

ADMIRAL  
GROUP plc



**Analyst Presentation**

3 November 2010



# Agenda

- ❑ **Henry Engelhardt, Group Chief Executive Officer**

- ❑ Q3 Group highlights & introduction

- ❑ **UK car insurance**

- ❑ Marketing, Charlotte Bennett
- ❑ Pricing, Peter Marissen
- ❑ UK Operations, Nick Weng Kan
- ❑ Claims, Stuart Morgan

- ❑ **Questions & Answers**

- ❑ **International – focus on Italy**

- ❑ ConTe MD, Milena Mondini
- ❑ Chiarezza.it MD, Francisco Garcia
- ❑ ConTe Deputy MD, Tommaso Gamaleri

- ❑ **Questions & Answers**



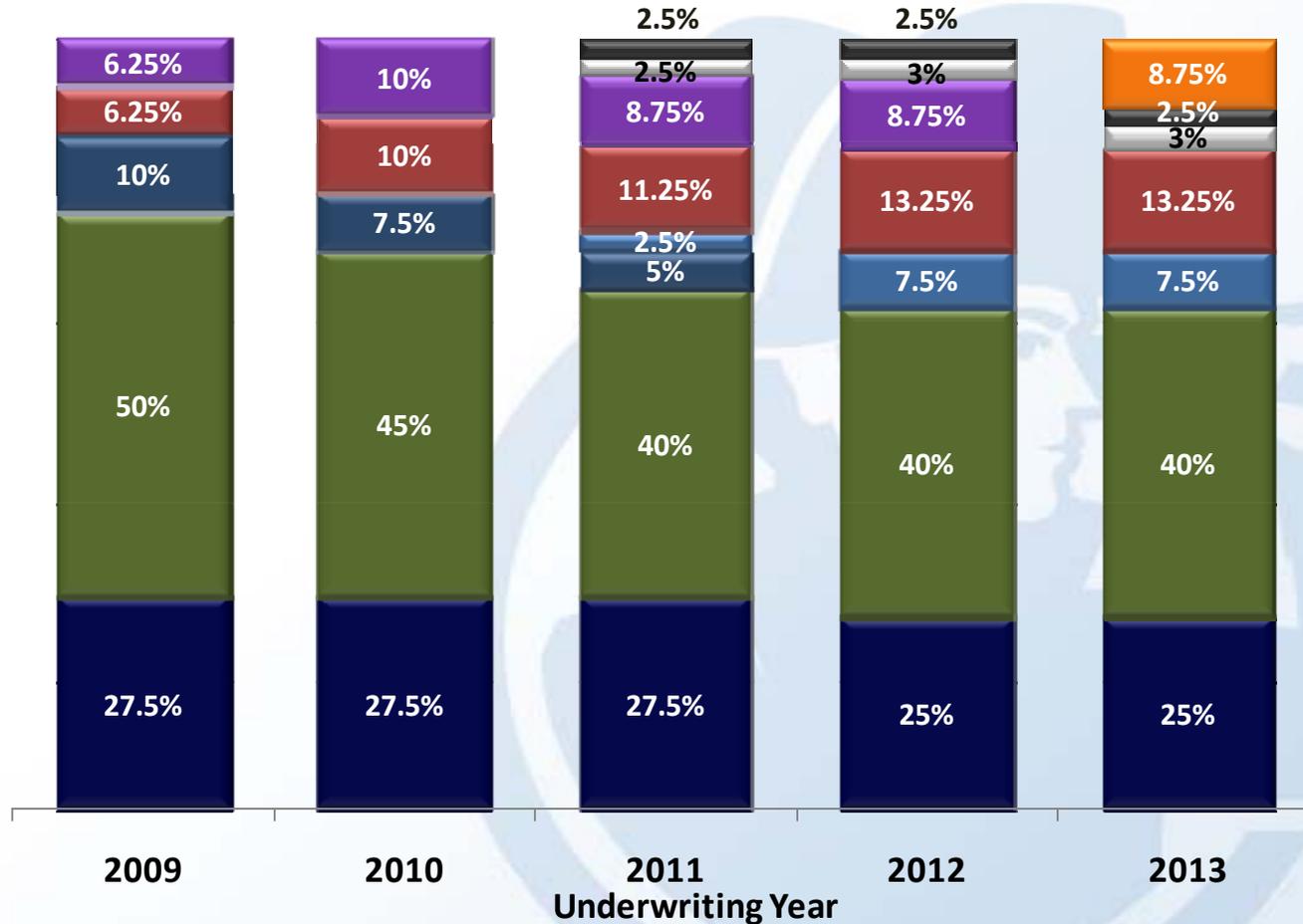
## How are we doing? Q3 2010 highlights

- ❑ Group turnover\* Q3 2010 increased by over 50% v Q3 09 to £446 million
- ❑ Group vehicle count increased 28% v 30 September 2009 to 2.6 million
- ❑ UK ancillary contribution per vehicle remains stable v H1 2010
- ❑ No change in claims trends from H1 2010
- ❑ Confused.com turnover is also stable v H1 2010, margins remain under pressure
- ❑ Turnover from non-UK car insurance increased by 87% v Q3 09 to £19.3 million
- ❑ Signed new quota share reinsurance deals for 2011 through to 2013

\* Turnover is defined as total premiums written (including co-insurers' shares) and other revenue



# The new reinsurance deals



New deals\* are fixed cost of around 1.6 – 1.9% including brokerage

- Admiral
- Munich Re
- Swiss Re (old terms)
- Swiss Re (new terms)
- New Re
- Hannover Re
- Mapfre Re
- XL Re
- Flexible option\*\*

\* New deals refers to New Re, Hannover Re, Mapfre Re and XL Re

\*\* Flexible option: allows Admiral to allocate the remaining 8.75% between New Re, Hannover Re and/or XL Re in 2013



# What are we here for?



## An opportunity to meet the managers

**UK car insurance;** Charlotte, Peter, Nic and Stuart will:

- ❑ Remind you what they do
