

Admiral 2020 Half Year Results

12th August 2020

Introduction and Covid update

David Stevens, Group CEO
Milena Mondini, Group CEO Designate

Group

Geraint Jones, Group CFO

UK Insurance

Cristina Nestares, UK Insurance CEO

International Insurance

Costantino Moretti, Head of International Insurance

Comparison

Elena Betes, Online Comparison Portals Director

Loans

Scott Cargill, Admiral Financial Services CEO

Wrap-up

David Stevens, Group CEO
Milena Mondini, Group CEO Designate

Q&A

All



Covid update

Milena Mondini – Group CEO Designate

‘Replying to **@AdmiralUK**

Thank you! I doubt I’ll be shopping around next year for insurance!! And all staff on full pay without furlough...’

‘Yes **@AdmiralUK** you just won my loyalty for another years car insurance’

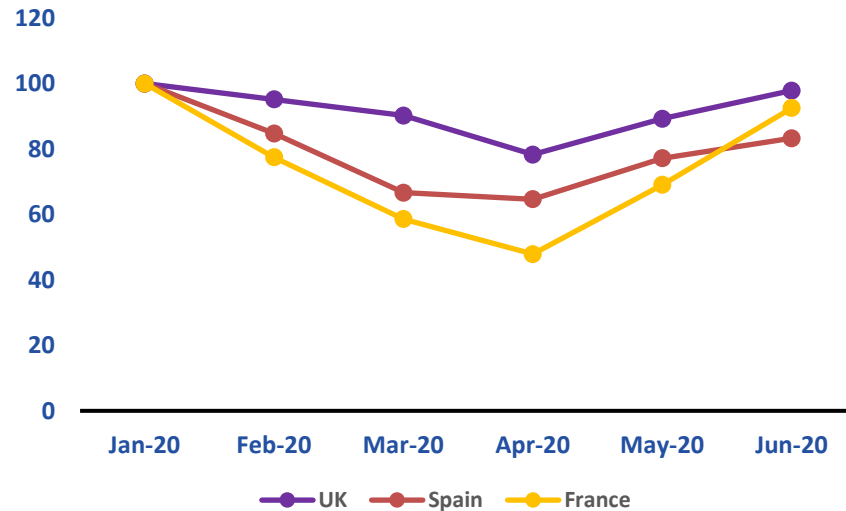
‘Thank you **@AdmiralUK** for the £25 refund that you are giving your customers in these difficult times...’

‘**@AdmiralUK** Thank you for following up on getting my daughter insured so she can drive to her NHS job!’

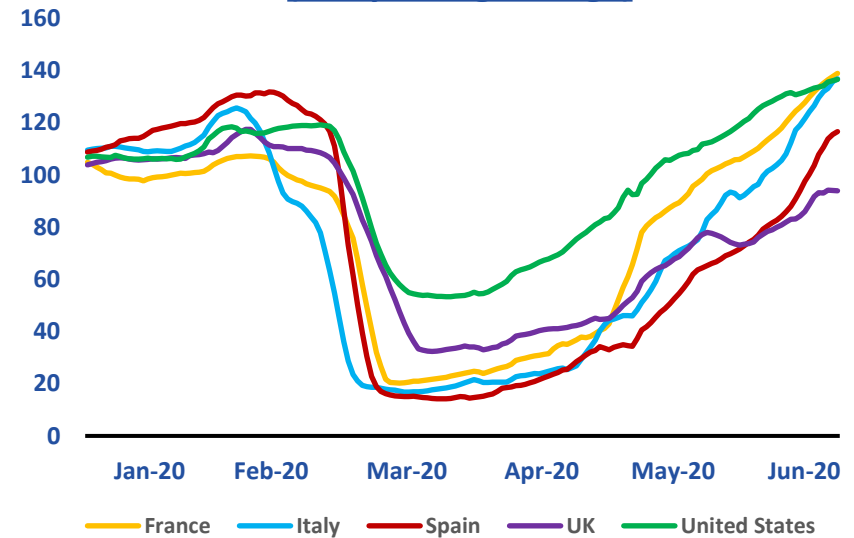


Covid Impact: Short term disruption, business remains resilient

Market motor quote volumes¹
(indexed to 100 Jan 20)



Driving mobility trends²
(7-day rolling average)



- Early disruption as lockdown restrictions implemented
 - Lower quote volumes
 - Fall in motor claims frequency with less driving
- Motor premiums decrease in Q2 as claims frequency savings are passed on to our customers
- Beyond Motor – early to pause issuing of Loans and Travel policies; no major impact on Household book

Admiral Covid Response: Good outcomes for all stakeholders

Customers

- UK premium rebate – lockdown claims frequency benefit passed on to customers
- Prioritised business continuity and customer-facing staff
- 94% of customers would renew after a claim¹

Communities

- Launch of Admiral Covid support fund³
- Local initiatives to support community, staff volunteering
- Supporting our partners



Government/Regulator

- No reliance on government support
- Paid normal dividend at FY19; normal and special at H1 20

Staff

- Prioritised staff wellbeing and safety
- Full salaries paid
- Rapid shift to staff working from home
- 96% of staff feel well-supported by the business²

Shareholders

- Strong capital position and overall result
- Proceeded with payment of normal dividend

Covid Outlook: Some interesting opportunities and challenges

Potential Opportunities

- Shift towards digital contact channels
- Global acceleration of online distribution
- Flexible working; access to wider talent pool
- Operational resilience

Potential Challenges

- Potential adverse economic outlook (impacting Loans & investments)

Unknowns



- Medium-to-long term driving behaviour – will people drive more or less?
- Potential second wave

Admiral

Group

Geraint Jones – Group CFO



Highlights

Customers



7.17m

H1 2019: 6.74m

Turnover^{1,2}



£1.69bn

H1 2019: £1.76bn

Profit before tax³



£287m

H1 2019: £220m

Solvency ratio



186%

H1 2019: 190%

Earnings per share



82.9p

H1 2019: 63.0p

Return on equity



50%

H1 2019: 47%









Interim dividend per share⁴



70.5p

H1 2019: 63.0p

Growth impacted by Covid, though recent trends more positive

	Turnover	Customers
UK Motor Insurance ¹	 £1,158m² H1 2019: £1,255m	 4.42m H1 2019: 4.33m
UK Household Insurance	 £87m H1 2019: £80m	 1.07m H1 2019: 0.92m
International Insurance	 £330m H1 2019: £320m	 1.49m H1 2019: 1.36m
	Comparison	Loans Balances ³
	 £91m H1 2019: £83m	 £455m H1 2019: £421m

Strong increase in Group profit, partly flattered by Ogden hit in H1 2019

Group profit before tax¹

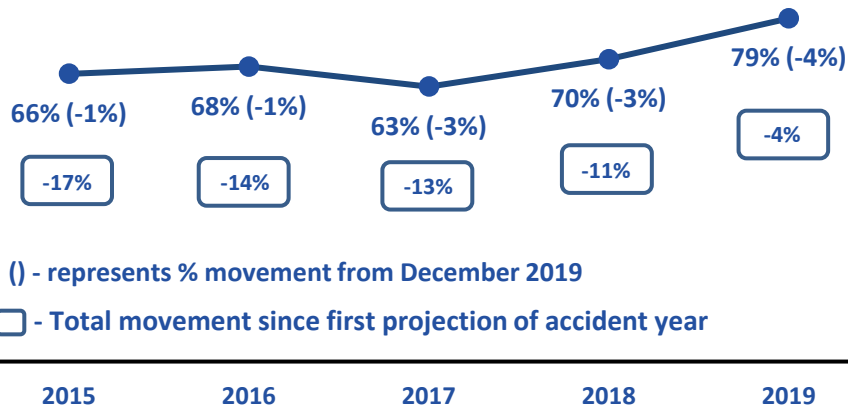
	H1 2020	H1 2019	Change
UK Insurance	£313.8m	£254.7m	+59.1m
International Insurance	£6.5m	(£2.7m)	+9.2m
Comparison	£13.1m	£7.4m	+5.7m
Loans	(£9.4m)	(£4.3m)	(5.1m)
Other Group Items (excl. Loans)	(£37.3m)	(£34.9m)	(2.4m)
Total	£286.7m	£220.2m	+66.5m

- £59.1m increase in UK Insurance profit:
 - Motor profit £310.4m v £251.7m - continued very positive back year loss ratio development and higher investment income, non-repeat of H1 2019 Ogden hit (£33m)
 - Household profit £5.5m v £4.2m – despite c.£5m impact of adverse weather in 2020 to date
- International Insurance result improved by £9.2m – driven by positive prior year releases
- Resilient performance and large (77%) profit increase in Comparison; very strong H1 from Confused.com
- Admiral Loans – higher loss due to expectation of increased credit losses
- Other items impacted by Covid relief fund donation, offset by reduced share scheme charges
- Covid impact positive but not material - numerous offsets to the positive motor claims impact²

