

When considering termination payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the DFSS and DFSS bonus scheme are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

Plan	Scenario	Timing of vesting	Treatment of awards
DFSS	Resignation	Awards lapse	n/a
	Death, injury or disability, redundancy, retirement or any other reasons the Committee may determine	Normal vesting date	Any outstanding award will be pro-rated for time and performance.
	Change of control	Immediately	Any outstanding award will be pro-rated for time and extent to which the Committee determines that the performance conditions have been met or are likely to be met at the point of change of control.
DFSS bonus	Resignation	n/a	n/a
	Death, injury or disability, redundancy, retirement or any other reasons the Committee may determine	n/a	Not payable after the event.
	Change of control	n/a	Not payable after the event.

DIRECTORS' REMUNERATION POLICY CONTINUED

Non-Executive Directors

The Company has entered into letters of appointment with its Non-Executive Directors (NEDs). Summary details of terms and notice periods are included below.

NED	Term	Commencement date	Notice period
Alastair Lyons	3 years	1 July 2013	Three months
Roger Abravanel	3 years	6 March 2012	One month
Manfred Aldag	Indefinite	n/a	One month – automatically terminates should he cease employment with Munich Re
Annette Court	3 years	21 March 2012	One month
Colin Holmes	3 years	3 December 2013	One month
Martin Jackson	4 months 8 days	1 December 2013	One month
Margaret Johnson	3 years	4 September 2012	One month
Lucy Kellaway	3 years	4 September 2012	One month
Jean Park	3 years	17 January 2014	One month
John Sussens	4 months 8 days	1 December 2013	One month

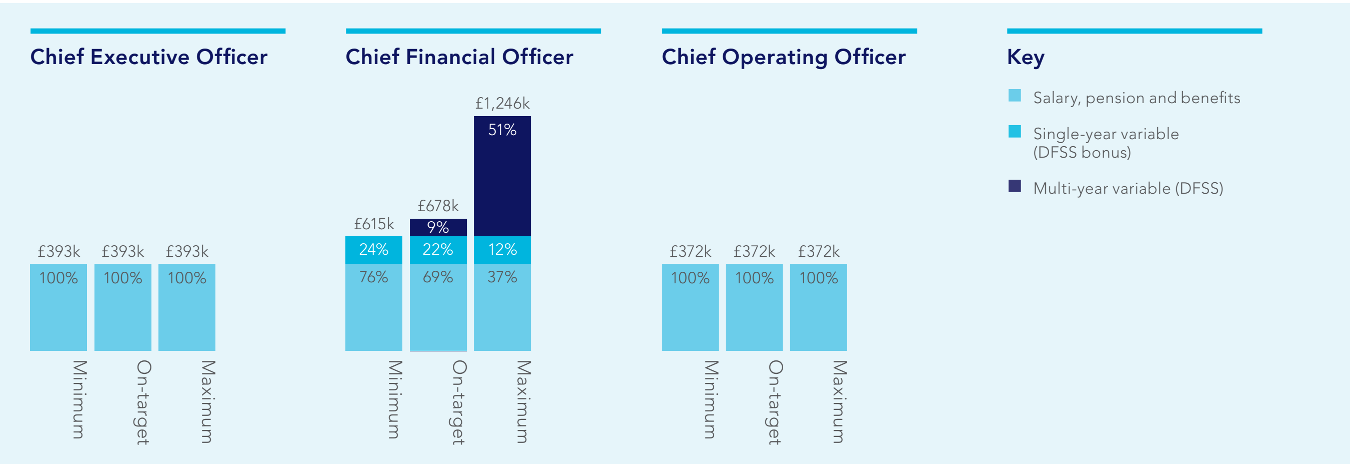
The NEDs are not eligible to participate in the DFSS or DFSS bonus scheme and do not receive any pension contributions.

Details of the policy on NED fees are set out in the table below:

Purpose and link to strategy	Operation	Opportunity and performance metrics
To attract and retain NEDs of the highest calibre with experience relevant to the Company	Fees are reviewed annually. The Group Chairman fee is determined by the Committee after consultation with the Executive Directors. The NED fees are determined by the Group Chairman together with the Executive Directors. Additional fees are payable for acting as Senior Independent Director or as Chairman or member of Board Committees as appropriate. Fee levels are reviewed by reference to time commitment and responsibility. Fees are currently paid entirely in cash, but the Board retains discretion to part-pay fees in Company shares.	Any fee increases are applied in line with the outcome of the review. The current Group Chairman, as with the founding Directors, holds a significant shareholding in the Group and this is reflected in the size of his fee, which is materially below that of chairmen of organisations of similar size and complexity.

Pay-for-performance: Scenario Analysis

The following charts provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of pay under three different performance scenarios: 'Minimum', 'On-target', and 'Maximum'. As described above, Admiral's DFSS bonus is directly aligned with dividends received by our shareholders. As such, there is no 'threshold' or 'target' performance defined for this element of pay. The figures shown in the chart below for the CFO's DFSS bonus include the value of the actual DFSS bonus paid in 2013. Under all scenarios, potential reward opportunities are based on Admiral's Remuneration Policy applied to salaries as at 31 December 2013. The 'On target' (threshold) column includes a 10% vesting for DFSS awards which would occur in the event that EPS growth over the performance period equates to LIBOR over the same period.



The charts above exclude the effect of any Company share price movement. For this reason, were the CFO's DFSS shares to vest in full, his actual total remuneration may exceed the £ value shown in the chart above.

Pay-for-performance: Scenario Analysis continued

Component	Minimum	On-target	Maximum
Base salary	Annual base salary for 2014		
Pension	£9,000 annual contribution for CFO; no contribution for CEO or COO		
Benefits	Taxable value of annual benefits provided		
DFSS	0% vesting	10% vesting	100% vesting
DFSS bonus	Based on DFSS bonus paid in 2013		

Approach to Recruitment Remuneration

External Appointments

In the case of appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value
Base salary	The base salary will be determined by the Committee with reference to the scope and responsibility of the position as well as internal relativities and their current remuneration.	
Pension	New appointees will be eligible to participate in the Personal Pension Plan with Group contributions in line with the existing policy.	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) death in service scheme, private medical cover, and permanent health insurance.	
SIP	New appointees will be eligible to participate in the SIP.	
DFSS	New appointees will be granted awards under the DFSS on the same terms as other Executives, as described in the policy table.	£1,000,000 or 600% of base salary if lower
DFSS bonus	New appointees will be granted awards under the DFSS bonus scheme on the same terms as other Executives, as described in the policy table.	Linked to Admiral dividend

The Committee may also make an award in respect of a new appointment to "buy out" incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards and the likelihood of those conditions being met to ensure that the value of the buy-outs are no greater than the fair value of the awards they replace. The Committee may also avail itself of Listing Rule 9.4.2 R if appropriate in respect of buy-out incentive arrangements.

Internal Appointments

Remuneration for new Executive Directors appointed by way of internal promotion will similarly be determined in line with the policy for external appointees, as detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these arrangements. Incentive opportunities for below Board employees are typically no higher than for Executive Directors, but measures may vary if necessary.

NED Recruitment

In recruiting a new Non-Executive Director, the Committee will use the policy as set out in the table on pages 55 to 56. A base fee would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as Chairman or member of a Board Committee as appropriate.

Other Directorships

Executive Directors are permitted to, although none currently do, accept appointments as non-executive directors of companies with prior approval of the Group Chairman. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and the wider exposure gained will be beneficial to the development of the individual.

Considerations of Conditions Elsewhere in the Group

The Committee considers the pay and employment conditions elsewhere in the Group when determining remuneration for Executive Directors. Whilst the Committee does not currently consult specifically with employees on the Executive Remuneration Policy, it consults with and receives updates on employee pay arrangements from the Group's Head of People Services and takes this into consideration when reviewing Executive remuneration.

Considerations of Shareholder Views

When determining remuneration, the Committee takes into account best practice guidelines issued by institutional shareholder bodies. The Committee is open to feedback from shareholders on Remuneration Policy and will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the Executive remuneration remains appropriate.

Further detail on the votes received on the 2013 Directors' Remuneration Report is provided in the Annual Report on Remuneration.

ANNUAL REPORT ON REMUNERATION

This section of the report provides details of how Admiral's Remuneration Policy was implemented in 2013 and the remuneration arrangements proposed for 2014.

Remuneration Committee Membership in 2013

The Board sets the Group's Remuneration Policy and, through the authority delegated to it by the Board, the Committee is responsible for making recommendations to the Board on the structure and implementation of the Remuneration Policy across the Group with consideration to the prevailing economic climate within the economies in which the Group operates. Its remit includes recommending the remuneration of the Chairman, the Executive Directors and the Company Secretary; reviewing the remuneration of senior management; and reviewing the composition of and awards made under the performance-related incentive schemes.

At the end of 2013 the Committee consisted of Martin Jackson, Margaret Johnson, and Roger Abravanel under the Chairmanship of John Sussens, the Senior Independent Director. The Committee met six times during the year.

The Group Chairman and CEO are invited to meetings where the Committee considers it appropriate to obtain their advice on Group strategy and performance and senior Executive pay strategy. The members of the Committee do not have any personal financial interests (other than shareholdings), or any conflicts, that relate to the business of the Committee. The Committee members do not have any day-to-day involvement in the running of the Group.

Adviser to the Committee

During the year, in order to enable the Committee to reach informed decisions on Executive remuneration, advice on market data and trends was obtained from independent consultants, Kepler Associates. Kepler reports directly to the Committee Chairman and is a signatory to the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Kepler does not provide any other services to the Group. The fees paid to Kepler in respect of work carried out in 2013 (based on time and materials) totalled £13,950, excluding expenses and VAT.

The Committee undertakes due diligence periodically to ensure that Kepler remains independent of the Company and that the advice provided is impartial and objective. The Committee is satisfied that the advice provided by Kepler is independent.

In addition, the Committee received advice on the structure of the Group's share schemes from PricewaterhouseCoopers LLP (PwC). The fees paid to PwC totalled £5,100, excluding expenses and VAT. The Company Secretary also circulates market survey results as appropriate.

Summary of Shareholder Voting at the 2013 AGM

The table below shows the advisory vote on the Directors' Remuneration Report at the 2013 AGM relating to the 2012 financial year.

	For	Against	Total votes cast	Abstentions
Total number of votes	222,771,957	1,223,699	223,995,656	2,572,589
% of votes cast	99.5%	0.5%		

Total Single Figure of Remuneration for Executive Directors (audited)

The table below sets out the total single figure remuneration received by each Executive Director for the year to 31 December 2013 and the prior year.

Executive Director		1. Base salary	2. Benefits	3. Pension	4. SIP	5. DFSS	6. DFSS bonus	7. Relocation	Total remuneration
Henry Engelhardt	**2013**	**£387,147**	**£399**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**£387,546**
	2012	£373,212	£547	n/a	n/a	n/a	n/a	n/a	£373,759
Kevin Chidwick	**2013**	**£443,289**	**£399**	**£9,000**	**£3,000**	**£623,500**	**£148,680**	**£165,000**	**£1,392,868**
	2012	£424,725	£512	£9,000	£3,000	£611,369	£122,612	£260,000	£1,431,218
David Stevens	**2013**	**£364,130**	**£399**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**£364,529**
	2012	£350,175	£512	n/a	n/a	n/a	n/a	n/a	£350,687

The figures have been calculated as follows:

1. Base salary/fee: amount earned for the year.
2. Benefits: the taxable value of annual benefits received in the year.
3. Pension: the value of the Company's contribution during the year.
4. SIP: the face value at grant.
5. DFSS: the value at vesting of shares vesting on performance over the three-year periods ending 31 December 2013 and 31 December 2012. For the 2013 calculation, given that vesting occurs in April 2014, after the Directors' Remuneration Report is finalised, the figure is based upon the average share price in the last three months of the calendar year in question.
6. DFSS bonus: the value at grant of bonus equivalent to dividends that would have been payable during the year on all outstanding DFSS shares awarded but not yet vested.
7. Kevin Chidwick was paid £165,000 (2012: £260,000) to reimburse him for expenses incurred in relation to his being based in the USA after taking on CEO responsibility for the Group's US Insurer Elephant Auto.

Total Single Figure of Remuneration for Non-Executive Directors (audited)

The table below sets out the total single figure remuneration received by each NED for the year to 31 December 2013 and the prior year.

	Total fees	
Director	2013	2012
Alastair Lyons	£228,228	£218,400
Roger Abravanel	£50,000	£50,000
Manfred Aldag	£6,000	£6,000
Annette Court	£74,000	£74,000
Colin Holmes	£70,000	£70,000
Martin Jackson	£70,000	£70,000
Margaret Johnson	£62,000	£62,000
Lucy Kellaway	£50,000	£50,000
John Sussens	£72,000	£72,000

Incentive Outcomes for Financial Year to 31 December 2013

DFSS Awards Vesting During the Year and in 2014

Awards were made under the DFSS to Kevin Chidwick in 2010 and 2011. Vesting was dependent on the Company's EPS performance excess of a risk free return, defined as average three-month LIBOR, over a three-year period. 10% of shares vest for matching LIBOR; full vesting occurs for outperforming LIBOR by 10% p.a., with straight line vesting in between. No vesting occurs for EPS growth below LIBOR. The table below details the Company's EPS performance against targets and vesting outcomes over the performance periods ended on 31 December 2012 and 31 December 2013.

Performance period	Interest held	Admiral EPS index	LIBOR index	Out-performance	% vesting	Interest vesting	Vesting date	Estimated value
1 Jan 2010 – 31 Dec 2012	48,010	161 points	102 points	59 points*3	100%	45,010	30 Apr 2013	£611,369*1
						3,000	15 Dec 2013	
1 Jan 2011 – 31 Dec 2013	50,000	144 points	102 points	42 points	100%	50,000	30 Apr 2014	£623,500*2

*1 Calculated based on the share price at the vesting dates (April 2013: £12.76 and December 2013: £12.34).

*2 Calculated based on the average share price over the final three months of 2013 (£12.47).

*3 36 points are required for 100% vesting.

DFSS Bonus in Respect of 2013

The Group paid a bonus to all holders of DFSS shares in 2013, which was equivalent to the dividend payable on all outstanding DFSS shares awarded but not yet vested. The Committee continues to feel that having a Group-wide bonus equivalent to the dividend flow received by investors further aligns the incentive structure with shareholders.

In 2013, Kevin Chidwick received a DFSS bonus of £148,680 (2012: £122,612).

Scheme Interests Awarded in 2013

DFSS

In October 2013, Kevin Chidwick was granted an award under the DFSS of 52,250 shares, with a value at the date of award of £631,703. The three-year period over which performance will be measured will be 1 January 2013 to 31 December 2015. The award is eligible to vest in its entirety on the third anniversary of the date of grant (i.e. October 2016), subject to performance. Henry Engelhardt and David Stevens again declined to be included given their significant shareholdings.

Awards made up to and including in 2013 vest based on EPS growth v LIBOR, as outlined on page 56.