- ❑ Highlight recent changes
- ❑ Address some common queries

**“The Italian Job”;** Milena, Francisco and Tommaso will introduce you to:

- ❑ The Italian market
- ❑ Chiarezza.it
- ❑ ConTe

**And of course we'll answer some questions**



# What I hope you'll take away



## UK car insurance

- ❑ There's more to car insurance than you might think, everyone has a vital role to play
- ❑ We like change, some of the key changes we'll be talking about are:
  - ❑ **Price comparison** - has played to our strengths
  - ❑ **Admiral's growth** - we have a scalable model
  - ❑ **Economic environment** - our low risk model has been resilient to recession

## “The Italian Job”

- ❑ **Italian market** - has challenges but the growth of price comparison is a great opportunity
- ❑ **Chiarezza.it** - is very young, we are using Group experience to build what we hope will become a leading price comparison site
- ❑ **ConTe** - there is still work to do but so far we are on track to build a good car insurance underwriter



# Marketing

Charlotte Bennett



# Admiral marketing – an introduction

## Marketing team

### Price comparison team

- Work with PC sites to maximise coverage and conversion

### Advertising campaign team

- Advertising creation, planning and buying
- Supported by in-house studio

### Customer value team

- Ancillary products & partners
- Work closely with UK operations

**We're a small team of 27 people**



# Admiral marketing – what's important to us?

## Marketing in a PC world

Clicks to insurer is largely determined by policy price



Capture "clicks" as sales



Maximise customer value

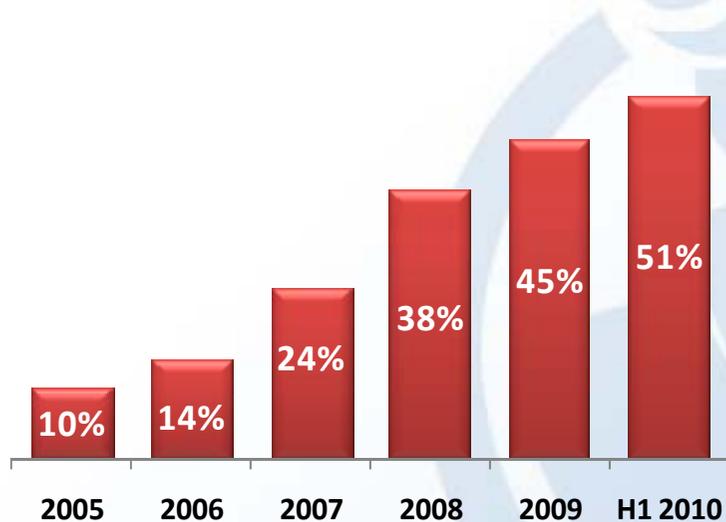
## Our top 3 marketing metrics

1. **PC click to sale conversion**
2. **Cost per vehicle acquisition**
3. **Ancillary revenue per vehicle**