UK Motor – loss ratios and positive reserve releases



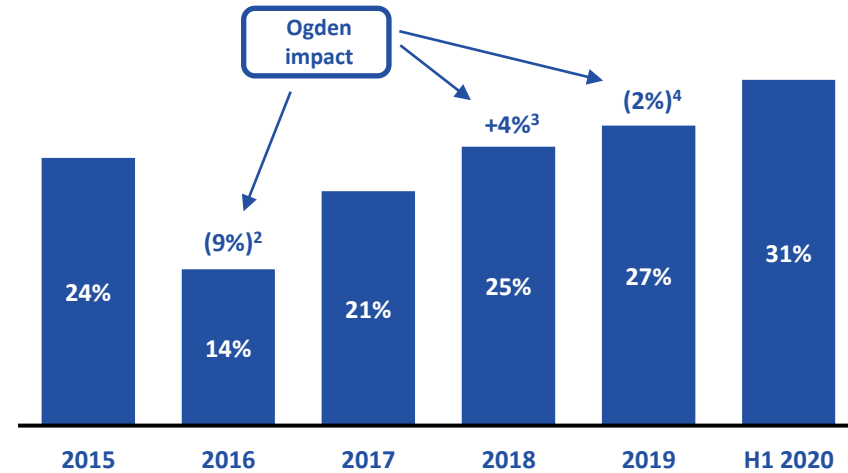
Admiral projected ultimate loss ratio¹



() - represents % movement from December 2019

□ - Total movement since first projection of accident year

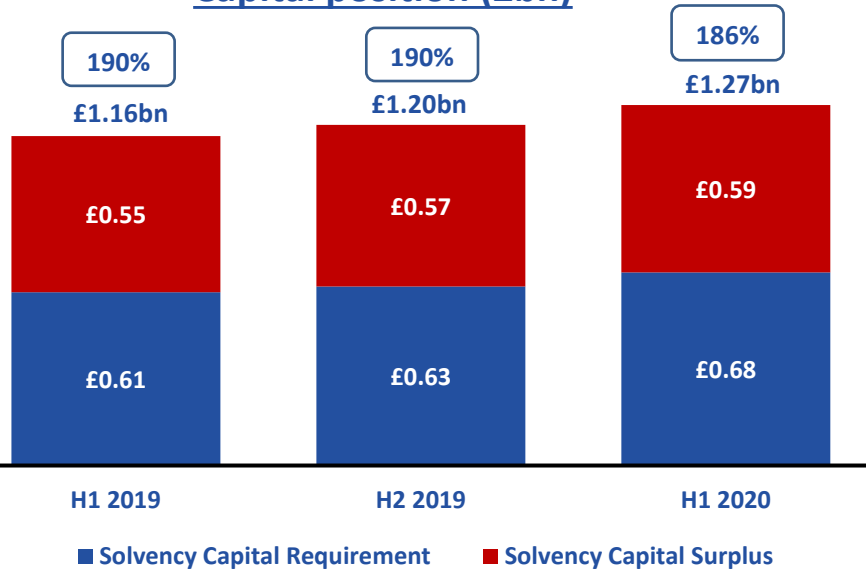
Releases on original Admiral net share



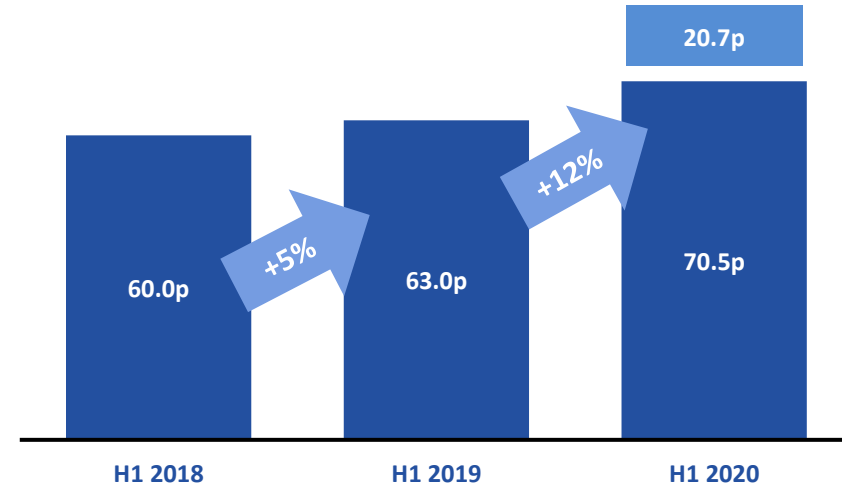
- Positive prior year development in H1 as claims have developed favourably as expected
- H1 20 prior year reserve releases remain very strong
- Margin in booked reserves remains flat v 6 months ago

Healthy solvency position maintained; interim 2020 dividend includes deferred 2019 final special dividend

Capital position (£bn)¹



Interim Dividend



- Robust solvency position maintained
- Movements largely in line with expectation (though wider credit spreads negative impact c.6ppts)
- No change in basis of capital requirement calculation
- Internal model progressed in line with plan

- 70.5p interim 2020 dividend split into normal 55p and special 15.5p elements
- 70.5p dividend represents pay-out ratio of 85% of H1 earnings
- Confirming payment of 20.7p special dividend deferred from final 2019 payment (will be paid with interim 2020)
- No changes to dividend policy or guidance

Group summary

 **Top line progress in H1 negatively impacted by Covid, though recent trends are more positive**

 **Strong profit increase – partly impacted by Ogden hit in 2019, but also good results from most businesses**

 **Confirming payment of deferred special dividend alongside increased 2020 interim dividend**

 **Robust solvency position maintained**

UK Insurance

Cristina Nestares – UK Insurance CEO

**MOTIVATIONAL
MONDAY**

**Wellbeing
Wednesday**

**Training
Tuesday**

**THOUGHTFUL
THURSDAY**

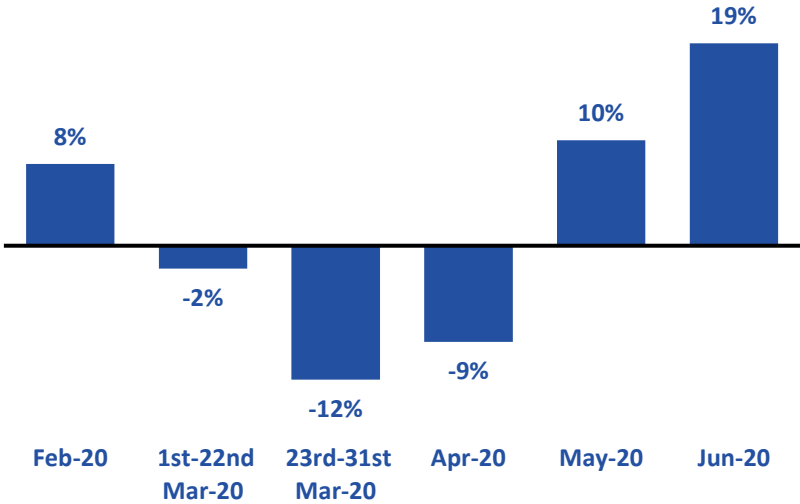
**FUN
FRIDAYS**

BROUGHT TO YOU BY MOF

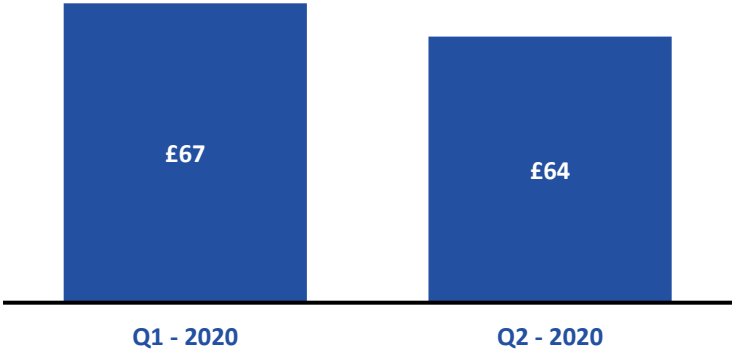
UK Motor – income impacted by Covid uncertainty, but starting to pick up towards end of H1



UK Motor quote volumes
(YoY change)



Other revenue per vehicle¹



- Turnover lower – premium rebate, premium rate reductions, lower customer demand in early lockdown (strong recovery in May/June)
- Reduced quotes and changes in quote mix – young drivers, new cars
- Stronger retention as customers choose to stay with Admiral
- Lower additional income – fewer transactions, lower admin fees as a result of Covid

UK Motor – dramatic drop in frequency followed by steady recovery



UK car transport usage¹
(change over lockdown period)



Potential increase in frequency

- People choose local holidays rather than travelling abroad
- Increased car usage to replace public transport