Type of award	Discretionary Free Share Scheme
Face value of awards granted in 2013	CEO: n/a
	CFO: 52,250 shares on October 2013 with a value at the date of award of £631,703 (based on share price of £12.09)
	COO: n/a
Performance period	3 years from 1 January 2013
Performance conditions	Growth in EPS v LIBOR
Threshold (10% vests)	Growth in line with LIBOR over 3 years
Maximum (100% vests)	Growth of 10% p.a. in excess of LIBOR over 3 years

SIP

In March and September 2013, Kevin Chidwick was granted an award under the SIP of 112 and 116 shares, with a face value of £1,510 and £1,488 respectively. The shares will vest in March and September 2016 subject to continued employment only. Henry Engelhardt and David Stevens again declined to be included given their significant shareholdings.

ANNUAL REPORT ON REMUNERATION CONTINUED

Exit Payments and Payments to Past Directors
No payments were made during the year.

Implementation of Remuneration Policy for 2014
Executive Directors
Remuneration for the Executive Directors in 2014 will be determined in line with the current policy. The Committee approved the following base salaries for the Executive Directors in 2013:

Director	2013 salary	2012 salary	% change	Effective date
Henry Engelhardt	**£392,870**	£381,425	3.0%	1 July 2013
Kevin Chidwick	**£456,456**	£438,900	4.0%	1 October 2013
David Stevens	**£371,340**	£360,525	3.0%	1 September 2013

Kevin Chidwick will continue to participate in the Group Personal Pension Plan, where employee contributions are matched up to a maximum 6% of base salary with maximum employer contribution of £9,000. As in previous years, Henry Engelhardt and David Stevens have declined to be included in the plan for 2014. Kevin Chidwick will continue to participate in the DFSS bonus scheme in 2014. All Executive Directors will continue to receive benefits in line with the policy.

Chairman and Non-Executive Directors
With effect from 1 January 2014, the fee payable to the Chairman of the Board remains at £228,228 p.a. and the basic fee payable to each NED increased to £55,000 p.a. The fees payable for chairing the Audit, Risk, Remuneration and Nomination Committees are £20,000, £20,000, £5,000 and £5,000 p.a., respectively. The additional fee paid for being Senior Independent Director is £5,000 p.a. The fees payable for membership of the Audit and Group Risk Committees are £12,000 p.a. each.

With effect from the date of the AGM (9 April 2014), the additional fees payable for being Senior Independent Director and Chair of the Remuneration Committee will increase to £10,000 each. These increases reflect the additional time commitment now deemed necessary in undertaking these roles.

Percentage Change in CEO Remuneration
The table below shows the percentage change in CEO remuneration from 2012 compared to the average percentage change in remuneration for all other employees. The analysis is based on a consistent set of employees, i.e. the same individuals appear in the 2012 and 2013 populations. As the CEO does not participate in the DFSS bonus scheme, to provide a meaningful comparison, we have also included data for the CFO.

	CEO			CFO			Other employees
	2013	2012	% change	2013	2012	% change	% change
Salary*1	**£387,147**	£373,212	3.7%	**£443,289**	£424,725	4.4%	4.3%
Taxable benefits*2	**£399**	£547	–27.1%	**£165,399**	£260,512	–36.5%	–22.1%
DFSS bonus*3	—	—	—	**£148,680**	£122,612	21.3%	15.7%
Total	**£387,546**	£373,759	3.7%	**£757,368**	£807,849	–6.2%	5.2%

*1 Percentage change in salaries represents average salary increase in 2013 for a representative group of employees.

*2 In January 2013 Kevin Chidwick was provided with a cash reimbursement of £165,000 in relation to expenses incurred in his relocation to the USA (2012: £260,000).

*3 DFSS bonus change for Other employees represents the change in dividends paid, which is the driver of the level of bonus payable to holders of unvested DFSS shares.

Relative Importance of Spend on Pay
The table below shows the percentage change in dividends and total employee remuneration spend from the financial year ended 31 December 2012 to the financial year ended 31 December 2013.

	2013 £m	2012 £m	% change
Distribution to shareholders	**272**	246	10.6%
Employee remuneration	**205**	184	11.4%

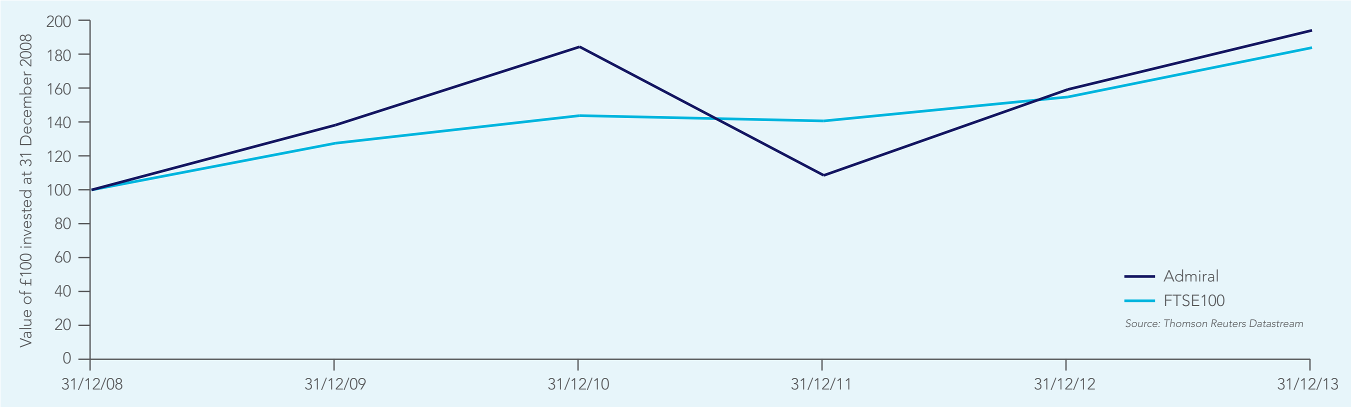
The Directors are proposing a final dividend for the year ended 31 December 2013 of 50.6 pence per share bringing the total dividend for 2013 to 99.5 pence per share (2012: 90.6 pence per share).

Pay for Performance

The following graph sets out a comparison of Total Shareholder Return (TSR) for Admiral Group plc shares with that of the FTSE 100 Index, of which the Company is a constituent, over the five-year period to 31 December 2013. The Directors consider this to be the most appropriate index against which the Company should be compared. TSR is defined as the percentage change over the period, assuming reinvestment of income.

Historical TSR Performance

Growth in the value of a hypothetical £100 holding over the five years to 31 December 2013.



CEO	2009	2010	2011	2012	2013
CEO single figure of remuneration	£328,027	£343,106	£358,199	£373,759	**£387,546**
DFSS vesting outcome (% of maximum)	n/a	n/a	n/a	n/a	**n/a**

CFO	2009	2010	2011	2012	2013
CFO single figure of remuneration	£632,312	£1,269,535	£1,048,130	£1,431,218*1	**£1,392,868*1**
DFSS vesting outcome (% of maximum)	98%	100%	100%	100%	**100%**

*1 This figure includes a reimbursement of £165,000 in January 2013 (2012: £260,000) for expenses incurred in respect of the CFO's relocation.

As the CEO does not participate in the DFSS, to provide a meaningful comparison, figures also included for the CFO. Annual bonus outcome has been excluded as Admiral does not operate any performance-based annual bonus schemes.

Dilution

The Company has controls in place to ensure that shares awarded under the schemes operated by the Company within any rolling 10 year period do not exceed 10% of the number of ordinary shares in the capital of the Company in issue at the time of each award.

ANNUAL REPORT ON REMUNERATION CONTINUED

Total Shareholdings of Directors (audited)

Executive Directors have agreed to (acquire and) retain a beneficial shareholding equal to at least 100% of base salary, which can be built up over a period of five years from the date of appointment.

As at 31 December 2013, the Directors have the following shareholdings:

	Shares held				
Director	Beneficially owned outright	Subject to performance conditions	Shareholding requirement (% of salary)	Current shareholding (% of salary/fee)	Requirement met?
Henry Engelhardt	35,505,472	n/a	100%	>100%	Yes
Kevin Chidwick	85,744[*1]	154,500	100%	>100%	Yes
David Stevens	10,131,950	n/a	100%	>100%	Yes
Alastair Lyons	392,152				
Roger Abravanel	—				
Manfred Aldag	1,919				
Annette Court	—				
Colin Holmes	40,000				
Martin Jackson	—				
Margaret Johnson	—				
Lucy Kellaway	—				
John Sussens	80,000				

[*1] Total includes SIP shares both matured and awarded.

There have been no changes to Directors' shareholdings since 31 December 2013.

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

Chief Financial Officer's Interests in Shares Under the DFSS and SIP (audited)

Type	At start of year	Awarded during year	Vested/ matured during year	At end of year	Price at award (£)	Value at award date (£)	Value at 31/12/13 or maturity (£)	Date of award	Final vesting/ maturity date
DFSS	45,010	—	45,010	—	13.29	598,182	574,344[*1]	30/04/2010	30/04/2013
DFSS	3,000	—	3,000	—	15.51	46,530	37,025[*1]	15/12/2010	15/12/2013
DFSS	50,000	—	—	50,000	16.39	819,500	655,000	15/04/2011	15/04/2014
DFSS	52,250	—	—	52,250	10.73	560,643	684,475	11/10/2012	11/10/2015
DFSS	—	52,250	—	52,250	12.09	631,703	684,475	10/10/2013	10/10/2016
SIP	121	—	121	—	12.36	1,495	1,533[*1]	05/03/2010	05/03/2013
SIP	100	—	100	—	14.90	1,490	1,296[*1]	27/08/2010	27/08/2013
SIP	90	—	—	90	16.78	1,510	1,179	08/03/2011	08/03/2014
SIP	110	—	—	110	13.52	1,487	1,441	05/09/2011	05/09/2014
SIP	128	—	—	128	11.80	1,510	1,665	16/03/2012	16/03/2015
SIP	126	—	—	126	11.82	1,489	1,656	03/09/2012	03/09/2015
SIP	—	112	—	112	13.48	1,510	1,467	15/03/2013	15/03/2016
SIP	—	116	—	116	12.83	1,488	1,520	02/09/2013	02/09/2016

[*1] Value at maturity.

The closing price of Admiral shares on 31 December 2013 was £13.10 per share. Performance conditions for DFSS awards made in 2011 and 2012 are the same as those for awards made in 2013, as detailed on page 61.

By order of the Board,

John Sussens
Chairman of the Remuneration Committee
4 March 2014

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2013.

Statutory Disclosures

Group Results and Dividends

The profit for the year, after tax but before dividends, amounted to £286.9 million (2012: £258.4 million).

The Directors declared and paid dividends of £255.8 million during 2013 (2012: £219.3 million) – refer to note 11b for further details.

The Directors have declared a final dividend of £139.6 million, 50.6 pence per share, payable on 30 May 2014.

Employee Policies

Detailed information on the Group's employment practices is set out in the Strategic Report and on the corporate website. The Group purchases appropriate liability insurance for all staff and Directors.

Contractual Arrangements

The Group considers its co-insurance and reinsurance contracts, as described in the Strategic Report section on page 23, to be essential to the running of the Group's business. No other contractual arrangements are considered to be essential.

Financial Instruments

The objectives and policies for managing risks in relation to financial instruments held by the Group are set out in note 6 to the financial statements.

Directors and their Interests

The present Directors of the Company are shown on pages 38 to 39 of this Report, whilst Directors' interests in the share capital of the Company are set out in the Directors' Remuneration Report on page 64.

Greenhouse Gas Emissions

The annual level of greenhouse gas emissions, resulting from activities for which the Group is responsible, in 2013 was 8,163 CO_2E, equivalent to 1.26 tonnes per average employee[*1].

The data has been prepared with reference to the 'WRI/WBCSD Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)' and in accordance with the guidance for corporate reporting issued by the Department for Environment, Food and Rural Affairs (Defra). Data was collected for the first three quarters of 2013 and extrapolated to calculate the full year emissions figure.

There are no material exclusions from this data. Exclusions included figures for gas and air conditioning because the information was not available from the managing agents of the Group's multiple office locations. In addition two offices in France and one office in New Delhi have been excluded due to difficulties in obtaining complete and accurate data. These three offices together total less than 1.5% of Group headcount and are therefore considered immaterial.

Detailed information on the Group's environmental performance and the methodology for the measurement of Greenhouse Gas emissions is available on the corporate website, www.admiralgroup.co.uk.

*1 Average employee number excludes employees from three offices for which data could not be collected.

Going Concern

The Directors consider that the Group has adequate financial resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements. In considering the appropriateness of this assumption, the Board has reviewed the Group's projections for the next twelve months and beyond, including cash flow forecasts and regulatory capital surpluses.

Share Capital, AGM and Related Matters

Major Shareholders

Other than as stated below, as far as the Company is aware, there are no persons with significant direct or indirect holdings in the Company. Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website.

At 31 January 2013, the Company had received notifications in accordance with the FCA's DTRs of the following notifiable interests, in the voting rights in the Company's issued share capital:

	Number of shares	%
Munich Re	27,899,400	10.10%
Mackenzie Financial Corporation	11,697,235	4.24%
Morgan Stanley	11,157,123	4.04%
Manning & Napier Advisors	10,534,021	3.81%
BlackRock, Inc	9,866,508	3.57%

The interests of Directors and officers and their connected persons in the issued share capital of the Company are given in the Remuneration Report.

Share Capital, AGM and Related Matters continued

Additional Information for Shareholders

Where not provided previously in this Directors' Report, the following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK law.

At 31 December 2013, the Company's issued share capital comprised a single class of shares referred to as ordinary shares. Details of the share capital and shares issued during the year can be found in note 11d.

On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the general meeting specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- Certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws)
- Pursuant to the Listing Rules of the FCA whereby certain employees of the Company require the approval of the Company to deal in the Company's securities

The Company has not purchased any of its own shares during the period.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

There are a number of agreements that alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts. None is considered to be significant in terms of their impact on the business of the Group as a whole except for the long term co-insurance agreement in place with Great Lakes Reinsurance (UK) plc. Details relating to this agreement are contained in the Strategic Report.

Power to Issue Shares

At the last Annual General Meeting, held on 25 April 2013, authority was given to the Directors to allot unissued relevant securities in the Company up to a maximum of £89,535 equivalent to one third of the issued share capital as at 18 March 2013. This authority expires on the date of the Annual General Meeting to be held on 9 April 2014 and the Directors will seek to renew this authority for the following year.

A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company (up to a maximum of 5% of the issued share capital of the Company) for cash, without regard to the pre-emption provisions of the Companies Act 2006. This authority also expires on the date of the Annual General Meeting to be held on 9 April 2014 and the Directors will seek to renew this authority for the following year.

Appointments of Directors

The Company's Articles of Association (the Articles) give the Directors power to appoint and replace Directors. Under the Terms of Reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of Directors. The Articles also require Directors to retire and submit themselves for election at the first Annual General Meeting following appointment and all Directors who held office at the time of the two preceding Annual General Meeting, to submit themselves for re-election.

However, in accordance with the requirement under the UK Corporate Governance Code (the Code) for annual election of Directors all Directors will submit themselves for re-election at the Group's Annual General Meeting on 9 April 2014.

Articles of Association

The Articles may only be amended by special resolution of the shareholders.

Power of the Directors

The Directors are responsible for managing the business of the Company and may exercise all powers of the Company subject to the provisions of relevant statutes, to any directions given by special resolution and to the Company's Memorandum and Articles. The Articles, for example, contain specific provisions and restrictions concerning the Company's power to borrow money. Powers relating to the issuing of new shares are also included in the Articles and such authorities are renewed by shareholders at the Annual General Meeting each year.