# Key change: price comparison growth – UK Market

UK market: price comparison as % new business



UK market: majority of TV & Press spend is now made by PC sites\*

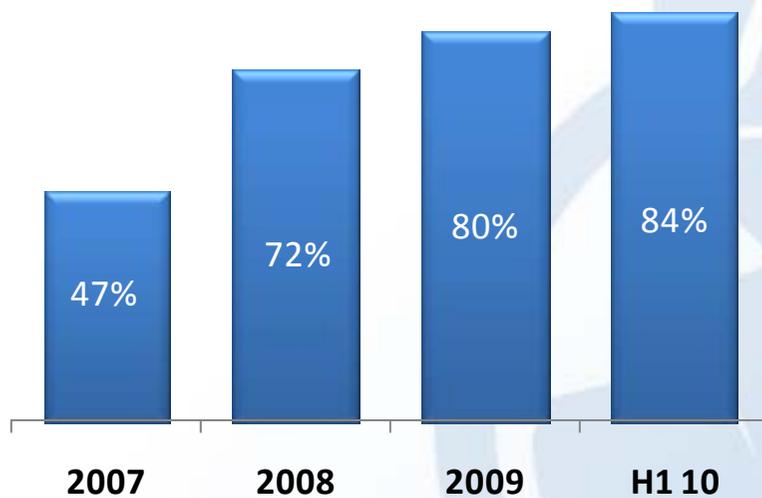


\*Source: Neilson, 50% of Moneysupermarket allocated to motor price comparison



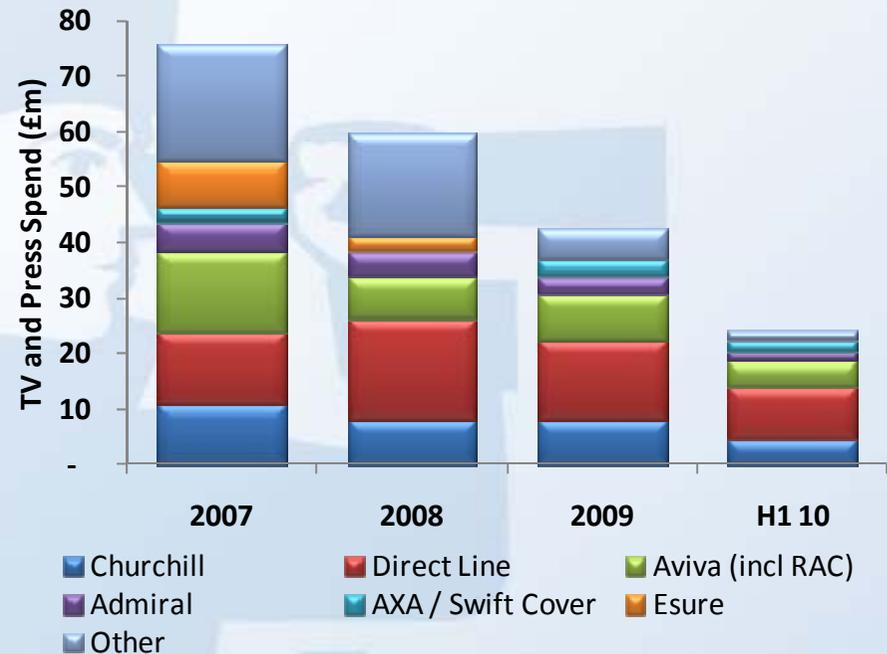
# Key change: price comparison growth - Admiral

% of Admiral new business sourced from price comparison



- Already live on Confused & MSM
- 07/07 Roll out to CTM
- 12/07 Roll out to Go Compare
- 02/08 Roll out to Tesco

