

# Admiral 2017 Half Year Results

16<sup>th</sup> August 2017

## Introduction

David Stevens, Group CEO

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## Group overview

Geraint Jones, Group CFO

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## UK Insurance

Cristina Nestares, UK Insurance CEO  
Lorna Connelly, UK Head of Claims

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## Price Comparison

Andrew Rose, Compare.com CEO

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## International Insurance

Milena Mondini, European Insurance CEO

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## Wrap up

David Stevens, Group CEO

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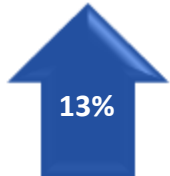
## Q&A

All

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# Highlights

## Customers



**5.46m**

H1 16: 4.82m

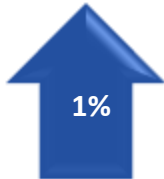
## Turnover<sup>1</sup>



**£1.45bn**

H1 16: £1.26bn

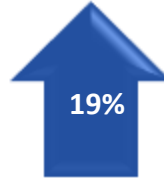
## Profit before tax<sup>2</sup>



**£195m**

H1 16 : £193m

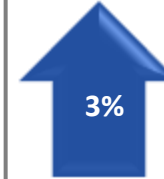
## Solvency ratio<sup>3</sup>



**214%**

H1 16 : 180%

## Earnings per share



**57.3p**

H1 16 : 55.9p

## Return on equity<sup>5</sup>



**55%**

H1 16 : 50%






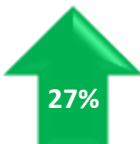

## Interim dividend per share



**56.0p**

H1 16 : 51.0p<sup>4</sup>

# Continued growth across the Group

	Turnover	Customers
UK Car Insurance	 <b>£1,083m</b> H1 16: £993m	 <b>3.77m</b> H1 16 : 3.52m
UK Household Insurance	 <b>£48m</b> H1 16 : £35m	 <b>548k</b> H1 16 : 382k
International Insurance	 <b>£222m<sup>1</sup></b> H1 16 : £159m	 <b>961k</b> H1 16 : 758k
Price Comparison	 <b>£73m</b> H1 16 : £64m	

# Group overview

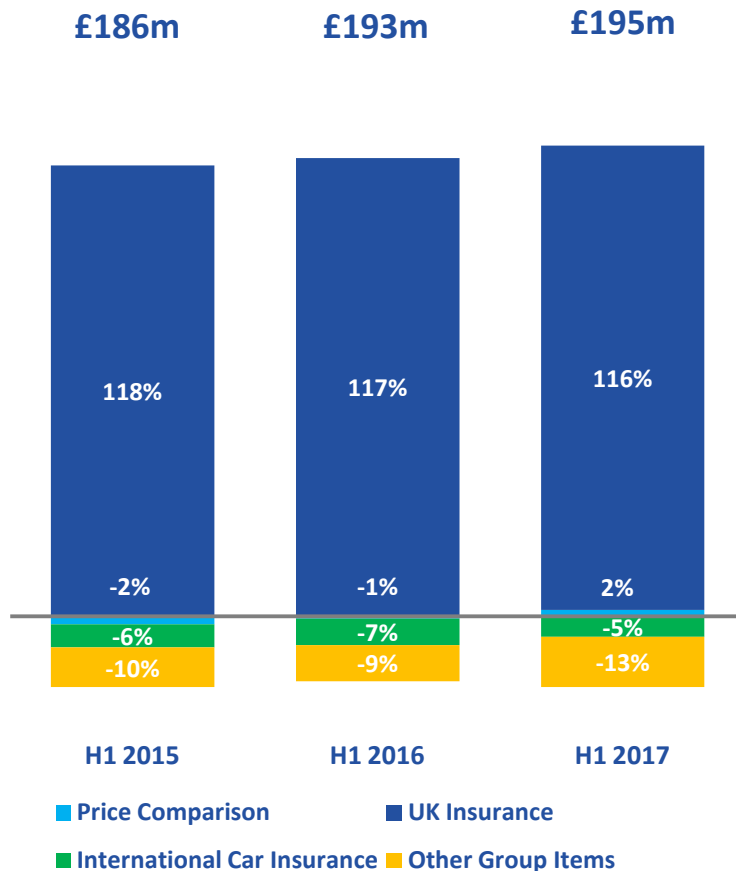
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Geraint Jones  
Group CFO



# Analysis of half year profit

## Group profit before tax<sup>1</sup>

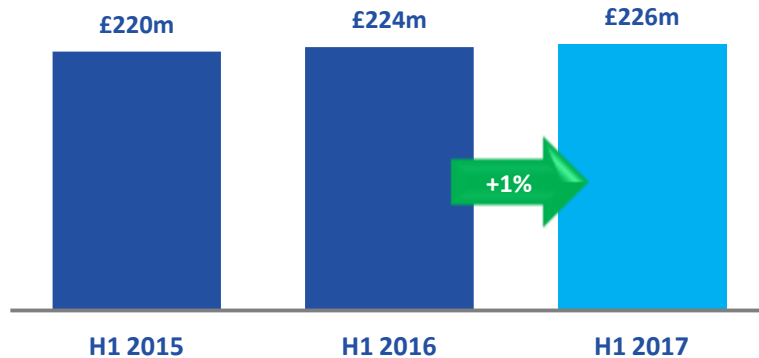


- UK Insurance profit up slightly to £226m:
  - Stable UK Car Insurance profit of £224m (v £223m)
  - Increased UK Household profit at £1.6m up from £1.2m
- International Insurance loss reduced to £10.1m from £12.9m (significantly reduced US loss)
- Price Comparison result improved to £3.1m profit from £1.1m loss (improved compare.com result, partly offset by lower Confused.com profit)
- Other includes business development, share scheme and debt servicing costs. Main changes:
  - Business development costs at £5.9m v £2.2m (notably Admiral Loans costs)
  - Share scheme charges £16.9m v £14.7m (increase mainly due to headcount growth)

# UK Insurance profit analysis



## Profit before tax

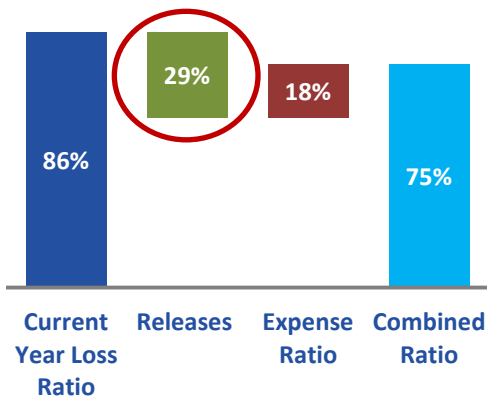


- Total UK Insurance H1 profit slightly higher at £226m (£224m)
- Household profit £1.6m v £1.2m
- Car Insurance profit £224m v £223m
- Various offsetting items impact the H1 2016 and H1 2017 Car Insurance results including:

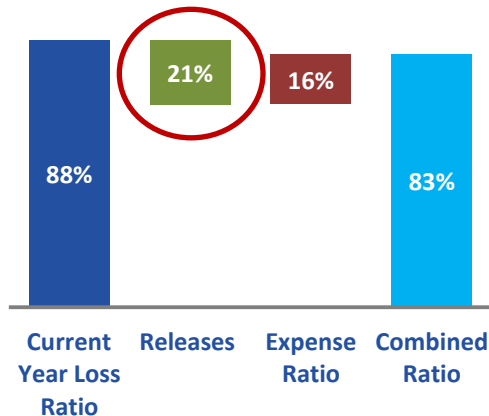
- Commutation of 2014 (£31m adverse impact in 2016)
- Non-recurring quota share related investment income adjustment (£9m positive impact in 2016)
- Lower (though still significant) reserve releases on original net share in H1 2017 (21% v 29%) resulting from stable ultimate loss ratio projections

## UK Car combined ratio

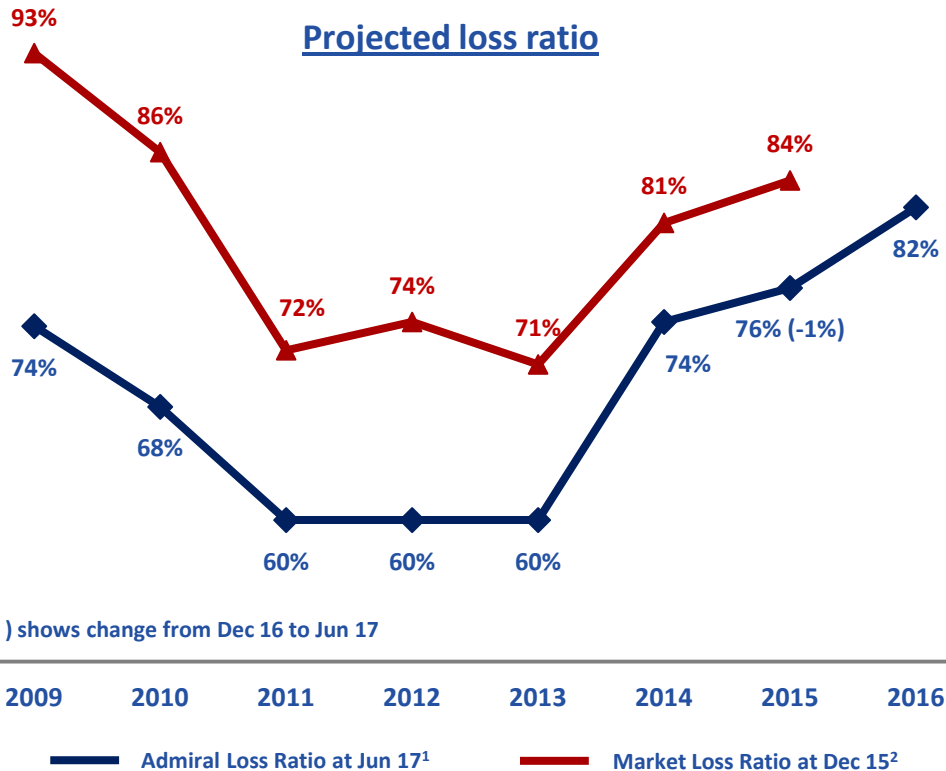
### H1 2016



### H1 2017



# UK Car projected ultimate loss ratios

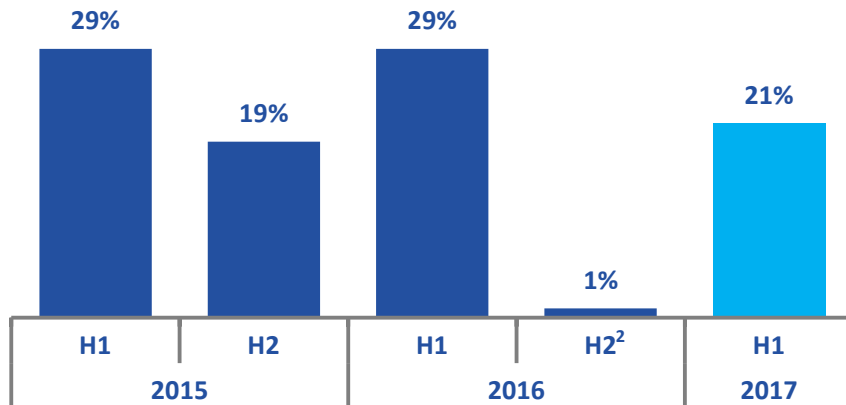


- Projected ultimates tend to develop positively over time as certainty grows
- Ultimates have been relatively stable over the last two six month periods, materially impacted by Ogden
- No change in Admiral estimate of ultimate Ogden impact v six months ago
- No change in discount rate is assumed in the ultimates
- Believe recent accident year projections are prudent

# UK Car Insurance reserve releases

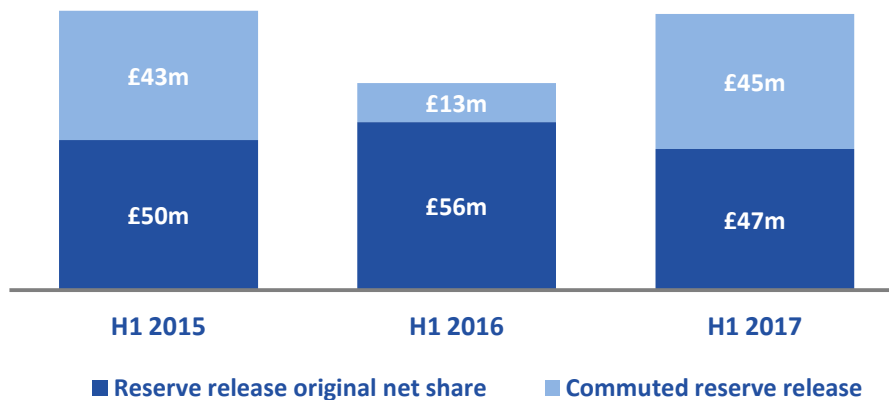


## Releases<sup>1</sup> on original Admiral net share



- H2 2016 release largely wiped out because of Ogden impact
- Release in H1 2017 is above long term average (c.15%) though lower than if projected ultimates had improved in first half
- Margin in booked reserves remains prudent and significant
- Expect continuing significant reserve releases if claims develop as expected

## Split of reserve release

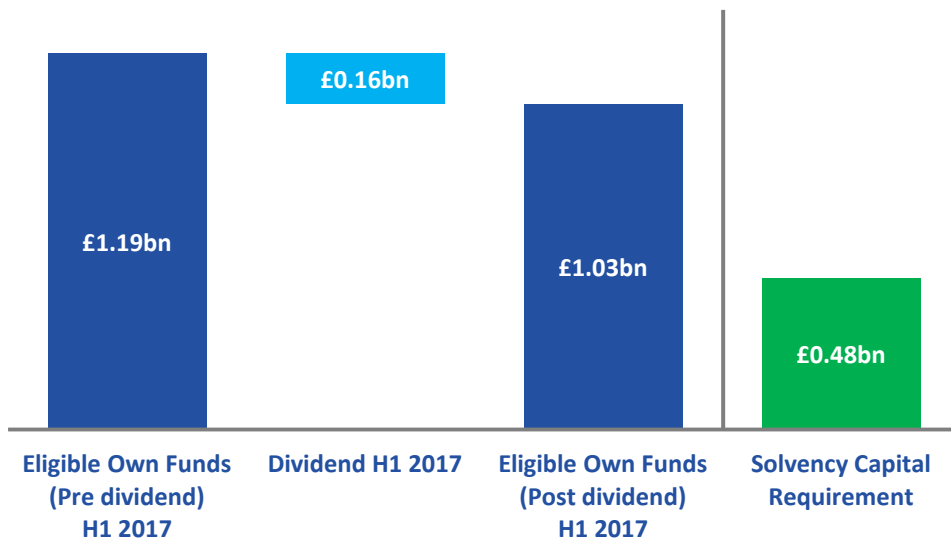


- H1 2016 commuted release adversely impacted (£31m) by 2014 u/w year commutation
- No commutations in H1 2017



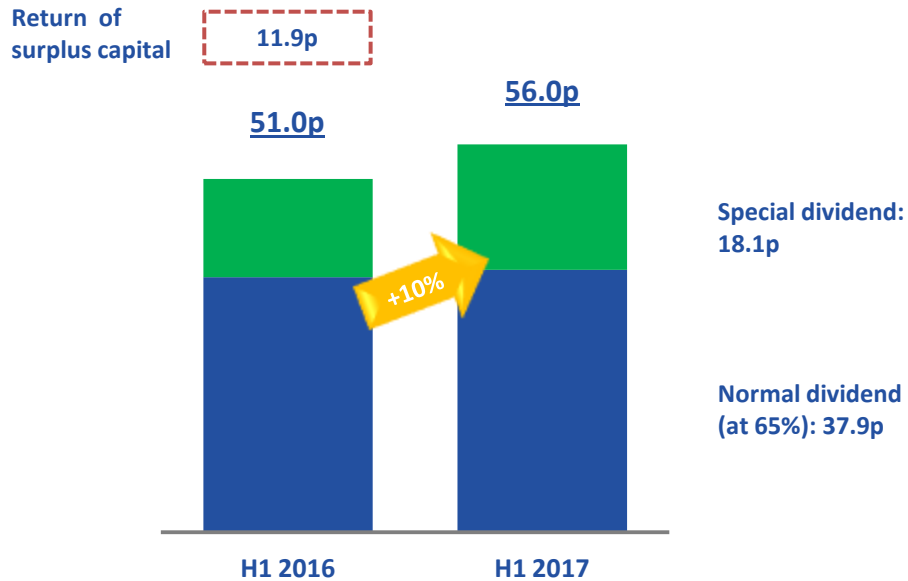
# Strong solvency position

## Capital position<sup>1</sup>



- Post-dividend solvency 214%, up from 212% at FY 2016 (HY 2016: 180%)
- Main movements in solvency in the six month period are economic profit and dividend
- Group Solvency Capital Requirement (SCR) based on Solvency II Standard Formula plus a Capital Add-On (CAO)
- Internal model development continuing; market risk brought into scope
- Model application now expected in Q4 2018, mainly as a result of the change in scope
- No update at this point on post model approval target solvency range

# Interim dividend of 56.0p per share



- Interim 2017 normal plus special dividend = 56.0p per share (£157m), 10% higher than interim 2016 of 51.0p per share (£142m)
- 11.9 pence per share (£33m) return of surplus capital was paid with interim 2016 dividend
- Interim 2017 payout ratio = 98% (Interim 2016: 91%)

## Dividend policy and guidance

- Admiral will pay 65% of post-tax profits as a normal dividend each half-year
- Admiral expects to continue to distribute all earnings not required to be retained for solvency and buffers
- Therefore expect normal plus special dividend to be in the order of 90-95% of earnings for foreseeable future
- Update on potential additional returns of surplus capital not envisaged until internal model capital position clear

## Dividend dates

Ex-dividend date: 7 Sept 2017

Record date: 8 Sept 2017

Payment date: 6 Oct 2017

# Group summary

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**Continued strong growth in turnover and customers  
across the Group**



**Modest increase in half year profits, including improved results  
from international insurance and price comparison**



**Very strong capital position with solvency ratio of 214%**



**10% growth in interim dividend to 56.0 pence per share**

# UK Insurance

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Cristina Nestares  
UK Insurance CEO

Lorna Connelly  
UK Head of Claims

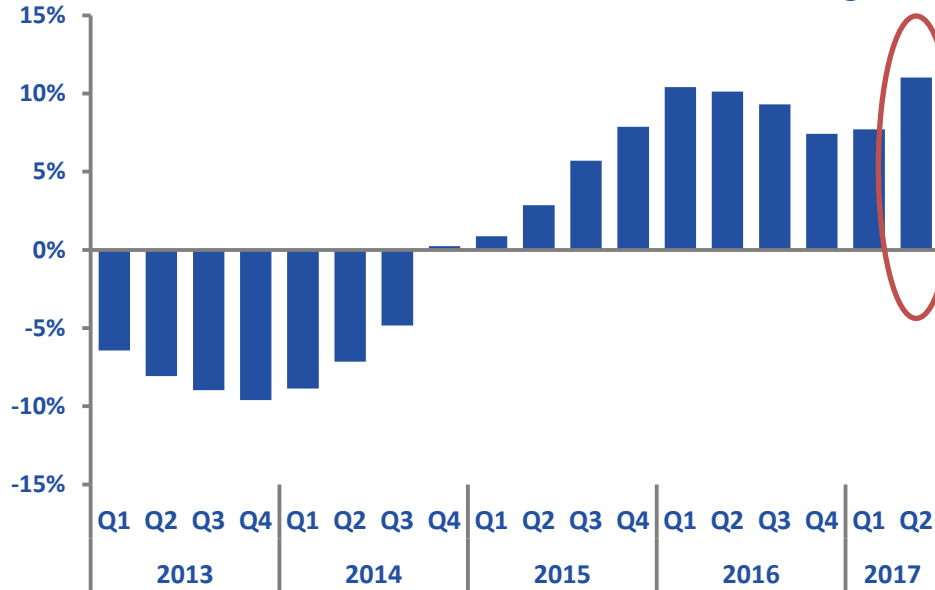


# Change in Ogden is driving premium increases

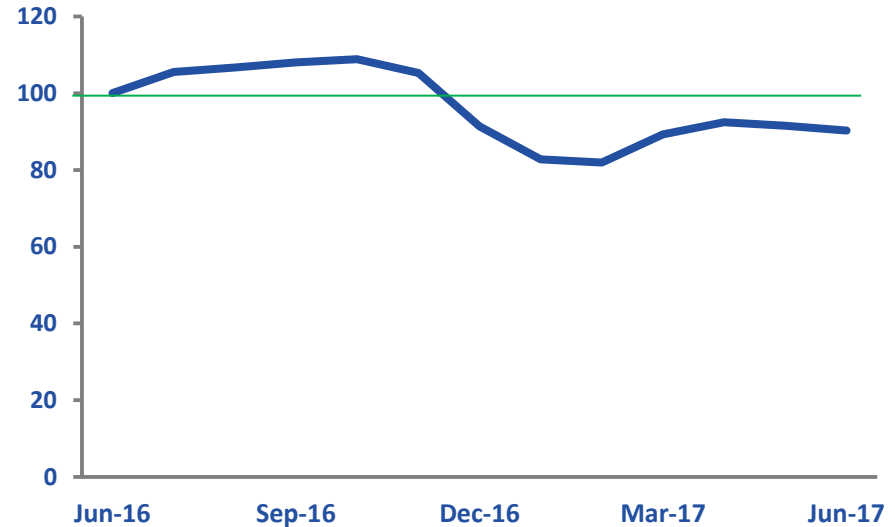


ABI average prices year on year<sup>1</sup>

Ogden impact



Admiral 'Times Top'<sup>2</sup>  
(Indexed to 100 Jun 2016)



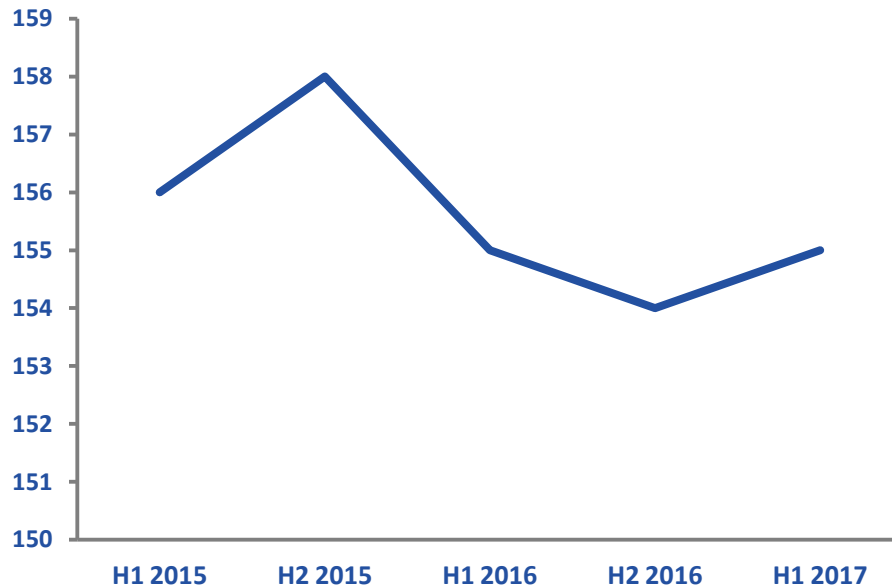
- Change in Ogden from 2.5% to -0.75% announced 29 February 2017
- Third IPT increase in 24 months in June (from 10% to 12%) – impact c0.7% in Q2

- We put prices up ahead of the market in Dec 2016 resulting in lost competitiveness in Q1 2017
- Market has since responded with price increases and our competitiveness has improved

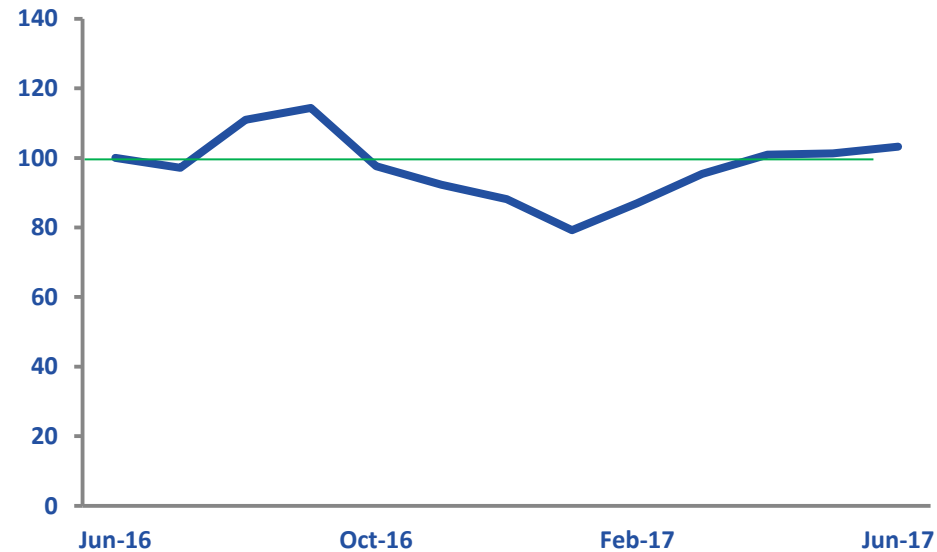
# UK Household market remains competitive but continues to offer growth opportunities



Market average premium (£)<sup>1</sup>



Admiral 'Times Top'<sup>2</sup>  
(Indexed to 100 Jun 2016)



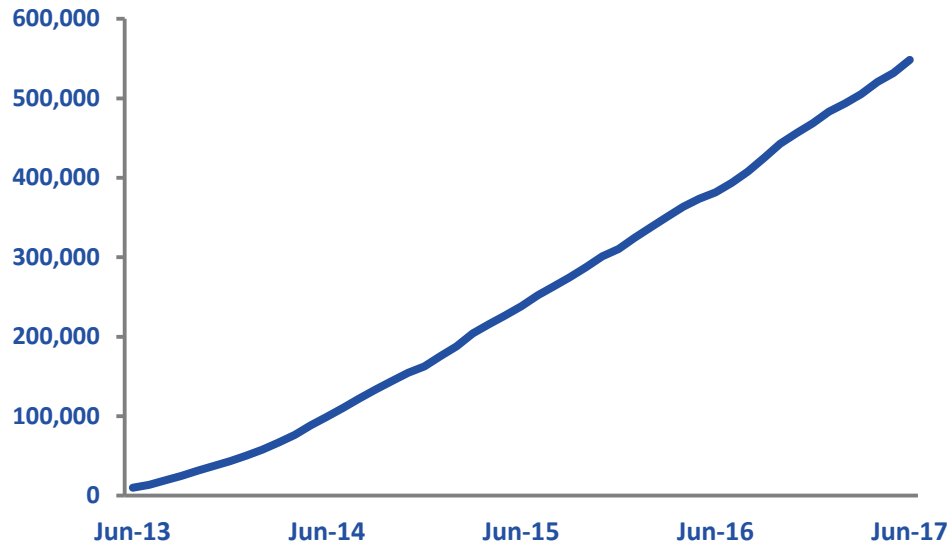
- Relatively benign weather has resulted in premium pressure
- First indications of price increases in Q2 2017

- We increased prices in Q4 2016 and have put further price increases through in H1 2017
- Market appears to be following suit in Q2 2017
- Our competitiveness has increased

# Admiral continues to take advantage of the shift to price comparison

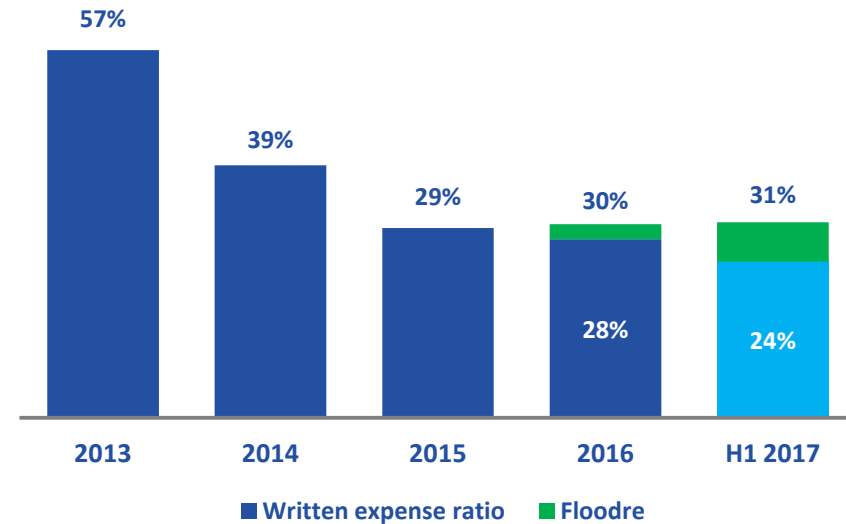


## UK Household customers



- Continuing to gain share on PCW but direct sales also growing
- Over 540,000 customers at H1 2017 representing an increase of 43% on H1 2016 (382,000)
- Strong customer retention

## Admiral expense ratio<sup>1</sup>



- Improvements in expense ratio continue and it continues to outperform the market
- Loss ratio continues to improve but is higher than the market reflecting a less mature portfolio
- Household profit of £1.6m (H1 2016: £1.2m)

# Admiral – moving from van broker to underwriter



- Gladiator Van broker with 175,000 policies



Before May 2017

May 2017

Going forward

- Direct business with 2 brands
- Focus on new business and migration of existing customer base
- Learn from claims experience

Ultimately...

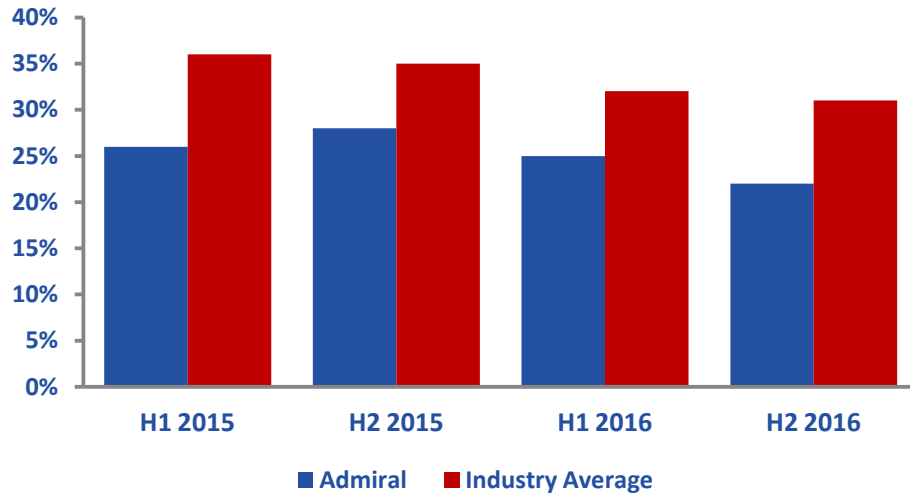
- Improved loss ratio
- Motor expense ratio





# Customers – Admiral is ‘Looking out for you’

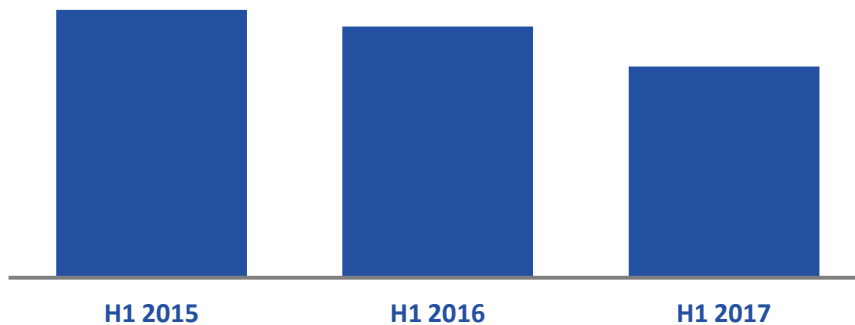
## FOS complaints closed as upheld<sup>1</sup>



Best UK Car Insurance Provider four years in a row



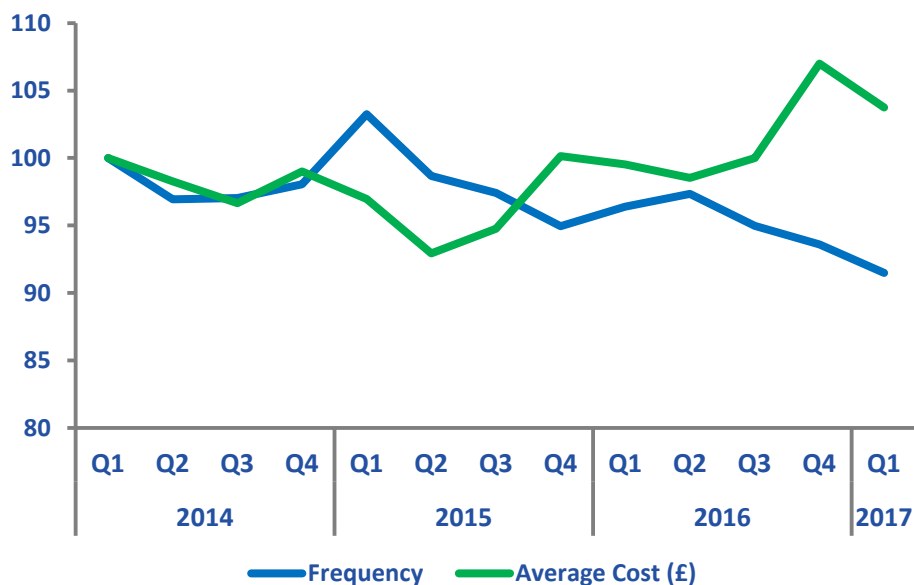
## Claims complaints V new claims registered



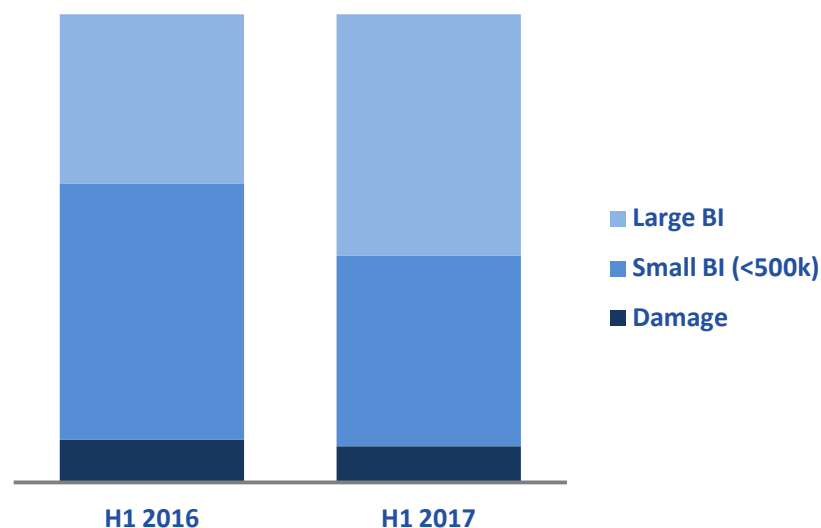
# Market long term trends continue but Ogden changes the picture



**Market cumulative change in Frequency and Severity<sup>1</sup>**  
(indexed to 100 at Q1 2014)



**Admiral claims case reserves<sup>2</sup> pre and post Ogden rate change**



- Long term decrease in frequency as a result of vehicle and road safety improvements
- Severity increase reflects inflation across all areas of claims costs

- Ogden has increased and changed the profile of claims reserves

# Accidental damage – cars are getting more expensive to repair



## Headlights

Previous cost: £240  
Current cost: £1,250  
(Audi A4)

## Intercooler

Previous cost: £400  
Current cost: £1,020  
(Nissan Qashqai)

## Wheel arch liner

Previous cost: £80  
Current cost: £370  
(Ford Focus)



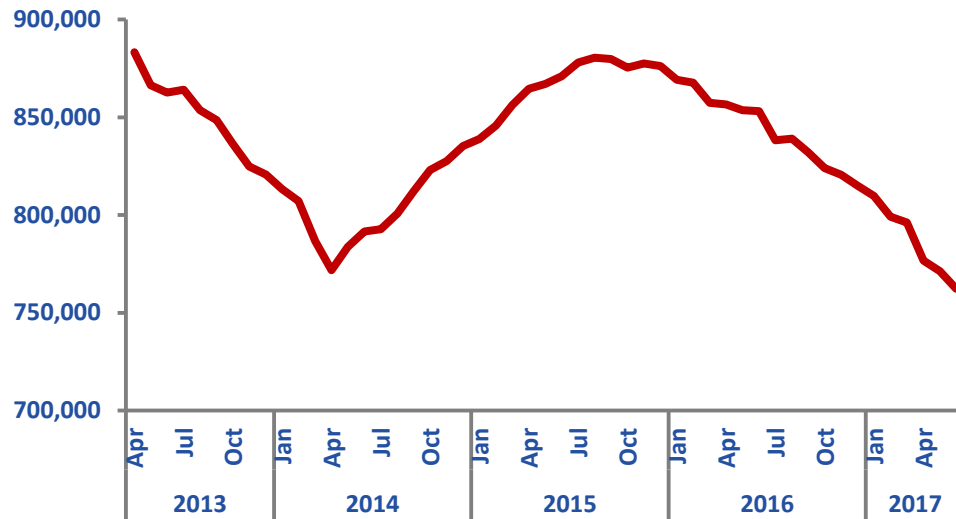
### **Our response:**

- Innovative focus on procurement
- Relationships with manufacturers
- Continue to explore pricing strategies to counter parts inflation

# Small bodily injury frequency shows signs of decreasing prior to the new whiplash reforms



Number of Claim Notification Forms (CNF)<sup>1</sup>



- So far 2017 has seen the lowest levels of new CNFs since the LASPO reforms
- June 2017 saw the second lowest level of CNFs received (per working day) since the LASPO reforms
- Market expectation is that cost per claim will reduce and also frequency

## Whiplash reforms

- Government committed to whiplash reform – new Civil Liability Bill announced in Queen’s Speech
- Main reforms likely to be similar to those initially scoped out:
  - Ban on pre-medical offers in whiplash claims
  - Increase in the Small Claims Track from £1,000 to £5,000 for whiplash claims
  - Fixed sum tariff for compensating whiplash claims with a duration of up to two years
- Uncertainty on implementation date

Injury duration	2015 Average payment <sup>2</sup>	New tariff amounts
0–3 months	£1,750	£225
4–6 months	£2,150	£450
7–9 months	£2,600	£765

# Large bodily injury costs have been impacted by Ogden but settlement negotiations remain key



## Illustrative example

Reserve illustration of 16 year old female claimant with moderate brain injury, which would rule out entry to the workplace and who will require modest support.

### Pre Ogden rate change

Damages for pain, suffering and past losses	£250,000
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Future loss of earnings and pension	£625,000
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Future care and DIY	£843,000
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Future miscellaneous	£505,950
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<b>Total</b>	<b>£2,229,950</b>
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### Post Ogden rate change

Damages for pain, suffering and past losses	£250,000
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Future loss of earnings and pension	£1,250,000
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Future care and DIY	£2,566,250
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Future miscellaneous	£1,539,750
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<b>Total</b>	<b>£5,606,000</b>
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# Technological development supports claims handling but people are at the core

## Experience

- Significant motor bodily injury experience
- Passionate about outcomes
- In-house training academy

## Tactical edge

- Proactive and innovative
- Unrivalled knowledge
- Strong relationships with experts



## Collaborative approach

- Serious Injury Guide signatory
- Claims handling protocols
- Focus on streamlining settlement process
- Respected by claimant injury lawyers

## Technical edge

- Flexible claims system
- Leading telematics UK provider
- Customer led digital strategy
- Increasing automation

# UK Insurance Summary

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**Strong performance for motor and household**

**Growth opportunities being executed well in motor, household and van**

**Continued strength in negotiation and cost control measures to address claims inflation**



Free and impartial comparison



+ 20 million rates delivered



Insurer confirmed price

Select a coverage level

View coverage levels

You may also want to consider one of these packages.

# Price Comparison

Andrew Rose  
Compare.com CEO

Pay up front

**\$205** per mo.  
\$1229 total for 6 mos.

Free of charge & no commitment:

Checkout online >

Offer Down Payment, Flexible Payment Options; Pick Your Billing Due Date!

Pay up front

**\$221** per mo.  
\$2652 total for 12 mos.

Free of charge & no commitment:

Call an advisor >

[Llámenos en español](#)

Offer 24/7 Claims Reporting Service.

Pay up front

**\$204**

Free of charge & no commitment:

Call an advisor >



## H1 2017 Target



Marketing breakeven

## Achievements



Overall marketing breakeven

Marketing breakeven in key states

## KPI progress continues (H1 2017 v H2 2016)

### Acquisition costs

Cost per quote

Cost per buy click<sup>1</sup>

58%

63%

### Customer activity

Clicks

Sales

60%

53%



## Achievements



- Great progress on metrics
- Strong growth trajectory
- Efficient on a smaller scale
- Customer preference building
- Carrier satisfaction continues

## Market challenges



- Large market size with 51 discrete markets
- \$6.5Bn marketing spend<sup>1</sup>
- Four players dominate the market
- Complex coverage and a preference for bundling
- Historic agent presence

## Outlook for Group<sup>2</sup> losses

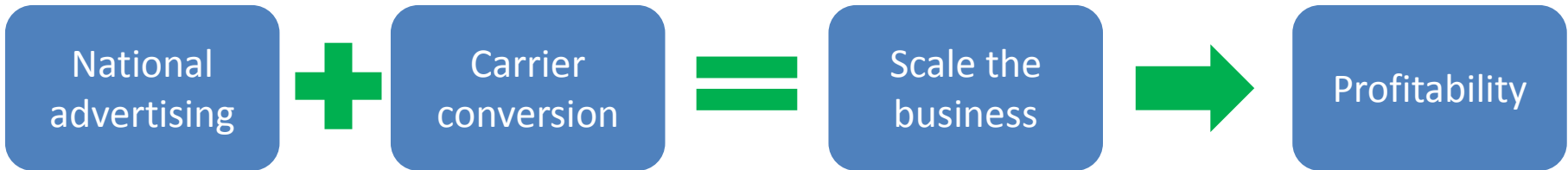
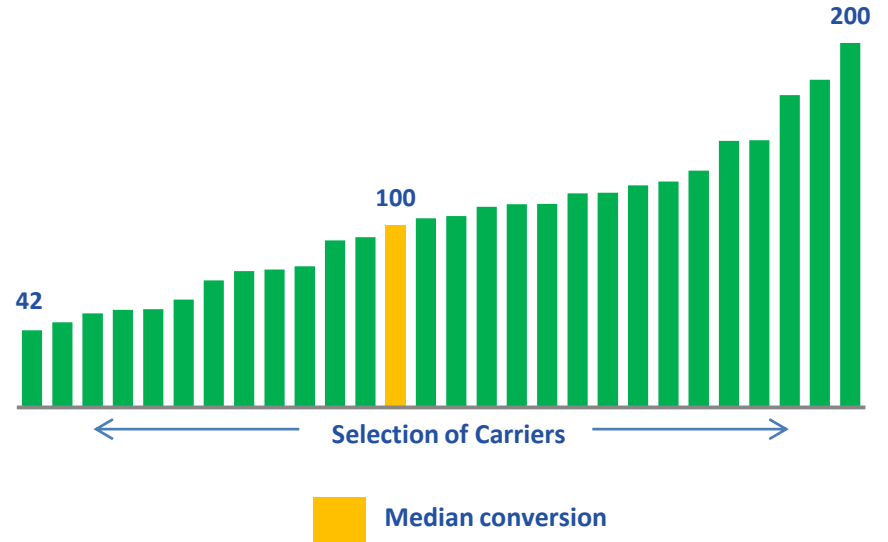


## National TV advertising



Agent Compare: Virtual Broker

## Post click conversion<sup>1</sup> Indexed to 100 for median conversion



## New strategy



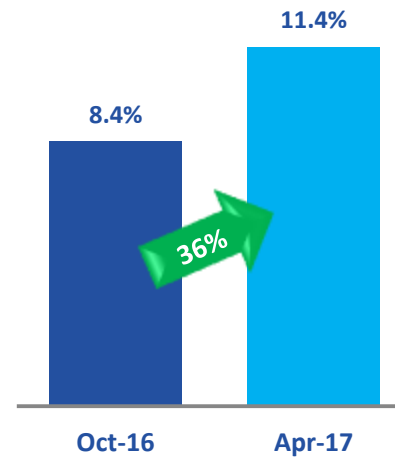
## Investment



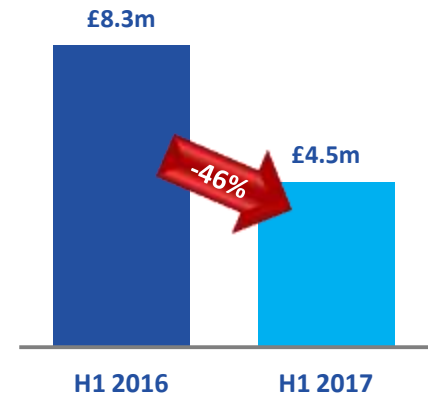
## Marketing costs<sup>1</sup>



## 'Top of mind' brand awareness



## Profit before tax



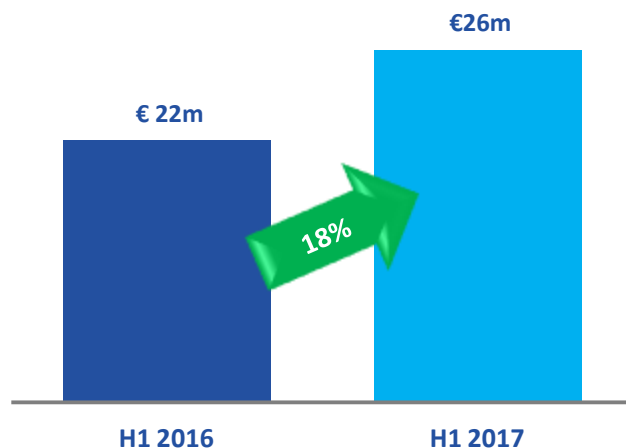
# Rastreator and LeLynx continue to grow



Rastreator.com

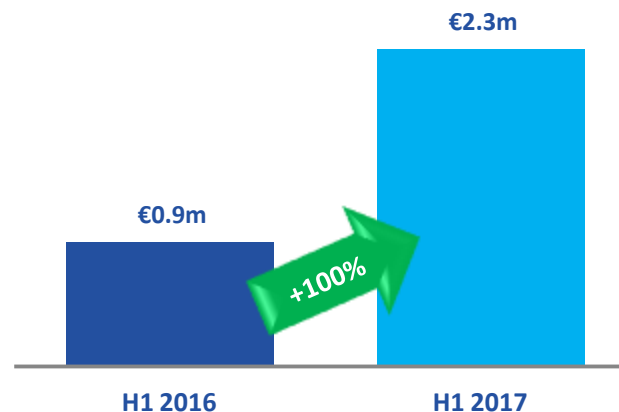
LeLynx.fr  
Comparateur d'assurances

## Combined turnover



## Combined profit before tax

(Admiral share)



### LeLynx

- Increasing competition that fosters market growth
- Focus on panel improvement leads to double digit revenue growth
- Focus areas:
  - Increasing brand awareness and preference
  - Improving conversion and customer experience

### Rastreator

- Market leadership offers opportunity for diversification
- Strong leader in insurance, telephony and finance
- Focus areas:
  - Improving price accuracy and conversion
  - Becoming a strategic data player in market

# Price Comparison summary

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**Significant progress in Compare.com strategy**

**Investment in brand positioning at Confused.com**

**European Price Comparison continues to grow**

**Positive contribution from Price Comparison operations**

# International Insurance

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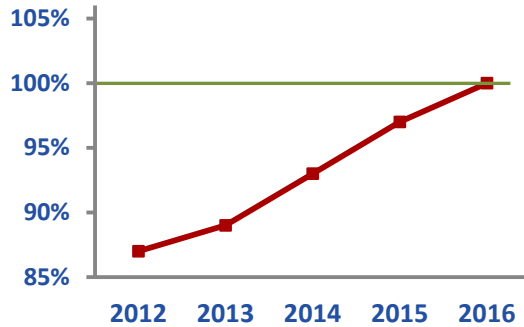
Milena Mondini  
European Insurance CEO



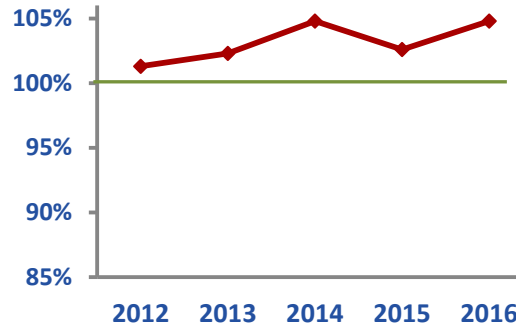
# Europe – overview of markets

## Italy

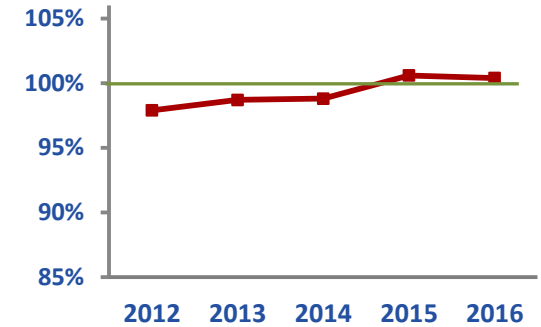
### Market cycles – combined ratio



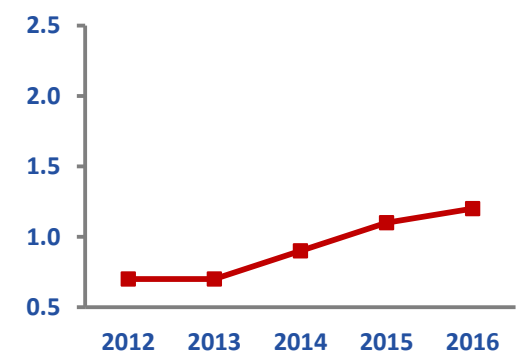
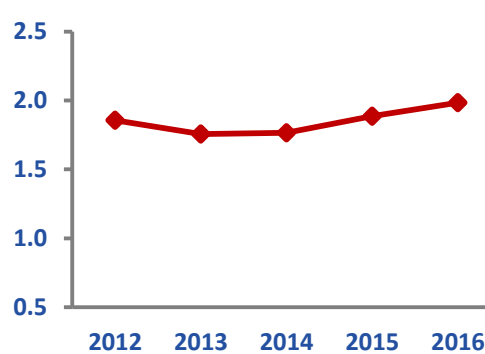
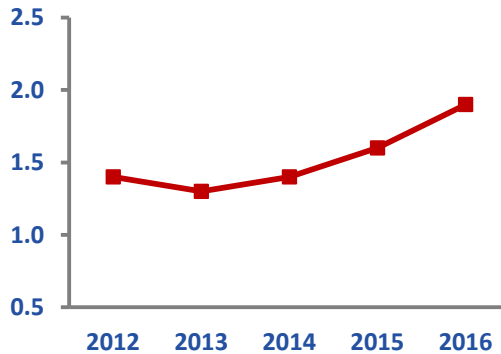
## France



## Spain



### New cars registered (millions)



Turning markets?



Increasing car sales












Increasing use of smart phones



Opportunities for profitable growth



# Strong growth in Europe

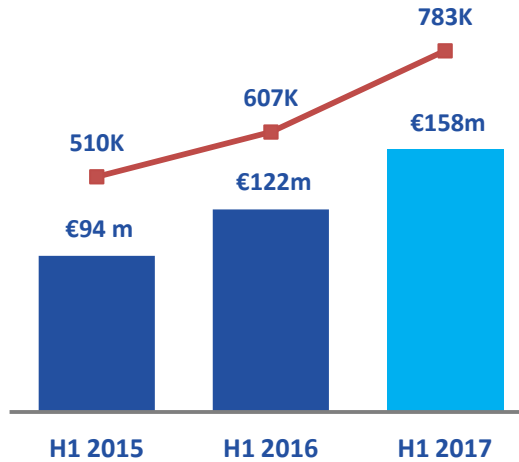
	Turnover (€)	Customers	Focus areas
<b>ConTe</b> 	 <b>€88.8m</b> H1 2016: €70.3m	 <b>463k</b> H1 2016: 362k	<ul style="list-style-type: none"> <li>▪ Brand awareness (increased by 10% YoY on average)</li> <li>▪ Conversion on PCWs</li> <li>▪ Customer experience (self-service portal, improved telephony)</li> <li>▪ Product offering (Van in Spain, Multicar in France)</li> <li>▪ Strong IT foundations (migration to Guidewire in Italy)</li> </ul>
<b>Admiral Seguros</b> 	 <b>€36.3m</b> H1 2016 : €29.4m	 <b>208k</b> H1 2016: 170k	
<b>L'olivier</b> 	 <b>€33.3m</b> H1 2016 : €21.9m	 <b>112k</b> H1 2016: 75k	

# European operations moving in the right direction



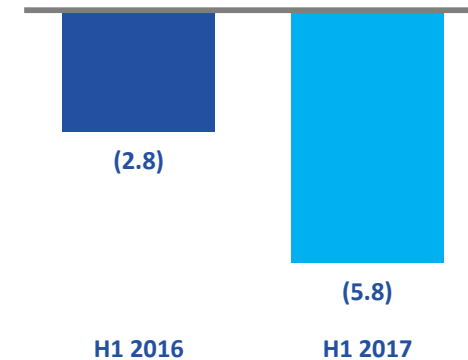
## Turnover and customers

Local currency (€)



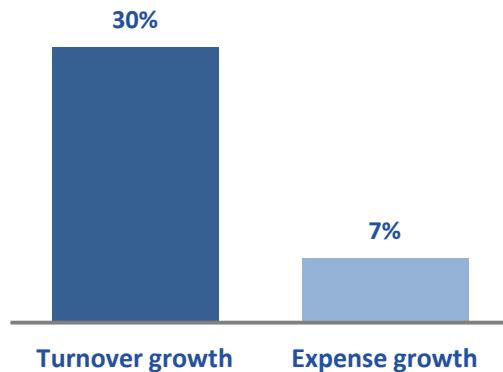
## European loss<sup>1</sup>

Local currency (€)

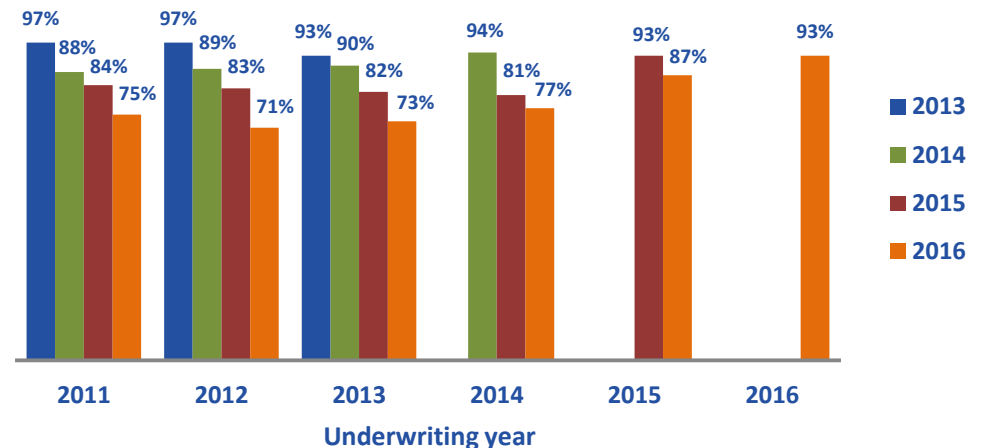


## Turnover growth v expense growth<sup>2</sup>

(H1 2016 to H1 2017)

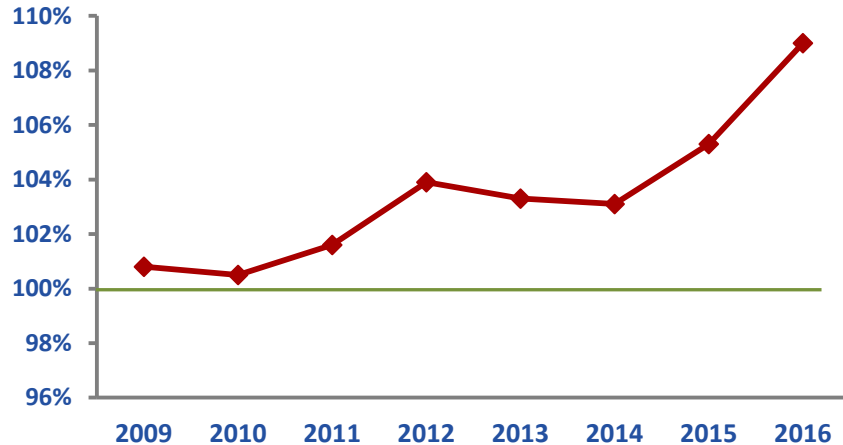


## ConTe booked loss ratio (%)<sup>3</sup>

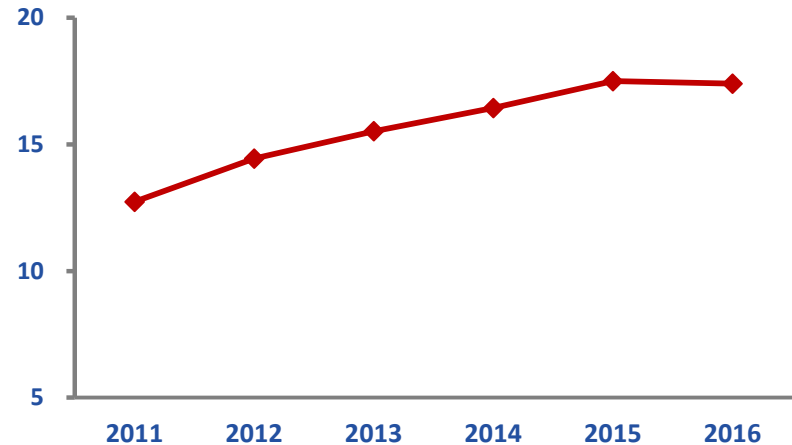


# US Market and improving Elephant results

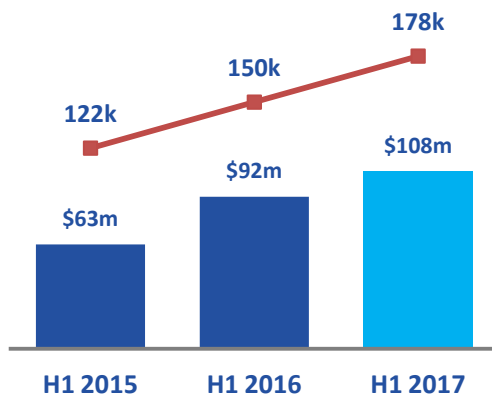
US market cycle – combined ratio



Market new car sales (m)

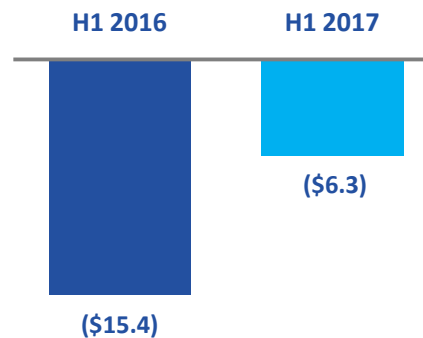


Elephant turnover and customers



Elephant loss<sup>1</sup>

Local currency



- Current year loss ratio showing significant improvement (after excluding impact of H1 2016 exceptional hail)

# International Insurance summary

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**Strong growth in all markets**

**Small reduction in overall investment**

**Material improvement of technical result in US**

# Wrap-up

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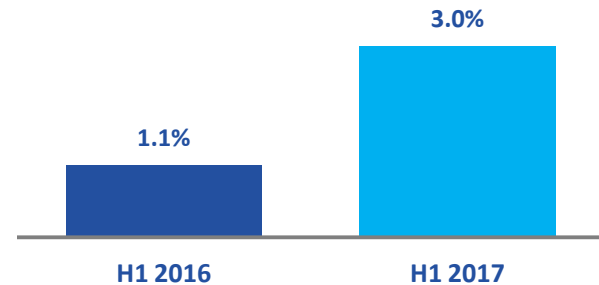
David Stevens  
Group CEO



# Potential value from investments beyond motor insurance

- Admiral Loans
- Innovative delivery of car insurance
- Insurance beyond car insurance

Expansion costs<sup>1</sup> as a percentage of Group profit



## Personal Loans

Borrow between £1,000 and £25,000 with an Admiral Personal Loan

Try out our handy Loan Calculator today.



# Keeping our culture in common

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- “People who like what they do, do it better”
- We want people to feel like they own a part of the business, so we make them owners
- The team, the team, the team



Q&A

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# Appendix

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# Group key performance indicators<sup>1</sup>

KPI	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	H1 15	H1 16	H1 17
<b>Group Financial</b>													
Turnover £m	808	910	1,077	1,585	2,190	2,215	2,030	1,971	2,119	2,576	1,058	1,261	1,446
Customers m	1.5	1.7	2.1	2.7	3.4	3.6	3.7	4.1	4.4	5.2	4.2	4.8	5.5
Adjusted <sup>1</sup> Group pre-tax profit £m	182.1	202.5	215.8	265.5	299.1	344.6	370.7	356.5	376.8	284.3	186.1	193.3	194.5
Earnings per share	48.6p	54.9p	59.0p	72.3p	81.9p	95.1p	104.6p	103.0p	107.3p	78.7p	54.8p	55.9p	57.3p
Dividend	43.8p	52.5p	57.5p	68.1p	75.6p	90.6p	99.5p	98.4p	114.4p	141.4p	51.0p	62.9p	56.0p
<b>UK Insurance</b>													
Customers (000)	1,382	1,587	1,862	2,459	2,966	3,019	3,065	3,316	3,612	4,116	3,420	3,900	4,342
Total premiums £m	617	690	805	1,238	1,729	1,749	1,562	1,482	1,590	1,863	802.3	933.6	1,022.5
UK insurance pre-tax profit £m	142.2	179.9	206.9	275.8	313.6	372.8	393.7	397.9	444.2	338.5	219.9	224.0	226.2
Other revenue per vehicle £			77	84	84	79	67	67	63	62	64	64	61
<b>International Car Insurance</b>													
Customers (000)	47	74	121	195	306	436	515	593	673	864	632	758	961
Total premiums £m	14.2	26.0	43.0	71.0	112.5	148.5	168.3	185.4	213.3	331.3	101.0	142.9	197.2
Adjusted <sup>2</sup> combined ratio	232%	198%	204%	173%	164%	177%	140%	127%	126%	125%	137%	131%	123%
Int'l car insurance result £m	(0.7)	(4.1)	(9.5)	(8.0)	(9.5)	(24.5)	(22.1)	(19.9)	(22.2)	(19.4)	(11.2)	(12.9)	(10.1)
<b>Price Comparison</b>													
Total revenue £m	69.2	66.1	80.6	75.7	90.4	103.5	112.7	107.5	108.1	129.2	55.2	64.0	72.5
Operating profit/(loss) £m	36.7	25.6	24.9	11.7	10.5	18.0	20.4	3.6	(7.2)	2.7	(4.0)	(1.1)	3.1

Note: (1) Profit before tax adjusted to exclude minority interest share. (2) Adjusted reported combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue. It has been adjusted to remove the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be H1 2015: 138%; H1 2016: 133%; H1 2017: 118%; FY 2016: 122%.

# Statutory summary income statement<sup>1</sup>

£m	UK Insurance			International Car Insurance			Price Comparison			Other			Admiral Group		
	H1 15	H1 16	H1 17	H1 15	H1 16	H1 17	H1 15	H1 16	H1 17	H1 15	H1 16	H1 17	H1 15	H1 16	H1 17
<b>Turnover</b>	<b>881.8</b>	<b>1,028.5</b>	<b>1,144.1</b>	<b>110.3</b>	<b>159.2</b>	<b>221.9</b>	<b>55.2</b>	<b>64.0</b>	<b>72.5</b>	<b>10.2</b>	<b>9.0</b>	<b>7.2</b>	<b>1,057.5</b>	<b>1,260.7</b>	<b>1,445.7</b>
<b>Total premiums written</b>	802.3	933.6	1,022.6	101.0	142.9	197.2				1.6	-	-	904.9	1,076.5	1,219.8
Gross premiums written	497.6	581.7	737.4	98.7	136.4	188.5				1.6	-	-	597.9	718.1	925.9
Net premiums written	210.4	245.3	236.0	35.0	47.3	63.4				1.3	-	-	246.7	292.6	299.4
<b>Net earned premium</b>	<b>193.6</b>	<b>218.2</b>	<b>241.0</b>	<b>31.8</b>	<b>41.3</b>	<b>58.2</b>				<b>3.5</b>	<b>0.2</b>	<b>-</b>	<b>228.9</b>	<b>259.7</b>	<b>299.2</b>
Investment income	6.3	24.5	15.8	-	0.2	0.2				2.6	8.2	7.1	8.9	32.9	23.1
Net insurance claims	(72.4)	(114.5)	(116.5)	(25.6)	(33.7)	(47.3)				(3.4)	(0.2)	-	(101.4)	(148.4)	(163.8)
Insurance related expenses	(28.0)	(32.8)	(34.6)	(20.9)	(25.5)	(28.1)				(0.6)	-	-	(49.5)	(58.3)	(62.7)
<b>Underwriting result</b>	<b>99.5</b>	<b>95.4</b>	<b>105.7</b>	<b>(14.7)</b>	<b>(17.7)</b>	<b>(17.0)</b>				<b>2.1</b>	<b>8.2</b>	<b>7.1</b>	<b>86.9</b>	<b>85.9</b>	<b>95.8</b>
Profit commission	44.2	42.2	30.0							-	-	-	44.2	42.2	30.0
Gross ancillary revenue	85.2	92.1	96.2	3.9	4.7	6.8				-	-	-	89.1	96.8	103.0
Ancillary costs	(21.3)	(21.5)	(28.2)	(0.6)	(0.8)	(1.2)				-	-	-	(21.9)	(22.3)	(29.4)
Instalment income	12.3	15.8	22.5	0.2	0.9	1.3				-	-	-	12.5	16.7	23.8
Gladiator contribution										1.4	0.8	0.7	1.4	0.8	0.7
Price comparison revenue							55.2	64.0	72.5				55.2	64.0	72.5
Price comparison expenses							(63.8)	(68.8)	(70.1)				(63.8)	(68.8)	(70.1)
Interest income										0.7	0.5	0.2	0.7	0.5	0.2
Other (mainly share scheme)										(22.6)	(26.3)	(33.1)	(22.6)	(26.3)	(33.1)
<b>Profit / (loss) before tax</b>	<b>219.9</b>	<b>224.0</b>	<b>226.2</b>	<b>(11.2)</b>	<b>(12.9)</b>	<b>(10.1)</b>	<b>(8.6)</b>	<b>(4.8)</b>	<b>2.4</b>	<b>(18.4)</b>	<b>(16.8)</b>	<b>(25.1)</b>	<b>181.7</b>	<b>189.5</b>	<b>193.4</b>

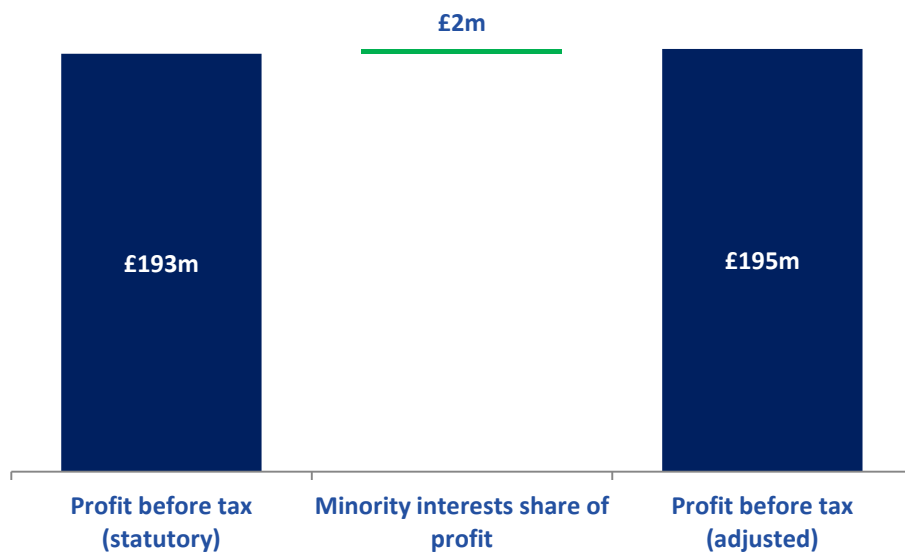
Note: (1) Statutory financial information not adjusted to exclude minority interests' share

# Balance sheet

	June 2016 £m	December 2016 £m	June 2017 £m
<b>ASSETS</b>			
Property, plant and equipment	33.9	32.0	31.4
Intangible assets	156.2	162.3	158.3
Reinsurance contracts	914.1	1,126.4	1,460.9
Financial assets	2,355.4	2,420.2	2,595.2
Deferred income tax	25.4	8.4	6.3
Insurance and other receivables	697.4	784.9	965.0
Cash and cash equivalents	295.4	326.6	348.6
<b>Total assets</b>	<b>4,477.8</b>	<b>4,860.8</b>	<b>5,565.7</b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	600.6	505.7	545.7
Other reserves	34.5	51.8	61.4
<b>Total equity (shareholders)</b>	<b>648.5</b>	<b>570.9</b>	<b>620.5</b>
Non-controlling interests	14.1	10.8	9.3
<b>Total equity</b>	<b>662.6</b>	<b>581.7</b>	<b>629.8</b>
<b>LIABILITIES</b>			
Insurance contracts	2,484.2	2,749.5	3,054.1
Subordinated liabilities	223.9	224.0	223.9
Trade and other payables	1,070.8	1,292.2	1,635.9
Corporation tax liabilities	36.3	13.4	22.0
<b>Total liabilities</b>	<b>3,815.2</b>	<b>4,279.1</b>	<b>4,935.9</b>
<b>Total liabilities and equity</b>	<b>4,477.8</b>	<b>4,860.8</b>	<b>5,565.7</b>

# Group profit before tax reconciliation

## Reconciliation from statutory to adjusted profit before tax



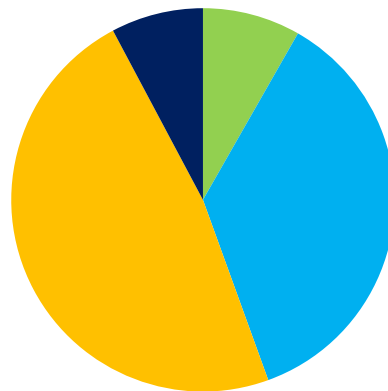
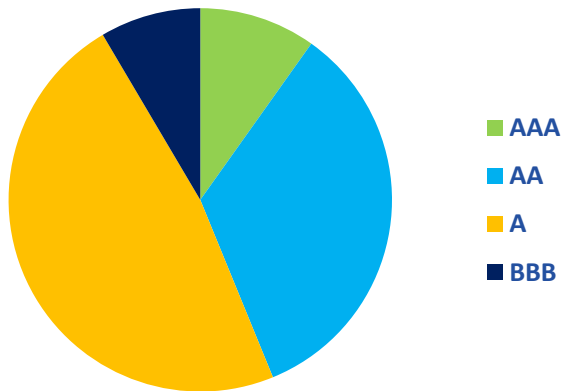
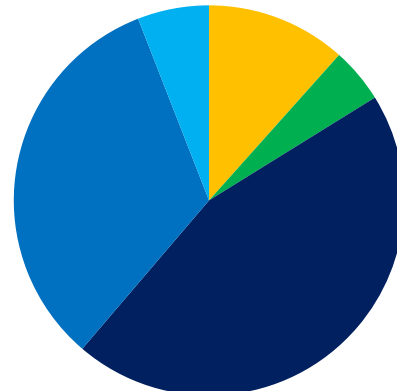
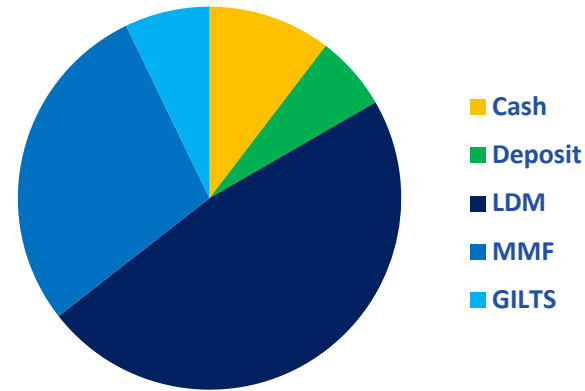
- Admiral has five operations with shared ownership: Rastreator (Admiral share of ownership 75.0%); compare.com (71.1%); Admiral Law and BDE Law (90.0%); Preminen (50.0%)
- Profit or losses in period accruing to minority parties reduce or increase the results respectively
- compare.com is 29% owned by third parties. Total loss was £4.8 million, therefore £1.4 million is added back to Group Profit Before Tax
- The impact of other minority interest is not significant

# Investment update

## Investment analysis

Dec '16: £2,747m

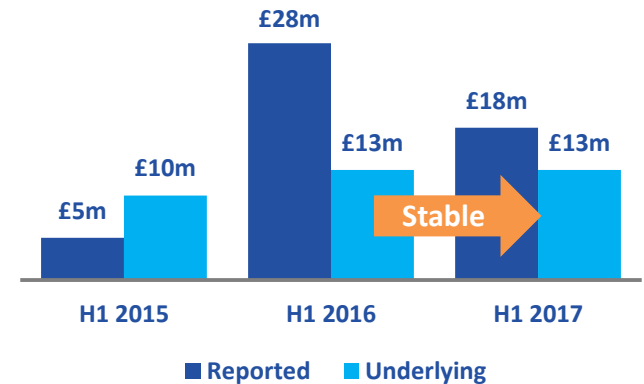
June '17: £2,944m



## Investment income

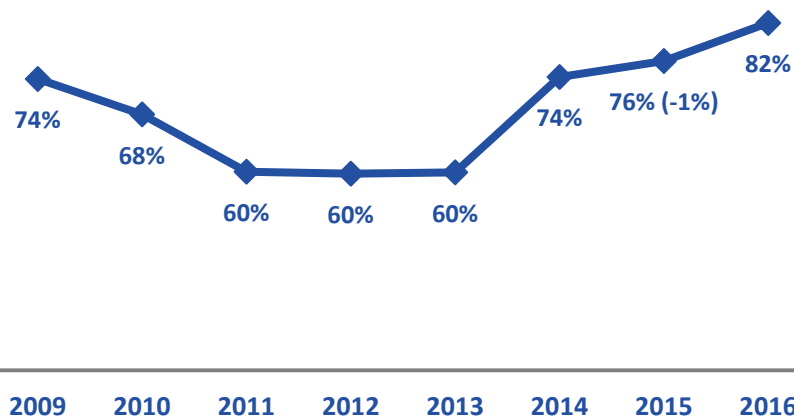
- H1 2015 and H1 2016 interest and investment income is distorted by differences in accounting for income on quota share funds withheld
- H1 2016 includes £6.5m foreign exchange gain
- H1 2017 also £5.4m realised profits from sale of gilts
- Underlying net income remained stable at £13m

## Net investment income<sup>1</sup> (£m)

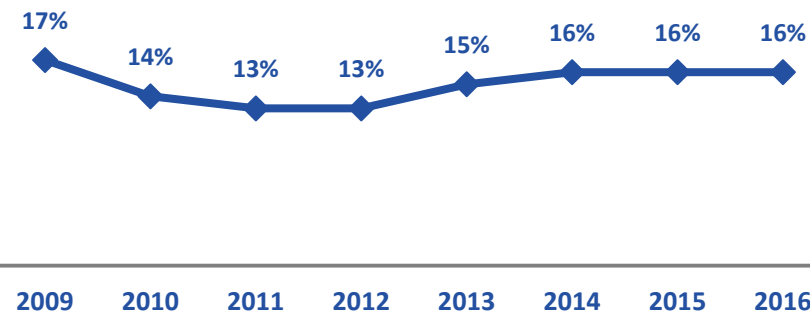


# UK Car Insurance: Ultimate Loss Ratio, Expense Ratio and Combined Ratio

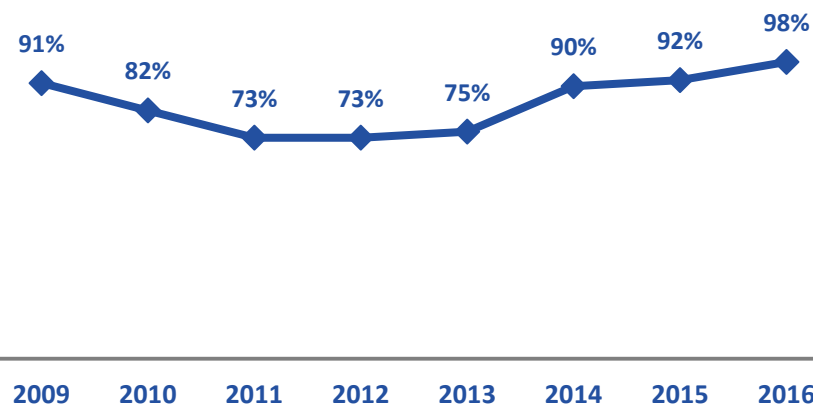
Admiral projected ultimate loss ratio<sup>1</sup> (at Jun 2017)



Admiral expense ratio<sup>2</sup> (at Jun 2017)

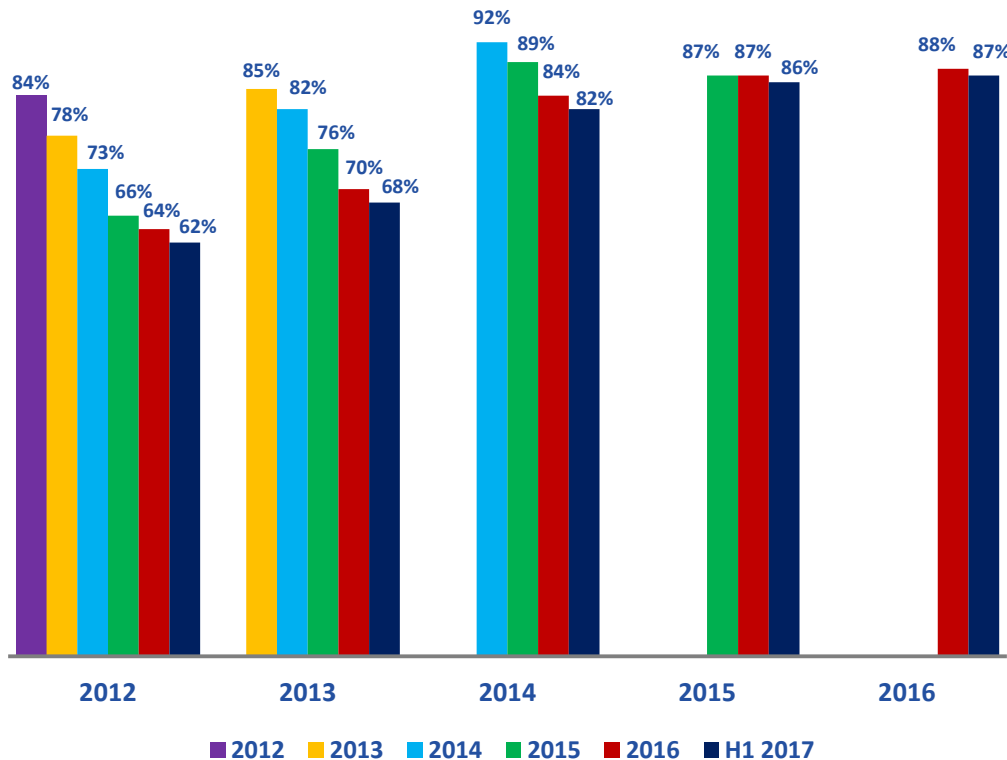


Admiral ultimate combined ratio (at Jun 2017)



# UK Car Insurance: booked loss ratio development by underwriting year

UK car insurance booked loss ratio (%)  
Development by financial year (colour-coded)  
Split by underwriting year (x axis)



Sensitivity of booked loss ratio

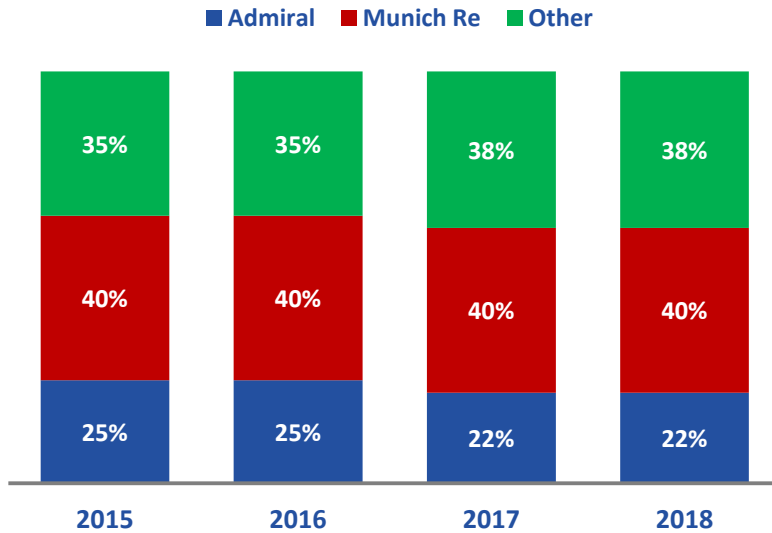
Underwriting year	2013	2014	2015	2016
Booked loss ratio	68%	82%	86%	87%
PAT impact of 1% improvement	£11m	£7m	£3m	£3m

- The impact of a 1% improvement can also increase as the combined ratio drops and Admiral receives a higher share of the available profit.
- The impact includes the change in net insurance claims along with the associated profit commission movements that result from changes in loss ratios. The figures are stated net of tax at the current rate.
- The impact is not linear due to the nature of the profit commission arrangements eg. the impact of a 5% move cannot be calculated by multiplying the 1% impact by five.

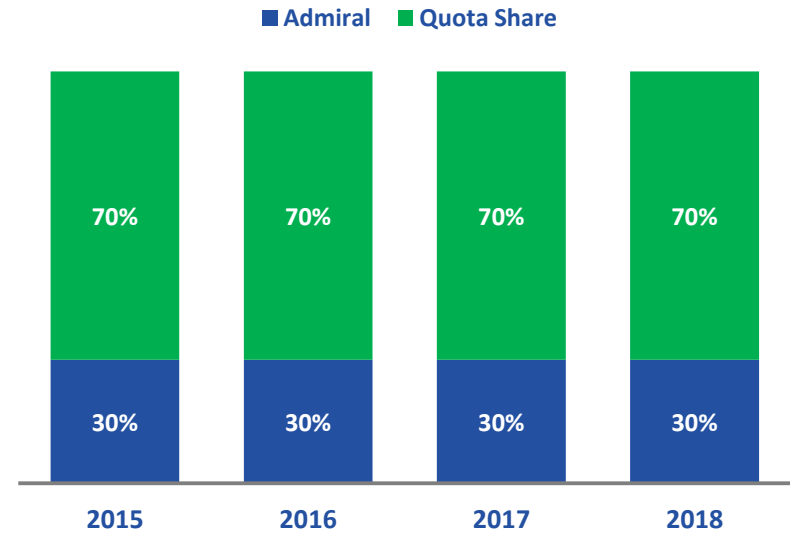


# UK Reinsurance arrangements

## Motor



## Household



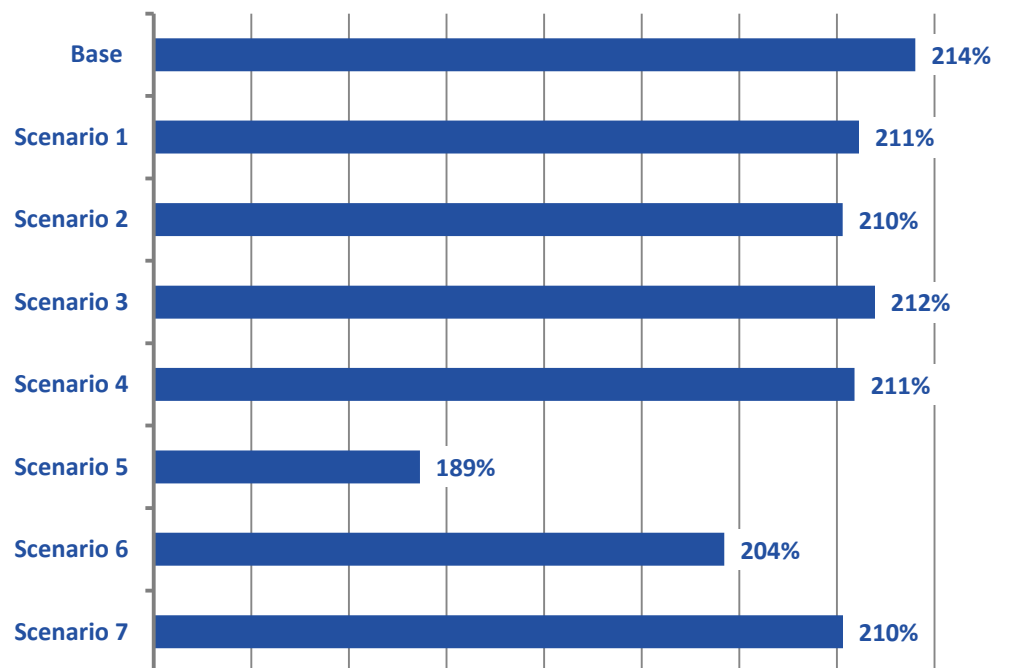
- Fully placed reinsurance arrangements until the end of 2018
- Similar contract terms and conditions
- Reduction of underwriting share from 25% to 22% with effect from 2017
- Munich Re continues to underwrite 40% of the UK business until at least the end of 2020

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

# Solvency ratio sensitivity analysis

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

## Solvency ratio sensitivities



## Scenarios

1. Currency – 25% movement in € and \$
2. ASHE – long term ASHE +0.5%
3. UK Motor – CAT 1 in 200 event
4. UK Household – CAT 1 in 200 event
5. UK Motor – incurred loss ratio +5% (2015 & 2016 u/w years)
6. Interest rate – negative yield curve -50 bps
7. Credit – spread +100 bps

# International car insurance market statistics



(2016)



(2016)



(2016)



(2016)

**Gross Written  
Premium**

**£9.2bn**

**£16bn**

**\$214bn**

**£16bn**

**Direct insurer  
share of  
market**

**22%**  
of total market

**3%**  
of total market

**40%**  
of total market

**11%**  
of total market

**Vehicles**

**23m**

**37m**

**230m**

**44m**

**Combined Ratio**

**98%**

**105%**

**109%**

**97%**

# Key definitions

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

# Admiral brands

**balumba**  
seguros

 **Qualitas**  
Auto

 **ConTe.it**  
GRUPPO ADMIRAL

 **Elephant**  
Auto Insurance

 **L'olivier**  
assurance auto

 **Admiral**

**Diamond**

 **elephant**

 **Bell**

 **Admiral Law**

**BDE Law**  **GLADIATOR**

**Confused.com**

 **Rastreator.com**

**LeLynx.fr**  
Comparateur d'assurances

**cómpare.com**

 **seguros.es**  
el comparador de seguros

 **duobi.cn**

 **Admiral Solutions**

 **Admiral TECHNOLOGIES**

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