Annual General Meeting (AGM)

It is proposed that the next AGM be held at Cardiff City Hall, Cathays Park, Cardiff CF10 3ND on Wednesday 9 April 2014 at 2.00pm, notice of which will be sent to shareholders with the Annual Report.

Reporting, Accountability and Audit

UK Corporate Governance Code

Admiral is subject to the UK Corporate Governance Code, published by the Financial Reporting Council and available on their website, www.frc.org.uk. The edition of the Code published in September 2012 applied throughout our financial year ending 31 December 2013, but the Financial Conduct Authority has yet to change the Listing Rules and therefore requires that certain compliance statements are made in relation to the predecessor edition of the Code, issued in June 2010. The Company's Annual Report and Accounts, taken as a whole, addresses the requirements of both editions of the Code.

During the year to 31 December 2013, the Company has in all respects complied with the provisions of both editions of the Code.

The Directors confirm that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Reporting, Accountability and Audit continued

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU
- For the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement

The Directors confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The management report required by DTR 4.1.8R (contained in the Strategic Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG Audit plc informed the Company that they wished to formally change the entity which conducts the Company's audit from KPMG Audit plc to KPMG LLP. KPMG Audit plc has indicated therefore that it will not stand for reappointment at the Company's 2014 AGM, however KPMG LLP will seek election at this meeting. It is proposed that KPMG LLP are appointed auditors of the Company and they will hold office from the conclusion of the AGM in April 2014 until the conclusion of the next general meeting at which accounts are laid before the Company.

By order of the Board,

Mark Waters
Company Secretary
4 March 2014

Kevin Chidwick
Chief Financial Officer
4 March 2014

Opinions and Conclusions Arising from our Audit

1. Our Opinion on the Financial Statements is Unmodified

We have audited the financial statements of Admiral Group plc for the year ended 31 December 2013 set out on pages 70 to 101. In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU)
- The Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

2. Our Assessment of Risks of Material Misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows.

Insurance Liabilities

Refer to pages 46 to 49 (Audit Committee statement), note 5 (accounting policy and financial disclosures).

The Risk – The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the inherent uncertainty of estimating claims not yet reported, future costs of settling claims, discount rates and whether customers will be awarded a lump sum claim or a periodic payment. The amounts involved are potentially significant and the application of accounting standards to determine the amount, if any, to be provided as a liability, is inherently subjective.

Our Response – Our audit procedures included, among others, testing the controls over the underwriting process and performing substantive analysis over the trends in claims frequency and size. We assessed the level of reserves held for incurred claims through evaluating the competence, capability and objectivity of the Group's external actuary, assessing the actuarial methodologies employed, including the use of paid and incurred chain ladders and the average cost per claim method, challenging key judgements made by management, for example the extent to which improvements in claims trends are taken into account in reserve projections, and benchmarking key assumptions against KPMG sourced market data.

One of the most significant uncertainties relates to the reserve held for large bodily injury claims and actual and potential Periodic Payment Order (PPO) settlements. In respect of these amounts, we investigated the process for identifying and assessing the required reserve for large claims and for updating this reserve as more information becomes available, investigated the process for assessing cases that have the potential to be settled as PPOs and benchmarked the key assumptions made in calculating large bodily injury claims reserves, including mortality (in the case of PPO cases) and discount rates applied.

In respect of the margin held above the actuarial best estimate, we assessed the rationale for this margin including consideration of the level of prudence within the margin, the consistency with which the underlying judgements have been applied in relation to the current year and prior periods, the existence of any management bias and the adequacy of the disclosure in the financial statements.

Our audit team included appropriately skilled actuarial specialists to support us in our challenge of the approach taken by the Group in calculating the liabilities. We have also considered the adequacy of the Group's disclosures about the degree of estimation and sensitivity to key assumptions. The focus of our work is on the UK Motor portfolio.

Co-insurance and reinsurance

Refer to pages 46 to 49 (Audit Committee statement), note 5 (accounting policy and financial disclosures).

The Risk – The group has in place a number of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts. For reinsurance contracts, there is judgement involved in the assessment of whether risk has been transferred, which impacts on the appropriate accounting. For co-insurance contracts, the accounting is driven by the fact that the Group does not retain the underlying risks and rewards of the business underwritten. The outcome of these judgements affect the recognition and timing of revenue along with profit recognition and disclosure of income and expenses associated with these risk sharing agreements.

Our Response – Our audit procedures included, among others, critically assessing the contract terms for these arrangements to ascertain whether, taking into account relevant accounting standards, the treatment of the Group's co-insurance and quota share reinsurance contracts is appropriate. We have also considered the adequacy of the Group's disclosures and appropriateness of the presentation of transactions and balances with these arrangements.

Profit Commission

Refer to pages 46 to 49 (Audit Committee statement), note 5 (accounting policy and financial disclosures).

The Risk – The recognition of profit commission income from co-insurers and quota share reinsurers is initially in line with the loss ratios booked in the financial statements and will vary with movements in the loss ratios, potentially introducing volatility into the reported profits. The recognition of this income is therefore subject to the same level of estimation as the claims liability noted above until, in the case of the quota share reinsurance, the relevant contracts are commuted, at which point no further profit commission is recognised. In addition, different contractual arrangements are in place with the Group's co-insurance and reinsurance partners and there is a risk that the differences in arrangements are not appropriately accounted for, resulting in significant misstatement.

Our Response – Our audit procedures included, among others and in addition to our procedures over insurance liabilities noted above, forming an expectation of the profit commission income based on loss ratios applied and contractual terms of each arrangement, comparing this to actual profit commission income recognised and corroborating any changes to the profit commission arrangements during the year. We have also considered the adequacy of the Group's disclosures about the arrangements in place.

3. Our Application of Materiality and an Overview of the Scope of our Audit

The materiality for the Group financial statements as a whole was set at £18.5 million. This has been determined with reference to a benchmark of Group profit before taxation (of which it represents 5%) which we consider to be one of the principal considerations for members of the Company in assessing financial performance of the Group.

We agreed with the audit committee to report to it all material corrected misstatements and those uncorrected misstatements we identified through our audit with a value in excess of £0.9 million, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by the Group audit team at the key reporting components in the UK and Italy. These audits covered 97% of total Group net revenue; 99% of Group profit before taxation; and 97% of total Group assets. The segment disclosures in note 4b set out the individual significance of specific countries.

The audits at key reporting components of the Group were all performed at local materiality levels which were set individually for each component and ranged from £300,000 to £16.5 million. The Group audit team performed the work over all significant components.

4. Our Opinion on Other Matters Prescribed by the Companies Act 2006 is Unmodified

In our opinion:

> The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006

> The information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

5. We Have Nothing to Report in Respect of the Matters on Which we are Required to Report by Exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

> We have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy

> The section of the annual report describing the work of the Group Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee

Under the Companies Act 2006 we are required to report to you if, in our opinion:

> Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us

> The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns

> Certain disclosures of Directors' remuneration specified by law are not made

> We have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review:

> The Directors' statement, set out on page 67, in relation to going concern

> The part of the Corporate Governance Statement on pages 36 to 67 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review

We have nothing to report in respect of the above responsibilities.

Scope and Responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 67, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Salim Tharani (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
4 March 2014

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

	Note	Year ended 31 December 2013 £m	Restated* 31 December 2012 £m
Insurance premium revenue		1,136.4	1,156.5
Insurance premium ceded to reinsurers		(653.4)	(657.6)
Net insurance premium revenue	5	483.0	498.9
Other revenue	7	327.8	361.1
Profit commission	5	99.3	108.4
Investment and interest income	6	14.3	15.9
Net revenue		924.4	984.3
Insurance claims and claims handling expenses		(826.7)	(929.1)
Insurance claims and claims handling expenses recoverable from reinsurers		523.7	524.6
Net insurance claims		(303.0)	(404.5)
Operating expenses and share scheme charges	8	(467.0)	(443.2)
Operating expenses and share scheme charges recoverable from co- and reinsurers	8	215.8	208.0
Net operating expenses and share scheme charges		(251.2)	(235.2)
Total expenses		(554.2)	(639.7)
Profit before tax		370.2	344.6
Taxation expense	9	(83.3)	(86.2)
Profit after tax		286.9	258.4
Profit after tax attributable to:			
Equity holders of the parent		287.0	258.4
Non-controlling interests (NCI)		(0.1)	—
		286.9	258.4
Earnings per share			
Basic	11	104.6p	95.1p
Diluted	11	104.4p	94.9p

Dividends declared and paid (total)	11	255.8	219.3
Dividends declared and paid (per share)	11	94.4p	81.6p

* Refer to note 3, Notes to the Financial Statements, page 76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Year ended	
	31 December 2013 £m	31 December 2012 £m
Profit for the period	286.9	258.4
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1.3)	(2.7)
Other comprehensive income for the period, net of income tax	(1.3)	(2.7)
Total comprehensive income for the period	285.6	255.7
Total comprehensive income for the period attributable to:		
Equity holders of the parent	286.1	255.9
Non-controlling interests	(0.5)	(0.2)
	285.6	255.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	As at 31 December 2013 £m	 31 December 2012 £m
ASSETS			
Property and equipment	10	12.4	16.5
Intangible assets	10	92.8	92.5
Deferred income tax	9	17.0	15.2
Reinsurance assets	5	821.2	803.0
Trade and other receivables	6, 10	77.5	55.3
Financial assets	6	2,265.0	2,005.1
Cash and cash equivalents	6	187.9	216.6
Total assets		3,473.8	3,204.2
EQUITY			
Share capital	11	0.3	0.3
Share premium account		13.1	13.1
Other reserves		(0.2)	0.7
Retained earnings		502.6	443.0
Total equity attributable to equity holders of the parent		515.8	457.1
Non-controlling interests		8.3	3.6
Total equity		524.1	460.7
LIABILITIES			
Insurance contracts	5	1,901.3	1,696.9
Trade and other payables	6, 10	1,013.7	1,006.5
Current tax liabilities		34.7	40.1
Total liabilities		2,949.7	2,743.5
Total equity and total liabilities		3,473.8	3,204.2

These financial statements were approved by the Board of Directors on 4 March 2014 and were signed on its behalf by:

Kevin Chidwick
Director
Admiral Group plc
Company Number: 03849958

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2013

	Note	Year ended 31 December 2013 £m	31 December 2012 £m
Profit after tax		286.9	258.4
Adjustments for non-cash items:			
– Depreciation		7.3	6.6
– Amortisation of software		4.9	4.1
– Change in unrealised gains on investments		—	(0.6)
– Other gains and losses		0.2	0.6
– Share scheme charges	8	25.7	23.7
Change in gross insurance contract liabilities		204.4	363.2
Change in reinsurance assets		(18.2)	(163.2)
Change in trade and other receivables, including from policyholders		14.3	13.1
Change in trade and other payables, including tax and social security		8.0	149.9
Taxation expense		83.3	86.2
Cash flows from operating activities, before movements in investments		616.8	742.0
Net cash flow into investments		(295.3)	(441.9)
Cash flows from operating activities, net of movements in investments		321.5	300.1
Taxation payments		(88.5)	(79.7)
Net cash flow from operating activities		233.0	220.4
Cash flows from investing activities:			
Purchases of property, equipment and software		(10.1)	(10.9)
Net cash used in investing activities		(10.1)	(10.9)
Cash flows from financing activities:			
Non-controlling interest capital contribution		6.4	4.6
Repayment of finance lease liabilities		(0.9)	(0.1)
Equity dividends paid	11	(255.8)	(219.3)
Net cash used in financing activities		(250.3)	(214.8)
Net decrease in cash and cash equivalents		(27.4)	(5.3)
Cash and cash equivalents at 1 January		216.6	224.6
Effects of changes in foreign exchange rates		(1.3)	(2.7)
Cash and cash equivalents at end of period	6	187.9	216.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Attributable to the owners of the Company						
	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Retained profit and loss £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2012	0.3	13.1	3.2	377.3	393.9	0.5	394.4
Profit for the period	—	—	—	258.4	258.4	—	258.4
Other comprehensive income							
Currency translation differences	—	—	(2.5)	—	(2.5)	(0.2)	(2.7)
Total comprehensive income for the period	—	—	(2.5)	258.4	255.9	(0.2)	255.7
Transactions with equity-holders							
Dividends	—	—	—	(219.3)	(219.3)	—	(219.3)
Share scheme credit	—	—	—	23.7	23.7	—	23.7
Deferred tax charge on share scheme credit	—	—	—	1.5	1.5	—	1.5
Contributions by NCIs	—	—	—	1.4	1.4	3.3	4.7
Total transactions with equity-holders	—	—	—	(192.7)	(192.7)	3.3	(189.4)
As at 31 December 2012	0.3	13.1	0.7	443.0	457.1	3.6	460.7
At 1 January 2013	0.3	13.1	0.7	443.0	457.1	3.6	460.7
Profit for the period	—	—	—	287.0	287.0	(0.1)	286.9
Other comprehensive income							
Currency translation differences	—	—	(0.9)	—	(0.9)	(0.4)	(1.3)
Total comprehensive income for the period	**—**	**—**	**(0.9)**	**287.0**	**286.1**	**(0.5)**	**285.6**
Transactions with equity-holders							
Dividends	—	—	—	(255.8)	(255.8)	—	(255.8)
Share scheme credit	—	—	—	25.7	25.7	—	25.7
Deferred tax credit on share scheme credit	—	—	—	2.1	2.1	—	2.1
Contributions by NCIs	—	—	—	0.3	0.3	5.5	5.8
Changes in ownership interests without a change in control	—	—	—	0.3	0.3	(0.3)	—
Total transactions with equity-holders	**—**	**—**	**—**	**(227.4)**	**(227.4)**	**5.2**	**(222.2)**
As at 31 December 2013	**0.3**	**13.1**	**(0.2)**	**502.6**	**515.8**	**8.3**	**524.1**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. General Information and Basis of Preparation

General Information

Admiral Group plc is a Company incorporated in England and Wales. Its registered office is at Capital Tower, Greyfriars Road, Cardiff CF10 3AZ and its shares are listed on the London Stock Exchange.

The Consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (GAAP).

Adoption of New and Revised Standards

The Group has applied all adopted IFRS and interpretations endorsed by the EU at 31 December 2013, including all amendments to extant standards that are not effective until later accounting periods. This is inclusive of:

> **Presentation of Items of Other Comprehensive Income (OCI)**
  As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its consolidated statement of changes in equity, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been represented accordingly.

> **IFRS 13 Fair Value Measurement**
  IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements. IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. In accordance with the transitional provisions of IFRS 13, the Group and the Company have applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's and the Company's assets and liabilities.

There are a number of standards, amendments to standards and interpretations that were issued by 31 December 2013 but have either yet to be endorsed by the EU, or were endorsed shortly after the year end. The following IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

> IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements

> IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures

> IFRS 12 Disclosure of Interests in Other Entities

> Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

> Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

> Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

> IFRIC Interpretation 21 Levies

> IFRS 9 Financial Instruments

Phase I of IFRS 9 "Financial Instruments" was issued in November 2009 and has subsequently been updated and amended. The standard has not yet been endorsed for use in the EU and the effective date is to be confirmed. The standard introduces changes to the classification and measurement of financial assets, removes the restriction on electing to measure certain financial liabilities at fair value through the income statement from initial recognition and requires changes to the presentation of gains and losses relating to fair value changes.