UK insurers TV and press spend



We've reduced above the line media as PC grows

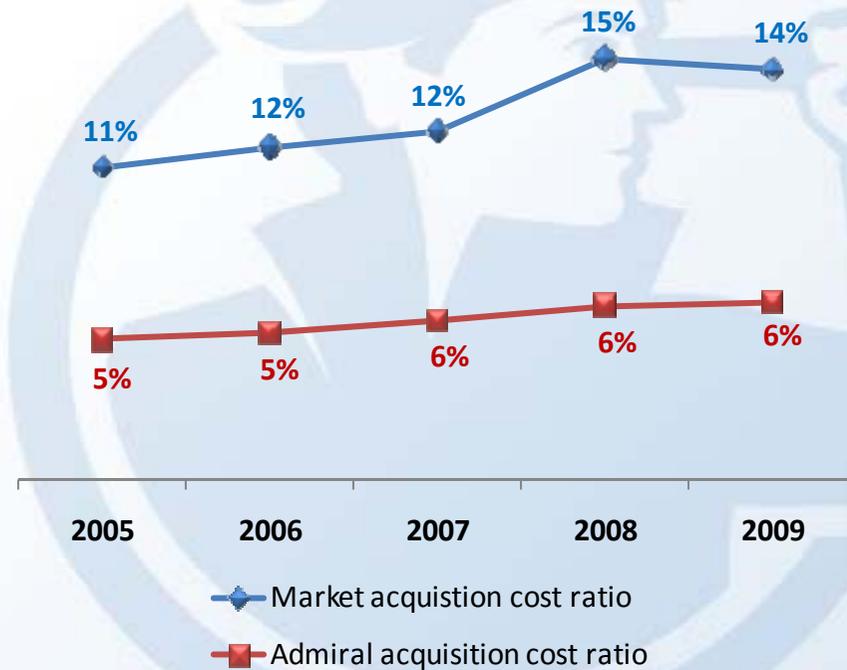
- May 08 – ceased to advertise Diamond on TV
- October 08 – ceased to advertise elephant.co.uk on TV (except for sponsorship)

\*Source: Neilson, note this spend does not include sponsorship spend (including sponsorship of TV programs)



# Common query: “Will price comparison unify motor insurers’ acquisition costs?”

Admiral’s acquisition cost advantage over the market has increased



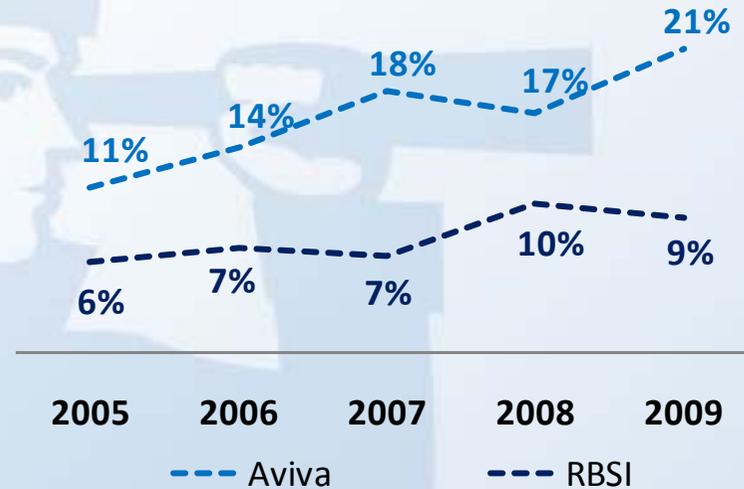
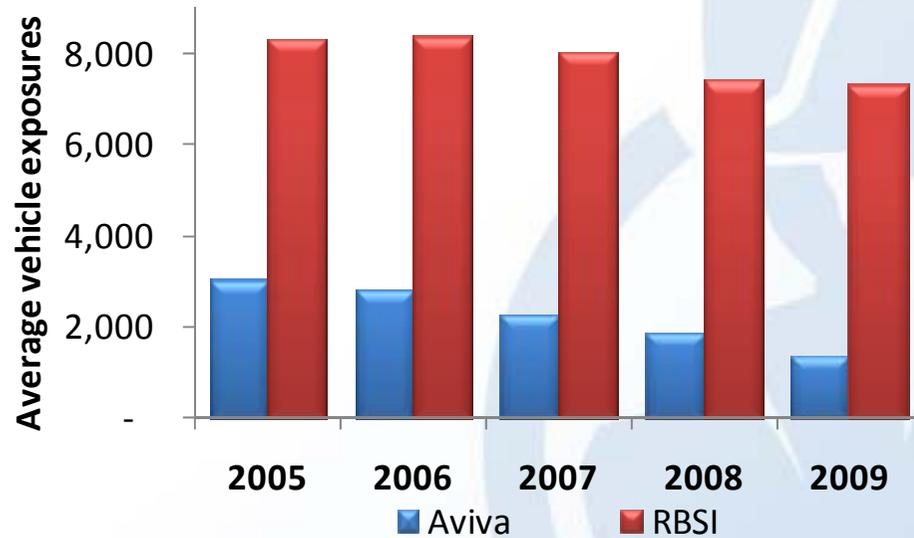
\* Both cost ratios are on an earned basis. Market acquisition costs is per EMB analysis of FSA returns



