

# ADMIRAL GROUP plc

2008 Half Year Results

July 2008



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# Agenda

- Henry - Highlights
- David - UK car insurance results, the UK market & Confused
- Kevin - International, reinsurance, dividends
- Henry - Long-term strategy





# Highlights

- Profits in the half-year of £100.3m - an all-time, half-year high for the Group. 16% higher than the first half of 2007
- Vehicle count - 1.63m - up 16% from 30 June 2007 - 9% up from 31 December 2007
- UK vehicle count - 1.56m - up 12% from 30 June 2007 - 8% up from 31 December 2007
- Total premium - £363.2m, up 12% from 30 June 2007, UK Premium growth - 9% from 30 June 2007
- Confused profits - down from £19.7m in H1 07 to £15.6m in H1 08



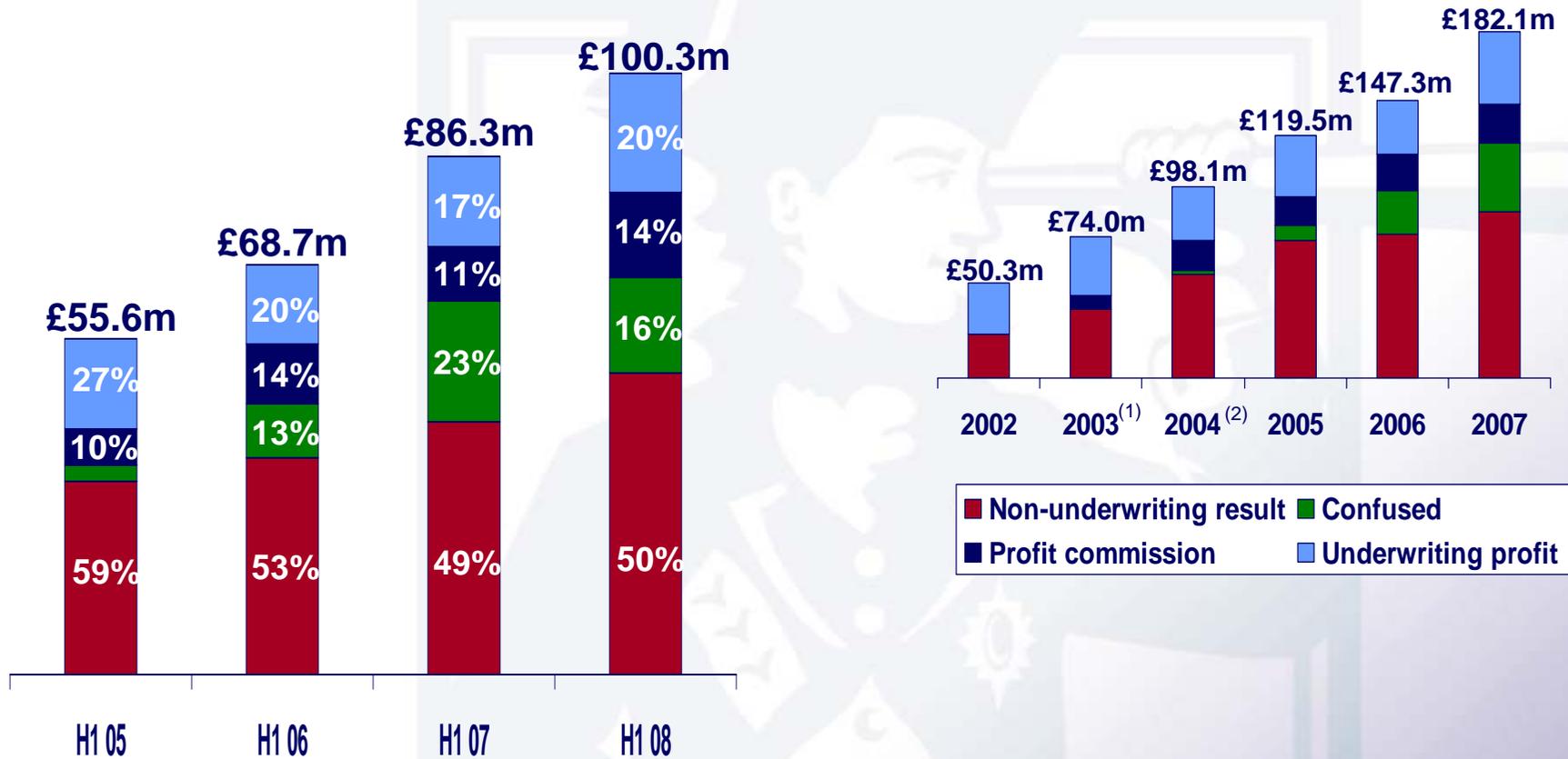
# More Highlights

- Ancillary revenue per vehicle in the UK up from £69 for all of 2007 to £71 for the year to June 2008
- Dividend recommended of 26.0p per share, £69 million in total
- Vehicle count in Spain increased to 60,000, up 258% from end of June 2007 and 27% from end December 2007
- Italy successfully launched on 30 May 2008!
- Reinsurance arrangements in place for 2009 and beyond
- Top 10 in the UK in FT Best Workplaces league table, 34<sup>th</sup> in Europe



# Highly Profitable

## Profit before tax (£m)



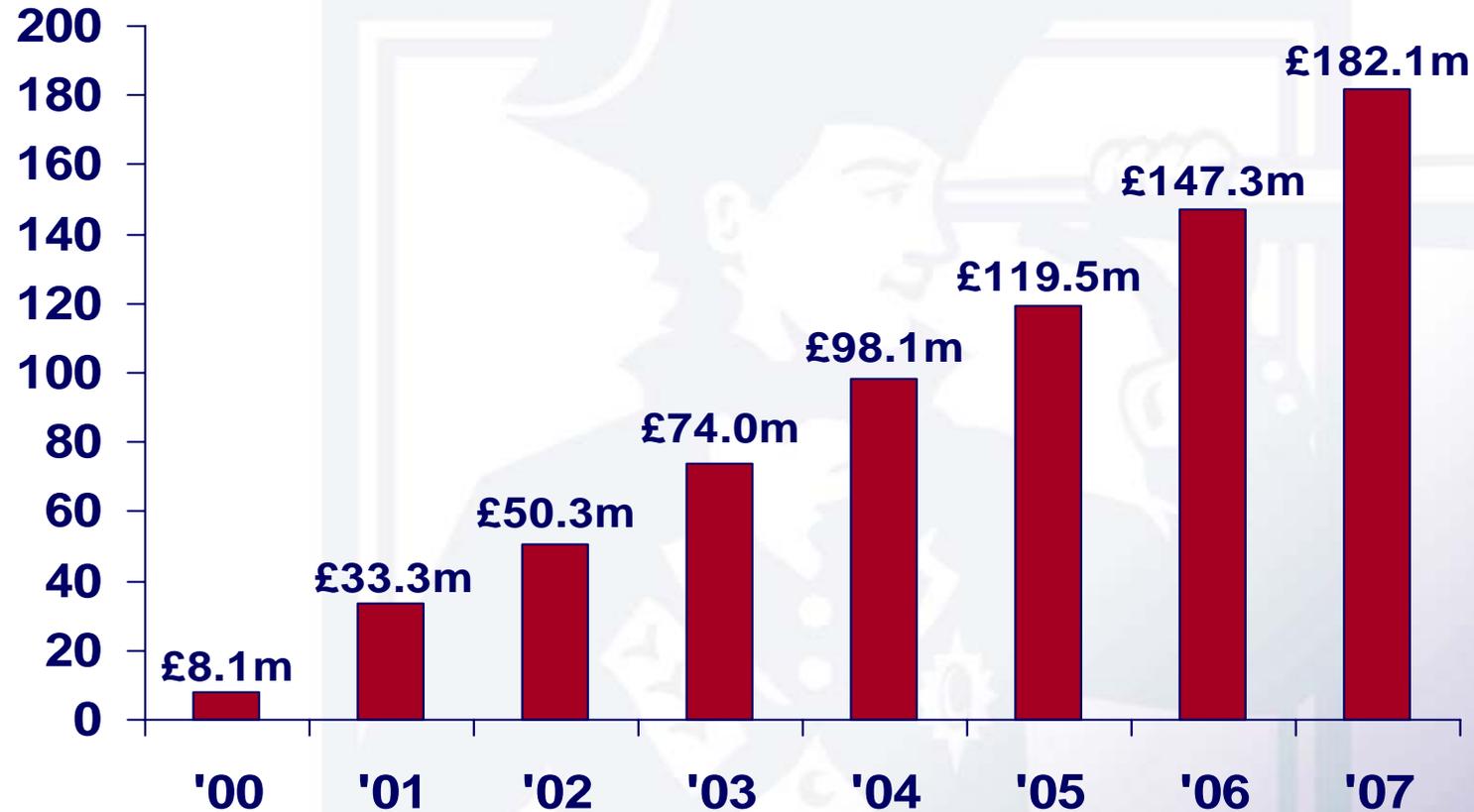
(1) £6m Munich Re profit commission re-allocated from 2004 to 2003 result.

(2) Figures up to 2004 also adjusted for goodwill amortisation, ESOT transactions and bonuses in lieu of dividends.



# Highly Profitable

## Profit before tax (£m)

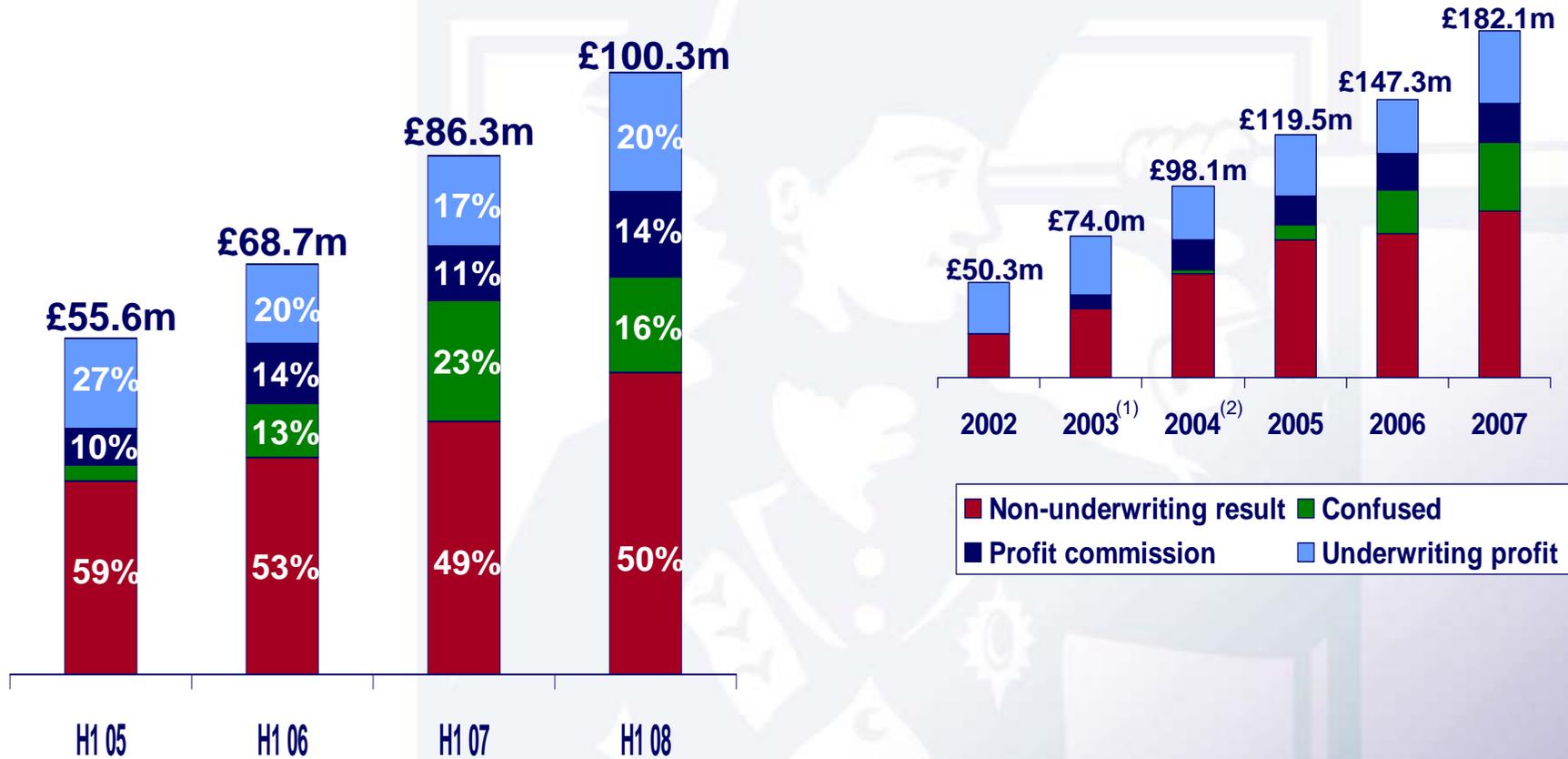


*2000 – 2004 figures adjusted for non-recurring items such as goodwill amortisation. £6m Munich Re profit commission re-allocated from 2004 to 2003 result*