The Group is currently assessing the impact of the above new pronouncements on its results, financial position and cash flows.

Basis of Preparation

The accounts have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Group's projections for the next twelve months and beyond, including cash flow forecasts and regulatory capital surpluses. The Group has no debt.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report on pages 6 to 35. Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 16 to 19. In addition notes 6 and 11 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The accounting policies set out in the notes to the financial statements have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

The financial statements are prepared on the historical cost basis, except for the revaluation of financial assets classified as at fair value through profit or loss.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Consolidated financial statements from the date that control commences until the date that control ceases.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is reviewed if this revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, it is recognised by adjusting the carrying amount of the related asset or liability in the period of the change.

2. Critical Accounting Judgements and Estimates

Judgements

In applying the Group's accounting policies as described in the notes to the financial statements, management has primarily applied judgement in the classification of the Group's contracts with reinsurers as reinsurance contracts. A contract is required to transfer significant insurance risk in order to be classified as such. Management reviews all terms and conditions of each such contract, and if necessary obtains the opinion of an independent expert at the negotiation stage in order to be able to make this judgement.

Estimation Techniques Used in Calculation of Claims Provisions and Profit Commission

Estimation techniques are used in the calculation of the provisions for claims outstanding, which represent a projection of the ultimate cost of settling claims that have occurred prior to the balance sheet date and remain unsettled at the balance sheet date.

2. Critical Accounting Judgements and Estimates continued

Estimation Techniques Used in Calculation of Claims Provisions and Profit Commission continued

The key area where these techniques are used relates to the ultimate cost of reported claims. A secondary area relates to the emergence of claims that occurred prior to the balance sheet date, but had not been reported at that date.

The estimates of the ultimate cost of reported claims are based on the setting of claim provisions on a case-by-case basis, for all but the simplest of claims.

The sum of these provisions are compared with projected ultimate costs using a variety of different projection techniques (including incurred and paid chain ladder and an average cost of claim approach) to allow an actuarial assessment of their potential outcome. They include allowance for unreported claims.

The most significant sensitivity in the use of the projection techniques arises from any future step change in claims costs, which would cause future claim cost inflation to deviate from historic trends. This is most likely to arise from a change in the regulatory or judicial regime that leads to an increase in awards or legal costs for bodily injury claims that is significantly above or below the historical trend.

The Group's independent actuarial advisors project best estimate claims reserves using a variety of recognised actuarial techniques. The Group's reserving policy requires management to reserve within a range of potential outcomes above the projected best estimate outcome, to allow for unforeseen adverse claims development.

For further detail on objectives, policies and procedures for managing insurance risk, refer to note 5 of the financial statements.

Future changes in claims reserves also impact profit commission income, as the measurement of this income is dependent on the loss ratio booked in the financial statements, and cash receivable is dependent on actuarial projections of ultimate loss ratios.

3. Re-presentation of Comparative Information

Comparative amounts within the Consolidated Income Statement relating to expenses have been re-presented. Net expenses of £235.2 million reported in the prior period, have been analysed into gross operating expenses and share scheme charges and operating expenses and share scheme charges recoverable from co- and reinsurers. There is no impact on reported net expenses or profit before tax in the period.

4. Group Consolidation and Operating Segments

4a. Accounting Policies

(i) Group Consolidation

The Consolidated financial statements comprise the results and balances of the Company and its subsidiaries (together referred to as the Group) for the year ended 31 December 2013 and comparative figures for the year ended 31 December 2012. The financial statements of the Company's subsidiaries are consolidated in the Group financial statements. The Company controls 100% of the voting share capital of all its principal subsidiaries, except Rastreator.com Limited, Inspop USA LLC, Admiral Law Limited, BDE Law Limited and the indirect holding in comparenow.com Insurance Agency LLC.

The parent company financial statements present information about the Company as a separate entity and not about its Group. In accordance with International Accounting Standard (IAS) 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions in the Consolidated financial statements.

(ii) Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated financial statements are presented in millions of pounds sterling, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items measured at cost are translated at their historic rate and non-monetary items held at fair value are translated using the foreign exchange rate on the date that the fair value was established.

The financial statements of foreign operations whose functional currency is not pounds sterling are translated into the Group presentation currency (sterling) as follows:

> Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

> Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction)

> All resulting exchange differences are recognised in other comprehensive income and in a separate component of equity except to the extent that the translation differences are attributable to non-controlling interests

On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular operation is recognised in the income statement.

4b. Segment Reporting

The Group has four reportable segments, as described below. These segments represent the principal split of business that is regularly reported to the Group's Board of Directors, which is considered to be the Group's chief operating decision maker in line with IFRS 8, Operating Segments.

UK Car Insurance

The segment consists of the underwriting of car insurance and other products that supplement the car insurance policy. It also includes the generation of revenue from additional products and fees from underwriting car insurance in the UK. The Directors consider the results of these activities to be reportable as one segment as the activities carried out in generating the revenue are not independent of each other and are performed as one business. This mirrors the approach taken in management reporting.

International Car Insurance

The segment consists of the underwriting of car insurance and the generation of revenue from additional products and fees, from underwriting car insurance outside of the UK. It specifically covers the Group operations Admiral Seguros in Spain, ConTe in Italy, L'olivier Assurances in France and Elephant Auto in the USA. None of these operations are reportable on an individual basis, based on the threshold requirements in IFRS 8.

Price Comparison

The segment relates to the Group's price comparison websites; Confused.com in the UK, Rastreator in Spain, LeLynx in France and comparenow.com in the USA. Each of the Price Comparison businesses are operating in individual geographical segments but are grouped into one reporting segment as Rastreator, LeLynx and comparenow.com do not individually meet the threshold requirements in IFRS 8.

Other

The "Other" segment is designed to be comprised of all other operating segments that do not meet the threshold requirements for individual reporting. It includes UK household insurance, the Group's commercial van insurance broker, Gladiator, and commercial van insurance.

4. Group Consolidation and Operating Segments continued

4b. Segment Reporting continued

Other continued

Taxes are not allocated across the segments and, as with the corporate activities, are included in the reconciliation to the Consolidated Income Statement and Consolidated Statement of Financial Position.

An analysis of the Group's revenue and results for the year ended 31 December 2013, by reportable segment, are shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the financial statements for the Group.

	Year ended 31 December 2013					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Turnover[*1]	1,698.9	187.8	112.7	30.8	—	2,030.2
Net insurance premium revenue	425.1	54.1	—	3.8	—	483.0
Other revenue and profit commission	293.4	6.6	112.7	14.4	—	427.1
Investment and interest income	12.4	—	—	—	—	12.4
Net revenue	730.9	60.7	112.7	18.2	—	922.5
Net insurance claims	(251.3)	(49.1)	—	(2.6)	—	(303.0)
Expenses	(85.7)	(33.7)	(92.3)	(13.2)	—	(224.9)
Segment profit/(loss) before tax	393.9	(22.1)	20.4	2.4	—	394.6
Other central revenue and expenses, including share scheme charges						(26.3)
Interest income						1.9
Consolidated profit before tax						370.2
Taxation expense						(83.3)
Consolidated profit after tax						286.9
Other segment items:						
Capital expenditure	3.2	2.2	4.0	0.7	—	10.1
Depreciation and amortisation	28.5	50.4	1.3	0.8	—	81.0

[*1] Turnover is a non-GAAP measure and consists of total premiums written (including co-insurers share) and Other revenue. Refer to note 12 for further information.

Revenue and results for the corresponding reportable segments for the year ended 31 December 2012 are shown below.

	Year ended 31 December 2012					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Turnover[*1]	1,936.2	162.9	103.5	12.5	—	2,215.1
Net insurance premium revenue	455.6	43.3	—	—	—	498.9
Other revenue and profit commission	342.7	10.8	103.5	12.5	—	469.5
Investment and interest income	13.9	0.1	—	—	—	14.0
Net revenue	812.2	54.2	103.5	12.5	—	982.4
Net insurance claims	(355.1)	(49.4)	—	—	—	(404.5)
Expenses	(84.3)	(29.3)	(85.5)	(10.0)	—	(209.1)
Segment profit/(loss) before tax	372.8	(24.5)	18.0	2.5	—	368.8
Other central revenue and expenses, including share scheme charges						(26.1)
Interest income						1.9
Consolidated profit before tax						344.6
Taxation expense						(86.2)
Consolidated profit after tax						258.4
Other segment items:						
Capital expenditure	6.1	3.1	0.9	0.1	—	10.2
Depreciation and amortisation	28.8	26.2	1.0	0.3	—	56.3

[*1] Turnover is a non-GAAP measure and consists of total premiums written (including co-insurers share) and Other revenue. Refer to note 12 for further information.

4. Group Consolidation and Operating Segments continued

4b. Segment Reporting continued

Segment Revenues

The UK and International Car Insurance reportable segments derive all insurance premium income from external policyholders. Revenue within these segments is not derived from an individual policyholder that represents 10% or more of the Group's total revenue.

The total of Price Comparison revenues from transactions with other reportable segments is £10.8 million (2012: £13.0 million). These amounts have not been eliminated on consolidation as the Directors consider that not doing so results in a better overall presentation of the financial statements. The impact on the financial statements in the current and prior period is not material. There are no other transactions between reportable segments.

Within the UK Car Insurance segment, transactions between the Group's intermediary and the Group's insurance companies relating to vehicle commission totalling £18.4 million have been eliminated (from the insurance expenses and Other revenue lines in the income statement) on the basis that the non-elimination would have materially distorted the presentation of key performance indicators. The equivalent amounts in the prior period have not been eliminated as there is no resulting material distortion of key performance indicators.

Revenues from external customers for products and services is consistent with the split of reportable segment revenues as shown on page 77.

Information about Geographical Locations

All material revenues from external customers, and net assets attributed to a foreign country, are shown within the International Car Insurance reportable segment shown on the previous page. The revenue and results of the three International Price Comparison businesses, Rastreator, LeLynx and comparenow.com are not yet material enough to be presented as a separate segment.

Segment Assets and Liabilities

The identifiable segment assets and liabilities at 31 December 2013 are as follows.

	As at 31 December 2013					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Property and equipment	8.2	2.6	1.0	0.6	—	12.4
Intangible assets	76.5	13.1	2.6	0.6	—	92.8
Reinsurance assets	705.0	111.4	—	4.8	—	821.2
Trade and other receivables	104.1	(11.0)	7.1	35.1	(57.8)	77.5
Financial assets	2,113.4	122.2	—	—	—	2,235.6
Cash and cash equivalents	101.6	35.7	38.7	8.6	—	184.6
Reportable segment assets	3,108.8	274.0	49.4	49.7	(57.8)	3,424.1
Insurance contract liabilities	1,690.4	198.5	—	12.4	—	1,901.3
Trade and other payables	959.9	36.0	6.5	11.3	—	1,013.7
Reportable segment liabilities	2,650.3	234.5	6.5	23.7	—	2,915.0
Reportable segment net assets	458.5	39.5	42.9	26.0	(57.8)	509.1
Unallocated assets and liabilities						15.0
Consolidated net assets						524.1

Unallocated assets and liabilities consist of other central assets and liabilities, plus deferred and current corporation tax balances. These assets and liabilities are not regularly reviewed by the Board of Directors in the reportable segment format.

There is an asymmetrical allocation of assets and income to the reportable segments, in that the interest earned on cash and cash equivalent assets deployed in the UK Car Insurance, Price Comparison and International Car Insurance segments is not allocated in arriving at segment profits. This is consistent with regular management reporting.

Eliminations represent inter-segment funding and balances included in trade and other receivables.

4. Group Consolidation and Operating Segments continued

4b. Segment Reporting continued

Segment Assets and Liabilities continued

The segment assets and liabilities at 31 December 2012 are as follows.

	As at 31 December 2012					
	UK Car Insurance £m	International Car Insurance £m	Price Comparison £m	Other £m	Eliminations £m	Segment total £m
Property and equipment	11.6	2.8	1.7	0.4	—	16.5
Intangible assets	77.6	13.8	1.0	0.1	—	92.5
Reinsurance assets	717.1	85.9	—	—	—	803.0
Trade and other receivables	98.7	(20.6)	9.1	9.5	(41.4)	55.3
Financial assets	1,833.2	97.3	—	—	—	1,930.5
Cash and cash equivalents	125.0	50.2	25.4	5.6	—	206.2
Reportable segment assets	2,863.2	229.4	37.2	15.6	(41.4)	3,104.0
Insurance contract liabilities	1,543.0	153.9	—	—	—	1,696.9
Trade and other payables	961.8	31.9	6.5	6.3	—	1,006.5
Reportable segment liabilities	2,504.8	185.8	6.5	6.3	—	2,703.4
Reportable segment net assets	358.4	43.6	30.7	9.3	(41.4)	400.6
Unallocated assets and liabilities						60.1
Consolidated net assets						460.7

5. Premium, Claims and Profit Commissions

5a. Accounting Policies

(i) Revenue – Premiums

Premiums relating to insurance contracts are recognised as revenue proportionally over the period of cover. Premiums with an inception date after the end of the period are held in the statement of financial position as deferred revenue. Outstanding collections from policyholders are recognised within policyholder receivables.

(ii) Revenue – Profit Commission

Under some of the co-insurance and reinsurance contracts under which motor premiums are shared or ceded, profit commission may be earned on a particular year of account, which is usually subject to performance criteria such as loss ratios and expense ratios. The commission is dependent on the ultimate outcome of any year, with revenue being recognised when loss and expense ratios used in the preparation of the financial statements move below a contractual threshold.

(iii) Insurance Contracts and Reinsurance Assets

Premiums

The proportion of premium receivable on in-force policies relating to unexpired risks is reported in insurance contract liabilities and reinsurance assets as the unearned premium provision – gross and reinsurers' share respectively.

Claims

Claims and claims handling expenses are charged as incurred, based on the estimated direct and indirect costs of settling all liabilities arising on events occurring up to the balance sheet date.

The provision for claims outstanding comprises provisions for the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. Anticipated reinsurance recoveries are disclosed separately as assets.

Whilst the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the income statement for the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Provision for unexpired risks is made where necessary for the estimated amount required over and above unearned premiums (net of deferred acquisition costs) to meet future claims and related expenses.

Co-insurance

The Group has entered into certain co-insurance contracts under which insurance risks are shared on a proportional basis, with the co-insurer taking a specific percentage of premium written and being responsible for the same proportion of each claim. As the contractual liability is several and not joint, neither the premiums nor claims relating to the co-insurance are included in the income statement. Under the terms of these agreements the co-insurers reimburse the Group for the same proportionate share of the costs of acquiring and administering the business.

5. Premium, Claims and Profit Commissions continued

5a. Accounting Policies continued

(iii) Insurance Contracts and Reinsurance Assets continued

Reinsurance Assets

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on the insurance contracts issued by the Group are classified as reinsurance contracts. A contract is only accounted for as a reinsurance contract where there is significant insurance risk transfer between the insured and the insurer.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a consistent manner with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

The Group assesses its reinsurance assets for impairment on a regular basis, and in detail every six months. If there is objective evidence that the asset is impaired, then the carrying value will be written down to its recoverable amount.

On the commutation of reinsurance contracts, the reinsurer is discharged from all obligations relating to the contract. Reinsurance assets and liabilities relating to the commuted contracts are settled in the period in which the commutation agreement is signed.

5b. Net Insurance Premium Revenue

	31 December 2013 £m	31 December 2012 £m
Total motor insurance premiums written before co-insurance	1,737.6	1,897.2
Group gross premiums written after co-insurance	1,088.4	1,167.2
Outwards reinsurance premiums	(620.2)	(679.1)
Net insurance premiums written	468.2	488.1
Change in gross unearned premium provision	48.0	(10.7)
Change in reinsurers' share of unearned premium provision	(33.2)	21.5
Net insurance premium revenue	483.0	498.9

The Group's share of the car insurance business was underwritten by Admiral Insurance (Gibraltar) Limited, Admiral Insurance Company Limited and Elephant Insurance Company. All contracts are short term in duration, lasting for 10 or 12 months.

5c. Profit Commission

	31 December 2013 £m	31 December 2012 £m
Underwriting year:		
2009 & prior	3.1	(2.3)
2010	24.9	9.4
2011	26.7	98.1
2012	44.6	3.2
Total profit commission	99.3	108.4

5d. Reinsurance Assets and Insurance Contract Liabilities

(i) Objectives, Policies and Procedures for the Management of Insurance Risk

The Group is involved in issuing motor insurance contracts that transfer risk from policyholders to the Group and its underwriting partners.

Insurance risk involves uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued.

Reserving risk is the risk that value of insurance liabilities established is insufficient to cover the ultimate cost of claims incurred at the balance sheet date, whether reported or unreported. Other risks include inadequate pricing and reinsurance policies, and inappropriate claims management processes and controls.

The Board of Directors is responsible for the management of insurance risk, although as mentioned in note 6, it has delegated the task of supervising risk management to the Group Risk Committee.

The Group also has a Reserving Committee. This Committee, comprised senior managers within the finance, claims, pricing and actuarial functions, primarily recommends the approach for UK Car Insurance reserving but also reviews the systems and controls in place to allow accurate reserving and material reserving issues such as Periodic Payment Order (PPO) and claims inflation that represent the key uncertainties in the amount or timing of claims settlements.

The Board implements certain policies in order to mitigate and control the level of insurance risk accepted by the Group. These include pricing policies and claims management and administration processes, in addition to reserving policies and co- and reinsurance arrangements as detailed on the following page.

5. Premium, Claims and Profit Commissions continued

5d. Reinsurance Assets and Insurance Contract Liabilities continued

(i) Objectives, Policies and Procedures for the Management of Insurance Risk continued

Reserving Policies and Controls

Reserving risk is mitigated through a series of processes and controls. The key processes are as follows:

- Regular management and internal actuarial review of individual and aggregate case claim reserves, including regular reporting of management information and exception reporting of significant movements
- Regular management and internal actuarial review of large claims, including claims settled or potentially settled by PPOs for which the uncertainty is increased by factors such as the lifetime of the claimant and movements in the indexation for the cost of future care of the claimant
- Bi-annual external actuarial review of best estimate claims reserves using a variety of recognised actuarial techniques, including reviews of the potential ranges around best estimates
- Use of a Reserving policy which informs management's reserving decisions for the purposes of the Group's financial statements. As described in note 2, critical accounting judgements and estimates, the policy determines that reserves should be set within a pre-determined range above best estimate assumptions to allow for unforeseen adverse claims development

Co-insurance and Reinsurance

As noted in the Strategic Report, the Group shares a significant amount of the motor insurance business generated with external underwriters. In 2013, 40% of the UK risk was shared under a co-insurance contract, under which the primary risk is borne by the co-insurer. A further 35% of the UK risk was ceded under quota share reinsurance contracts. Co-insurance and reinsurance contracts are also used in the International Car Insurance businesses. Further detail can be found in the Strategic Report on page 28.

As well as these proportional arrangements, an excess of loss reinsurance programme is also purchased to protect the Group against very large individual claims and catastrophe losses.

Concentration of Insurance Risk

The Directors do not believe there are significant concentrations of insurance risk. This is because, although the Group has historically written only one significant line of UK insurance business, the risks are spread across a large number of people and a wide regional base. The introduction of the international car insurance businesses in recent years and the launch of UK household business in 2012, will further contribute to the diversification of the Group's insurance risk as these businesses grow.

(ii) Sensitivity of Recognised Amounts to Changes in Assumptions

The following table sets out the impact on equity and profit or loss at 31 December 2013 that would result from a 1% movement in the UK loss ratios used for each underwriting year for which material amounts remain outstanding.

	Underwriting year			
	2010	2011	2012	**2013**
Booked loss ratio	70%	72%	78%	**85%**
Impact of 1% change (£m)	8.3	12.0	12.0	**1.5**

The impact is stated net of reinsurance and 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.

(iii) Analysis of Recognised Amounts

	31 December 2013 £m	31 December 2012 £m
Gross		
Claims outstanding	**1,400.4**	1,147.7
Unearned premium provision	**500.9**	549.2
Total gross insurance liabilities	**1,901.3**	1,696.9
Recoverable from reinsurers		
Claims outstanding	**537.4**	487.3
Unearned premium provision	**283.8**	315.7
Total reinsurers' share of insurance liabilities	**821.2**	803.0
Net		
Claims outstanding	**863.0**	660.4
Unearned premium provision	**217.1**	233.5
Total insurance liabilities – net	**1,080.1**	893.9

5. Premium, Claims and Profit Commissions continued

5d. Reinsurance Assets and Insurance Contract Liabilities continued

(iii) Analysis of Recognised Amounts continued

The maturity profile of gross insurance liabilities at the end of 2013 is as follows:

	< 1 year £m	**1 – 3 years £m**	**> 3 years £m**
Claims outstanding	419.9	478.0	502.5
Unearned premium provision	500.9	—	—
Total gross insurance liabilities	920.8	478.0	502.5

The maturity profile of gross insurance liabilities at the end of 2012 was as follows:

	< 1 year £m	1 – 3 years £m	> 3 years £m
Claims outstanding	344.1	391.7	411.9
Unearned premium provision	549.2	—	—
Total gross insurance liabilities	893.3	391.7	411.9

(iv) Analysis of UK Claims Incurred

The following tables illustrate the development of net UK Car Insurance claims incurred for the past four financial periods, including the impact of re-estimation of claims provisions at the end of each financial year. The first table shows actual net claims incurred, and the second shows the development of UK loss ratios. Figures are shown net of reinsurance and are on an underwriting year basis.

	Financial year ended 31 December					
Analysis of claims incurred (net amounts)	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**	Total £m
Underwriting year (UK only)						
2009 and prior	(132.4)	(53.9)	8.7	(5.5)	5.0	(178.1)
2010	—	(130.2)	(128.6)	8.4	36.7	(213.7)
2011	—	—	(203.7)	(151.1)	39.7	(315.1)
2012	—	—	—	(191.3)	(139.6)	(330.9)
2013	—	—	—	—	(175.4)	(175.4)
UK net claims incurred (excluding claims handling costs)	(132.4)	(184.1)	(323.6)	(339.5)	(233.6)	
International net claims incurred	(13.6)	(15.9)	(28.3)	(54.2)	(59.9)	
Claims handling costs and other amounts	(5.7)	(8.5)	(11.9)	(10.8)	(9.5)	
Total net claims incurred	(151.7)	(208.5)	(363.8)	(404.5)	(303.0)	

	Financial year ended 31 December				
UK loss ratio development	2009	2010	2011	2012	**2013**
Underwriting year (UK only)					
2009	84%	75%	77%	77%	76%
2010	—	78%	77%	75%	70%
2011	—	—	82%	76%	72%
2012	—	—	—	84%	78%
2013	—	—	—	—	85%

5. Premium, Claims and Profit Commissions continued

5d. Reinsurance Assets and Insurance Contract Liabilities continued

(v) Analysis of Net Claims Reserve Releases (UK Business Only)

The following table analyses the impact of movements in prior year claims provisions, in terms of their net value, and their impact on the reported loss ratio. This data is presented on an underwriting year basis.

	Financial year ended 31 December				
	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Underwriting year					
2009 and prior	31.3	23.5	8.7	(5.5)	**5.0**
2010	—	—	1.6	8.4	**36.7**
2011	—	—	—	14.7	**39.7**
2012					**12.8**
Total net release	31.3	23.5	10.3	17.6	**94.2**
Net releases on Admiral net share	31.3	23.1	7.8	16.3	**53.3**
Releases on commuted quota share reinsurance contracts*1	—	0.4	2.5	1.3	**40.9**
Total net release as above	31.3	23.5	10.3	17.6	**94.2**

*1 Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24 or 36 months following the start of the underwriting year. After commutation, any changes in claims costs on the commuted proportion of the business are reflected within claims costs and are separately analysed here. £40.9 million of releases on commuted quota share contracts is split as follows: 2011: £19.8 million; 2010: £18.4 million; 2009 & prior: £2.7 million.

Profit commission is analysed in note 5c.

(vi) Reconciliation of Movement in Net Claims Provision

	31 December 2013 £m	31 December 2012 £m
Net claims reserve at start of period	**660.4**	446.9
Net claims incurred (excluding releases)	**387.7**	411.3
Net reserve releases	**(94.2)**	(17.6)
Movement in net claims reserve due to commutation	**208.7**	102.2
Net claims paid	**(299.6)**	(282.4)
Net claims reserve at end of period*1	**863.0**	660.4

*1 The increase in net claims reserve from £660.4 million at 31 December 2012 to £863.0 million is partly as a result of the increase in the size of gross claims reserves but largely due to the impact of commutations of reinsurance contracts in the UK Car Insurance business.

(vii) Reconciliation of Movement in Net Unearned Premium Provision

	31 December 2013 £m	31 December 2012 £m
Net unearned premium provision at start of period	**233.5**	247.0
Written in the period	**468.2**	488.1
Earned in the period	**(484.6)**	(501.6)
Net unearned premium provision at end of period	**217.1**	233.5

6. Investments

6a. Accounting Policies

(i) Investment Income

Investment income from financial assets comprises interest income and net gains (both realised and unrealised) on financial assets classified as fair value through profit and loss and interest income on term deposits.

(ii) Financial Assets – Investments and Receivables

Initial Recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or held to maturity investments.

At initial recognition assets are recognised at fair value and classified according to the purpose for which they were acquired.

The Group's investments in money market liquidity funds and short term debt securities are designated as financial assets at fair value through profit or loss (FVTPL) at inception.

This designation is permitted under IAS 39, as the investments in money market funds and short dated securities are managed as a group of assets and internal performance evaluation of this group is conducted on a fair value basis.

The Group's deposits with credit institutions are classified as held to maturity investments, which is consistent with the intention for which they were purchased.

Subsequent Measurement

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised through the income statement.

Deposits with fixed maturities, classified as held to maturity investments are measured at amortised cost using the effective interest method. Movements in the amortised cost are recognised through the income statement, as are any impairment losses.

Loans and receivables are stated at their amortised cost less impairment using the effective interest method. Impairment losses are recognised through the income statement.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether any financial assets or groups of financial assets held at amortised cost, are impaired. Financial assets are impaired where there is evidence that one or more events occurring after the initial recognition of the asset, may lead to a reduction in the estimated future cash flows arising from the asset.

Objective evidence of impairment may include default on cash flows due from the asset and reported financial difficulty of the issuer or counterparty.

Derecognition of Financial Assets

A financial asset is derecognised when the rights to receive cash flows from that asset have expired, or when the Group transfers the asset and all the attaching substantial risks and rewards relating to the asset, to a third party.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term deposits with original maturities of three months or less. All cash and cash equivalents are measured at amortised cost.

6b. Investment and Interest Income

	31 December 2013 £m	31 December 2012 £m
Net investment return	12.4	14.0
Interest receivable	1.9	1.9
Total investment and interest income	14.3	15.9

Interest received during the year was £1.9 million (2012: £1.9 million).

6. Investments continued

6c. Financial Assets and Liabilities

The Group's financial instruments can be analysed as follows:

	31 December 2013 £m	31 December 2012 £m
Financial assets		
Investments held at fair value	1,406.1	1,025.4
Short dated debt securities held at fair value	202.4	—
Term deposits with credit institutions	288.4	375.8
Term deposits short dated debt securities	—	200.4
Receivables – amounts owed by policyholders	368.1	403.5
Total financial assets per consolidated statement of financial position	2,265.0	2,005.1
Trade and other receivables	77.5	55.3
Cash and cash equivalents	187.9	216.6
	2,530.4	2,277.0
Financial liabilities		
Trade and other payables	1,013.7	1,006.5

All investments held at fair value are invested in AAA-rated money market liquidity funds. These funds target a short term cash return with capital security and low volatility and continue to achieve these goals.

The measurement of investments at the end of the period, for investments held at fair value and short term debt securities held at fair value is based on active quoted market values (level 1).

Short term debt securities have been reclassified to fair value through profit and loss at the start of the period to align with the treatment of the money market fund holdings.

The deposits are held with well rated institutions; as such the approximate fair value is the book value of the investment as impairment of the capital is not expected. There is no quoted market for these holdings and as such a level 2 valuation is used. The book value of term deposits is £288.4 million (2012: £375.8 million).

The amortised cost carrying amount of receivables is a reasonable approximation of fair value.

The maturity profile of financial assets and liabilities at 31 December 2013 is as follows:

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial assets				
Investments held at fair value	1,104.8	301.3	—	—
Term deposits with credit institutions	—	188.9	99.5	—
Short term debt securities	—	202.4	—	—
Receivables – amounts owed by policyholders	—	368.1	—	—
Total financial assets	1,104.8	1,060.7	99.5	—
Trade and other receivables	—	77.5	—	—
Cash and cash equivalents	187.9	—	—	—
	1,292.7	1,138.2	99.5	—
Financial liabilities				
Trade and other payables	—	1,013.7	—	—

6. Investments continued

6c. Financial Assets and Liabilities continued

The maturity profile of financial assets and liabilities at 31 December 2012 was as follows:

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial assets				
Investments held at fair value	1,025.4	—	—	—
Term deposits with credit institutions	—	213.8	162.0	—
Short term debt securities	—	200.4	—	—
Receivables – amounts owed by policyholders	—	403.5	—	—
Total financial assets	1,025.4	817.7	162.0	—
Trade and other receivables	—	55.3	—	—
Cash and cash equivalents	216.6	—	—	—
	1,242.0	873.0	162.0	—
Financial liabilities				
Trade and other payables	—	1,006.5	—	—

Objectives, Policies and Procedures For Managing Financial Assets and Liabilities

The Group's activities expose it primarily to financial risks of credit risk, interest rate risk, liquidity risk and foreign exchange risk. The Board of Directors has delegated the task of supervising risk management and internal control to the Group Risk Committee. There is also an Investment Committee that makes recommendations to the Board on the Group's investment strategy.

There are several key elements to the risk management environment throughout the Group. These are detailed in full in the Corporate Governance Statement. Specific considerations for the risks arising from financial assets and liabilities are detailed below.

Credit Risk

The Group defines credit risk as the risk of loss if another party fails to perform its obligations. The key areas of exposure to credit risk for the Group result through its reinsurance programme, investments, bank deposits and policyholder receivables.