# It appears that price comparison has contributed to the largest players losing their “marketing edge”

Aviva and RBSI have lost share\*

Aviva and RBSI have experienced erosion of their acquisition cost advantage\*



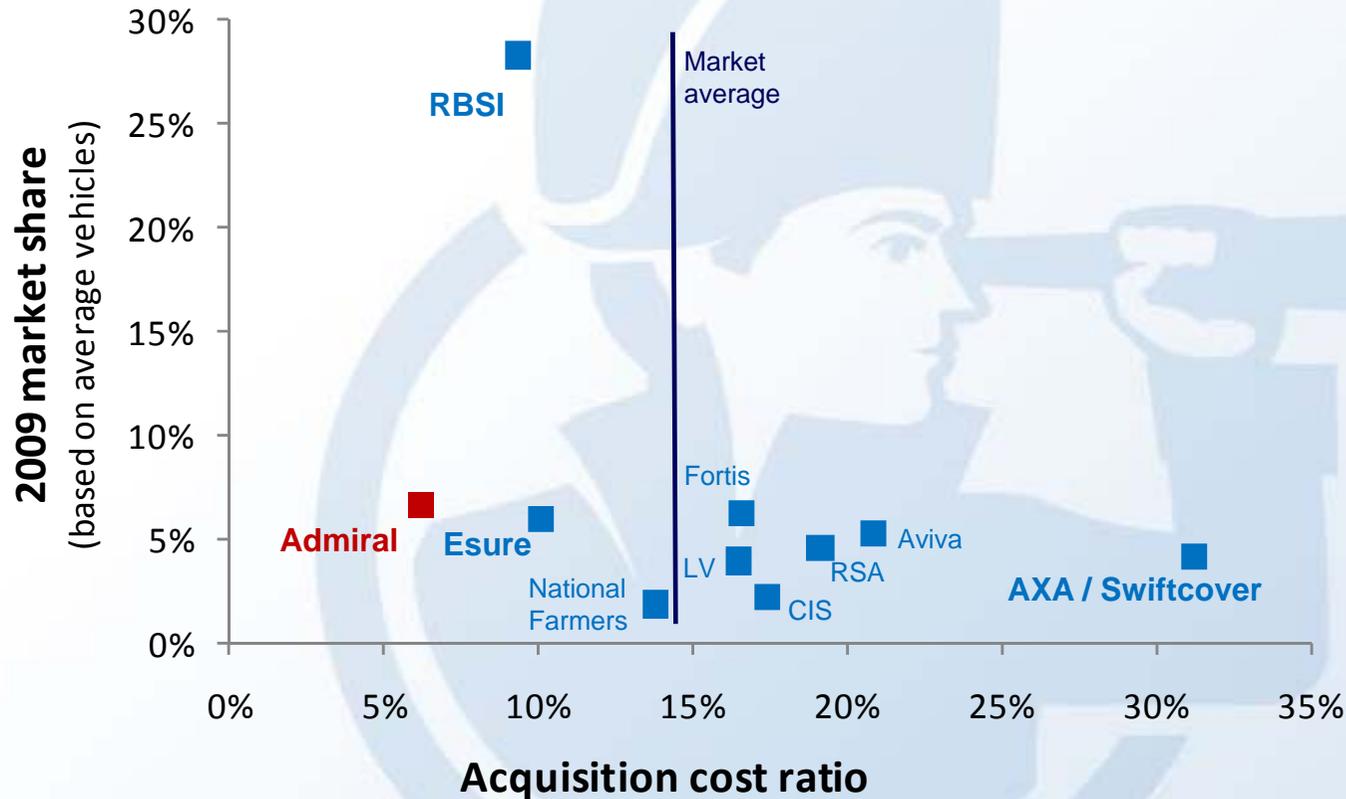
- ❑ Combined market share of 45% in 2005 falling to 33% in 2009
- ❑ Big players, their experience influences the market as a whole

\* Per Synthesis analysis of FSA returns. Average vehicle exposures is the average number of vehicles in the year shown as per the FSA return data.



# What about individual players' acquisition costs?

Top 10 private motor insurers acquisition cost ratios\*



- ❑ Theoretically PC levels the playing field in terms of the media element of acquisition costs...
- ❑ However, to date there's no indication that our peers are able to capitalise on this

\* Per Synthesis analysis of 2009 FSA returns, market share based on average number of exposures (vehicles)



# Pricing

Peter Marissen



# Pricing: an introduction

- ❑ We decide which price to charge each customer
- ❑ Analysis is focussed on how different parts of the portfolio perform relative to each other
- ❑ Our analysis results in prices that are driven by
  - Claims experience
  - Price sensitivity



# Pricing: our analysis

What's important for our pricing analysis

## Data

- Maximum use of data
- More detailed data
- High quality data
- Use external data

## Approach

- Focus on analysis
- Common sense & innovation
- Quick & frequent changes
- Not afraid to do things differently



## Key change: price comparison

PC sites provide customers with almost 100% transparency of all insurers' prices, this creates challenges for pricing:

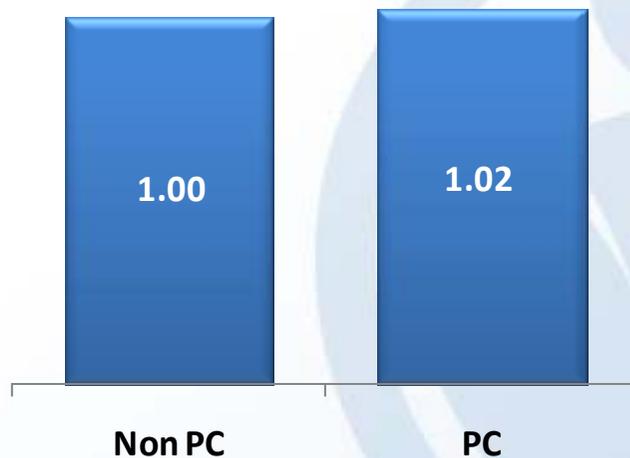
- ❑ Risk of winner's curse
- ❑ Easy switching



# Price comparison: risk of winners' curse

“Winner’s curse”: an insurer comes top on price comparison when they shouldn’t and as a result write a large volume of poor quality business

## Comparison of new business loss ratio performance PC vs Non-PC (Non PC indexed to 1.00)

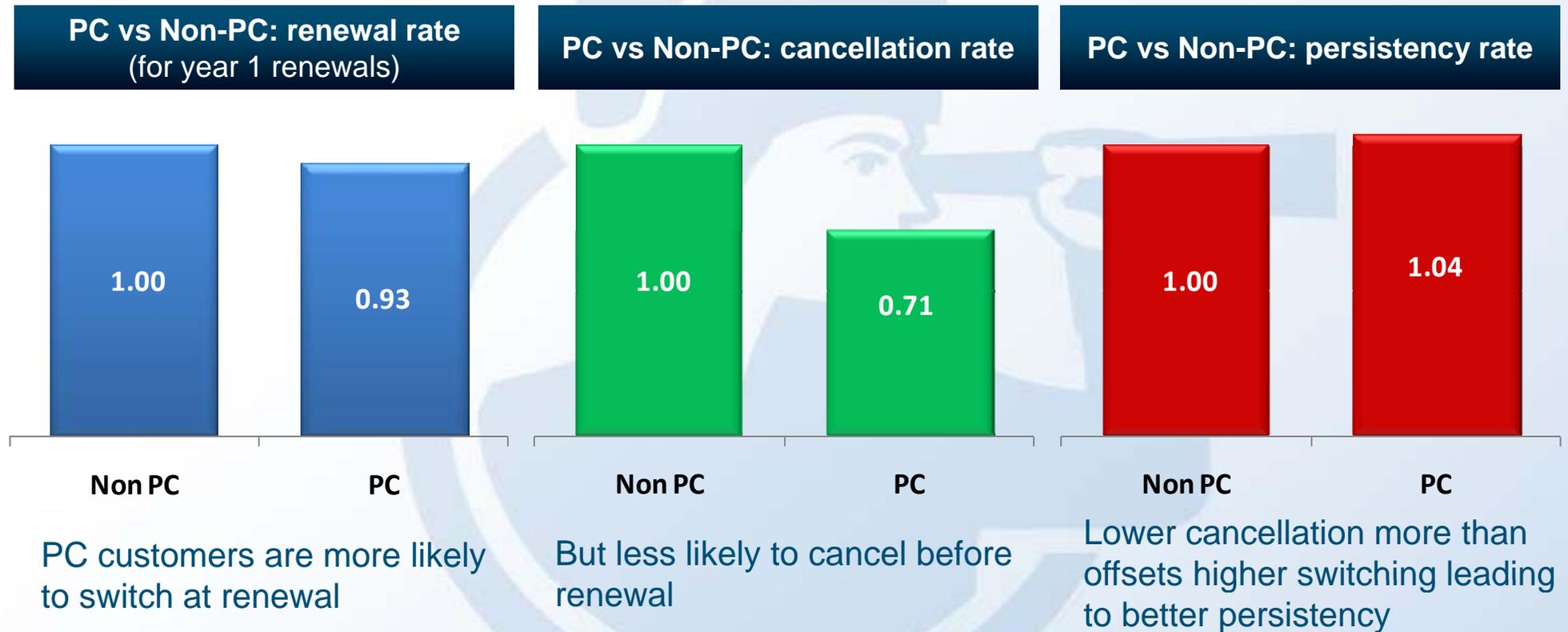


- ❑ PC business is good quality, it's very similar to Non-PC business
- ❑ We have not experienced winner's curse

- ❑ Average of 08, 09, & 10 underwriting year loss ratios



# Price comparison: easy switching

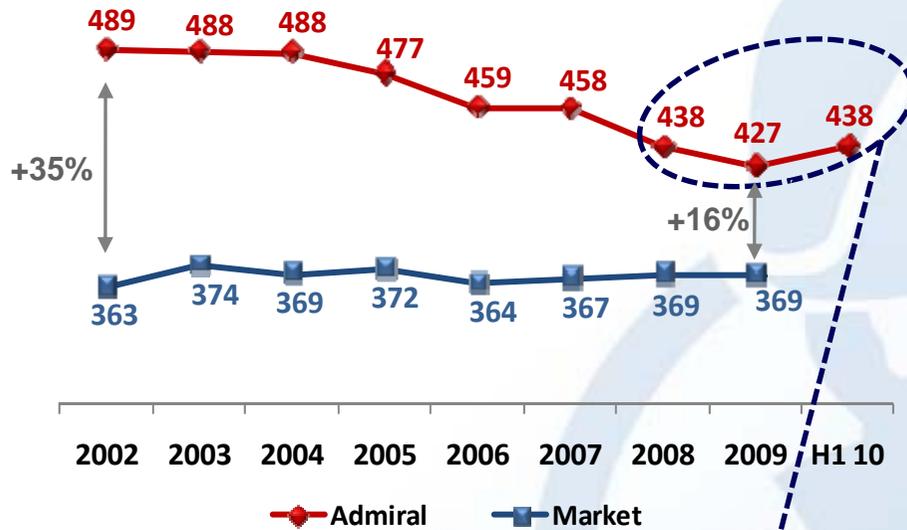


Source: company data. In the above charts Non PC values for renewal rate, cancellation rate, and persistency rates are indexed to 1.0 and PC is shown relative to this



# Key change: shifts in business mix

Average earned premium (£)



Average written premium (£)



We like everyone – as long as the price is right

- Growth helps us identify & exploit more cross subsidies
- As a result we've written more low risk business

□ In 2010 we've seen average premiums increase largely due to rate increases

□ ...but also mix effect:

- Some players (notably Quinn & RBSI) have pulled back from higher risk segments
- An opportunity

A flexible approach is key in a dynamic market

Source: company data



# Potential change: European Court of Justice ruling on using gender

In 2011 ECJ will decide whether using gender as a rating factor is compatible with EU fundamental rights

Example Admiral prices:  
the gender differential



- ❑ 19 years old
- ❑ Student
- ❑ Living in Cardiff
- ❑ Licence for 1 year
- ❑ 1 year NCB
- ❑ Peugeot 106, 1124cc

## Why remove gender as rating factor?

- ❑ Difference in price reflects the difference in risk
- ❑ High prices for young male drivers provides a disincentive to buy fast cars
- ❑ There are implications for road safety

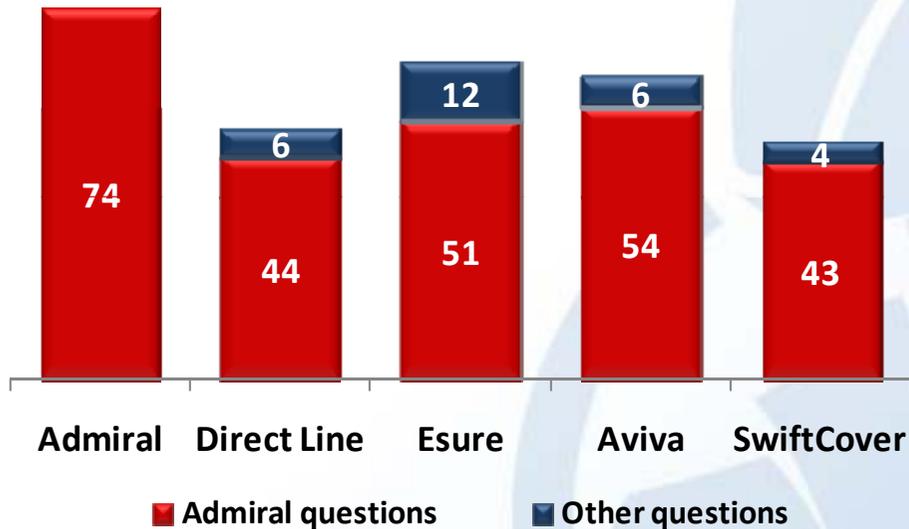
## What would be the impact?

- ❑ It's market wide
- ❑ Will result in more cross subsidies / premium inflation
- ❑ Other rating factors may be used as partial substitutes



# Common query: “Does price comparison remove Admiral’s pricing advantage as every one has the same questions?”

Number of questions asked per insurers’ websites



Admiral’s loss ratio performance vs market



❑ PC hasn't yet resulted in a unified question set

❑ Pricing is more than just questions...

❑ Good pricing is more than just pricing...

❑ ...it's the culture of the business as a whole

\* Reported accident year loss ratio with reserve releases allocated back to relevant accident year, source: EMB & Synthesis analysis of FSA returns

\*\* Ernst & Young projected ultimate loss ratios



# **UK Operations**

Nic Weng Kan



# UK Operations – a brief overview

## What?

- ❑ Sales
- ❑ Customer service
- ❑ Renewals
- ❑ Outbound
- ❑ Quality

## Where?



## When?

### Sales

- ❑ Mon to Fri 8am - 11pm
- ❑ Sat 9am - 8pm
- ❑ Sun 10am - 8pm

### Customer services

- ❑ Mon to Fri 8am - 10pm
- ❑ Sat 9am - 5pm
- ❑ Sun 10am - 4pm

### Renewals

- ❑ Mon to Fri 8am - 10pm
- ❑ Sat 9am - 5pm
- ❑ Sun 10am - 4pm

## How big?

- ❑ **>10m phone calls**
  - quotes
  - sales
  - mid term amends
  - renewals
- ❑ **~1,800 staff**
- ❑ **2.3m customers**



# UK Operations - our strengths

**Top 10 party**

**Swansea CS ice skating!**

**10 year awards**

**Canada - school kids**

**Low cost**

**Low attrition**

**Culture**

- Flat hierarchy
- Fun
- Staff share ownership

**Ancillaries awards**

**WRU**

**Admiral WRU sponsorship**

**Cardiff renewals awards**

**Community chest**

**Movie madness**

**Stocks**

**Egg roulette**

**THE SUNDAY TIMES 100 BEST COMPANIES TO WORK FOR 2009**

**GREAT PLACE TO WORK\* BEST WORKPLACES UNITED KINGDOM 2010**



# Key change: growth

## UK car insurance – vehicle growth



We're used to growth ...in 2010 we're achieving faster growth on a bigger book!



# Key change: growth

Average number of UK operations staff\*



Number of vehicles per UK operations staff member\*\*



Enabling rapid growth whilst maintaining high quality service

Growth has additional benefits

- ