



# **Admiral Group Sustainability Accounting Standards Board Report 2020**

Admiral Group provides comprehensive disclosure on its approach to value creation on an annual basis across both the Annual Report and Sustainability Report, as well as providing supplementary information on the corporate website: [www.admiralgroup.co.uk](http://www.admiralgroup.co.uk). In addition, the disclosure below is based on the Sustainability Accounting Standards Board (SASB) insurance industry standard.<sup>1</sup> Admiral is a leading provider of personal lines insurance products in the UK, including motor, household, and travel insurance. The Group also has insurance operations in Spain, France, Italy, and the US, whilst Admiral Financial Services offers personal loans and car finance products.<sup>2</sup>

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<sup>1</sup> This report does not address any metrics requesting information regarding other type of insurance products (e.g. life insurance) as Admiral Group only focuses on property & casualty insurance.

<sup>2</sup> As insurance is the largest and most material part of Admiral Group, this report focuses on Admiral's insurance operations.

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## Discussion and Explanation of Accounting and Activity Metrics

### Accounting Metrics

#### Transparent Information & Fair Advice for Customers

##### **FN-IN-270a.1.**

#### **Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers**

There were no legal proceedings and/or losses, associated with the marketing and communication of insurance product-related information to new and returning customers across the Group in 2020.<sup>3</sup>

<sup>3</sup> On an operational level, some departments may have paid out goodwill gestures or other methods of compensation following complaints that fit the categories under section 1.1 of the guidance for accounting metric FN-IN-270a.1; however, the overall cost of such gestures is considered immaterial.

**FN-IN-270a.2.****Complaints-to-claims ratio**

Admiral Group provides a range of personal insurance products to individuals, including motor, home, travel, pet and multi cover insurance. Across operations, Admiral adheres to all applicable laws and relevant regulatory guidance in relation to complaint handling. Admiral encourages all customers to promptly report any unhappiness, and the Group approaches complaint handling as an invaluable learning tool for the continuous improvement of customer service. Admiral aims to resolve customer complaints quickly and efficiently in accordance with the timelines set by the regulatory bodies in the Group's respective operating locations.

For example, Admiral's complaint handling process in the UK involves making it easy for customers to report complaints, carrying out full investigations into complaints, giving complaints careful attention, providing thorough accounts of Admiral's actions, and ensuring customers are happy that complaints have been handled fairly. Admiral understands that making a complaint can be stressful and seeks to ensure this process is as straightforward as possible for customers. Admiral enables customers to make complaints through various channels, including via telephone, email, and post. The complaint handling guide is available on the Admiral website and this outlines the timeline for dealing with complaints in accordance with the requirements set by the Financial Conduct Authority, and details on escalating claims internally and to the Financial Ombudsman Service. Admiral's Customer and Conduct Committee ensures appropriate complaints handling, which includes monitoring complaint volumes, root cause analysis and assurance of the control framework.

In accordance with UK regulatory requirements, Admiral monitors the number of claim related complaints per 1000 policies in force. In relation to this measure, Admiral has seen a 33% reduction in claim related complaints per 1000 policies in force from H2 2019 (1.65) to H2 2020 (1.10).<sup>4</sup>

**FN-IN-270a.3.****Customer retention rate**

Admiral monitors customer retention across UK insurance products and international insurance products. In 2020, the average retention rate for insurance products across the Group was 74.9%.<sup>5</sup>

**FN-IN-270a.4.****Description of approach to informing customers about products**

Admiral Group's core insurance businesses provide a range of personal insurance products to individuals, including motor, home, travel and multi cover insurance. Across the Group, Admiral has policies and guidelines in place to ensure that communication with customers meets regulatory standards and customers are making decisions based on relevant and transparent information.

Across all operations, Admiral communicates with existing and potential customers through a range of different channels, including: (i) telephone, (ii) product websites ([www.admiral.com](http://www.admiral.com)),

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<sup>4</sup> Across EUI Limited, covering UK insurance products. Although Admiral is focused on continually improving the customer experience, please note that this reduction in claim related complaints is positively impacted by the lower claims frequency in 2020 following Covid-19 lockdown restrictions.

<sup>5</sup> This includes UK car, van, travel, and home insurance customers and motor insurance customers across France, Spain, Italy, and the US.

[www.conte.it](http://www.conte.it), [www.admiralseguros.es](http://www.admiralseguros.es), [www.lolivier.fr](http://www.lolivier.fr), [www.elephant.com](http://www.elephant.com)),<sup>6</sup> (iii) the Admiral app,<sup>7</sup> (iv) email, and (v) social media. Overall responsibility for communicating to customers via these channels sits with the heads of department for marketing and the respective channel owners.

Across global operations, Admiral follows all applicable and relevant legal and regulatory guidance. For example, in the UK Admiral aims to ensure that all information is communicated with customers in a way which is clear, fair, and not misleading in line with guidance from the Financial Conduct Authority. When selling products to customers by phone or online, Admiral provides customers with key characteristic information about the product, which covers the most crucial product features and limitations, as customers should be made aware of these before making an informed choice on whether to purchase the product. All marketing content must comply with the advertising codes written by the Committee of Advertising Practice and enforced by the Advertising Standards Authority, such as the UK Code of Non-broadcast Advertising and Direct & Promotional Marketing, and all content must adhere to requirements set by the Competition and Markets Authority.

Admiral understands that individual customers may have different needs when it comes to being informed about products. Admiral's Vulnerable Customer Policy enables Admiral to identify vulnerable customers through their circumstances, whether temporary or long term, and aims to ensure there are sufficient controls in place to provide assurance that vulnerable customers are treated fairly and consistently at all stages of the customer journey.

Admiral continues to invest in solutions which encourage greater transparency in customer communications and make communications with customers more efficient and accessible. The below information provides examples of how Admiral communicates with customers across UK operations at different stages of the customer journey, focusing on selected digital solutions:

- **Admiral App:** Through the Admiral app, customers can access their MyAccount portal. On this portal, customers can view their insurance policy, which includes vehicle details and level of cover, policy details such as annual mileage and compulsory/voluntary excess, driver details, and cover upgrades. Customers can also access their policy documents, make a change to their policy, add additional products to their policy and update their payment information. The portal also outlines the available avenues for customers to register a claim, which can be done online or over the phone.
- **Admiral Website ([www.admiral.com](http://www.admiral.com)):** Through the Admiral website, existing and prospective customers can view the range of products on offer to find the product that best suits their individual needs. Each product page on the website presents clear information about the product in question, with this information tailored to communicate with customers who may not be familiar with the language and terminology used within the insurance industry. The website uses video guides, interactive graphics, and comparison tables, among other features, to provide information about products to customers in an understandable way. On the website, customers can log-in to their MyAccount portal, enabling them to view their documentation, make policy changes, and report claims online.

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<sup>6</sup> This is a non-exhaustive list covering a range of product websites across the Group's insurance operations.

<sup>7</sup> The Admiral App is available to Admiral's UK customers only.

- **Claims Handling:** As an insurer, Admiral works to ensure that appropriate claims practices are in place to deliver fair and just outcomes for customers in a timely manner. Admiral communicates with customers about claims through a range of different channels, including via telephone, on the website via webchat, through the MyAccount portal, and via email, SMS message and letter. As part of the claims handling process, Admiral informs customers about the scope and limits of their coverage. These details are explained when customers take out an insurance policy and are included in the customer's policy booklet or documentation. A Claims Repudiation Working Group exists to ensure that appropriate systems and controls are in place to manage the risk that customers are unfairly repudiated. The Working Group recommends improvements to control frameworks when necessary and remediation work to be undertaken when potentially unfair outcomes are identified.

## **Incorporation of Environmental, Social, and Governance Factors in Investment Management**

### **FN-IN-410a.1.**

#### **Total invested assets, by industry<sup>8</sup> and asset class<sup>9</sup>**

<b>Cash and investments analysis</b>			
<b>£m</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Fixed income and debt securities	2,101.3	1,957.8	1,568.6
Money market funds and other fair value instruments	1,339.3	1,160.2	1,301.1
Cash deposits	65.4	116.5	100.0
Cash	351.7	281.7	376.8
<b>Total</b>	<b>3,857.7</b>	<b>3,516.2</b>	<b>3,346.5</b>

	ABS <sup>10</sup>	Government	Covered <sup>11</sup>	Financial	Industrial	Other	Utility
<b>Allocation</b>	5%	9%	1%	63%	15%	4%	3%

### **FN-IN-410a.2.**

#### **Description of approach to incorporation of Environmental, Social, and Governance (ESG) factors in investment management processes and strategies**

Admiral has adopted a responsible investment strategy to reduce Environmental, Social and Governance (ESG) related risks, whilst achieving sustainable long-term returns. Importantly, ESG criteria are considered within investment decision making and Admiral requires all asset managers to be signatories of the UN Principles for Responsible Investment and have strong and credible practices. Admiral has been engaging with asset managers to define methodology which will assess the Group's portfolios against the Paris Agreement. Admiral has recently become a member of the Institutional Investors Group for Climate Change, engaging with other businesses as a strategy is developed that is consistent with achieving net zero emissions by 2050. Admiral will develop short-term and long-term targets to achieve this in 2021.

The key points in the Responsible Investment Policy include:

<sup>8</sup> Total invested assets broken down by industry where available data allows for this.

<sup>9</sup> As at 31 December.

<sup>10</sup> Asset-backed securities.

<sup>11</sup> Covered bonds.

- Admiral requires all its external asset managers to be signed up to the UN PRI<sup>12</sup> and to incorporate ESG factors in their decision-making processes.
- Admiral will seek to understand reasons why individual holdings have low ESG scores or other ESG related issues and this may ultimately lead to disinvestment.
- Admiral will consider ESG factors before the implementation of new asset classes.
- Admiral expects asset managers to demonstrate a commitment to active ownership through engagement and voting.
- Admiral favours green bonds in the allowable assets where economically similar; investment is subject to the same investment criteria as all other bonds and delegated to the asset manager.

### **Policies Designed to Incentivise Responsible Behaviour**

#### **FN-IN-410b.1.**

##### **Net premiums written related to energy efficiency and low carbon technology**

Admiral does not currently disclose separate identification of premiums related to energy efficiency and low carbon technology. In acknowledging the growing demand towards energy efficient and low carbon solutions, Admiral has taken steps to improve the capture of internal premiums related to non-internal combustion engine (ICE) vehicles. As part of the core motor book, Admiral provides insurance related to energy efficiency and low carbon technology such as insurance cover for both electric and hybrid vehicles, telematics insurance and short-term insurance under the Veygo brand, which enables customers to embrace more flexible and environmentally conscious driving habits. In 2020, Veygo served 150,000 customers and generated £14 million in turnover.

#### **FN-IN-410b.2.**

##### **Discussion of products and/or product features that incentivise health, safety, and/or environmentally responsible actions and/or behaviours**

Admiral Group offers several products and product features that incentivise health, safety and environmentally responsible actions and behaviours, which includes:

- **Electric and Hybrid Vehicle Insurance:** Admiral understands that transitioning to a low-carbon economy is vitally important to society's future. As such, Admiral is committed to supporting widescale adoption of electric and hybrid vehicles. In the UK, through Admiral's car insurance product, Admiral already provides insurance to customers which covers electric and hybrid vehicles. Admiral's electric and hybrid vehicle book continued to grow strongly in 2020, and this growth is expected to continue in the future, particularly as lockdown ends and new models of electric and hybrid vehicles are released. On the UK website, customers can find useful guides explaining common misconceptions about electric vehicles and details about the most common models of electric vehicle on cover. The website also offers information to customers about factors to consider when purchasing electric vehicle insurance, including specifics relating to battery leasing and charging cable coverage. To better support customers as they adopt electric vehicles, Admiral is fully committed to being a leading underwriter of electric vehicles and is investing resource to make this possible, with a focus on better understanding customers' needs and providing customers with the best possible outcomes by enhancing claims handling and pricing

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<sup>12</sup> United Nations Principles for Responsible Investment.

capabilities. Although Admiral's share of this market is strong, the business is committed to supporting wide scale adoption of electric vehicles over the next decade by increasing Admiral's share of this market as it develops. The Group also insures electric and hybrid vehicles in Italy, Spain, France, and the US, and is focused on developing as an insurer of these vehicles across global operations to ensure the Group can best support all customers.

- **Telematics Insurance:** In the UK, Admiral's black box insurance product (LittleBox), also called telematics, involves fitting a small device into a customer's car, which measures how well the customer drives and rewards safe drivers with discounted insurance at renewal. This device records data on cornering, braking, journey lengths and time of driving. Admiral uses this data to create a personalised driving score for each LittleBox customer, with those who drive safely more likely to get a discount at renewal. Customers can access their personal dashboard to view their driving performance and receive tips to help them drive safely and receive the best discount. Black box insurance includes free theft tracking and is also available to van customers. The Group also offers telematics insurance in Italy.
- **Veygo:** Through Veygo in the UK, Admiral Group offers temporary car insurance and learner driver insurance to customers. Veygo is focused on delivering products which give customers flexibility in their lifestyles. Through Veygo, the Group can continue to test and learn in response to changing mobility trends. Temporary insurance could play an important role in the transition to the low carbon economy, as some customers may decide to reduce their use of personal vehicles or move away from vehicle ownership towards more flexible arrangements, making temporary insurance a suitable option for these customers.
- **Digitalisation:** Increasing and improving the digital offerings available to customers will continue to help reduce the Group's overall impact on the environment. In the UK, this includes initiatives such as offering customers the option to access their policy documents online rather than via the post. Similar initiatives exist across international operations; for example, the Spanish operation utilises video-loss adjustment technology and geo-localisation for road assistance, whilst the Italian operation incentivises loss adjusters to rely on digital tools where possible to avoid unnecessary physical investigations.
- **Flood Insurance:** Flood Re is an agreement between the UK government and UK insurers, including Admiral, which enables Admiral to offer more affordable home insurance to customers in areas most at risk of flooding. Admiral uses detailed flood models to help work out how likely it is that a property will flood and if unable to offer a customer a competitive quote, Admiral transfers the flood element of the cover into the Flood Re scheme. This allows more customers in areas most at risk of flooding to attain cover for their properties.

## **Environmental Risk Exposure**

### **FN-IN-450a.1.**

#### **Probable Maximum Loss (PML) of insured products from weather related natural catastrophes**

Admiral utilises various methods and evaluations to make underwriting and reinsurance decisions that manage the Group's exposure to catastrophic events. Across the Group's insurance book, the main weather-related risk exists in relation to Admiral's UK Household book, as well as the US Motor



book. Further information on these areas is included below, alongside information on the UK Motor book given the materiality of the book to the Group.

Admiral's Household excess of loss<sup>13</sup> reinsurance provides catastrophe cover with a limit that is considerably higher than the estimated 1-in-200 loss.<sup>14</sup> As of January 2021, this was estimated to be £325 million from floods and storms for the UK Household Insurance business. Admiral's excess of loss deductible<sup>15</sup> is £30 million, and the 70% quota share leads to a net event loss of £9 million.

In relation to Admiral's UK Motor Insurance business, the 1-in-200 estimated possible loss as of December 2020 was £85-110 million.<sup>16</sup> Admiral currently has £70 million of cover from the Motor excess of loss reinsurance and a further £2 million from the Household excess of loss reinsurance. Therefore, after the £11 million deductible, Admiral is covered up to a £83 million single event.

In relation to the US Motor Insurance business, the 1-in-200 estimated possible loss as of June 2020 was \$15 million.<sup>17</sup> The US business has \$17.5 million of cover from the Motor excess of loss reinsurance. Therefore, after the \$2.5 million deductible, the US business is covered up to a \$20 million single event.

#### **FN-IN-450a.2.**

#### **Total amount of monetary losses attributable to insurance payouts from (1) modelled natural catastrophes and (2) non-modelled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)<sup>18</sup>**

Admiral Group does not separately identify losses by modelled and non-modelled catastrophes. However, the table below provides some details on the weather-related losses following natural catastrophes in relation to the UK household book, which represents the main weather-related risk from across the Group's operations. The table covers property catastrophe losses above £500,000 across 2018, 2019 and 2020.

<b>Property catastrophe losses above £0.5m FGU (net of reinsurance)</b>			
<b>01 January 2018 - 31 December 2020</b>			
<b>Period of loss</b>	<b>Perils</b>	<b>Paid (£)</b>	<b>Incurred (£)</b>
2018	Freeze, Flood and Storm	11,500,000 – 11,750,000 <sup>19</sup>	11,750,000 – 12,000,000
2019	Flood and storm	1,500,000 – 1,750,000	1,500,000 – 1,750,000
2020	Flood and storm	6,000,000 – 6,250,000	8,500,000 – 8,750,000

<sup>13</sup> 'Excess of loss' is a term describing reinsurance which indemnifies the reinsured against the amount of loss in excess of the specified loss retention but subject to a specified limit.

<sup>14</sup> A '1-in-200 loss' is an estimate of an extreme stress to the business, equivalent to 0.5% probability of occurring or at the 99.5<sup>th</sup> percentile. This level is the most commonly used level in the Solvency II framework.

<sup>15</sup> 'Deductible' represents the amount incurred before reinsurance recoveries take place.

<sup>16</sup> This is after applying vehicle deductibles and depreciation. The exact figure is dependent on the external model used to generate the figure.

<sup>17</sup> This is after applying vehicle deductibles and depreciation.

<sup>18</sup> This disclosure covers relevant losses on a net of reinsurance basis.

<sup>19</sup> This amount includes payments following the 'Beast from the East', which remains the biggest weather event the Group has faced since launching the UK Household insurance business in 2012.

**FN-IN-450a.3.**

**Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy**

Climate change physical risks and transition risks are considered as emerging risks and are captured by the Emerging Risks Framework and the Emerging Risks Process, which constitutes a part of the Enterprise Risk Management Framework and is performed by Line 2. A full refresh is performed annually in line with the Group ORSA (Own Risk and Solvency Assessment) process, and an update on emerging risks is presented quarterly to the Group Risk Committee. Environmental risks are captured more broadly as part of ESG considerations and are considered by the Sustainability Working Group. Admiral Group considers climate change physical and transition risks to be drivers of changes in exposure to principal risks and uncertainties, rather than introducing new risks per se.

The potential impacts from climate-related risks are identified and assessed via research of how climate-related risks might impact insurance and reinsurance portfolios in the geographies and business lines in which the Group operates (e.g. industry bodies, scientific bodies and publications, regulators, competitors), coupled with subject matter expert interviews, both internally and externally, and discussions with reinsurance brokers, catastrophe modellers and asset managers. These potential impacts are then mapped to existing principal risks and uncertainties, with a focus on the UK Household and Motor markets, and the US Motor market, due to considerations of materiality.

Time horizon	Considerations	Risks	Opportunities
Short-term: 1-3yrs	<ul style="list-style-type: none"> <li>Aligns with duration of product offering (e.g. insurance products, ancillaries and loans)</li> </ul>	<ul style="list-style-type: none"> <li>Mandates on, and regulation of, existing products and services</li> <li>Uptake of new technology</li> <li>Increasing cost of resilient repair methods</li> <li>Changing customer behaviour to minimise or mitigate environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Increased market share in “green” sectors, products and services</li> <li>Increasing customer satisfaction from offsetting their environmental impact</li> </ul>
Medium-term: 3-5yrs	<ul style="list-style-type: none"> <li>Aligns with timeframe for which detailed business and capital planning is performed</li> </ul>	<ul style="list-style-type: none"> <li>Changing emissions-reporting obligations</li> <li>Increasing demand for electric vehicles</li> <li>Changing customer behaviour towards public transport/ active travel</li> </ul>	<ul style="list-style-type: none"> <li>Reduced costs via efficiency-gains</li> <li>Development of new products and markets (e.g. due to increasing demand for low- or no-emission products and services)</li> </ul>
Long-term: 5yrs+	<ul style="list-style-type: none"> <li>Aligns with longer-term changes that present risks and opportunities, as well as capturing longer-term emerging risks</li> </ul>	<ul style="list-style-type: none"> <li>Changes in frequency and severity of weather events</li> <li>Changes in capacity, cost and availability of reinsurance</li> </ul>	<ul style="list-style-type: none"> <li>Development of new markets</li> </ul>

Admiral Group incorporates weather and climate variability into short-term pricing and underwriting decisions. Pricing is based on several factors including an estimation of expected losses, expenses associated with business operations and services, as well as capital considerations. Most of the risk to Admiral’s Household portfolios from natural catastrophes comes from windstorms, while the second largest risk is flooding.

Flood pricing and underwriting is based on external data which estimates property flood damage in an “average” year, verified using internal actual claims data. This allows a threshold to be set, balancing risk appetite against the benefit of footprint expansion, for risks which will be underwritten or ceded to Flood Re, subject to eligibility. Internal pricing and risk models are refreshed annually to reflect changes in the topography, new construction and to update simulated rainfall scenarios. Windstorm and other perils are calibrated against overall claims experience and historic losses.

Admiral uses the output of catastrophe models as part of the excess of loss reinsurance placement. Admiral’s reinsurance brokers use different catastrophe models to examine Admiral’s exposure from scenarios of different peril type (e.g. windstorm, flood) and a range of return periods, by line of business. The outputs of AIR and RMS catastrophe models<sup>20</sup> are used to select appropriate cover of reinsurance.

It should be noted that the market-standard practice of utilising external catastrophe models to simulate possible extreme weather events that could be seen in the UK and across Europe in the coming years is based on historic activity, and includes the fact that over the last 20-30 years there has been less dramatic activity over Northern Europe than over the previous period.

Admiral Group participates in the Flood Re scheme in the UK which has two main aims: to enable homeowners whose property is at high risk of flood to obtain affordable flood cover; and to reduce flood risk through better planning, defences, and the implementation of flood resilient and resistant materials in property construction. Admiral has been engaging with Flood Re regarding its Build Back Better scheme – a proposal which would see property reinstatement as part of a flood claim including an additional payment for flood resistant and resilient measures of up to £10,000.

Climate-related physical and transition risks are considered as part of the annual stress and scenario testing exercise, which is aligned to Admiral Group’s annual ORSA process. The impacts of such risks are considered at a Group level, with insight into the impact on particular lines of business also considered. The outputs of the stress and scenario testing exercise is used to test capital adequacy and solvency, and is used in deciding reinsurance and co-insurance strategies. The impacts from climate-related risks are also included in a reverse stress test, which tests the limits of the Group’s solvency and liquidity positions.

Admiral Group considers climate change to be a risk driver. Consequently, climate change impacts the risk profile of the company via the existing principal risks and uncertainties, rather than introducing new principal risks. Therefore climate-related risks, and sustainability risks more generally, are fully integrated into the existing ERM framework.

## **Systemic Risk Management**

### **FN-IN-550a.1.**

**Exposure to derivative instruments by category: (1) total potential exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives**

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<sup>20</sup> AIR Worldwide and Risk Management Solutions (RMS) are two prominent catastrophe model providers.

Admiral Group's total exposure (i.e. the fair value of the liability at the balance sheet date) to derivative instruments is minor relative to total investments, totalling £3.6 million. This exposure is related to Admiral Financial Services Limited (c.£3.6 million). The derivatives linked to the Group's financial investments were in a small asset position as at 31 December 2020 (c.£0.07 million). All these derivatives are non-centrally cleared derivatives.

**FN-IN-550a.2.**

**Total fair value of securities lending collateral assets**

Not applicable.

**FN-IN-550a.3.**

**Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities**

Not applicable.

**Activity Metric**

**FN-IN-000.A**

**Number of policies in force, by segment**

Admiral Group reports customer numbers biannually, at the Half Year and Full Year results.

<b>Motor Insurance Customers UK (millions)</b>					
2015	2016	2017	2018	2019	2020
3.30	3.65	3.96	4.32	4.37	4.75

<b>Home Insurance Customers UK (millions)</b>					
2015	2016	2017	2018	2019	2020
0.31	0.47	0.66	0.87	1.01	1.16

<b>Motor Insurance Customers International (millions)</b>					
2015	2016	2017	2018	2019	2020
0.67	0.86	1.03	1.22	1.42	1.60