Economic and financial market conditions have led the Directors to consider counterparty exposure more frequently and in significant detail. The Directors consider that the policies and procedures in place to manage credit exposure continue to be appropriate for the Group's risk appetite, and during 2013 and historically, no material credit losses have been experienced by the Group.

There are no specific concentrations of credit risk with respect to investment counterparties due to the structure of the liquidity funds which invest in a wide range of very short duration, high quality securities. Cash balances and deposits are placed only with highly rated credit institutions. The detailed holdings are reviewed regularly by the Investment Committee.

To mitigate the risk arising from exposure to reinsurers (in the form of reinsurance recoveries and profit commissions), the Group only conducts business with companies of appropriate financial strength ratings. In addition, most reinsurance contracts are operated on a funds withheld basis, which substantially reduces credit risk, as the Group holds the cash received as collateral.

The other principal form of credit risk is in respect of amounts due from policyholders, largely due to the potential for default by instalment payers. The impact of this is mitigated by the large customer base and low average level of balance recoverable. There is also mitigation by the operation of numerous high- and low-level controls in this area, including payment on policy acceptance as opposed to inception and automated cancellation procedures for policies in default.

The Group's maximum exposure to credit risk at 31 December 2013 is £2,644.8 million (2012: £2,415.1 million), being the carrying value of financial assets and cash, and the excess of reinsurance assets over amounts owed to reinsurers under funds withheld arrangements. The Group does not use credit derivatives or similar instruments to mitigate exposure. The amount of bad debt expense relating to policyholder debt charged to the income statement in 2013 and 2012 is insignificant.

There were no significant financial assets that were past due at the close of either 2013 or 2012.

The Group's credit risk exposure to assets with external ratings is as follows:

	Rating	**31 December 2013 £m**	31 December 2012 £m
Financial institutions – Money market funds	AAA	**1,406.1**	1,025.4
Financial institutions – Credit institutions	AAA	**61.8**	60.1
Financial institutions – Credit institutions	AA	**184.5**	169.2
Financial institutions – Credit institutions	A	**352.4**	506.4
Financial institutions – Credit institutions	BBB and below	**80.0**	57.1
Reinsurers	AA	**239.9**	117.8
Reinsurers	A	**20.0**	196.3
Reinsurers	BBB	**23.4**	6.5

6. Investments continued

6c. Financial Assets and Liabilities continued

Objectives, Policies And Procedures For Managing Financial Assets and Liabilities continued

Interest Rate Risk

The Group considers interest rate risk to be the risk that unfavourable movements in interest rates could adversely impact on the capital values of financial assets and liabilities. This relates primarily to investments held at fair value.

As noted above, the Group invests in money market liquidity funds, which in turn invest in a mixture of very short dated fixed and variable rate securities, such as cash deposits, certificates of deposits, floating rate notes and other commercial paper.

The funds are not permitted to have an average maturity greater than 60 days and hence are not subject to large movements in yield and value resulting from changes in market interest rates (as longer duration fixed income portfolios can experience). Returns are likely to closely track the LIBID benchmark and hence while the Group's investment return will vary according to market interest rates, the capital value of these investment funds will not be impacted by rate movements. The interest rate risk arising is therefore considered to be minimal.

Other Group holdings include funds placed into two segregated mandates. The guidelines of the investments retain the credit quality of the money market liquidity funds. As the duration of the securities is short there is no material interest rate risk relating to these investments.

The Group also holds a number of fixed-rate, longer term deposits with strongly rated credit institutions. These are classified as term and valued at amortised cost. Therefore neither the capital value of the deposits, nor the interest return will be impacted by fluctuations in interest rates.

No sensitivity analysis to interest rates has been presented on the grounds of materiality.

Liquidity Risk

Liquidity risk is defined as the risk that the Group does not have sufficient, available, financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost.

The Group is strongly cash-generative due to the large proportion of revenue arising from non-underwriting activity. Further, as noted above, a significant portion of insurance funds are invested in money market liquidity funds with same day liquidity, meaning that a large proportion of the Group cash and investments are immediately available.

A breakdown of the Group's financial liabilities – trade and other payables is shown in note 10. In terms of the maturity profile of these liabilities, all amounts will mature within three to six months of the balance sheet date. (Refer to the maturity profile at the start of this note for further detail.)

In practice, the Group's Directors expect actual cash flows to be consistent with this maturity profile except for amounts owed to co-insurers and reinsurers. Of the total amounts owed to co-insurers and reinsurers of £785.3 million (2012: £723.5 million), £629.3 million (2012: £609.6 million) is held under funds withheld arrangements and therefore not expected to be settled within 12 months.

A maturity analysis for insurance contract liabilities is included in note 5.

The maturity profile for financial assets is included at the start of this note. The Group's Directors believe that the cash flows arising from these assets will be consistent with this profile.

Liquidity risk is not, therefore, considered to be significant.

Foreign Exchange Risks

Foreign exchange risks arise from unfavourable movements in foreign exchange rates that could adversely impact the valuation of overseas assets.

The Group is exposed to foreign exchange risk through its operations overseas. Although the relative size of the International operations means that the risks are relatively small, increasingly volatile foreign exchange rates could result in larger potential gains or losses. Assets held to fund insurance liabilities are held in the currency of the liabilities; however, surplus assets held as regulatory capital in foreign currencies remain exposed.

The Group's exposures to net assets held in euros and dollars at the balance sheet date were £7.1 million and £60.2 million respectively (2012: £13.3 million and £46.7 million).

Fair Value

For cash at bank and cash deposits and other receivables, the fair value approximates to the book value due to their short maturity. For assets held at fair value through profit and loss, their value equates to level 1 (quoted prices in active markets) of the fair value hierarchy.

6d. Cash and Cash Equivalents

	31 December 2013 £m	31 December 2012 £m
Cash at bank and in hand	**187.9**	216.6
Total cash and cash equivalents	**187.9**	216.6

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term-term deposits with original maturities of three months or less.

7. Other Revenue

7a. Accounting Policy

(i) Contribution from Additional Products and Fees and Other Revenue

Contribution from additional products and fees and other revenue includes revenue earned on the sale of products supplementing the core motor insurance policy, administration and other charges paid by the policyholder, referral fees, revenue from policies paid by instalments and vehicle commission charges paid by co- and reinsurers. Revenue is credited to the income statement over the period matching the Group's obligations to provide services. Where the Group has no remaining contractual obligations, the revenue is recognised immediately. An allowance is made for expected cancellations where the customer may be entitled to a refund of amounts charged.

Commission from price comparison activities and broking commission earned by Gladiator is credited to revenue on the sale of the underlying insurance policy.

7b. Contribution from Additional Products and Fees and Other Revenue

	31 December 2013 £m	31 December 2012 £m
Contribution from additional products and fees	177.0	215.7
Price comparison revenue	112.7	103.5
Other revenue	38.1	41.9
Total Other revenue	327.8	361.1

Refer to the Strategic Report for further detail on the sources of revenue.

8. Expenses

8a. Accounting Policies

(i) Acquisition Costs and Operating Expenses

Acquisition costs incurred in obtaining new and renewal business are charged to the income statement over the period in which those premiums are earned. All other operating expenses are charged to the income statement in the period that they are incurred.

(ii) Employee Benefits

Pensions

The Group contributes to defined contribution personal pension plans for its employees. The contributions payable to these schemes are charged in the accounting period to which they relate.

Employee Share Schemes

The Group operates a number of equity and cash settled compensation schemes for its employees. The fair value of the employee services received in exchange for the grant of free shares under the equity settled schemes is recognised as an expense, with a corresponding increase in equity. For cash settled schemes, the fair value of services received are also recognised as an expense, with a corresponding increase in liability.

For equity settled schemes, the total charge expensed over the vesting period is determined by reference to the fair value of the free shares granted as determined at the grant date (excluding the impact of non-market vesting conditions). Non-market conditions such as profitability targets as well as staff attrition rates are included in assumptions over the number of free shares to vest under the applicable scheme.

For cash settled schemes, the total charge expensed over the vesting period is determined by reference to the closing Admiral Group share price at the end of the period. Prior to the vesting of each scheme, the closing share price at the end of the reporting period is used as an approximation for the closing share price at the end of the vesting period. As with equity settled schemes, non-market vesting conditions also impact on the total charge expensed over the vesting period.

At each balance sheet date, the Group revises its assumptions on the number of shares to be granted with the impact of any change in the assumptions recognised through income.

Refer to note 8f for further details on share schemes.

8b. Operating Expenses and Share Scheme Charges

	31 December 2013		
	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts	85.5	(51.8)	33.7
Administration and other marketing costs (Insurance contracts)	203.5	(150.5)	53.0
Insurance contract expenses	289.0	(202.3)	86.7
Administration and other marketing costs (Other)	142.0	—	142.0
Share scheme charges	36.0	(13.5)	22.5
Total expenses and share scheme charges	467.0	(215.8)	251.2

8. Expenses continued

8b. Operating Expenses and Share Scheme Charges continued

	31 December 2012		
	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts	95.3	(44.7)	50.6
Administration and other marketing costs (Insurance contracts)	178.2	(151.4)	26.8
Insurance contract expenses	273.5	(196.1)	77.4
Administration and other marketing costs (Other)	137.2	—	137.2
Share scheme charges	32.5	(11.9)	20.6
Total expenses and share scheme charges	443.2	(208.0)	235.2

The £53.0 million (2012: £26.8 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs:

	31 December 2013 £m	31 December 2012 £m
Expenses relating to additional products and fees	**34.4**	35.9
Price comparison operating expenses	**92.3**	85.5
Other expenses	**15.3**	15.8
Total	**142.0**	137.2

Refer to note 12 for a reconciliation between insurance contract expenses and the reported expense ratio.

8c. Staff Costs and Other Expenses

	31 December 2013		31 December 2012	
	Gross £m	**Net £m**	Gross £m	Net £m
Salaries	**148.5**	**49.2**	137.1	44.3
Social security charges	**16.7**	**5.7**	13.8	4.4
Pension costs	**4.1**	**1.4**	1.0	0.3
Share scheme charges (see note 8f)	**36.0**	**9.0**	32.5	8.1
Total staff expenses	**205.3**	**65.3**	184.4	457.1
Depreciation charge:				
– Owned assets	**7.2**	**2.6**	5.4	2.2
– Leased assets	**0.1**	**—**	1.2	0.3
Amortisation charge:				
– Software	**4.9**	**1.9**	4.1	1.2
– Deferred acquisition costs	**68.8**	**18.6**	48.0	11.7
Operating lease rentals:				
– Buildings	**11.4**	**3.6**	10.5	3.3
Auditor's remuneration (including VAT):				
– Fees payable for the audit of the Company's annual accounts	**—**	**—**	—	—
– Fees payable for the audit of the Company's subsidiary accounts	**0.3**	**0.2**	0.3	0.2
– Fees payable for other services	**0.3**	**0.1**	0.3	0.1
Net foreign exchange losses	**1.5**	**1.5**	—	—
Analysis of fees paid to the auditor for other services:				
Tax compliance services	**0.1**	**—**	0.1	—
Tax advisory services	**0.2**	**0.1**	0.2	0.1
Other services	**—**	**—**	—	—
Total as above	**0.3**	**0.1**	0.3	0.1

8. Expenses continued

8c. Staff Costs and Other Expenses continued

Gross and net expenses are before and after co- and reinsurance arrangements respectively.

Refer to the Corporate Governance Report for details of the Audit Committee's policy on fees paid to the Company's auditor for non-audit services. The ratio of non-audit fees to audit fees in 2013 was 108% (2012: 124%).

The amortisation of software and deferred acquisition cost assets is charged to expenses in the income statement.

8d. Staff Numbers (including Directors)

	Average for the year	
	2013 Number	2012 Number
Direct customer contact staff	5,145	4,991
Support staff	1,420	1,231
Total	**6,565**	6,222

8e. Directors' Remuneration

(i) Directors' Remuneration

	31 December 2013 £m	31 December 2012 £m
Directors' emoluments	2.0	2.1
Amounts receivable under long term incentive schemes	0.8	0.7
Company contributions to money purchase pension plans	—	—
Total	**2.8**	2.8

(ii) Number of Directors

	2013 Number	2012 Number
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	1	1
Defined benefit schemes	—	—

8f. Staff Share Schemes

Analysis of share scheme costs (per income statement):

	31 December 2013 £m	31 December 2012 £m
SIP charge (i)	7.6	6.6
DFSS charge (ii)	14.9	14.0
Total share scheme charges	**22.5**	20.6

The share scheme charges reported above are net of the co- and reinsurers share of the cost and therefore differ from the gross charge reported in note 8c (2013: £36.0 million; 2012: £32.5 million) and the gross credit to reserves reported in the consolidated statement of changes in equity (2013: £25.7 million; 2012: £23.7 million).

The consolidated cash flow statement also shows the gross charge in the reconciliation between "profit after tax" and "cash flows from operating activities". The co-insurance share of the charge is included in the 'change in trade and other payables' line.

(i) The Approved Share Incentive Plan (the "SIP")

Eligible employees qualified for awards under the SIP based upon the performance of the Group in each half-year period. The current maximum award for each year is £3,000 per employee. The awards are made with reference to the Group's performance against prior year profit before tax. Employees must remain in employment for the holding period (three years from the date of award) otherwise the shares are forfeited.

The fair value of shares awarded is either the share price at the date of award, or is estimated at the latest share price available when drawing up the financial statements for awards not yet made (and later adjusted to reflect the actual share price on the award date). Awards under the SIP are entitled to receive dividends, and, hence, no adjustment has been made to this fair value.

(ii) The Discretionary Free Share Scheme (the "DFSS")

Under the DFSS, details of which are contained in the remuneration policy section of the Directors' Remuneration Report, individuals receive an award of free shares at no charge. Staff must remain in employment until the vesting date in order to receive shares. The maximum number of shares that can vest relating to the 2013 scheme is 2,344,321 (2012 scheme: 2,149,566).

The amount of award that actually vests is based on the growth in the Company's earnings per share (EPS) relative to a risk free return (RFR), for which LIBOR has been selected as a benchmark. This performance is measured over the three-year period the award applies to. For the 2013 and 2012 schemes, 50% of the shares awarded at the start of the three year vesting period are subject to these performance conditions.

8. Expenses continued

8f. Staff Share Schemes continued

(ii) The Discretionary Free Share Scheme (the "DFSS") continued

The range of awards is as follows:

- If the growth in EPS is less than the RFR, no awards vest
- EPS growth is equal to RFR – 10% of maximum award vests
- To achieve the maximum award, EPS growth has to be 36 points higher than RFR over the three year period

Between 10% and 100% of the maximum awards, a linear relationship exists.

Awards under the DFSS are not eligible for dividends (although a discretionary bonus is currently paid equivalent to the dividend that would have been paid on the respective shareholding) and hence the fair value of free shares to be awarded under this scheme has been revised downwards to take account of these distributions. The unadjusted fair value is based on the share price at the date on which awards were made (as stated in the Directors' Remuneration Report).

Number of Free Share Awards Committed at 31 December 2013

	Awards outstanding*1	Vesting date
SIP H210 scheme	346,590	March 2014
SIP H111 scheme	489,280	September 2014
SIP H211 scheme	598,400	March 2015
SIP H112 scheme	617,778	September 2015
SIP H212 scheme	533,792	March 2016
SIP H113 scheme	603,084	September 2016
DFSS 2011 scheme 1st award	1,634,732	April 2014
DFSS 2011 scheme 2nd award	157,312	September 2014
DFSS 2012 scheme 1st award	181,668	March 2015
DFSS 2012 scheme 2nd award	1,977,452	October 2015
DFSS 2013 scheme 1st award	173,348	March 2016
DFSS 2013 scheme 2nd award	2,170,973	October 2016
Total awards committed	**9,484,409**	

*1 Being the maximum number of awards expected to be made before accounting for expected staff attrition.

During the year ended 31 December 2013, awards under the SIP H209 and H110 schemes and the DFSS 2010 scheme vested. The total number of awards vesting for each scheme is as follows.

Number of Free Share Awards Vesting During the Year Ended 31 December 2013

	Original awards	Awards vested
SIP H209 scheme	377,641	314,358
SIP H110 scheme	352,100	287,000
DFSS 2010 scheme 1st award	1,542,453	1,380,210
DFSS 2010 scheme 2nd award	121,051	70,973

9. Taxation

9a. Accounting Policy

Income tax on the profit or loss for the periods presented comprises current and deferred tax.

(i) Current Tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted by the balance sheet date, and includes any adjustment to tax payable in respect of previous periods.

Current tax related to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

(ii) Deferred Tax

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for accounting purposes, and the amounts used for taxation purposes. It is calculated at the tax rates that have been enacted or substantially enacted by the balance sheet date, or that are expected to apply in the period when the liability is settled or the asset is realised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The principal temporary differences arise from depreciation of property and equipment and share scheme charges. The resulting deferred tax is charged or credited in the income statement, except in relation to share scheme charges where the amount of tax benefit credited to the income statement is limited to an equivalent credit calculated on the accounting charge. Any excess is recognised directly in equity.

9. Taxation continued

9b. Taxation

	31 December 2013 £m	31 December 2012 £m
Current tax		
Corporation tax on profits for the year	83.4	88.4
Under provision relating to prior periods	0.4	1.2
Current tax charge	83.8	89.6
Deferred tax		
Current period deferred taxation movement	0.1	(2.8)
(Over) provision relating to prior periods – deferred tax	(0.6)	(0.6)
Total tax charge per income statement	83.3	86.2

Factors affecting the total tax charge are:

	31 December 2013 £m	31 December 2012 £m
Profit before tax	370.2	344.6
Corporation tax thereon at effective UK corporation tax rate of 23.25% (2012: 24.5%)	86.1	84.4
Expenses and provisions not deductible for tax purposes	0.2	1.4
Impact of change in UK tax rate on deferred tax balances	2.7	0.7
Adjustments relating to prior periods	(0.2)	(0.4)
Impact of different overseas tax rates	(5.6)	—
Other differences	0.1	0.1
Total tax charge for the period as above	83.3	86.2

9c. Deferred Income Tax (Asset)

Analysis of Deferred Tax (Asset)

	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Other differences £m	Total £m
Balance brought forward at 1 January 2012	(3.6)	(1.5)	(2.6)	(2.6)	(10.3)
Tax treatment of share scheme charges through income or expense	1.3	—	—	—	1.3
Tax treatment of share scheme charges through reserves	(1.5)	—	—	—	(1.5)
Capital allowances	—	(0.4)	—	—	(0.4)
Carried forward losses	—	—	(3.1)	—	(3.1)
Other difference	—	—	—	(1.2)	(1.2)
Balance carried forward at 31 December 2012	(3.8)	(1.9)	(5.7)	(3.8)	(15.2)
Tax treatment of share scheme charges through income or expense	1.8	—	—	—	1.8
Tax treatment of share scheme charges through reserves	(2.1)	—	—	—	(2.1)
Capital allowances	—	(1.4)	—	—	(1.4)
Carried forward losses	—	—	(2.1)	—	(2.1)
Other difference	—	—	—	2.0	2.0
Balance carried forward at 31 December 2013	(4.1)	(3.3)	(7.8)	(1.8)	(17.0)

The UK corporation tax rate reduced from 24% to 23% on 1 April 2013. The average effective rate of tax for 2013 is 23.25% (2012: 24.5%). It will fall to 21% in April 2014, and to 20% in April 2015. Deferred tax has therefore been calculated at 20% where the temporary difference is expected to reverse after this date.

10. Other Assets and Other Liabilities

10a. Accounting Policy

(i) Property and Equipment, and Depreciation

All property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight line method to write off the cost less residual values of the assets over their useful economic lives. These useful economic lives are as follows:

Motor vehicles	–	four years
Fixtures, fittings and equipment	–	four years
Computer equipment	–	two to four years
Improvements to short leasehold properties	–	four years

(ii) Impairment of Property and Equipment

In the case of property and equipment, carrying values are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated and compared to the carrying value. The carrying value is the higher of the fair value of the asset, less costs to sell and the asset's value in use. Impairment losses are recognised through the income statement.

(iii) Leased Assets

The rental costs relating to assets held under operating leases are charged to the income statement on a straight line basis over the life of the lease.

Leases under the terms of which the Group assumes substantially all of the risks and rewards of ownership are classed as finance leases. Assets acquired under finance leases are included in property and equipment at fair value on acquisition and are depreciated in the same manner as equivalent owned assets. Finance lease and hire purchase obligations are included in creditors, and the finance costs are spread over the periods of the agreements based on the net amount outstanding.

(iv) Intangible Assets

Goodwill

All business combinations are accounted for using the purchase method. Goodwill has been recognised in acquisitions of subsidiaries, and represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

The classification and accounting treatment of acquisitions occurring before 1 January 2004 have not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004 due to the exemption available in IFRS 1 (First time adoption). In respect of acquisitions prior to 1 January 2004, goodwill is included at the transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP, which was tested for impairment at the transition date. On transition, amortisation of goodwill has ceased as required by IAS 38.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) according to business segment and is reviewed annually for impairment.

The goodwill held on the balance sheet at 31 December 2013 is allocated solely to the UK car insurance segment.

Impairment of Goodwill

The annual impairment review involves comparing the carrying amount to the estimated recoverable amount (by allocating the goodwill to CGUs) and recognising an impairment loss if the recoverable amount is lower. Impairment losses are recognised through the income statement and are not subsequently reversed.

The recoverable amount is the greater of the fair value of the asset less costs to sell and the value in use of the CGU.

The value in use calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond this period are considered, but not included in the calculation. The discount rate applied to the cash flow projections in the value in use calculations is 9.8% (2012: 9.0%), based on the Group's weighted average cost of capital, which is in line with the market (source: Bloomberg).

The key assumptions used in the value in use calculations are those regarding growth rates and expected changes in pricing and expenses incurred during the period. Management estimates growth rates and changes in pricing based on past practices and expected future changes in the market.

The headroom above the goodwill carrying value is very significant, and there is no foreseeable event that would eliminate this margin.

Deferred Acquisition Costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred that correspond to the unearned premiums provision at the balance sheet date. This balance is held as an intangible asset. It is amortised over the term of the contract as premium is earned.

Software

Purchased software is recognised as an intangible asset and amortised over its expected useful life (generally the licence term). The carrying value is reviewed every six months for evidence of impairment, with the value being written down if any impairment exists. Impairment may be reversed if conditions subsequently improve.

10. Other Assets and Other Liabilities continued

10b. Property and Equipment

	Improvements to short leasehold buildings £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	Total £m
Cost					
At 1 January 2012	6.7	28.3	11.4	4.9	51.3
Additions	0.6	3.4	1.5	0.1	5.6
Disposals	—	(0.1)	—	—	(0.1)
At 31 December 2012	7.3	31.6	12.9	5.0	56.8
Depreciation					
At 1 January 2012	4.4	19.0	7.2	3.1	33.7
Charge for the year	0.9	3.6	1.5	0.6	6.6
Disposals	—	—	—	—	—
At 31 December 2012	5.3	22.6	8.7	3.7	40.3
Net book amount					
At 1 January 2012	2.3	9.3	4.2	1.8	17.6
Net book amount					
At 31 December 2012	2.0	9.0	4.2	1.3	16.5
Cost					
At 1 January 2013	7.3	31.6	12.9	5.0	56.8
Additions	1.2	1.7	0.1	0.3	3.3
Disposals	—	(0.5)	—	—	(0.5)
At 31 December 2013	8.5	32.8	13.0	5.3	59.6
Depreciation					
At 1 January 2013	5.3	22.6	8.7	3.7	40.3
Charge for the year	1.0	3.9	1.7	0.7	7.3
Disposals	—	(0.4)	—	—	(0.4)
At 31 December 2013	6.3	26.1	10.4	4.4	47.2
Net book amount					
At 31 December 2013	**2.2**	**6.7**	**2.6**	**0.9**	**12.4**

The net book value of assets held under finance leases is as follows:

	31 December 2013 £m	31 December 2012 £m
Computer equipment	—	3.0

10c. Intangible Assets

	Goodwill £m	Deferred acquisition costs £m	Software £m	Total £m
At 1 January 2012	62.3	16.4	8.8	87.5
Additions	—	51.9	5.5	57.4
Amortisation charge	—	(48.0)	(4.1)	(52.1)
Disposals	—	—	(0.3)	(0.3)
At 31 December 2012	62.3	20.3	9.9	92.5
Additions	—	67.7	6.8	74.5
Amortisation charge	—	(68.8)	(4.9)	(73.7)
Disposals	—	—	(0.5)	(0.5)
At 31 December 2013	**62.3**	**19.2**	**11.3**	**92.8**

Goodwill relates to the acquisition of Group subsidiary EUI Limited (formerly Admiral Insurance Services Limited) in November 1999. It is allocated solely to the UK Car Insurance segment. As described in the accounting policies, the amortisation of this asset ceased on transition to IFRS on 1 January 2004. All annual impairment reviews since the transition date have indicated that the estimated recoverable value of the asset is greater than the carrying amount and therefore no impairment losses have been recognised. Refer to the accounting policy for goodwill for further information.

10. Other Assets and Other Liabilities continued

10d. Trade and Other Receivables

	31 December 2013 £m	31 December 2012 £m
Trade receivables	73.9	54.8
Prepayments and accrued income	3.6	0.5
Total trade and other receivables	**77.5**	55.3

10e. Trade and Other Payables

	31 December 2013 £m	31 December 2012 £m
Trade payables	16.9	13.0
Amounts owed to co-insurers and reinsurers	785.3	723.5
Finance leases due within 12 months	0.1	0.8
Other taxation and social security liabilities	20.6	22.9
Other payables	90.1	71.5
Accruals and deferred income (see below)	100.7	174.8
Total trade and other payables	**1,013.7**	1,006.5

Of amounts owed to co-insurers and reinsurers, £629.3 million (2012: £609.6 million) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2013 £m	31 December 2012 £m
Premium receivable in advance of policy inception	60.7	115.4
Accrued expenses	22.0	41.4
Deferred income	18.0	18.0
Total accruals and deferred income as above	**100.7**	174.8

10f. Obligations Under Finance Leases

Analysis of finance lease liabilities:

	At 31 December 2013			At 31 December 2012		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	0.1	—	0.1	0.8	—	0.8
Between one and five years	—	—	—	—	—	—
More than five years	—	—	—	—	—	—
	0.1	—	0.1	0.8	—	0.8

The fair value of the Group's lease obligations approximates to their carrying amount.

10g. Financial Commitments

The Group was committed to total minimum obligations under operating leases on land and buildings as follows:

	31 December 2013 £m	31 December 2012 £m
Minimum payments due on operating leases		
Within one year	5.3	8.0
Within two to five years	8.2	11.4
Over five years	1.8	0.1
Total commitments	**15.3**	19.5

Operating lease payments represent rentals payable by the Group for its office properties.

In 2014, the Group will enter into new operating lease commitments for premises in Newport and Cardiff which are currently under construction. The annual charge for these leases totals £3.4 million and both lease terms exceed five years.

11. Share Capital

11a. Accounting Policies

(i) Share Capital
Shares are classified as equity when there is no obligation to transfer cash or other assets.

(ii) Dividends
Dividends are recorded in the period in which they are declared and paid.

11b. Dividends

Dividends were declared and paid as follows:

	31 December 2013 £m	31 December 2012 £m
March 2012 (36.5 pence per share, paid June 2012)	—	98.0
August 2012 (45.1 pence per share, paid October 2012)	—	121.3
March 2013 (45.5 pence per share, paid June 2013)	123.1	—
August 2013 (48.9 pence per share, paid October 2013)	132.7	—
Total dividends	**255.8**	219.3

The dividends declared in March represent the final dividends paid in respect of the 2011 and 2012 financial years. The dividends declared in August are interim distributions in respect of 2012 and 2013.

A final dividend of 50.6 pence per share (£139.6 million) has been proposed in respect of the 2013 financial year. Refer to the Chairman's Statement and Strategic Report for further detail.

11c. Earnings per Share

	31 December 2013 £m	31 December 2012 £m
Profit for the financial year after taxation attributable to equity shareholders	286.9	258.4
Weighted average number of shares – basic	274,311,039	271,714,535
Unadjusted earnings per share – basic	104.6p	95.1p
Weighted average number of shares – diluted	274,813,144	272,403,242
Unadjusted earnings per share – diluted	104.4p	94.9p

The difference between the basic and diluted number of shares at the end of 2013 (being 502,105; 2012: 688,707) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 8 for further detail.

11d. Share Capital

	31 December 2013 £m	31 December 2012 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	0.5	0.5
Issued, called up and fully paid		
276,141,432 ordinary shares of 0.1 pence	0.3	—
273,523,594 ordinary shares of 0.1 pence	—	0.3
	0.3	0.3

During 2013 2,617,838 (2012: 2,797,519) new ordinary shares of 0.1 pence were issued to the trusts administering the Group's share schemes.

917,838 (2012: 1,177,519) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme to give a closing number at 31 December 2013 of 6,484,084 (31 December 2012: 5,566,246). These shares are entitled to receive dividends.

1,700,000 (2012: 1,620,000) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme to give a closing number at 31 December 2013 of 11,061,948 (31 December 2012: 9,361,948). The Trustees have waived the right to dividend payments, other than to the extent of 0.001 pence per share, unless and to the extent otherwise directed by the Company from time to time.

The number of shares in issue at flotation was 258,595,400.

11. Share Capital continued

11e. Objectives, Policies and Procedures for Managing Capital

The Group manages its capital to ensure that all entities within the Group are able to continue as going concerns and also to ensure that regulated entities comfortably meet regulatory requirements. Excess capital above these levels within subsidiaries is paid up to the Group holding company in the form of dividends on a regular basis.

The Group's dividend policy is to make distributions after taking into account capital that is required to be held a) for regulatory purposes; b) to fund expansion activities; and c) as a further prudent buffer against unforeseen events. This policy gives the Directors flexibility in managing the Group's capital.

Capital continues to be held in equity form, with no debt.

The Group's regulatory capital requirements are discussed in the Group Financial Review within the Strategic Report.

11f. Group Subsidiary Companies

The parent company's subsidiaries are as follows:

Subsidiary	Country of incorporation	Class of shares held	% Ownership	Principal activity
Able Insurance Services Limited	England and Wales	Ordinary	100	Insurance Intermediary
Admiral Insurance (Gibraltar) Limited	Gibraltar	Ordinary	100	Insurance Company
Admiral Insurance Company Limited	England and Wales	Ordinary	100	Insurance Company
Admiral Law Limited	England and Wales	Ordinary	90	Legal Company
Admiral Life Limited	England and Wales	Ordinary	100	Dormant
Admiral Syndicate Limited	England and Wales	Ordinary	100	Dormant
Admiral Syndicate Management Limited	England and Wales	Ordinary	100	Dormant
BDE Law Limited	England and Wales	Ordinary	90	Legal Company
Bell Direct Limited	England and Wales	Ordinary	100	Dormant
comparenow.com Insurance Agency LLC	United States of America	Ordinary	67.79 (Indirect)	Insurance Intermediary
Confused.com Limited	England and Wales	Ordinary	100	Dormant
Diamond Motor Insurance Services Limited	England and Wales	Ordinary	100	Dormant
Elephant Insurance Company	United States of America	Ordinary	100	Insurance Company
Elephant Insurance Services Limited	England and Wales	Ordinary	100	Dormant
Elephant Insurance Services LLC	United States of America	Ordinary	100	Insurance Intermediary
EUI (France) Limited	England and Wales	Ordinary	100	Insurance Intermediary
EUI Limited	England and Wales	Ordinary	100	Insurance Intermediary
Inspop Technologies Private Limited	India	Ordinary	100	Internet technology supplier
Inspop USA LLC	United States of America	Ordinary	67.79	Insurance Intermediary
Inspop.com (France) Limited	England and Wales	Ordinary	100	Insurance Intermediary
Inspop.com Limited	England and Wales	Ordinary	100	Insurance Intermediary
Rastreator.com Limited	England and Wales	Ordinary	75	Insurance Intermediary

For further information on how the Group conducts its business across the UK, Europe and the USA, refer to the Strategic Report.

11g. Related Party Transactions

Details relating to the remuneration and shareholdings of key management personnel are set out in the Directors' Remuneration Report. Key management personnel are able to obtain discounted motor insurance at the same rates as all other Group staff, typically at a reduction of 15%.

The Board considers that only the Executive Directors of Admiral Group plc are key management personnel. Aggregate compensation for the Executive Directors is disclosed in the Directors' Remuneration Report on pages 55 to 64.

12. Reconciliations

The following tables reconcile significant key performance indicators and non-GAAP measures included in the Strategic Report to items included in the financial statements.

12a. Reconciliation of Turnover to Reported Total Premiums Written and Other Revenue as per the Financial Statements

	31 December 2013 £m	31 December 2012 £m
Total premiums written before co-insurance arrangements per note 5b of financial statements	1,737.6	1,897.2
Other revenue per note 7b of financial statements	327.8	361.1
	2,065.4	2,258.3
UK vehicle commission[*1]	(48.1)	(46.8)
Other[*2]	12.9	3.6
Turnover as per note 4b of financial statements	**2,030.2**	2,215.1

[*1] During 2012 Admiral ceased earning Other revenue from the sale of legal protection policies. At the same point, the Group began charging its panel of co- and reinsurers a vehicle commission. The substance of these changes meant that the total premiums written increased by the amount of revenue that was previously earned from the sale of legal protection policies. The vehicle commission included within Other revenue is therefore eliminated from the turnover measure to avoid double counting.

[*2] Other reconciling items represent co-insurer and reinsurer shares of Other revenue in the Group's International Car Insurance businesses.

12b. Reconciliation of Claims Incurred to Reported Group Loss Ratio, Excluding Releases on Commuted Reinsurance

	31 December 2013		31 December 2012	
	UK Car £m	Group £m	UK Car £m	Group £m
Net insurance claims	243.3	303.0	350.3	404.5
Less: net claims handling expenses	(9.5)	(9.5)	(10.8)	(10.8)
Add back reserve releases on commuted reinsurance	40.9	40.9	1.3	1.3
Adjusted net claims	274.7	334.4	340.8	395.0
Net insurance premium revenue	403.9	483.0	445.9	498.9
Reported loss ratio	68.0%	69.2%	76.4%	79.2%

12c. Reconciliation of Expenses Related to Insurance Contracts to Reported Group Expense Ratio

	31 December 2013		31 December 2012	
	UK Car £m	Group £m	UK Car £m	Group £m
Net insurance expenses	51.2	86.7	49.8	77.4
Add: net claims handling expenses	9.5	9.5	10.8	10.8
Adjusted net expenses	60.7	96.2	60.6	88.2
Net insurance premium revenue	403.9	483.0	445.9	498.9
Reported expense ratio	15.0%	19.9%	13.6%	17.7%

PARENT COMPANY FINANCIAL STATEMENTS
Parent Company Balance Sheet

	Note	As at 31 December 2013 £m	31 December 2012 £m
Fixed assets – investments			
Shares in Group undertakings	5	212.6	192.3
Other investments	6	29.5	74.6
Current assets			
Amounts owed from subsidiary undertakings		8.0	3.1
Trade and other receivables		0.1	—
Cash at bank and in hand		3.3	10.4
		11.4	13.5
Creditors – falling due within one year			
Other creditors	7	(63.4)	(63.5)
		(63.4)	(63.5)
Net current liabilities		(52.0)	(50.0)
Total assets less current liabilities		190.1	216.9
Net assets		190.1	216.9
Capital and reserves			
Called up share capital	8	0.3	0.3
Share premium account	9	13.1	13.1
Capital redemption reserve		—	—
Profit and loss account		176.7	203.5
		190.1	216.9

These financial statements were approved by the Board of Directors on 4 March 2014 and were signed on its behalf by:

Kevin Chidwick
Director
Admiral Group plc
Company Number: 03849958

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

1. Basis of Preparation

The accounts have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Company's projections for the next 12 months and beyond, including cash flow forecasts and regulatory capital surpluses. The Company has no debt.

As a result of this review the Directors have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

The adoption of new accounting standards during the year has not had a material impact on either the current year or comparative figures.

The Admiral Group plc Company financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and in accordance with the provisions of Section 396 to the Companies Act 2006.

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented. Under FRS 1 (Cash Flow Statements) the Company is exempt from having to present a cash flow statement on the grounds that its cash flows are included in the Group's published Consolidated financial statements.

The parent company audit fee is not disclosed in these accounts as it is disclosed in the Consolidated financial statements for Admiral Group plc, which precede them at note 8c.

Refer to note 11 of the Consolidated financial statements for disclosure of related party transactions.

2. Investments

Shares in Group undertakings are valued at cost less any provision for impairment in value.

3. Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

4. Employee Share Schemes

The Group operates a number of share schemes for its employees. For equity settled schemes commencing 1 January 2004 and after, the fair value of the employee services received in exchange for the grant of free shares under the schemes is recognised as an expense in the parent company's subsidiaries, with a corresponding increase in equity in the parent company.

Refer to note 8 of the Consolidated financial statements for further details on share schemes.

5. Shares in Group Undertakings

	£m
Investments in subsidiary undertakings:	
At 1 January 2012	142.5
Additions	49.8
At 31 December 2012	192.3
Additions	20.3
At 31 December 2013	**212.6**

A full list of the Company's subsidiaries is disclosed in note 11 of the Consolidated financial statements.

6. Other Investments

	£m
Other investments:	
At 1 January 2012	35.0
Additions	39.6
At 31 December 2012	74.6
Disposals	(45.1)
At 31 December 2013	**29.5**

Other investments are money market liquidity funds. Refer to note 6 of the Group financial statements details of the Group's investments, including money market liquidity funds.

7. Other Creditors – Due Within One Year

	31 December 2013 £m	31 December 2012 £m
Trade payables and other liabilities	**0.4**	0.4
Corporation tax payable	**63.0**	63.1
	63.4	63.5

8. Reconciliation of Movements in Shareholders' Funds

Company figures	Share capital £m	Share premium account £m	Retained profit and loss £m	Total equity £m
At 1 January 2012	0.3	13.1	155.0	168.4
Retained profit for the period	—	—	244.1	244.1
Dividends	—	—	(219.3)	(219.3)
Issues of share capital	—	—	—	—
Share scheme charges	—	—	23.7	23.7
As at 31 December 2012	0.3	13.1	203.5	216.9
Retained profit for the period	—	—	203.3	203.3
Dividends	—	—	(255.8)	(255.8)
Issues of share capital	—	—	—	—
Share scheme charges	—	—	25.7	25.7
As at 31 December 2013	**0.3**	**13.1**	**176.7**	**190.1**

9. Share Capital

Full details of the Company's share capital is included in note 11 of the Consolidated financial statements.

Basis of Preparation

The figures below are as stated in the Group financial statements preceding this financial summary and issued previously. Only selected lines from the income statement and balance sheet have been included.

Income Statement

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Total premiums	1,737.6	1,897.2	1,841.3	1,308.6	847.7
Net insurance premium revenue	483.0	498.9	445.8	288.1	211.9
Other revenue	327.8	361.1	349.0	276.2	232.6
Profit commission	99.3	108.4	61.8	67.0	54.2
Investment and interest income	14.3	15.9	13.7	9.5	8.8
Net revenue	924.4	984.3	870.3	640.8	507.5
Net insurance claims	(303.0)	(404.5)	(363.8)	(208.5)	(151.7)
Net expenses	(251.2)	(235.2)	(207.4)	(166.8)	(140.0)
Operating profit	370.2	344.6	299.1	265.5	215.8

Balance Sheet

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Property and equipment	12.4	16.5	17.6	13.6	12.1
Intangible assets	92.8	92.5	87.5	82.9	77.0
Deferred income tax	17.0	15.2	10.3	12.4	—
Reinsurance assets	821.2	803.0	639.8	357.0	212.9
Trade and other receivables	77.5	55.3	52.1	47.9	32.7
Financial assets	2,265.0	2,005.1	1,583.0	1,004.7	630.9
Cash and cash equivalents	187.9	216.6	224.6	246.7	211.8
Assets held for sale	—	—	—	1.5	—
Total assets	3,473.8	3,204.2	2,614.9	1,766.7	1,177.4
Equity	524.1	460.7	394.4	350.7	300.8
Insurance contracts	1,901.3	1,696.9	1,333.7	806.6	532.9
Deferred income tax	—	—	—	—	5.7
Trade and other payables	1,013.7	1,006.5	856.6	561.0	306.8
Current tax liabilities	34.7	40.1	30.2	48.4	31.2
Total liabilities	3,473.8	3,204.2	2,614.9	1,766.7	1,177.4

GLOSSARY

Accident year	The year in which an accident occurs, also referred to as the earned basis.
Actuarial best estimate	The probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement.
Claims reserves	A monetary amount set aside for the future payment of incurred claims that have not yet been settled, thus representing a balance sheet liability.
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 the 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	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.
Insurance market cycle	The tendency for the insurance market to swing between highs and lows of profitability over time, with the potential to influence premium rates (also known as the "underwriting cycle").
Loss ratio	The loss ratio can be calculated on an accident year or underwriting year basis, and is expressed as a percentage of (i) claims incurred, divided by (ii) net premiums.
Net claims	The cost of claims incurred in the period, less any claims costs recovered under reinsurance contracts. It includes both claims payments and movements in claims reserves.
Net insurance premium revenue	Also referred to as net earned premium. The element of premium, less reinsurance premium, earned in the period.
Premium	A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract. Written premium refers to the total amount the policyholder has contracted for, whereas earned premium refers to the recognition of this premium over the life of the contract.
Profit commission	A provision found in some reinsurance and coinsurance agreements that provides for profit sharing.
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).
Total/Gross/Net premiums written	Total = total premiums written, including coinsurance. Gross = total premiums written, including reinsurance but excluding co-insurance. Net = total premiums written, excluding reinsurance and co-insurance.
Turnover	A non-GAAP measure, turnover is the sum of "total premiums written" and "Other revenue".
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 policy was incepted, also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.

Directors

Alastair Lyons, CBE
(Non-Executive Director)

Henry Engelhardt, CBE
(Chief Executive Officer)

David Stevens, CBE
(Chief Operating Officer)

Kevin Chidwick
(Chief Financial Officer)

Roger Abravanel
(Non-Executive Director)

Manfred Aldag
(Non-Executive Director)

Annette Court
(Non-Executive Director)

Colin Holmes
(Non-Executive Director)

Martin Jackson
(Non-Executive Director)

Margaret Johnson, OBE
(Non-Executive Director)

Lucy Kellaway
(Non-Executive Director)

Jean Park
(Non-Executive Director)

John Sussens
(Senior Independent Non-Executive Director)

Company Secretary

Mark Waters
Capital Tower
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Auditor

KPMG Audit Plc
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Britannia Quay
Cardiff CF10 4AX

Actuarial Adviser

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Lloyds TSB Bank plc
City Office
Bailey Drive
Gillingham Business Park
Kent ME8 0LS

Registrar

Capita IRG
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Joint Corporate Brokers

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

UBS Investment Bank
1 Finsbury Avenue
London EC2M 2AN

Solicitors

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

FURTHER INFORMATION

Corporate Website

The Group's corporate website is at www.admiralgroup.co.uk. A range of information about the Admiral Group is presented, including the Group's history; financial reports and press releases; corporate responsibility and governance.

The website also includes contact details for investor relations.

Financial Calendar

Final 2013 Dividend

30 April 2014 – Ex dividend date
2 May 2014 – Record date
30 May 2014 – Payment date

Annual General Meeting

9 April 2014

Interim Management Statement

14 May 2014

Interim Results

13 August 2014

The Group does not produce printed copies of interim results for shareholders unless requested.

The interim results will be available on the corporate website from 13 August 2014.

Head Office

Capital Tower
Greyfriars Road
Cardiff CF10 3AZ

Admiral Group Businesses

UK

Car Insurance:
Admiral www.admiral.com
elephant.co.uk www.elephant.co.uk
Diamond www.diamond.co.uk
Bell www.bell.co.uk

Price Comparison:
Confused.com www.confused.com

Van Insurance:
Gladiator www.gladiator.co.uk

Household Insurance:
Admiral Household
www.admiral.com/home-insurance

Spain

Car Insurance:
Balumba www.balumba.es
Qualitas Auto www.qualitasauto.com

Price Comparison:
Rastreator www.rastreator.com

Italy

Car Insurance:
ConTe www.conte.it

USA

Car Insurance:
Elephant Auto www.elephant.com

Price Comparison:
comparenow.com www.comparenow.com

France

Car Insurance:
L'olivier Assurances www.lolivier.fr

Price Comparison:
LeLynx www.lelynx.fr

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2013 WAS AN AWARD WINNING YEAR!

2nd place in the
Sunday Times Best Big
Companies to Work For listings, 2014

2nd Best
Large UK Workplace
Great Place to Work Institute, 2013

8th Best
Large Workplace in Canada
(Admiral Halifax)

2nd Best
Multinational Workplace in Europe
Great Place to Work Institute's Best
Multinationals in Europe, 2013

4th Best
Workplaces PYMES (SMEs) in Spain
Great Place to Work Institute, 2013
(Rastreator)

5th Best
Company to Work For in Spain
Admiral Seguros (Balumba and Qualitas Auto)

9th Best
Small to Medium Workplace in Italy
(ConTe)

18th Best
Workplace in Virginia, USA, Best Companies
Group's Best Places to Work in Virginia
(Elephant Auto)