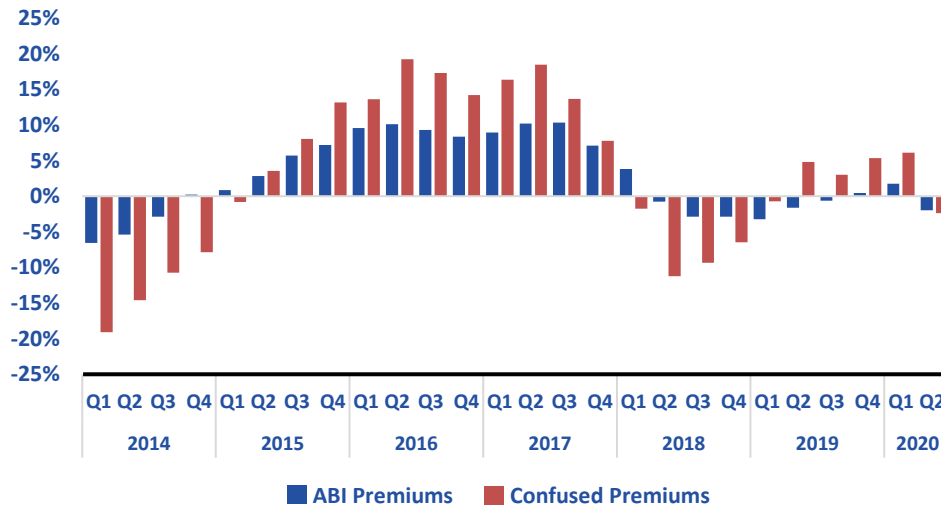
Potential decrease in frequency

- Less driving as people work from home
- Second wave of virus?
- Recession?

- Strong initial reduction in frequency
 - Increase in new claims volume as mobility restrictions eased
- Severity inflation continued – provided more support for garage network and customers
- Opportunity to more rapidly process existing/older claims



Market average premium¹ (YoY change)



Factors influencing pricing

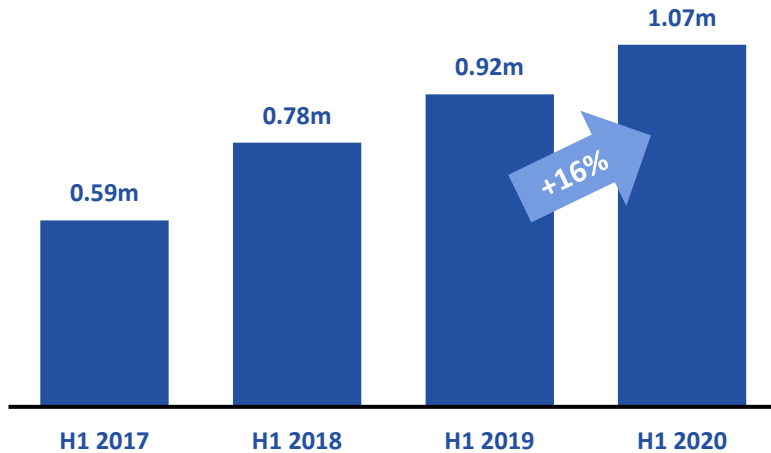
- Claims inflation ↑
- Levy increases ↑
- Covid: Higher/Lower claims frequency – cars on road, WFH, second wave** ↔
- FCA pricing market study ↔
- Whiplash reforms ↓

- Premium decreases due to reductions in frequency during lockdown
 - Confused premium £770: down 2% YoY² and down 5% QoQ³
 - ABI premium £469: down 2% YoY and down 3% QoQ
- Admiral Motor rates up in Q1 followed by decreases in Q2
 - Overall, H1 prices decreased by low single digits
- Uncertain outlook for the future

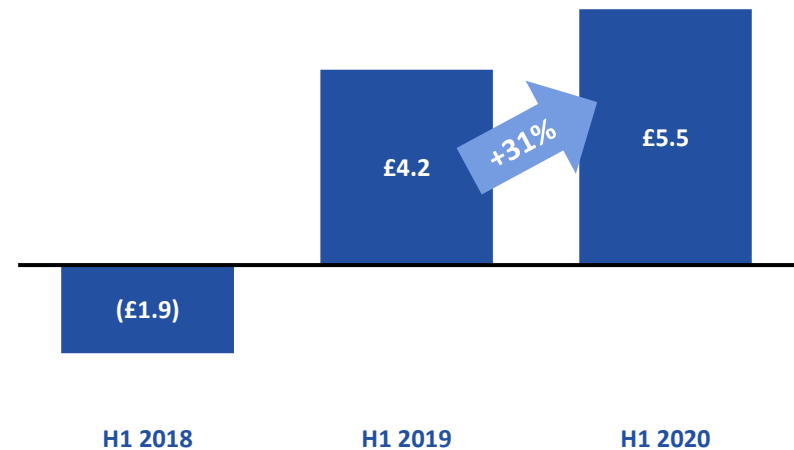
Household continues to grow; Covid impact limited



Active customer base (m)



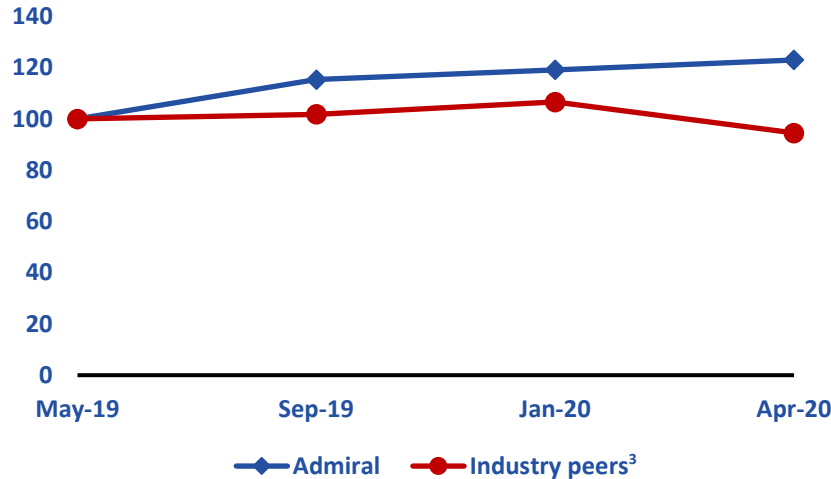
Household profit/loss (£m)



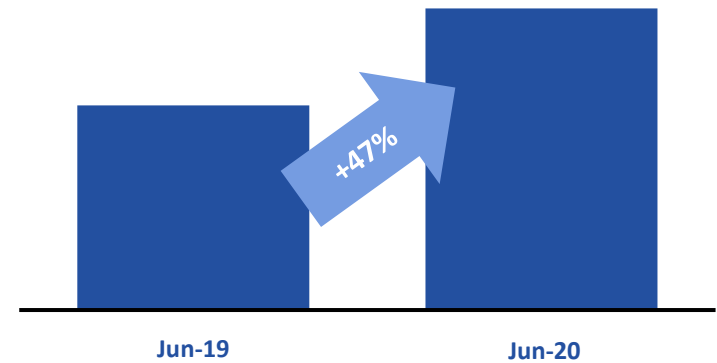
- Storms (Ciara, Dennis and Jorge) – over 4000 claims, impact of c.£5m net of Flood Re recoveries
- Covid impact
 - Change in claims mix – lower EoW & theft; higher accidental damage
 - Strong shift to digital channels

Premium refund strengthens brand and Covid impact accelerates digital transformation

Brand consideration^{1,2}
(Indexed to 100 May-19)




New Business online sales
(YoY change)




- Brand strengthened as Admiral prioritised customers
- Digital service transactions increased by >100% year on year
- Record log-in volumes for MyAccount (online portal) every month from February onwards



UK Insurance summary

 **Strong releases, a testimony to our underwriting capabilities**

 **UK Motor growth impacted by Covid but starting to recover; whilst retention improved**

 **Severe drop in motor frequency during lockdown**

 **Household continues to grow, with lower Covid impact but change in claims mix**

International Insurance

Costantino Moretti - Head of International Insurance

INITIATIVE
#LYDIA

#actionsolidaire

Logo of l'olivier

INITIATIVE
#POUREUX

#actionsolidaire

Logo of l'olivier

INITIATIVE
#ALIMENTATIONCITOYENNE

#actionsolidaire

Logo of l'olivier



INITIATIVE
#1LETTRE1SOURIRE

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INITIATIVE
#CROIXROUGEHEZVOUS

#actionsolidaire

Logo of l'olivier



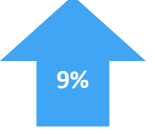

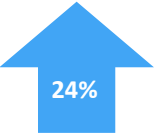


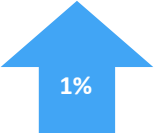
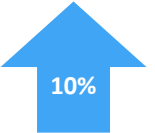



INITIATIVE
#MALIBRAIRIEDEQUARTIER

#actionsolidaire

Logo of l'olivier



International Insurance – sustainable growth

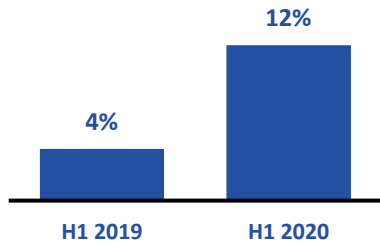
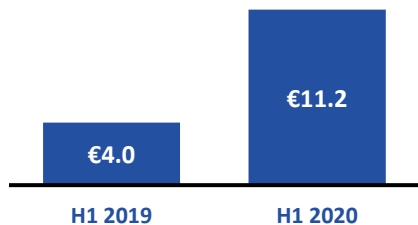
	Turnover (\$/€)	Customers
ConTe 	 €122m H1 2019 : €121m	 712k H1 2019: 656k
L'olivier 	 €73m H1 2019 : €59m	 261k H1 2019: 204k
Admiral Seguros 	 €47m H1 2019 : €46m	 302k H1 2019: 275k
Elephant 	 \$149m H1 2019 : \$159m	 218k H1 2019: 222k

International Insurance – strong prior year development



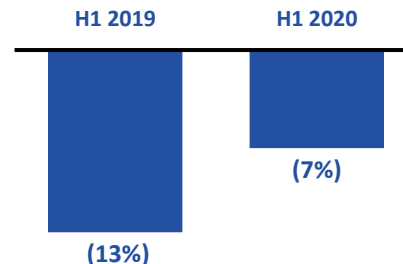
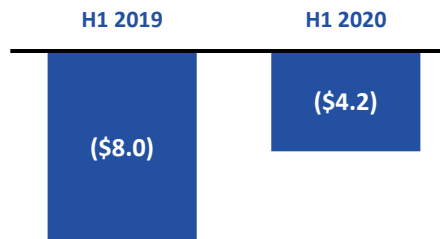
EU combined result (€m)¹

Whole account profit/loss (% of turnover)



Admiral share of loss (\$m)²

Whole account loss (% of turnover)



- LR improvements from prior year releases and positive Covid impact
- Covid response – continue to transfer benefits to customers through product and pricing changes

- LR improvements remain a key focus
- Premium impacted by
 - Shift to 6 month policies (customer demand)
 - Cautious growth
 - Covid impact
- Continued focus on digital transformation

International Insurance summary



International growth temporarily impacted by Covid



Slightly higher European profit driven by both prior year releases and Covid



Elephant continues to focus on LR improvements and improving business fundamentals

Comparison

Elena Betes – Online Comparison Portals Director



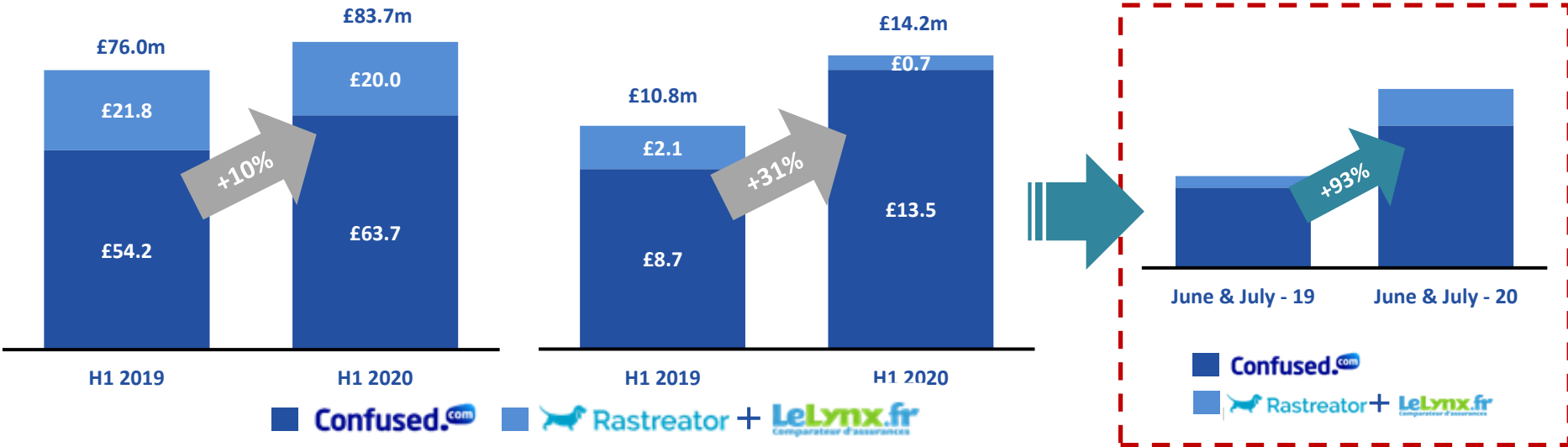
WE ARE STRONGER TOGETHER

European comparison sites remain resilient despite major Covid disruption

Turnover (£m)

Profit before tax (£m)

Profit before tax² (£m)



- Strong start to 2020, followed by large-scale Covid disruption
 - Continental European operations largely impacted
- Confused.com continues to grow strongly driven by strong market share increases¹ - Motor +c.15%; Household +c.28%
- Rapid response across operations
 - Reduced media investment
 - Focus on helping partners to adapt to crisis
 - Innovating to improve conversion
- Signs of recovery in June and July

Comparison beyond Europe – challenge and opportunity



59.25% Admiral share

Admiral share of loss¹ (\$m)



- Substantially reduced losses despite Covid impact
 - Partly driven by improved conversion



51.25% Admiral share

Admiral share of loss¹ (£m)



- Rastreator.mx (Mexico)
 - Strong performance, good growth in H1
 - Comfortable media breakeven

International Comparison summary



**Comparison businesses have remained resilient,
despite Covid challenges**



Strong growth, particularly in recent months



**Continue to build on synergies across Comparison
businesses**



Loans

Scott Cargill - Admiral Financial Services CEO

100,000

CUSTOMERS

AFSL®

We're building a special lending business for our customers



#inittogether

Welcome back

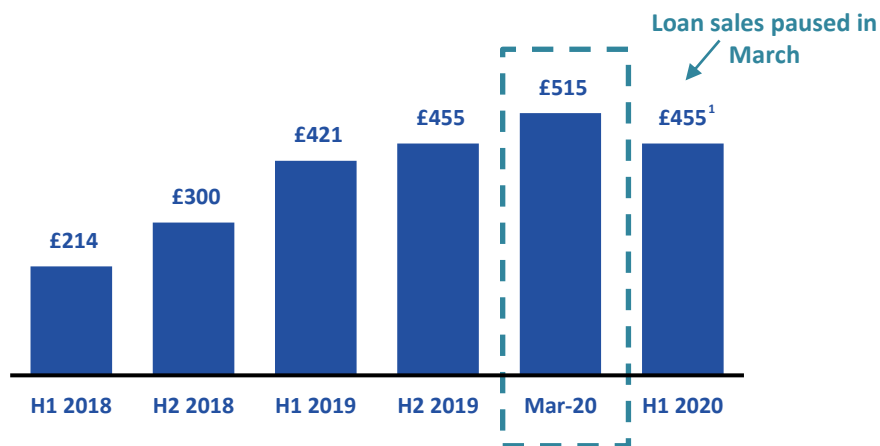
Your Loan

£194.99



Strong controlled growth in balances over time

Loans Stock Balance (£m)



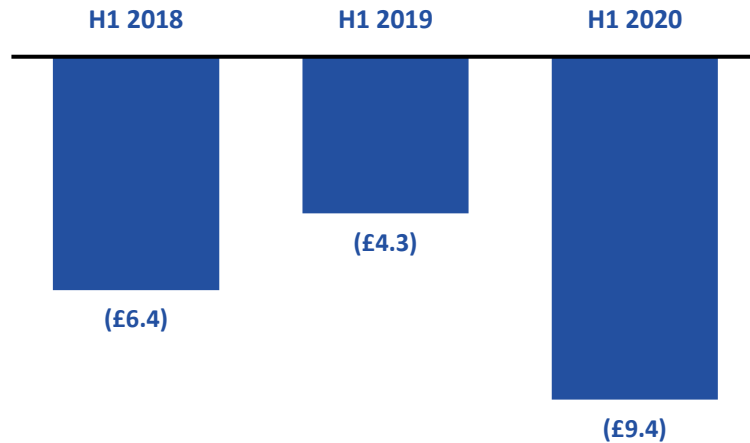
Average Loan Profile

- Mainly unsecured fixed term loans, with minor portion of secured used car finance also offered
- Average loan size: **£7k**
- Average APR: **8-9%**
- Average term: **49 months**

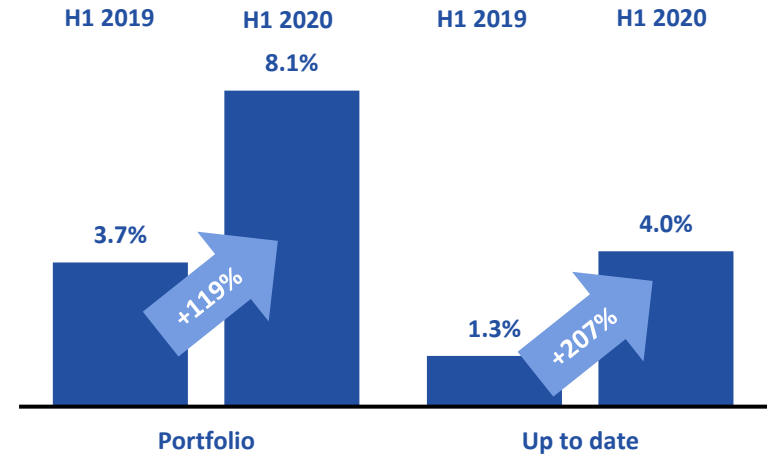
- Prime loans book, controlled growth, tightening credit rules in 2019/2020
- Existing funding lines secured and extended
- Pre-Covid
 - Strong (record low) loss outcomes in Q1 2020
 - Second generation pricing structure showing early signs of increase in margin
- Took early action on pricing and paused new business from mid-March 2020

Rapid response to Covid crisis leaves us well placed for future growth

Loans profit/loss (£m)



Coverage ratio¹



- Small portion of book on payment holidays vs competitors – confirmed prime bias
- H1 balance sheet position of £40m provision for £495m
- Economic uncertainty drives more prudent approach/outlook
 - Loans balance expected to be lower than original guidance – revised range of £500-600m in 2021
 - Allowing for FY 2020 loss in range of £12-16m, largely driven by increased provisions
- Evolution of the market post Covid plays to AFSL's strength of caution

Admiral Loans summary



Admiral continues to invest in Loans capabilities



Rapid response to Covid resulting in deferred growth and very prudent provisions



Remain highly cautious about the next 6 months – high level of economic uncertainty



Wrap up

David Stevens – Group CEO

Milena Mondini – Group CEO Designate



2018: ConTe 10th year anniversary

Appendix



Group key performance indicators¹

KPI	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	H1 17	H1 18	H1 19	H1 20
Group Financial														
Turnover £m	1,585	2,190	2,215	2,030	1,971	2,119	2,576	2,958	3,283	3,463	1,446	1,662	1,756	1,690 ²
Customers m	2.7	3.4	3.6	3.7	4.1	4.4	5.2	5.7	6.5	7.0	5.5	6.2	6.7	7.2
Group pre-tax profit ¹ £m	265.5	299.1	344.6	370.7	356.5	376.8	284.3	405.4	479.3	526.1	194.5	211.7	220.2	286.7
Earnings per share	72.3p	81.9p	95.1p	104.6p	103.0p	107.3p	78.7p	117.2p	137.1p	148.3p	57.3p	61.6p	63.0p	82.9p
Dividend per share	68.1p	75.6p	90.6p	99.5p	98.4p	114.4p	141.4p	114.0p	126.0p	140.0p	56.0p	60.0p	63.0p	70.5p
UK Insurance														
Customers (000s)	2,459	2,966	3,019	3,065	3,316	3,612	4,116	4,616	5,238	5,473	4,342	5,075	5,319	5,579
Total premiums £m	1,238	1,729	1,749	1,562	1,482	1,590	1,863	2,098	2,270	2,322	1,022.5	1,167.1	1,186.0	1,102
Reported combined ratio	83.5%	91.9%	90.0%	81.0%	80.0%	79.0%	88.4%	79.7%	83.6%	80.3%	82.4%	80.1%	85.6%	73.2%
UK insurance pre-tax profit £m	275.8	313.6	372.8	393.7	397.9	444.2	338.5	466.6	556.7	597.4	226.2	247.0	254.7	313.8
Other revenue per vehicle £	84	84	79	67	67	63	62	64	67	66	61	67	66	64
International Insurance														
Customers (000s)	195	306	436	515	593	673	864	1,035	1,221	1,420	961	1,125	1,356	1,492
Total premiums £m	71.0	112.5	148.5	168.3	185.4	213.3	331.3	401.4	484.3	562.6	197.2	234.0	288.0	297.6
Reported ³ combined ratio	173%	164%	177%	140%	127%	126%	125%	121%	116%	114%	123%	117%	114%	108%
Int'l car insurance result £m	(8.0)	(9.5)	(24.5)	(22.1)	(19.9)	(22.2)	(19.4)	(14.3)	(1.1)	(0.9)	(10.1)	(0.6)	(2.7)	6.5
Comparison														
Total revenue £m	75.7	90.4	103.5	112.7	107.5	108.1	129.2	143.6	151.0	171.6	72.5	76.6	83.4	90.7
Operating profit/(loss) £m	11.7	10.5	18.0	20.4	3.6	(7.2)	2.7	5.4	8.7	18.0	3.1	3.5	7.4	13.1

Summary income statement¹

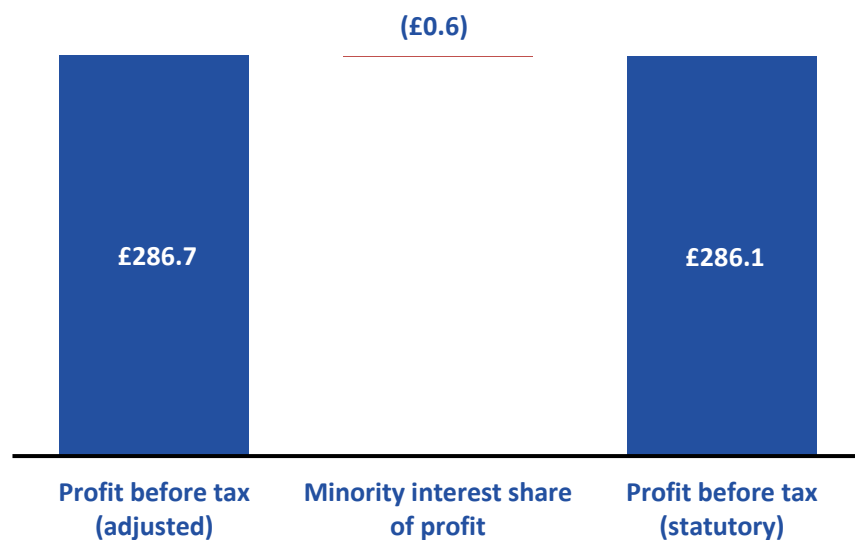
	UK Insurance			International Insurance			Price Comparison			Other			Admiral Group		
	H1 18	H1 19	H1 20	H1 18	H1 19	H1 20	H1 18	H1 19	H1 20	H1 18	H1 19	H1 20	H1 18	H1 19	H1 20
Turnover	1,319.1	1,338.8	1,248.4²	260.1	319.5	329.5	76.6	83.4	90.7	6.2	14.5	21.0	1,662.0	1,756.2	1,689.6
Total premiums written	1,167.1	1,186.0	1,101.6	234.0	288.0	297.6				0.0	0.0	0.0	1,401.1	1,474.0	1,399.2
Gross premiums written	856.8	878.1	827.0	224.8	277.0	287.5				0.0	0.0	0.0	1,081.6	1,155.1	1,114.5
Net premiums written	274.4	279.7	260.3	74.5	91.9	114.1				0.0	0.0	0.0	348.9	371.6	374.4
Net earned premium	254.7	264.7	251.7	66.2	80.6	95.5				0.0	0.0	0.0	320.9	345.3	347.2
Investment income	15.8	15.9	30.6	0.6	0.9	(0.1)				0.7	1.7	2.6	17.1	18.5	33.1
Net insurance claims	(129.1)	(130.2)	(76.2)	(49.7)	(66.0)	(63.3)				0.0	0.0	0.0	(178.8)	(196.2)	(139.5)
Insurance related expenses	(39.8)	(43.7)	(48.0)	(25.3)	(26.7)	(37.7)				0.0	0.0	0.0	(65.1)	(70.4)	(85.7)
Underwriting result	101.6	106.7	158.1	(8.2)	(11.2)	(5.6)				0.7	1.7	2.6	94.1	97.2	155.1
Profit commission	29.6	36.1	44.6	0.0	0.0	0.0				0.0	0.0	0.0	29.6	36.1	44.6
Gross ancillary revenue	109.1	105.3	98.8	7.7	8.7	12.8				0.0	0.0	0.0	116.8	114.0	111.6
Ancillary costs	(30.8)	(35.9)	(35.9)	(1.4)	(1.6)	(2.7)				0.0	0.0	0.0	(32.2)	(37.5)	(38.6)
Instalment income	38.1	42.8	48.4	1.3	1.4	2.0				0.0	0.0	0.0	39.4	44.2	50.4
Gladiator contribution										(0.4)	0.6	0.0	(0.4)	0.6	0.0
Comparison revenue							76.6	83.4	90.7				76.6	83.4	90.7
Comparison expenses							(74.0)	(78.0)	(78.2)				(74.0)	(78.0)	(78.2)
Loans contribution										(6.4)	(4.3)	(9.4)	(6.4)	(4.3)	(9.4)
Interest income										0.4	1.0	0.4	0.4	1.0	0.4
Other (mainly share scheme)										(27.6)	(33.0)	(34.5)	(27.6)	(33.0)	(34.5)
Interest payable										(5.6)	(5.5)	(6.0)	(5.6)	(5.5)	(6.0)
Profit/(loss) before tax	247.6	255.0	314.0	(0.6)	(2.7)	6.5	2.6	5.4	12.5	(38.9)	(39.5)	(46.9)	210.7	218.2	286.1

Balance sheet

	Jun-19 £m	Dec-19 £m	Jun-20 £m
ASSETS			
Property, plant and equipment	163	154.4	150.7
Intangible assets	158.9	160.3	162.2
Reinsurance contracts	1,885.9	2,071.7	1,891.6
Financial assets	2,945.6	3,234.5	3,352.5
Deferred income tax	5.3	-	2.1
Insurance and other receivables	1,192.4	1,227.7	1,227.7
Loans and advances to customers	420.8	455.1	455.3
Cash and cash equivalents	461.4	281.7	396.3
Total assets	7,233.3	7,585.4	7,638.4
EQUITY			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	740	840.9	947.4
Other reserves	57.7	55.1	78.9
Total equity (shareholders)	811.1	909.4	1,039.7
Non-controlling interests	11.5	9.2	11.2
Total equity	822.6	918.6	1,050.9
LIABILITIES			
Insurance contracts	3,929.1	3,975.0	4,022.6
Financial liabilities	484.5	530.1	644.2
Trade and other payables	1,811.1	1,975.9	1,777.8
Deferred income tax	-	0.4	-
Lease liabilities	143	137.1	132.6
Corporation tax liabilities	43	48.3	10.3
Total liabilities	6,410.7	6,666.8	6,587.5
Total liabilities and equity	7,233.3	7,585.4	7,638.4

Group profit before tax reconciliation

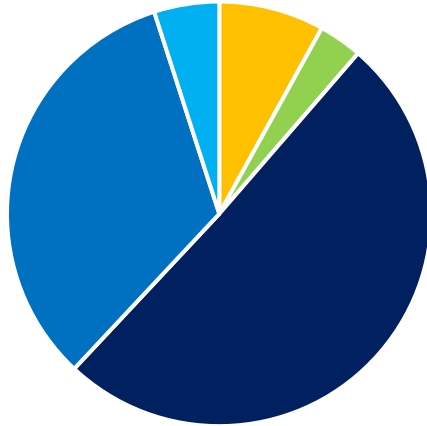
Reconciliation from statutory to adjusted profit before tax (£m)



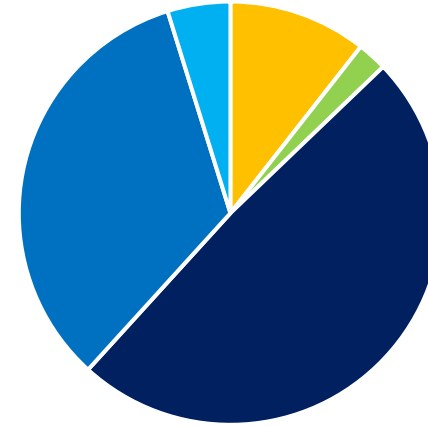
- Admiral has four operations with shared ownership: Rastreator (75.0%); Compare.com (59.25%); Admiral Law (95.0%); Preminen (50.0%)
- Profit or losses in period accruing to minority parties reduce or increase the results respectively

Investment update

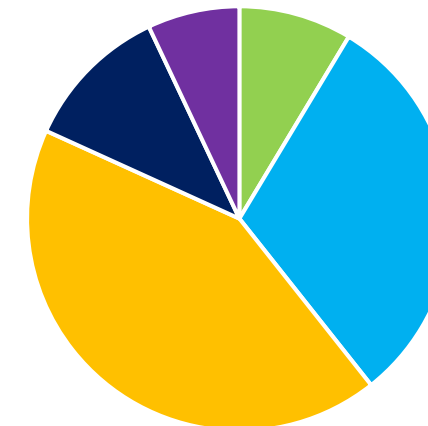
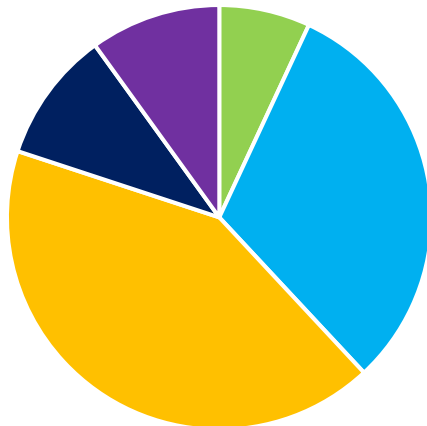
Dec '19: £3,516m



June '20: £3,749m



- Cash
- Deposit
- Fixed Income Investments
- Money Market Funds
- GILTS



- AAA
- AA
- A
- BBB
- Other¹

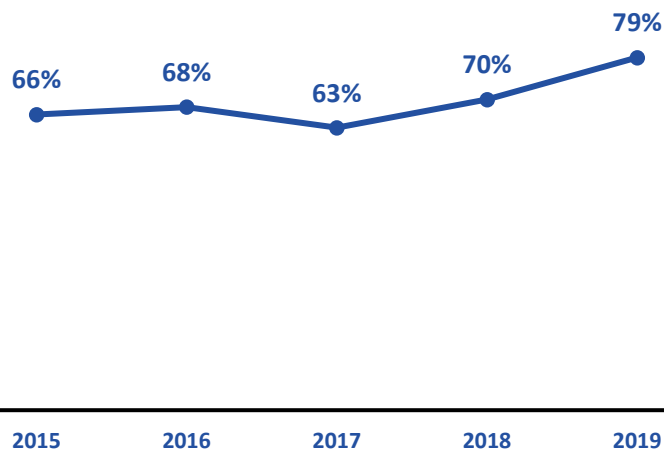
Analysis of Other Group Items

	H1 2020	H1 2019
Other interest & investment income	3.0	2.7
Share scheme charges	(22.8)	(26.2)
Business development	(0.5)	(0.4)
Other central overheads	(11.2)	(5.5)
Finance charges	(5.8)	(5.5)
Total	(37.3)	(34.9)

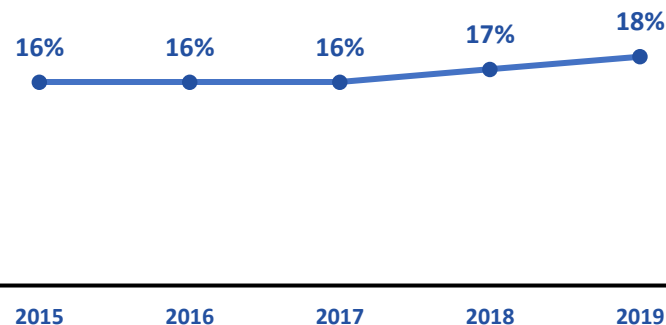
- Admiral Loans – higher loss largely driven by increased provisions due to Covid uncertainty
- Share scheme charges – decrease driven by a reduced number of awards following changes made in 2019, along with a reduced “DFSS bonus” charge due to the lower dividend paid in H1 '20
- Business development costs – represents costs associated with potential new ventures; has remained relatively consistent vs prior period
- Central overheads – increased mainly due to Covid relief fund donation of £6m
- Finance charges – represent interest on the £200 million subordinated notes issued in July 2014

UK Car Insurance: Ultimate loss ratio, expense ratio and combined ratio

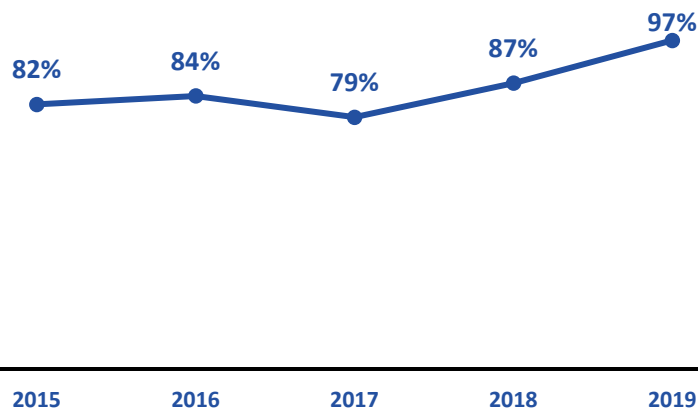
Admiral projected ultimate loss ratio¹



Admiral expense ratio²



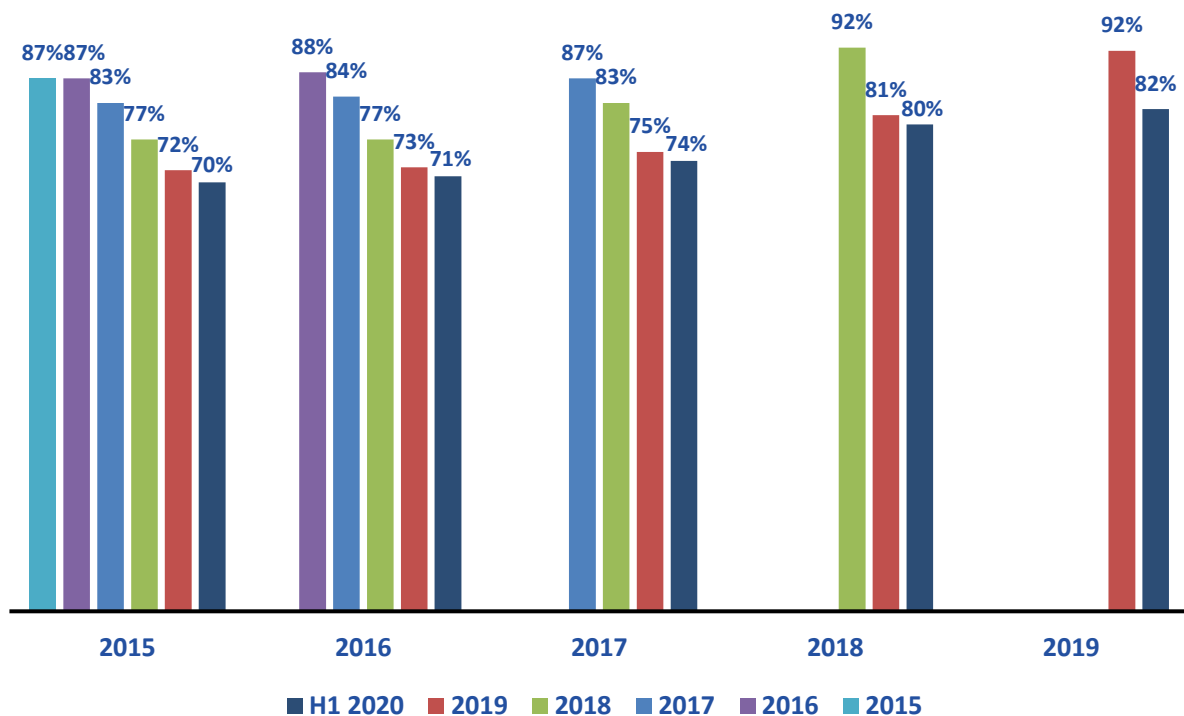
Admiral ultimate combined ratio



- Recent accident year projections tend to be prudent, particularly when adversely influenced by large bodily injury

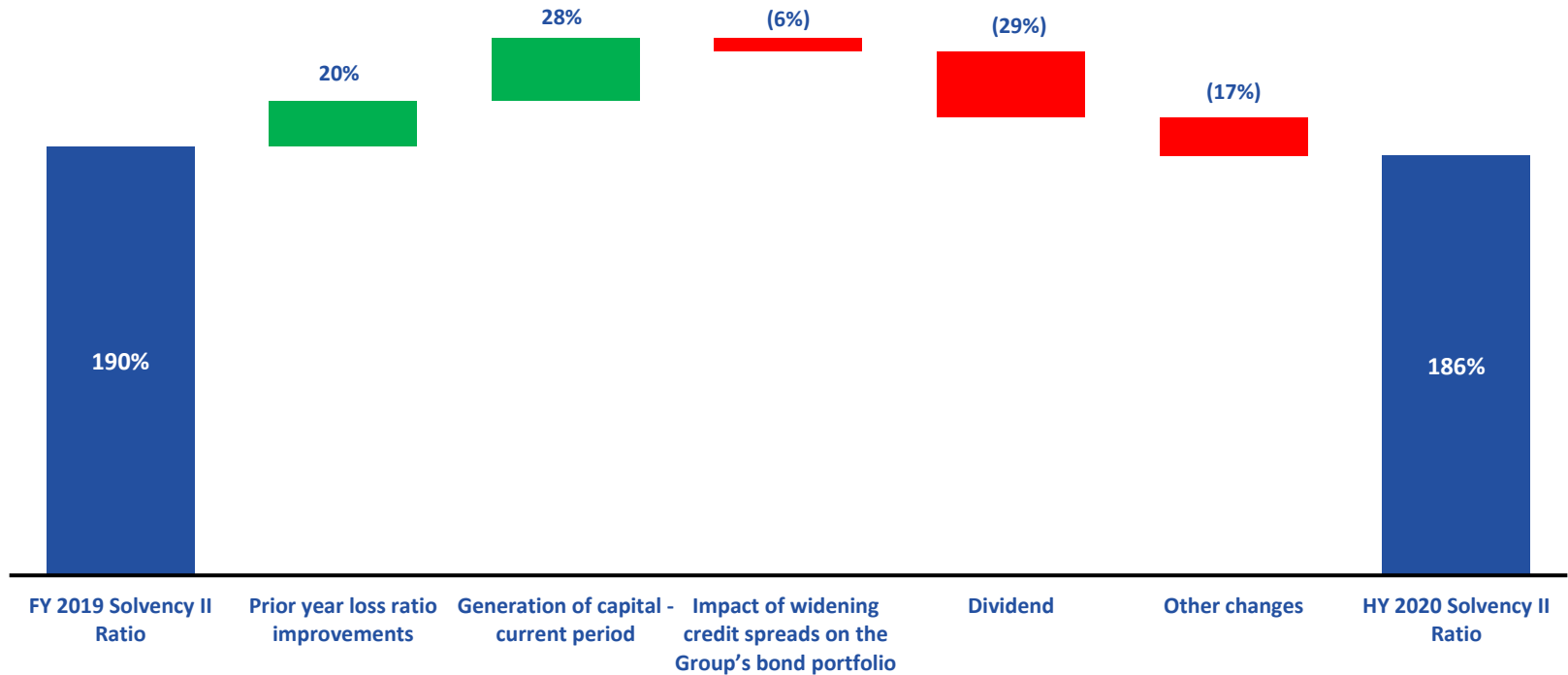
UK Car Insurance: Booked loss ratio development by underwriting year

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

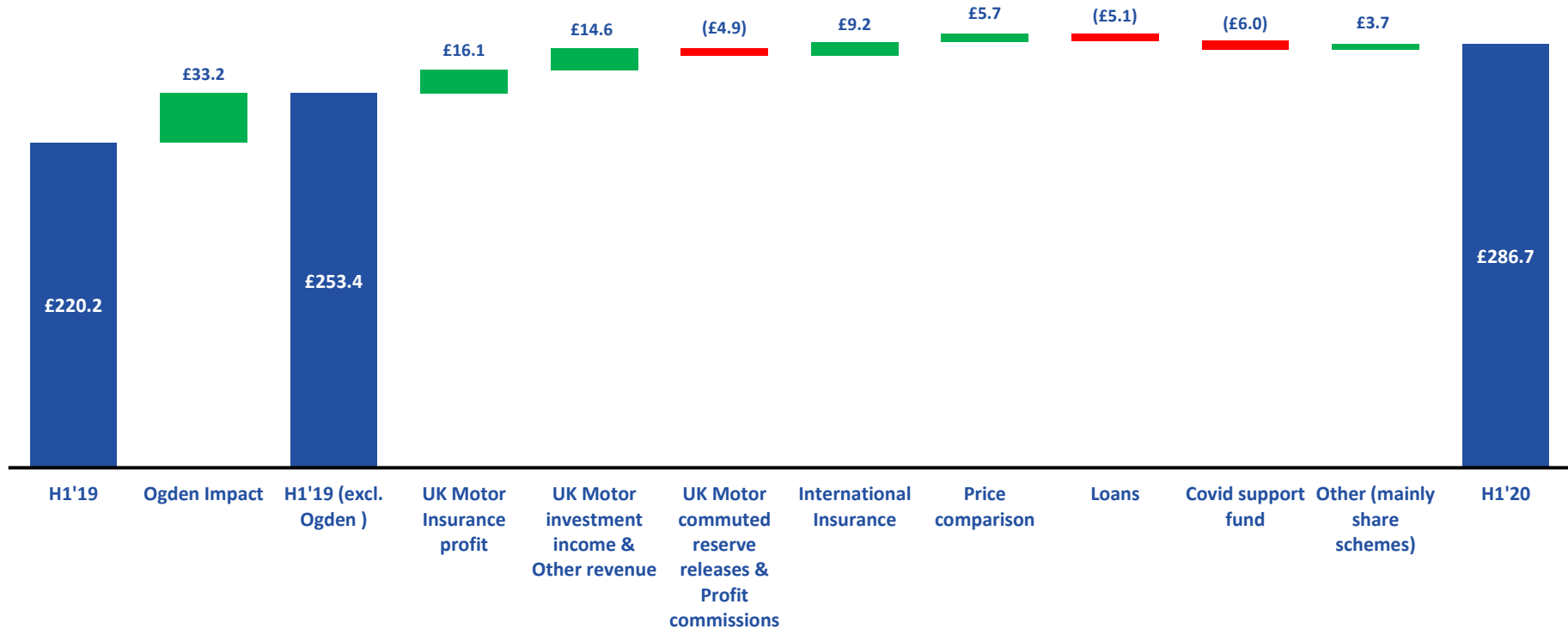


Ultimate loss ratio by underwriting year	
2019	79%
2018	76%
2017	66%
2016	65%
2015	67%

Solvency ratio movements



Adjusted profit before tax breakdown



UK Car insurance: Booked loss ratio sensitivity

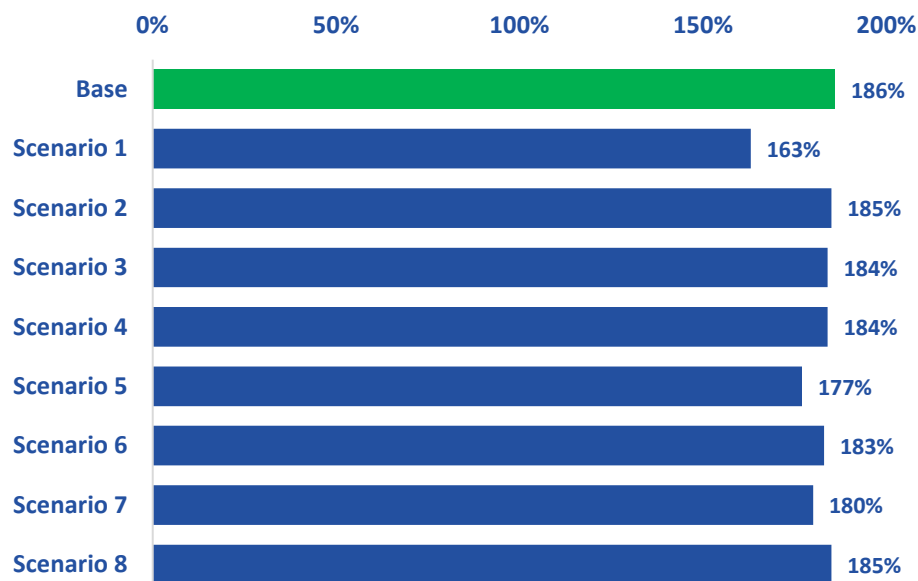
Sensitivity of booked loss ratio (£m)

Underwriting year	2015	2016	2017	2018	2019
Booked loss ratio	70.0%	71.0%	73.5%	79.5%	82.0%
PBT impact of +1% move	-12.0	-14.2	-15.2	-10.5	-3.2
PBT impact of +3% move	-36.1	-42.6	-45.7	-30.9	-9.7
PBT impact of +5% move	-59.4	-70.4	-75.8	-51.1	-16.2
PBT impact of -1% move	12.0	14.2	15.5	12.0	3.2
PBT impact of -3% move	36.1	42.6	46.9	39.1	12.0
PBT impact of -5% move	60.2	71.0	78.3	70.7	21.2

- The impact includes the change in net insurance claims along with the associated profit commission movements that result from changes in loss ratios
- 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

Solvency ratio sensitivities

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



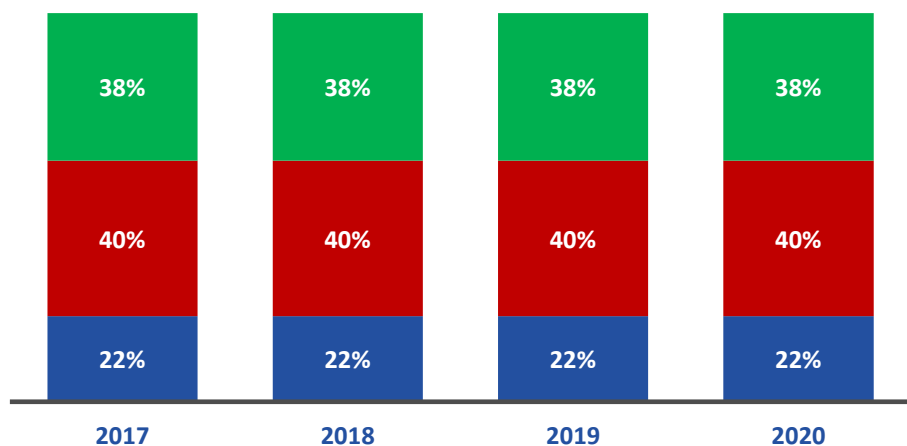
Scenarios

1. UK Motor – incurred loss ratio +5%
2. UK Motor – 1 in 200 catastrophe event
3. UK Household – 1 in 200 catastrophe event
4. Interest rate – yield curve down 50 bps
5. Credit spreads widen 100 bps
6. Currency – 25% movement in euro and US dollar
7. ASHE – long term inflation assumption up 0.5%
8. Loans – 100% weighting to severe scenario¹

UK Reinsurance arrangements

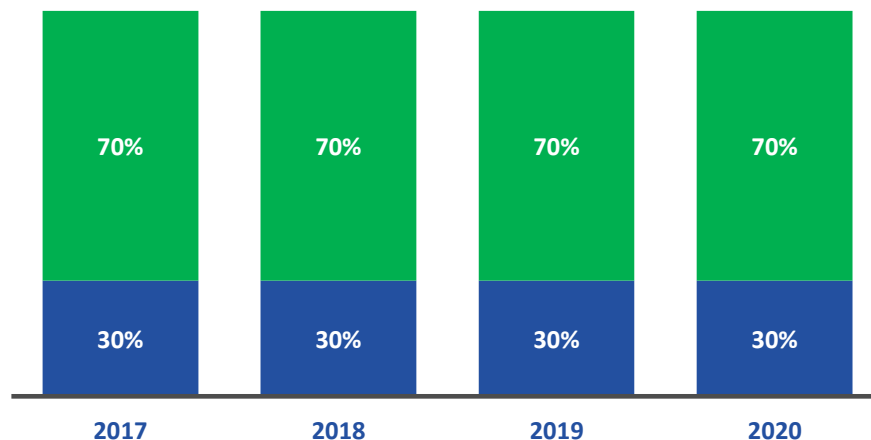
Motor

■ Admiral ■ Munich Re ■ Other



Household

■ Admiral ■ Quota share



- Fully placed reinsurance arrangements until the end of 2020
- Similar contract terms and conditions
- Reduction of underwriting share from 25% to 22% with effect from 2017
- Currently in process with negotiation for contracts beyond 2020

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

Admiral UK Car Co- and Reinsurance¹

Type	Munich Re Proportional ² co-insurance – 30%	Proportional reinsurance (quota share) – 48% (10% Munich Re, 38% other reinsurers)
Cost to Admiral	Variable, depending on combined ratio	Fixed – c2% of premium
Risk protection	Co-insurance	Starts at 100% combined ratio + Investment Income
Profit commission	<p>Key items in profit commission calculation include premium, claims, expenses, share scheme costs, investment income</p> <p>Profit share % variable based on combined ratio and calculated in tranches with a maximum profit share of ca 65%</p>	<p>Fixed fee to reinsurer, then 100% profit rebate to Admiral thereafter</p> <p>Below ~98% combined ratio = 100%</p>
Funds withheld	No	Vast majority
Investment income	Munich Re	Admiral (provided combined ratio <100%)
Instalment income	Admiral	Admiral
Commutation	Not applicable	Admiral has option to commute contracts and typically does this 2 years after the start of the underwriting year

Dividend policy overview and dates

Dividend policy and guidance

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

Dividend dates

Ex-dividend date: 3 September 2020
Record date: 4 September 2020
Payment date: 2 October 2020

Key definitions

Term	Definition
Accident year	The year in which an accident occurs, also referred to as the earned basis.
Co-insurance	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co-insurer is directly liable to the policyholder for their proportional share.
Combined ratio	The sum of the loss ratio and expense ratio.
Commutation	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a particular reinsurance contract.
Expense ratio	Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums.
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements. The rate is set by the Lord Chancellor, the most recent rate of minus 0.25% in England and Wales and minus 0.75% in Scotland implemented on 05 August 2019.
Loss ratio	Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums.
Periodic Payment Order (PPO)	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
Total / Gross / Net Premium	Total = total premiums written including coinsurance Gross = total premiums written including reinsurance but excluding coinsurance Net = total premiums written excluding reinsurance and coinsurance
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
Ultimate loss ratio	The projected ratio for a particular accident year or underwriting year, often used in the calculation of underwriting profit and profit commission.
Underwriting year	The year in which the latest policy term was inception.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.

Admiral brands



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