# Highly Profitable

## Profit before tax (£m)

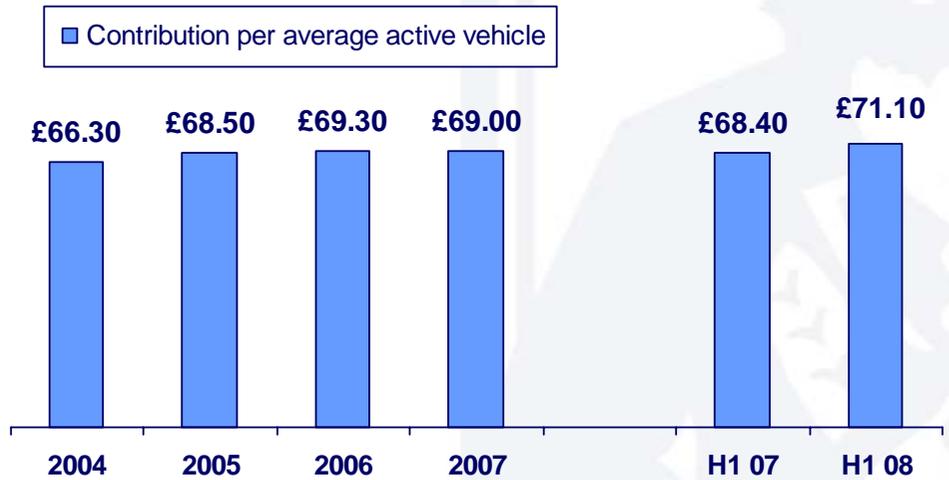
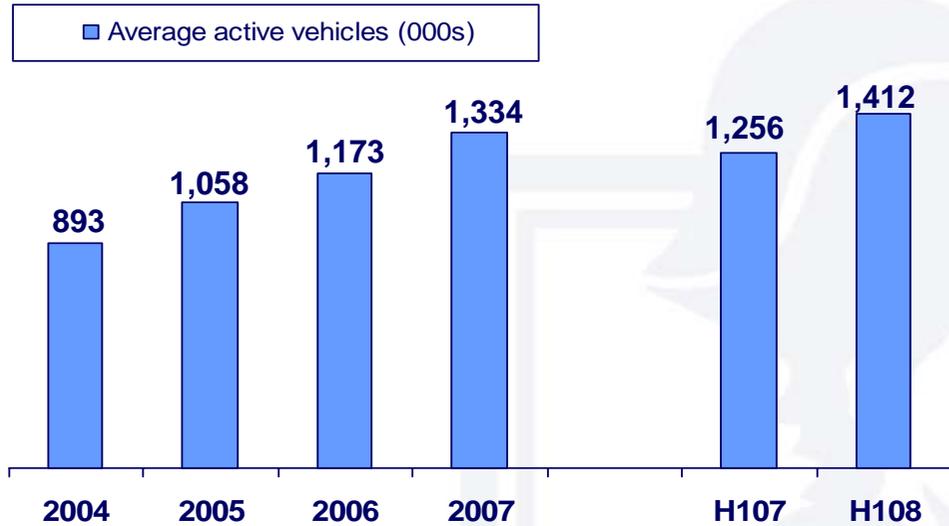


(1) £6m Munich Re profit commission re-allocated from 2004 to 2003 result.

(2) Figures up to 2004 also adjusted for goodwill amortisation, ESOT transactions and bonuses in lieu of dividends.



# Low Risk Profits - Growing UK Ancillary Income



## Ancillary Contribution (£m)<sup>(1)</sup>



(1) Before allocation of overhead expenses



# David Stevens



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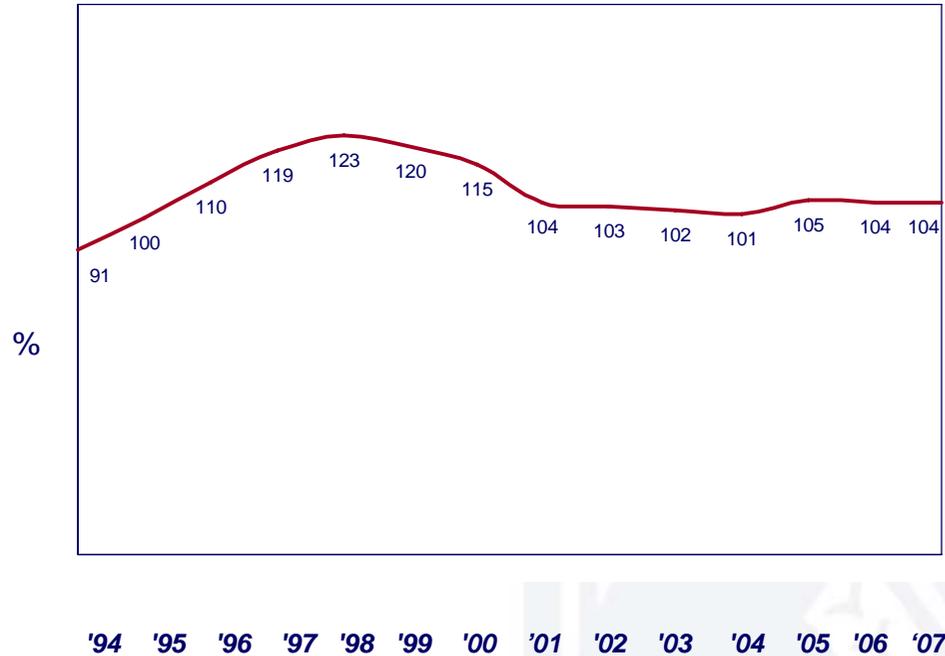


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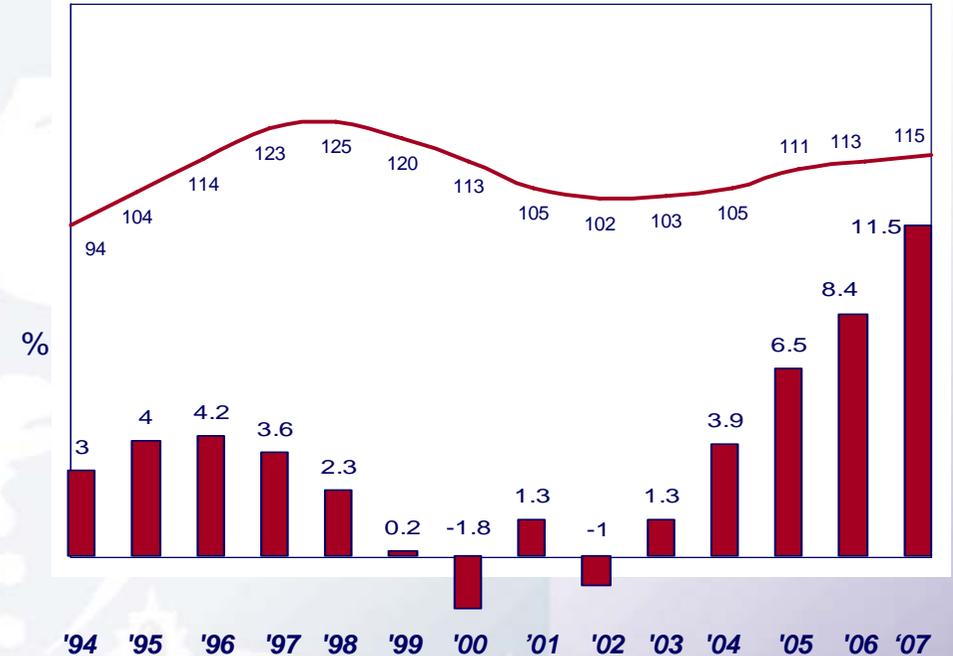


# Ho-hum. Another Record Year For Releases.

### Combined Ratio After Releases (% Premium)



### Combined Ratio Before Releases (% Premium)



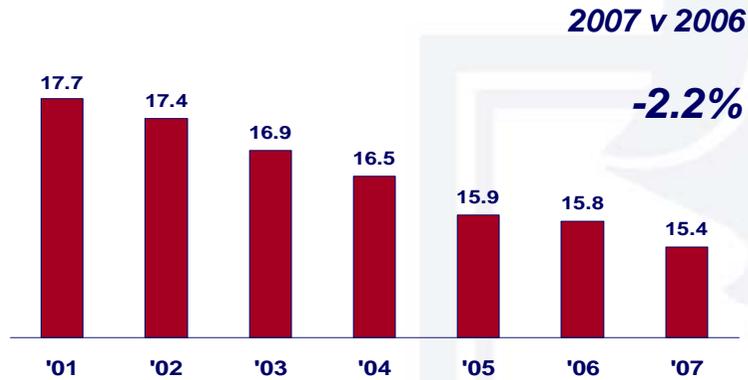
■ = Reserve Releases (% Premium)

Market: 1994-2004 Motor Market, 2005-2007 Private Motor Market..

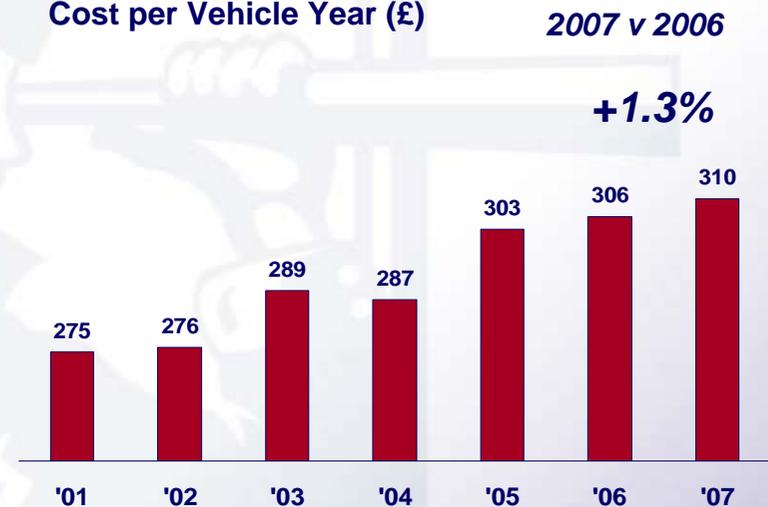


# Subdued Underlying Claims Cost Inflation

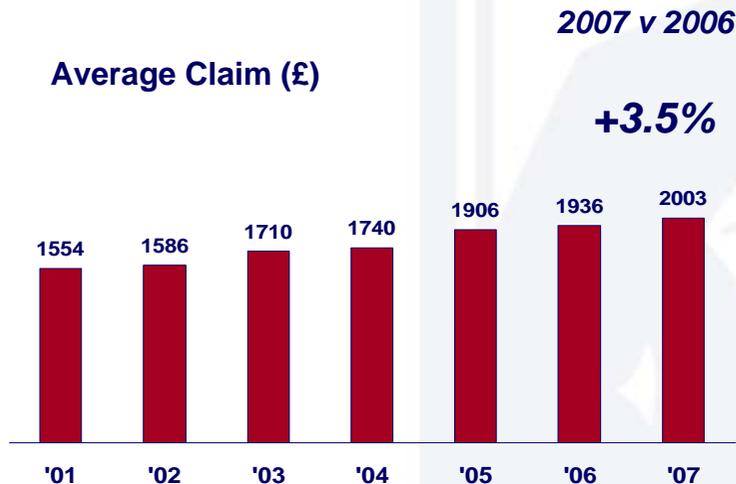
Frequency (%)\*



Cost per Vehicle Year (£)



Average Claim (£)

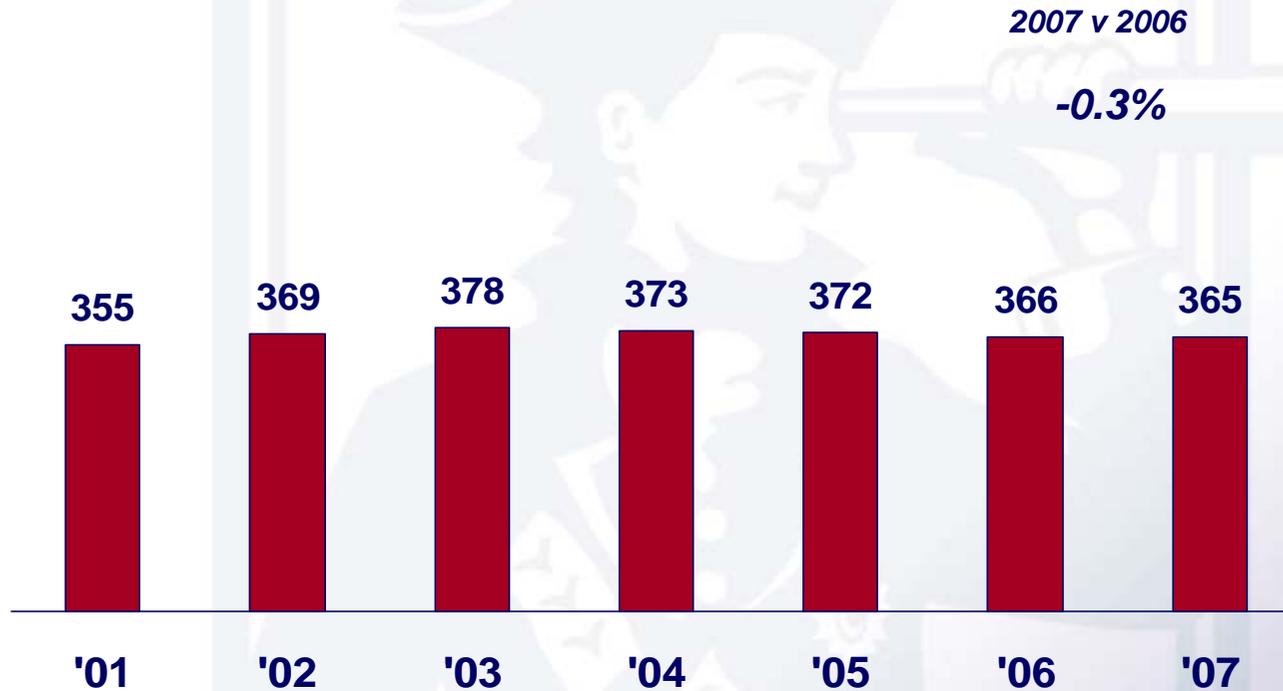


\* Frequency & average claim data sourced from EMB analysis of treasury returns from 01-05 (comp only) & then derived from ABI frequency & treasury cost per vehicle data for 2006/7.



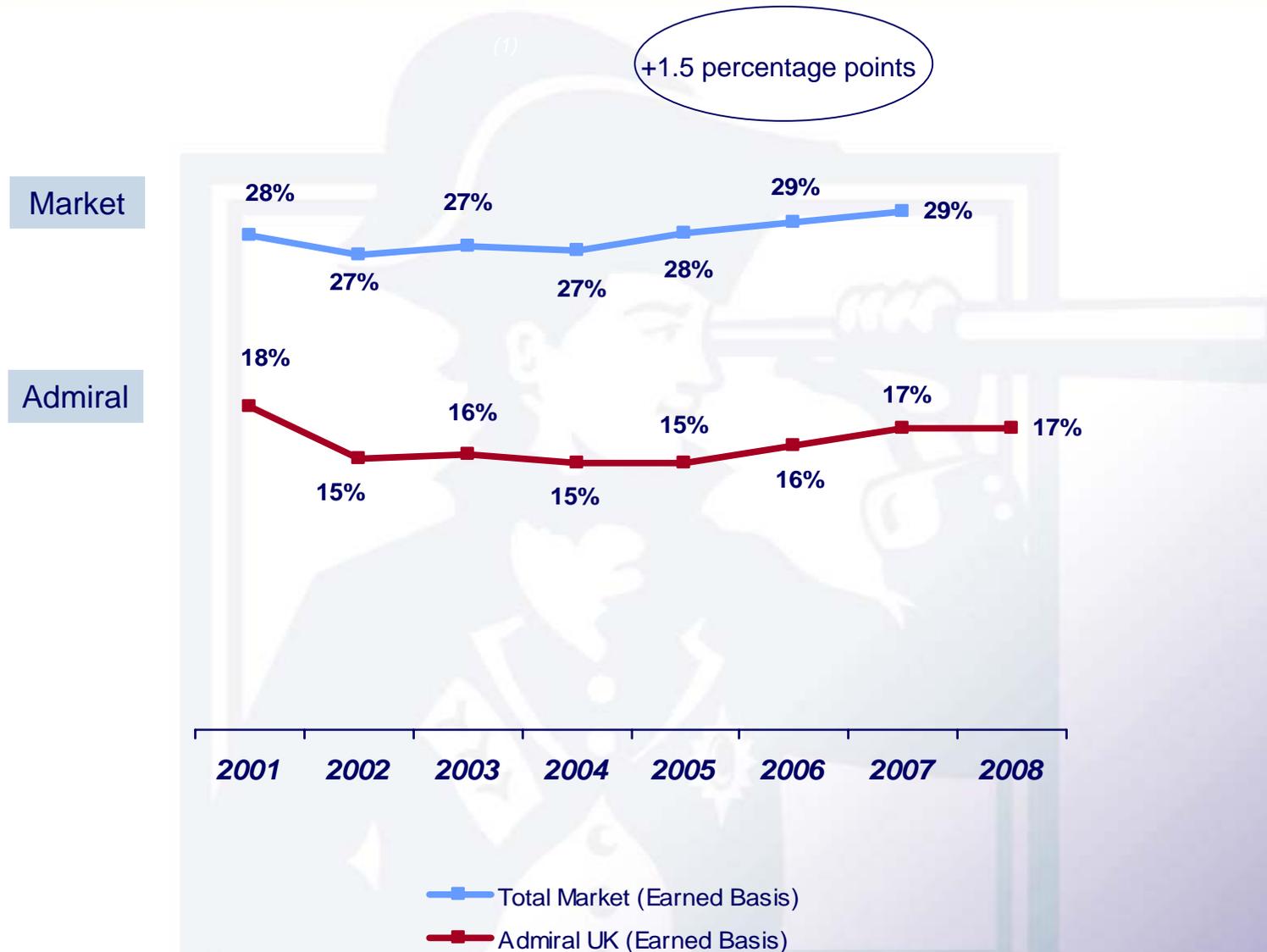
# Price Comparison Sites Offsetting Price Rises

Earned Premium Per Vehicle Year (£)





# Expense Ratio





# Market Expense Ratio Rises – Rising Acquisition Costs

<b>% GWP</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>CHG '07 V. '05</b>
Acquisition Costs	10.7	11.5	12.7	+2.0
Admin Cost	14.2	14.2	13.6	-0.6
Levies*	<u>2.8</u>	<u>2.9</u>	<u>2.9</u>	<u>+0.1</u>
Total	27.7	28.6	29.2	+1.5

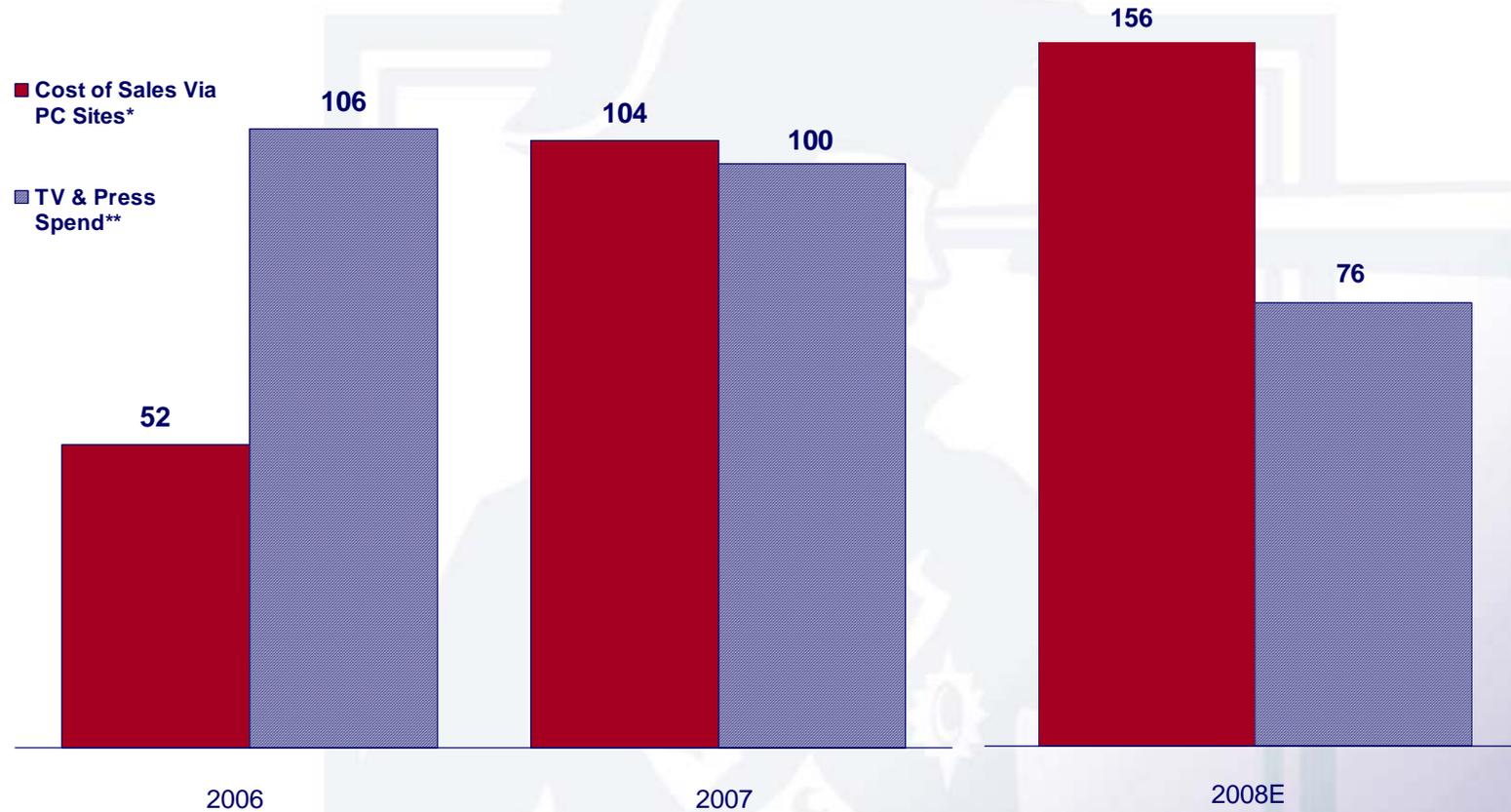
\* Assuming market levies = AGL levies

Source: EMB analysis of Treasury Returns



# Price Comparison Sites – Driving Acquisition Costs Up In Short-Term

## Marketing Spend (£m)



\* Management estimate

\*\* Nielsen TV & Press Spend (2008 = H1 multiplied by 2)



# Relentless Distribution Switch

## Share By Distribution Channel\*



*\*Management estimate partly extrapolated from benchmarks.*



# PC Sites – Increasing Marketing Spend

(TV and Press Spend, Price Comparison Sites, £m)

■ Confidentcover

■ Tesco Compare

□ Beathatquote

■ Compare The Market

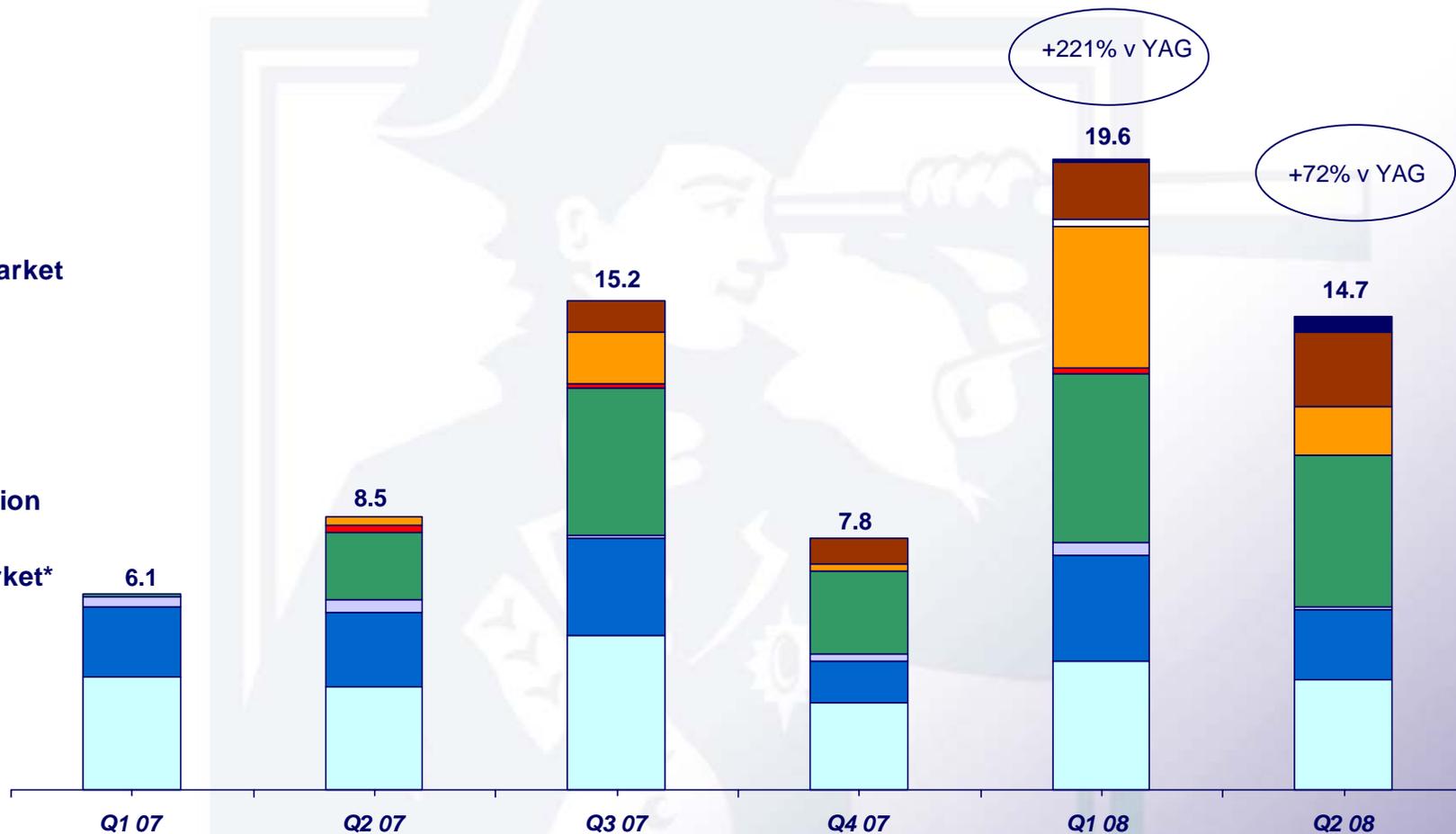
■ Uswitch

■ Go Compare

■ People's Champion

■ Moneysupermarket\*

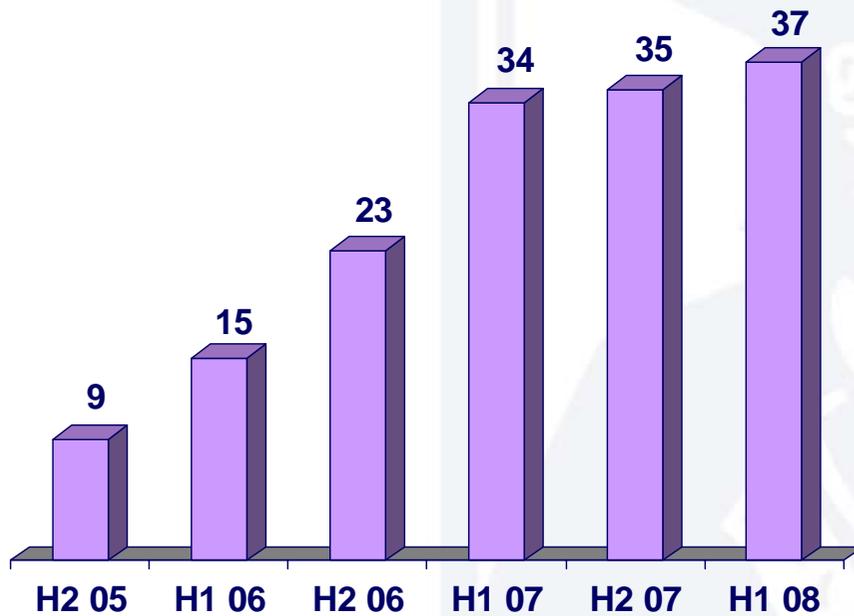
■ Confused



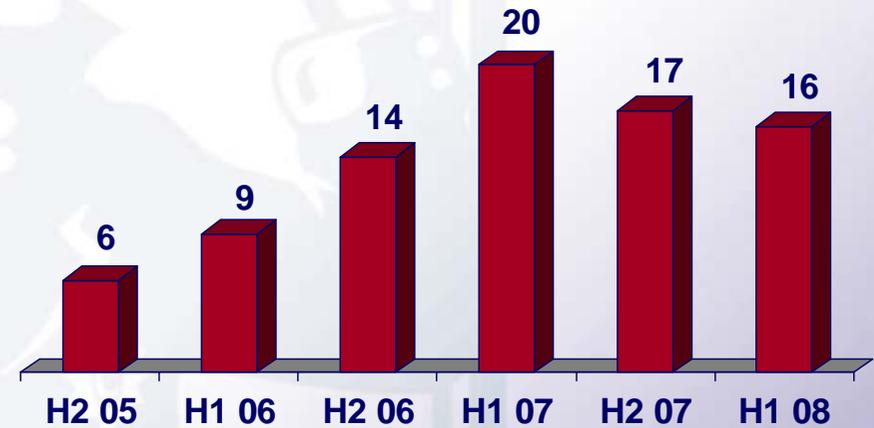
\*50% of MSM's overall Nielsen spend allocated to insurance.



**Turnover by half year**  
£m



**Profit by half year**  
£m

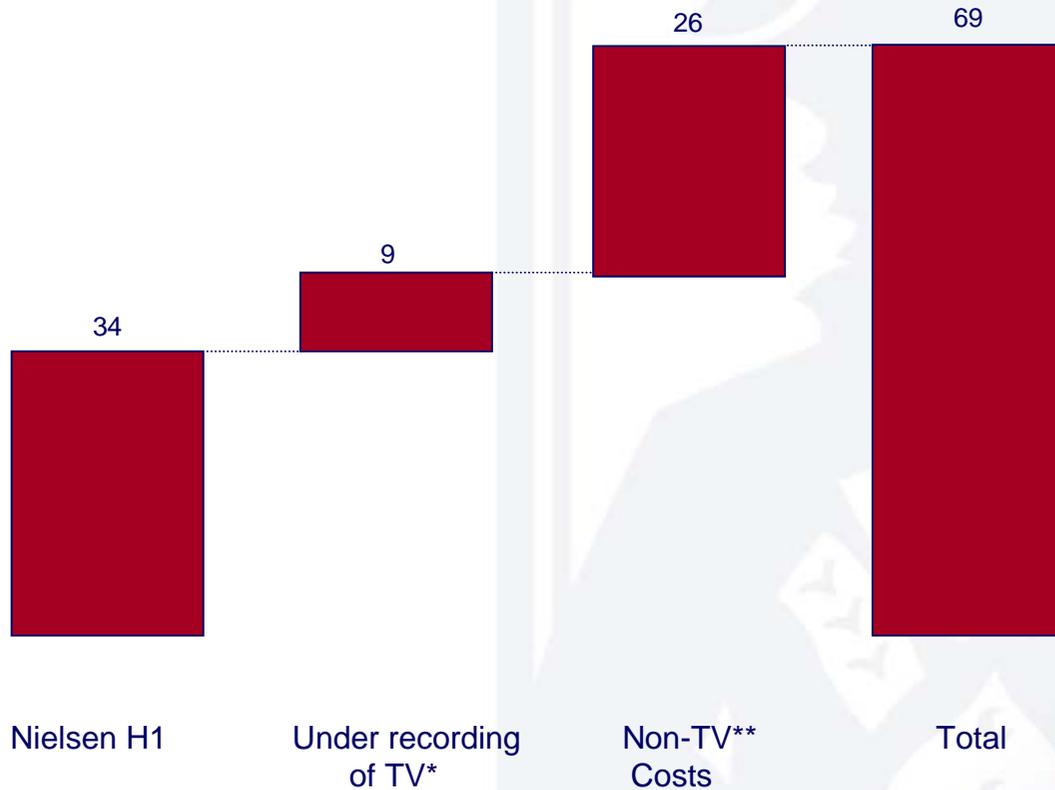




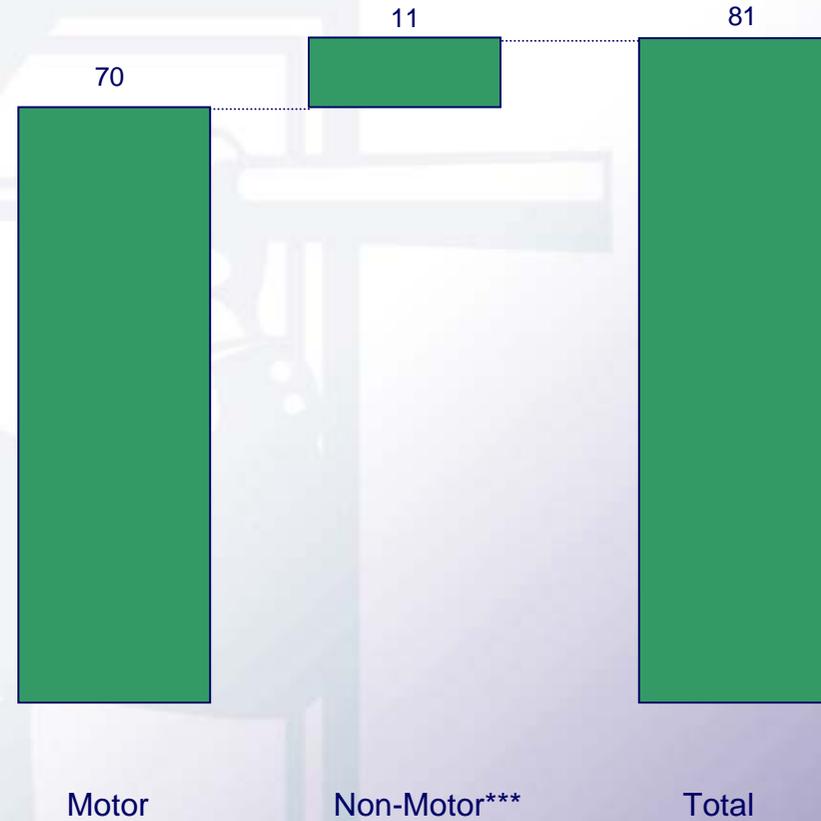
# Insurance PC Market – Overall Economics

## 2008 H1 Expense & Income (£m)

### Expense



### Income



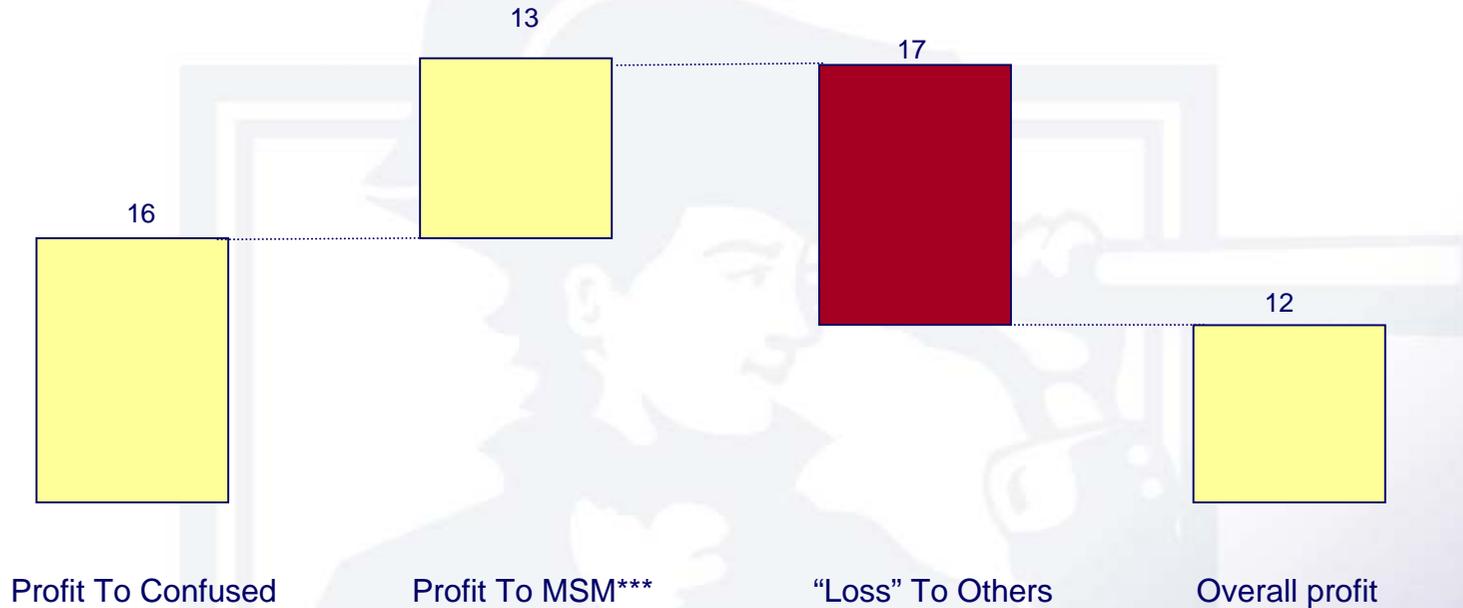
\* Assumed to be circa 20% not captured. \*\* Assumed to be 60% of TV costs.

\*\*\* Assume 15% of Motor.



# Insurance PC Market – Overall Economics (cont)

2008 H1 Profit (£m)

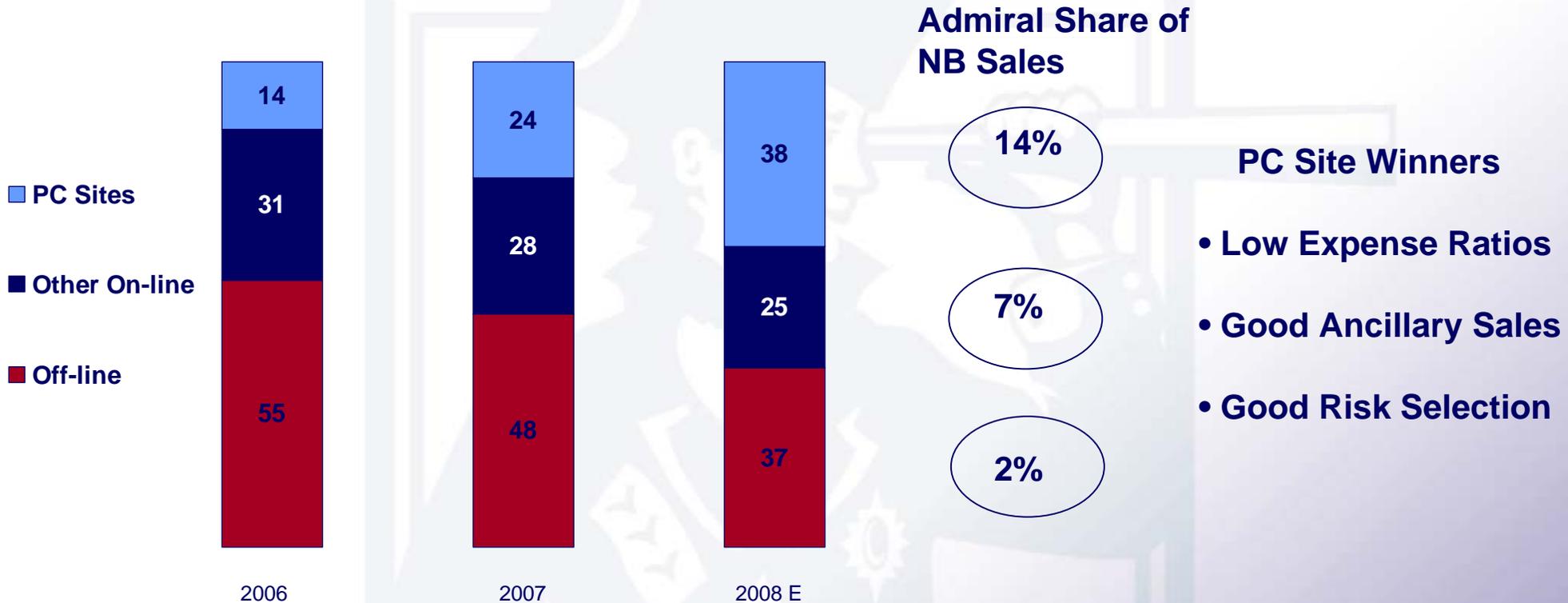


\*\*\* Management estimate of insurance profit



# Relentless Distribution Switch – Impact On Car Business

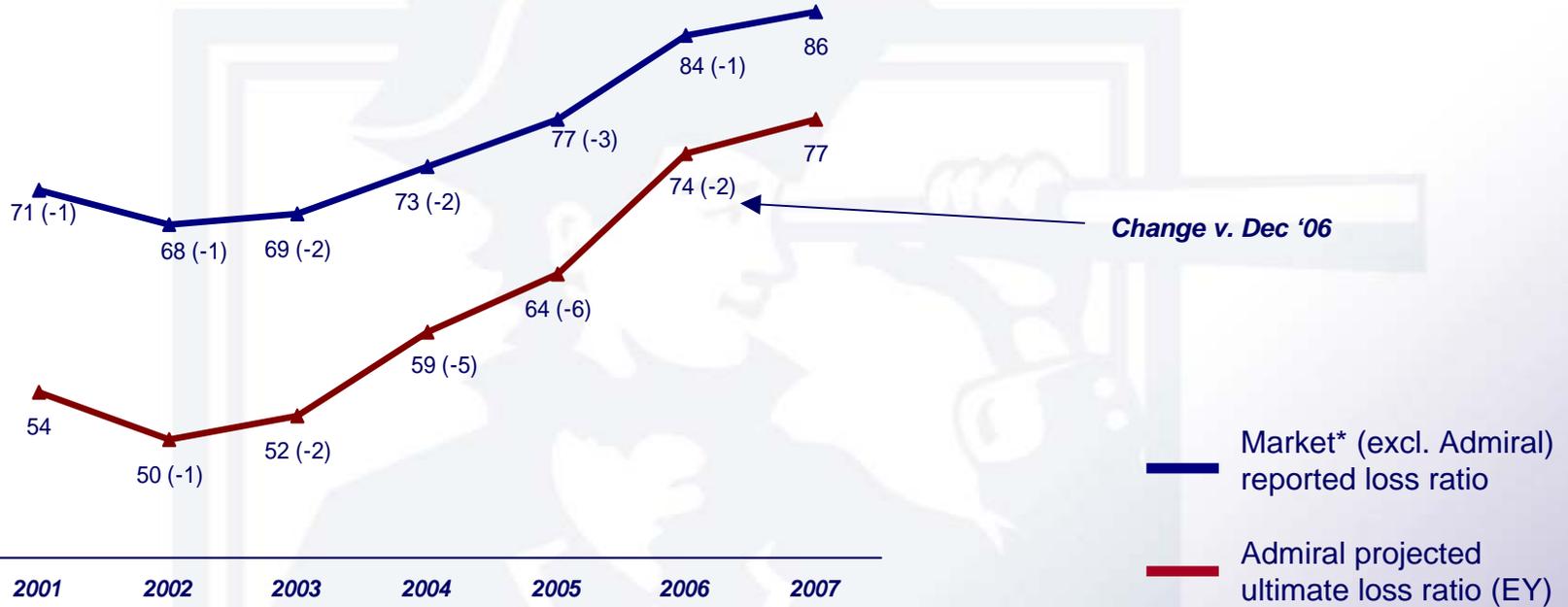
## Share of NB Sales





# Loss Ratio v. Market

(As at Dec 07)



Accident Year

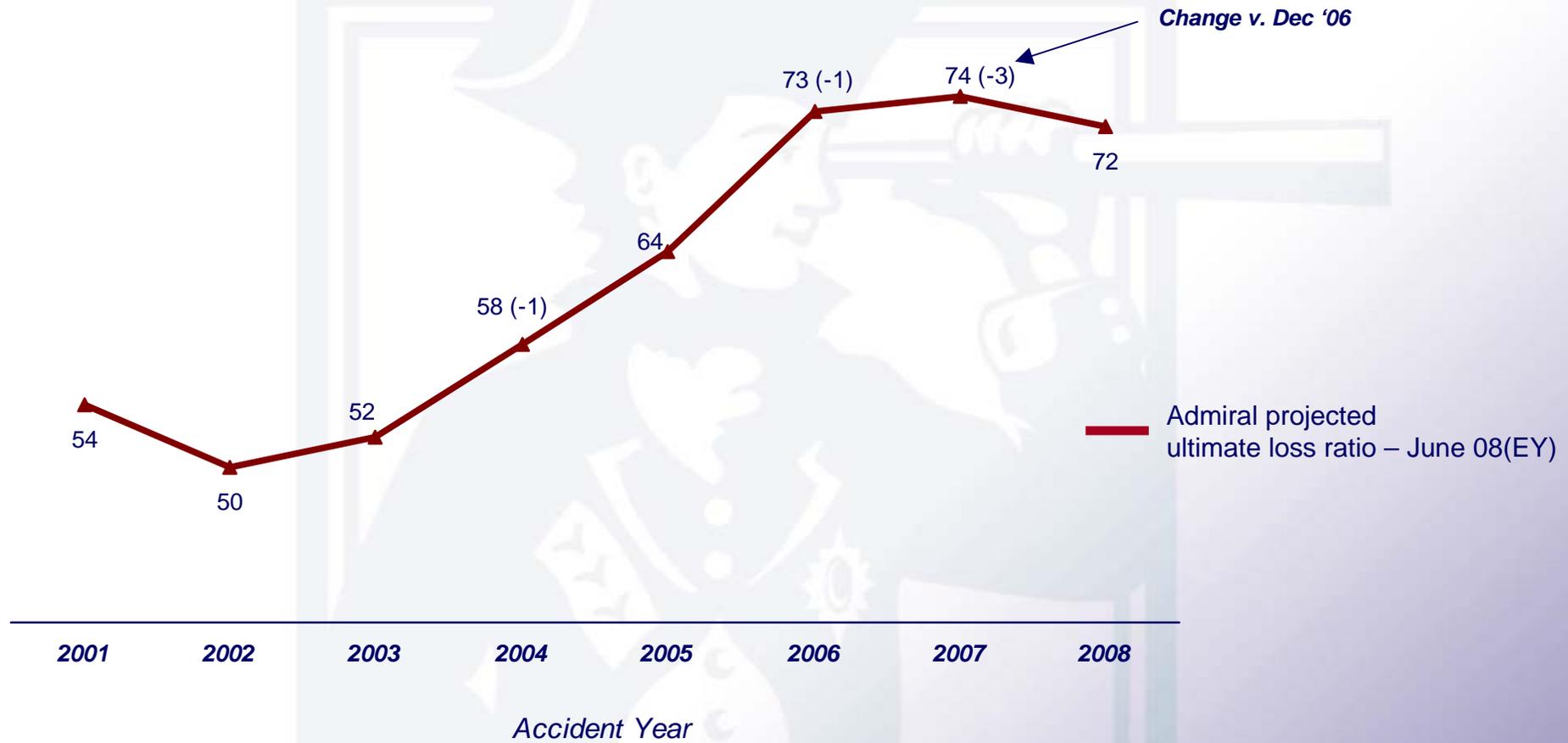
	2001	2002	2003	2004	2005	2006	2007
<b>Out-performance* Dec '06</b>	18	18	17	11	10	9	
<b>Out-performance* Dec. '07</b>	17	18	17	14	13	10	9

\* Market Loss Ratio – Admiral Loss Ratio



# Loss Ratio - July '08

(As at June 08)





# Pricing

	2006	2007	2008H1	<i>Admiral Lagging Rate Increases Slightly</i>
AA Shoparound*	+0.8%	+4.3%	+2.5%	<ul style="list-style-type: none"><li>• RBSI on PC sites</li><li>• Improved underwriting profitability</li><li>• Profitable vehicle growth (+7.4% H1)</li></ul>
Admiral*	+4.0%	+4.4%	+0.2%	

Q1 -1.2%

Q2 +3.8%

\* AA=Comprehensive, New Business    Admiral=All New Business



# Combined Ratio v Market



## Conclusions

- Rapid Distribution Switch
- Core Business Well Positioned To Benefit
- Maintaining Key Combined Ratio Advantage

**Outperformance**  
(% points)

2001 2002 2003 2004 2005 2006 2007 2008

27 30 28 27 26 24 24

Market Share \*\*

1.5%

5.0%

— Market (excl Admiral) reported loss ratio as at Dec 07 plus expense ratio.

— Admiral projected ultimate loss ratio\* plus expense ratio.

\* Projected ultimate loss ratios as at July '08 (08) \*\* % Vehicles insured.



# Kevin Chidwick



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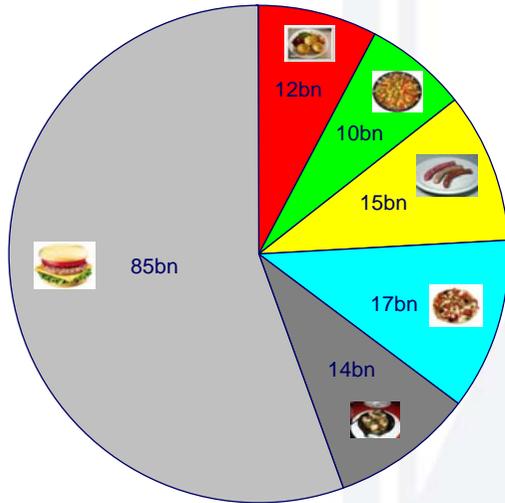




# Admiral Goes International

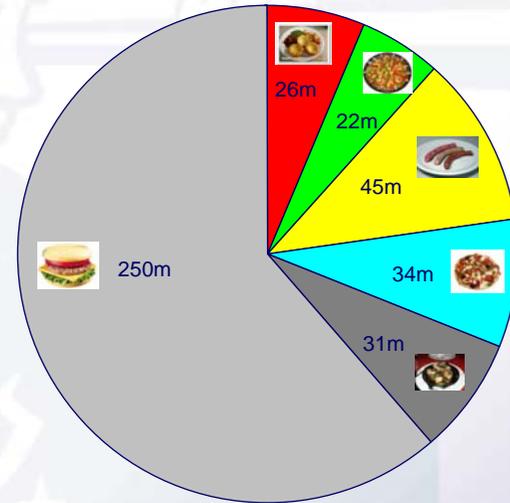
The obvious targets:

## GWP



£153 billion

## Number of Vehicles



408 million



- Vehicle count 60,000 at 30 June '08 (+258% on June '07, +27% on December '07)
- Total premium £11m (£5m to June '07)
- Ancillary contribution £1.6m (£0.6m to June '07). £59 per policy (£45 in 2007)
- 2008 Loss ratio 107% (versus 149% for 2007 at the same point)
- Loss in period £800k
- 203 staff based in Seville

## Loss ratio development by underwriting year

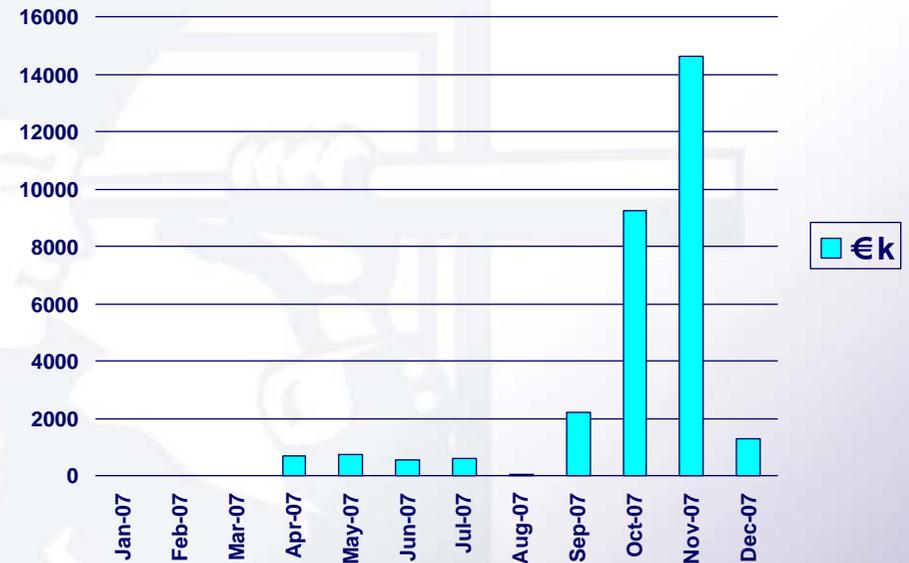
Month	2007	2008
6	149%	107%
12	137%	-
18	136%	-





- 10,000 active policies
- High seasonality
- Planning for 2008 Q4 season
- Working on systems and products
- 76 staff based in Cologne

## Direct Car Insurers TV Spend 2007





- Launched on 30 May 2008
- 65% reinsurance
- Launch costs less than £1 million
- 0% loss ratio
- TV marketing planned for Q3/Q4 2008
- 59 staff based in Rome





# Comparing Reinsurance and Subordinated Debt

	<b>Sub debt*</b>	<b>Reinsurance**</b>
<b>Risk reinsurance</b>	<b>No</b>	<b>Yes</b>
<b>Execution risk</b>	<b>High</b>	<b>None</b>
<b>Flexibility</b>	<b>Low</b>	<b>High</b>
<b>Cost of carry</b>	<b>???</b>	<b>Nil</b>
<b>Debt capacity going forward</b>	<b>Low</b>	<b>High</b>
<b>Net cost</b>	<b>0.9%</b>	<b>1.2% ***</b>

\* Based on LT2 dated subordinated debt, cost includes carry and implementation costs – expressed as after tax cost as % of premium

\*\* Full after tax cost assuming ultimate combined ratio < 100%

\*\*\* This still represents an attractive return for the reinsurer with a low risk book and therefore a low capital requirement.



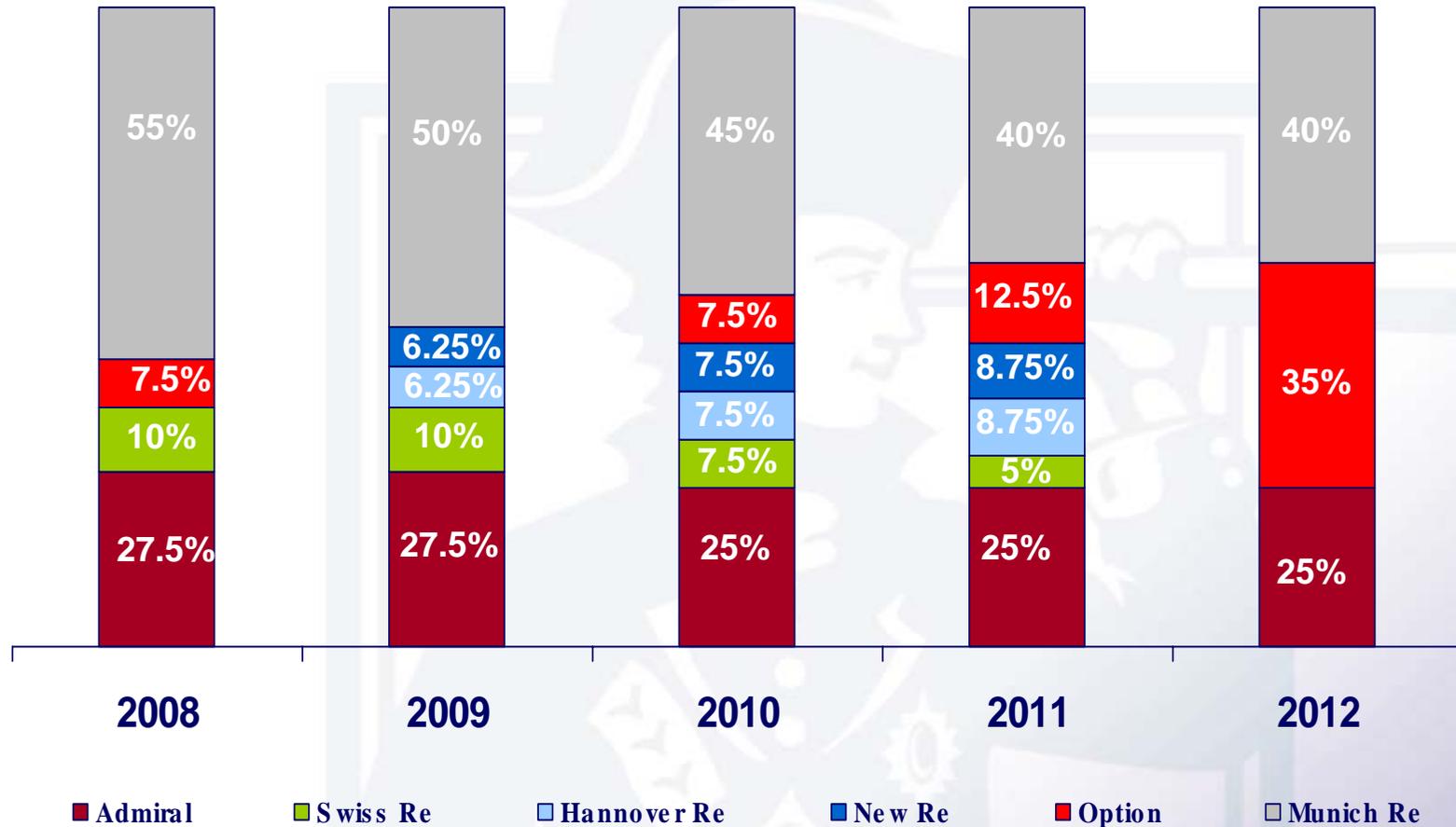
# The New Reinsurance Deals

- Admiral to remain at 27.5% for 2009 at least
- New reinsurance deals signed for 2009-2011
- Hannover Re and New Re each to take 6.25% in 2009
- Admiral option on reinsurance proportions for 2010 and 2011 – within a range:
  - 2010 – between 15% and 20%
  - 2011 – between 17.5% and 27.5%
  - (to be shared equally between Hannover Re and New Re)



# Underwriting Flexibility

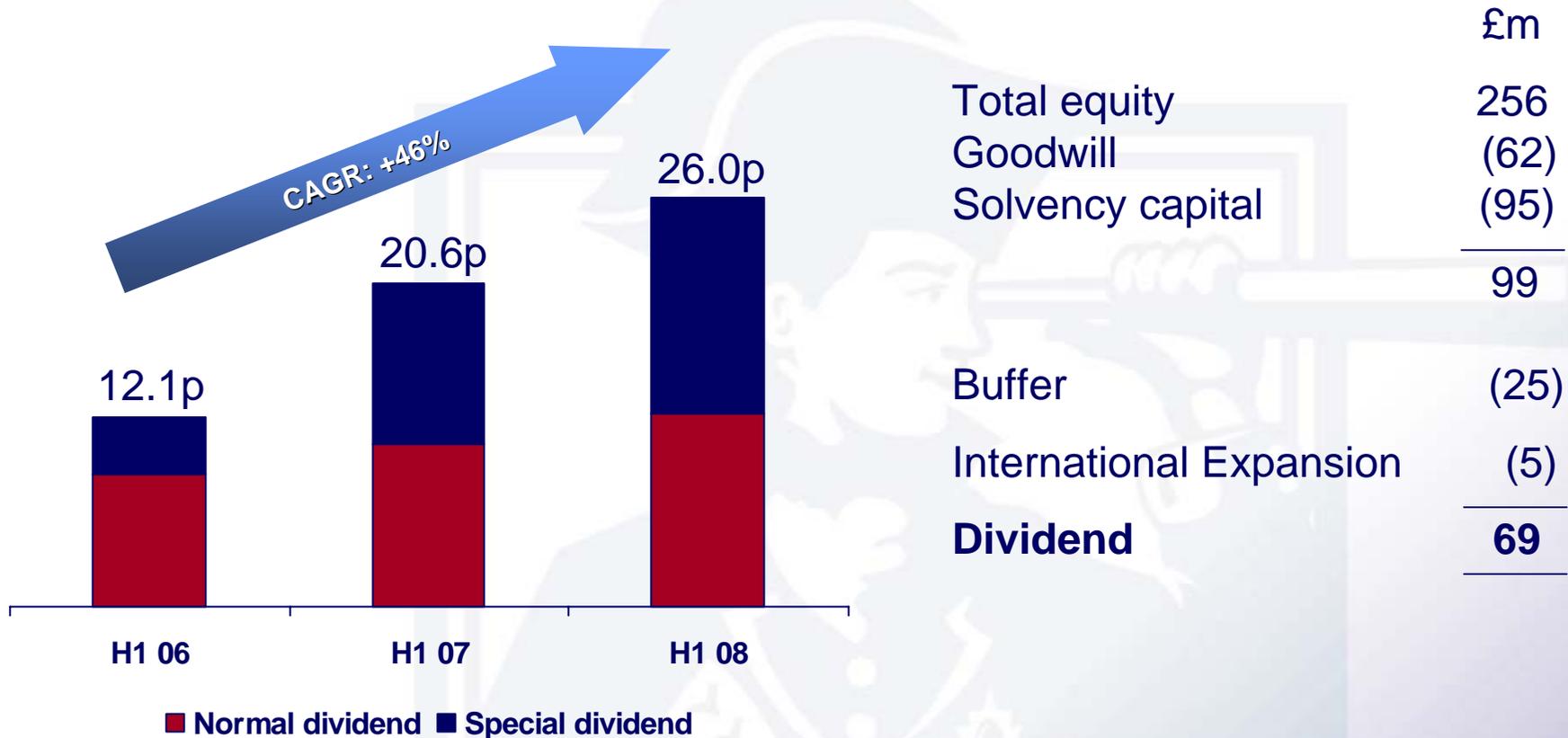
## Admiral option on UK premium retention



- Spain, Germany and Italy premium - split 35% Admiral; 65% Munich Re



# Dividends



	£m
Total equity	256
Goodwill	(62)
Solvency capital	(95)
	<hr/>
	99
Buffer	(25)
International Expansion	(5)
<b>Dividend</b>	<hr/> <b>69</b> <hr/>

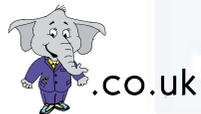
H1 2008 – 26.0p per share

Ex-dividend – 27 August 2008 Record date – 29 August 2008

Payment date – 25 September 2008



# Strategy

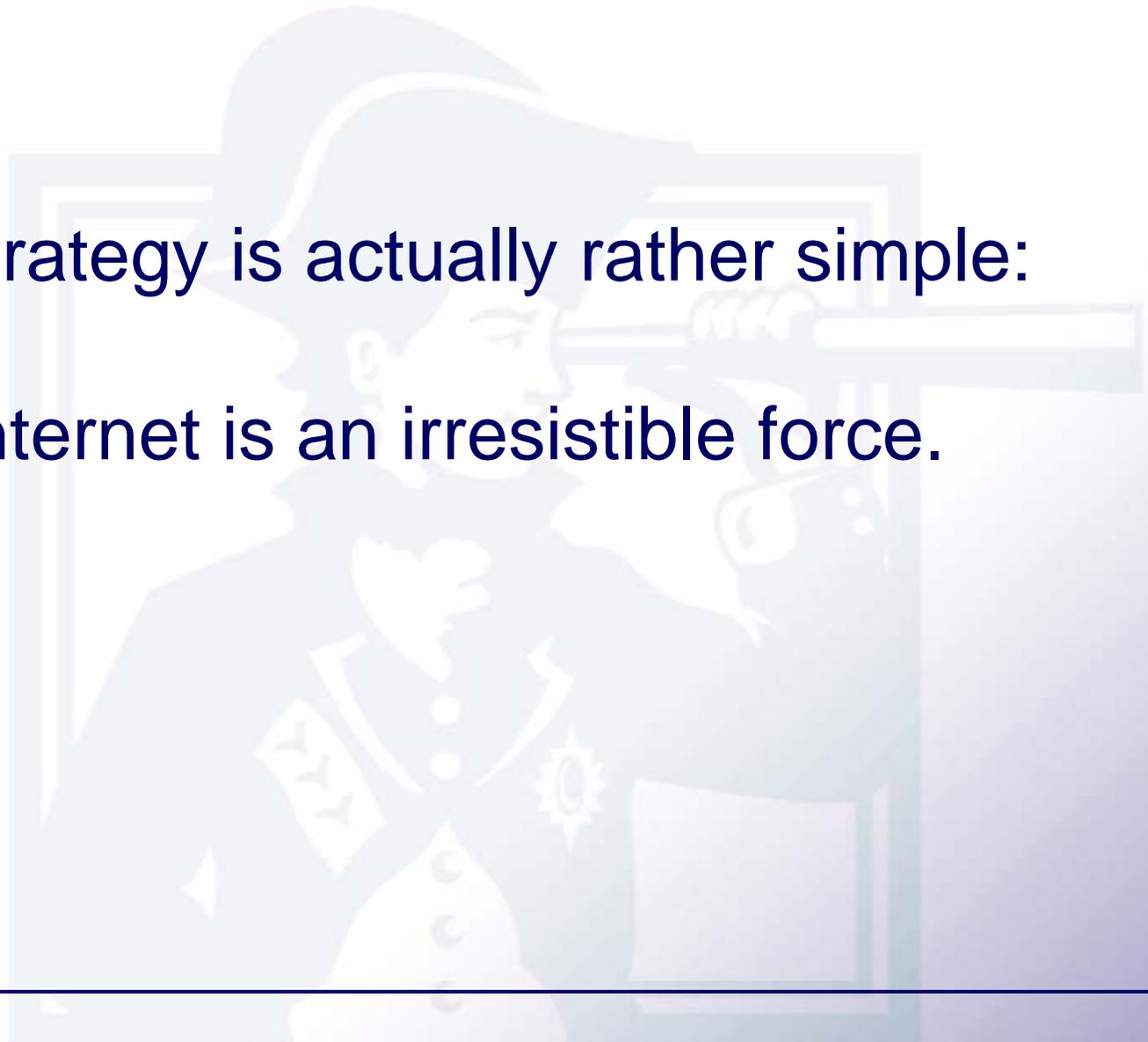






Our strategy is actually rather simple:

The internet is an irresistible force.





# Strategy





# Admiral Goes International

The obvious targets:

	GWP	No of vehicles	
<b>UK</b>	<b>£12bn</b>	<b>26m</b>	✓
<b>Spain</b>	<b>£10bn</b>	<b>22m</b>	✓
<b>Germany</b>	<b>£15bn</b>	<b>45m</b>	✓
<b>Italy</b>	<b>£17bn</b>	<b>34m</b>	✓
France	£14bn	31m	
USA	£85bn	250m	



# Attracted to Certain Markets

- Size
- Channel conflict
- Latest technology
- Munich Re support



# Admiral 2018



Henry

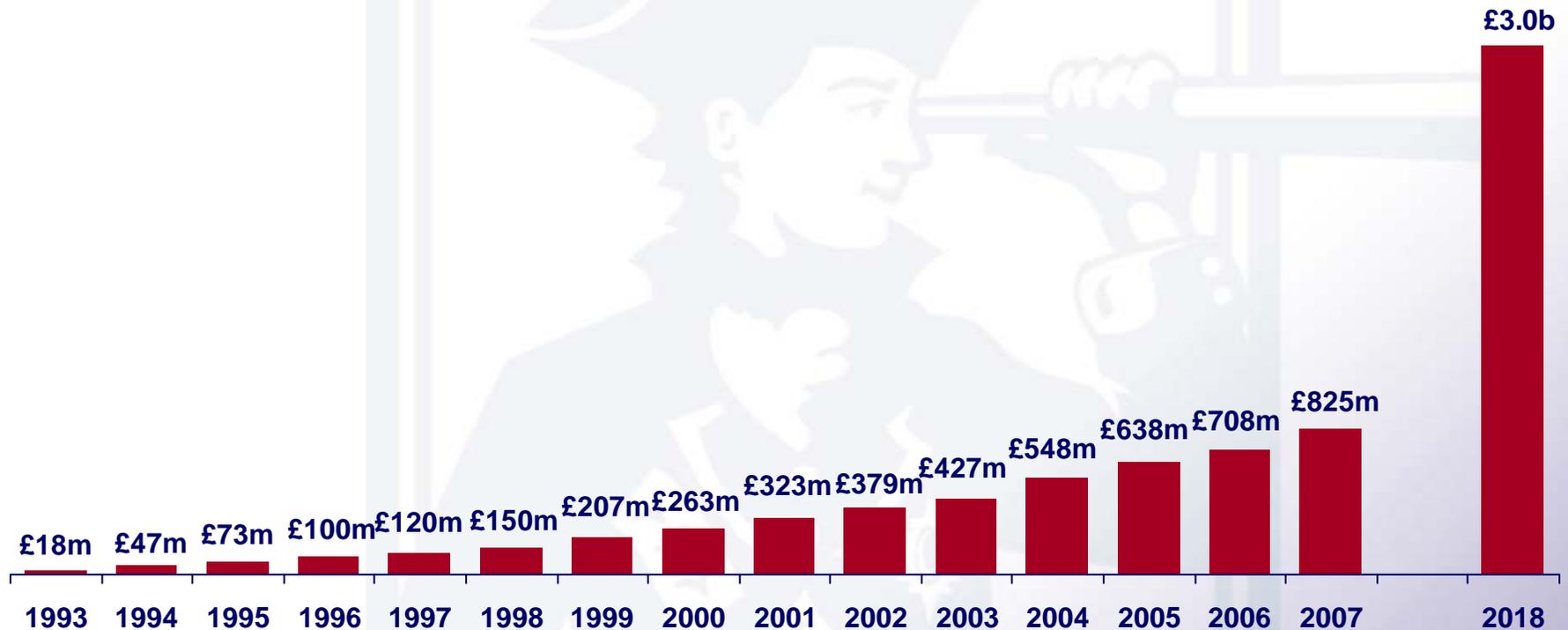
David

Kevin



# Fast Growing

## Potential Revenue Growth (£m)<sup>(1)</sup>

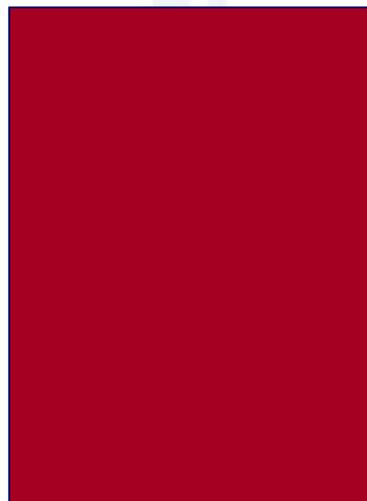


(1) Revenue comprises total premiums written + other revenue + net investment income



# Ten Years On

**£75m**



**Half Yr Revenue '98**

**£100m**



**Half Yr Profits '08**



# Where Are We Headed?





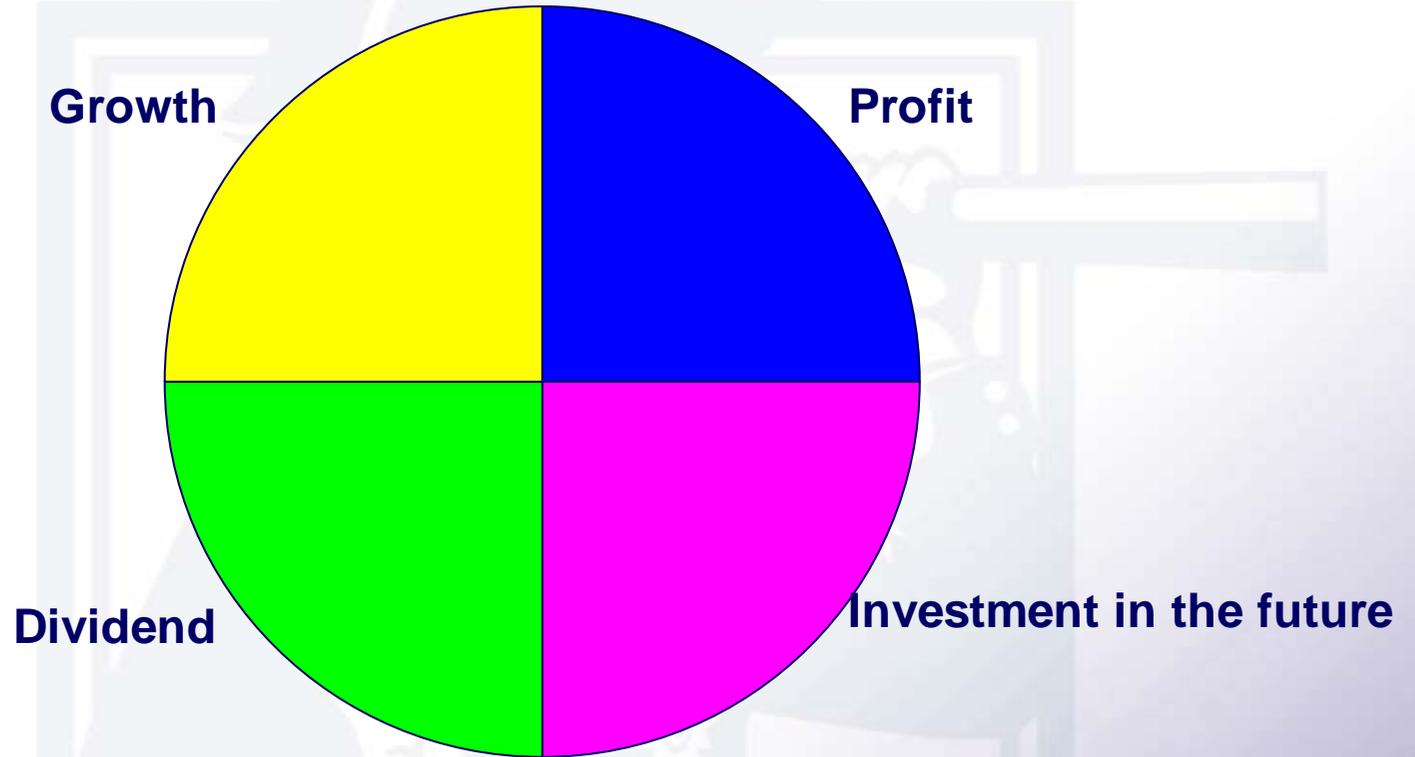
# Simple Strategy

- Stick with what we do well: car insurance
- UK business = consistent, profitable growth
- Outside the UK = profitable, sustainable, growing businesses in mature markets





# Summary



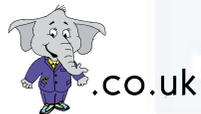


# Admiral Is STILL Different

- Highly Profitable
- Fast Growing
- Strongly Cash Generative
- Low Risk Profits



# Financials





# Admiral Key Performance Indicators – UK Motor

	KPI	2004	2005	2006	2007	H1 07	H1 08
Premiums	Quote volumes	6.2m	9.8m	15.4m	25.1m	11.2m	25.4m
	Conversion rates	8.9%	5.8%	4.0%	2.7%	3.2%	1.6%
	Active vehicles at end of period	1,007,571	1,104,480	1,240,169	1,381,686	1,335,196	1,483,855
	% of premiums retained by Admiral	25%	30%	25%	22.5%	22.5%	27.5%
Claims	Reported earned loss ratio	67%	70%	72%	67%	73%	62%
	Current best estimate earned loss ratio <sup>(1)</sup>	58%	64%	73%	74%	74%	72%
Expenses	Acquisition expense ratio <sup>(2)</sup>	5.4%	4.9%	5.1%	5.6%	5.3%	5.9%
	Non-acquisition expense ratio <sup>(2)</sup>	7.0%	7.4%	7.7%	8.2%	7.5%	9.2%
	MIB & other levies ratio <sup>(2)</sup>	2.6%	2.8%	2.9%	2.9%	3.0%	3.0%
	Total operating expense ratio <sup>(2)</sup>	15.0%	15.1%	15.7%	16.7%	15.8%	18.1%
Other Income	Ancillary per average active vehicle	£66.3	£68.5	£69.3	£69.0	£68.4	£71.1
	Ancillary margin <sup>(4)</sup>	81.9%	81.5%	82.2%	82.4%	83.2%	83.4%
	Instalment income as % of NWP	2.2%	2.4%	4.1%	4.3%	3.7%	4.3%
	Profit commission <sup>(5)</sup>	£15.7m	£14.7m	£19.9m	£20.4m	£9.4m	£14.3m

(1) Management best estimate based on actuarial analysis

(2) Earned expense ratio adjusted for Lloyd's costs and non-recurring expense commission, including claims handling costs

(3) Ancillary contribution = total ancillary income less premium payable to product providers

(4) Margin = ancillary contribution less EUI Ltd expenses attributable to ancillaries expressed as a % of ancillary contribution

(5) Adjusted for 2003 PC £6m



# Summary Income Statement

	<b>H1 07</b>	<b>H1 08</b>
	<b>£m</b>	<b>£m</b>
Group Turnover	417.8	472.5
<b>Total premiums written</b>	<b>324.6</b>	<b>363.2</b>
Gross premiums written	132.5	170.2
Net premiums written	72.8	99.0
<b>Net earned premium</b>	<b>71.6</b>	<b>77.0</b>
Investment income	7.3	9.1
Net insurance claims	(54.2)	(52.5)
Insurance related expenses	(10.1)	(13.6)
<b>Underwriting profit</b>	<b>14.7</b>	<b>20.0</b>
Total Profit commission	9.4	14.3
Gross ancillary revenue	45.4	54.6
Ancillary costs	(7.6)	(9.1)
Instalment income	2.7	4.1
Gladiator contribution	1.0	1.5
Confused.com contribution	19.7	15.6
Other charges	(1.3)	(1.2)
Share scheme charges	(1.5)	(3.0)
<b>Operating profit</b>	<b>82.5</b>	<b>96.8</b>
Interest income	4.0	3.5
Interest payable	(0.2)	-
<b>Profit before tax</b>	<b>86.3</b>	<b>100.3</b>

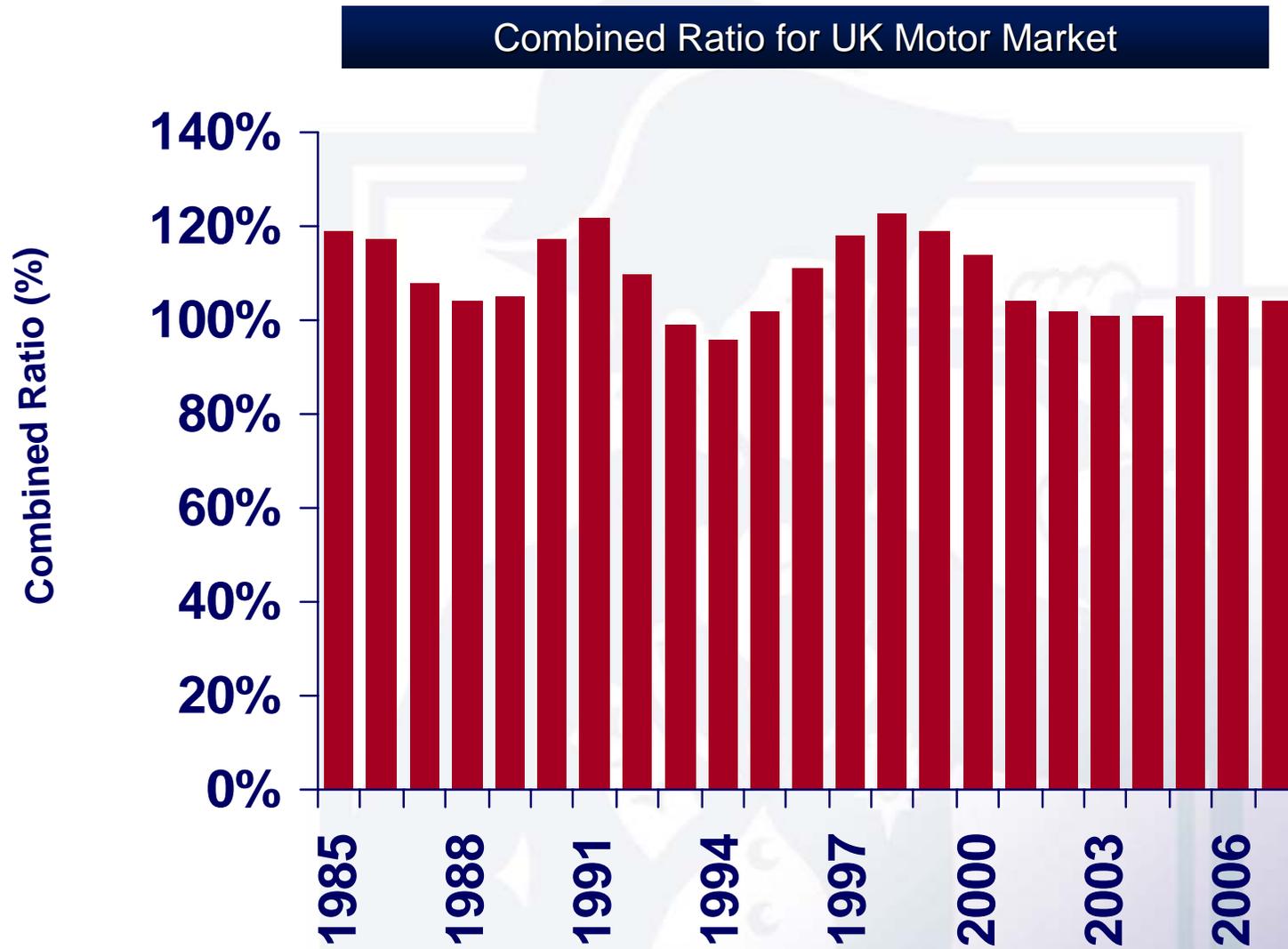


# Summary Balance Sheet

	Dec 2006	Dec 2007	June 2008
	£m	£m	£m
<b>ASSETS</b>			
Property, plant and equipment	7.5	7.7	8.8
Intangible assets	66.8	69.1	71.3
Financial assets	395.9	481.0	536.6
Reinsurance contracts	74.7	131.7	155.9
Trade and other receivables	16.9	22.6	26.8
Cash and cash equivalents	191.2	155.8	153.3
<b>Total assets</b>	<b>753.0</b>	<b>870.3</b>	<b>954.2</b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Retained earnings	205.7	223.8	241.0
Other reserves	13.1	13.5	14.3
<b>Total equity</b>	<b>219.1</b>	<b>237.6</b>	<b>255.6</b>
<b>LIABILITIES</b>			
Insurance contracts	294.4	363.0	412.8
Trade and other payables	215.2	239.6	255.1
Deferred income tax	1.0	-	-
Corporation tax liabilities	23.4	30.0	30.7
<b>Total liabilities</b>	<b>534.0</b>	<b>632.7</b>	<b>698.6</b>
<b>Total liabilities and equity</b>	<b>753.0</b>	<b>870.3</b>	<b>954.2</b>



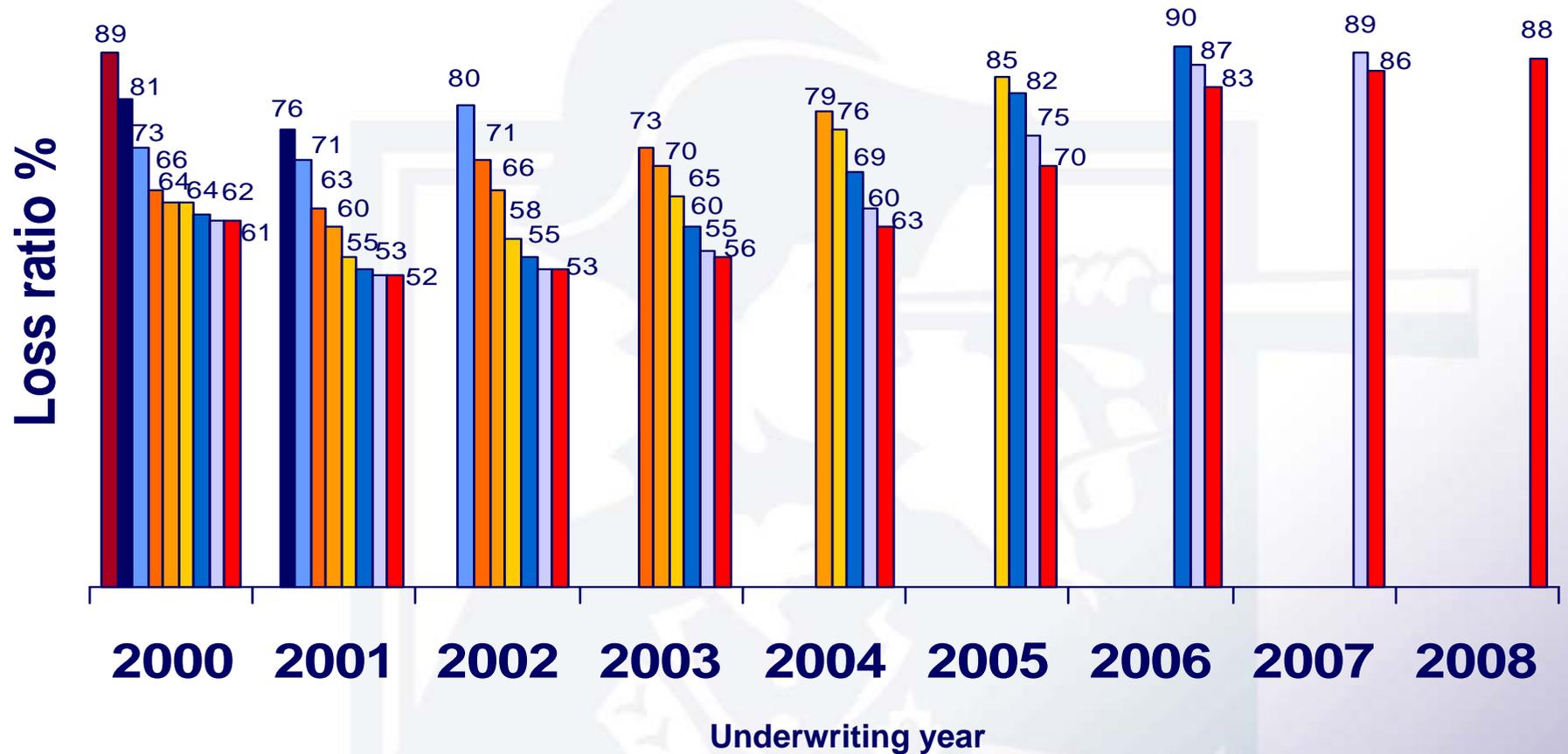
# Outlook for the Market: The Pricing Cycle



Source: 1985 to 1991 Merrill Lynch Research analysis of DTI returns; 1991 to 2006 Deloitte analysis of FSA returns



# Loss Ratio Development by Underwriting Year



■ 2000 Accounts ■ 2001 Accounts ■ 2002 Accounts ■ 2003 Accounts ■ 2004 Accounts  
■ 2005 Accounts ■ 2006 Accounts ■ 2007 Accounts ■ 2008 Accounts



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The financial information set out in the presentation does not constitute the Company's statutory accounts in accordance with section 240 Companies Act 1985 for the year ended 31 December 2007. The statutory accounts for the year ended 31 December 2007 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.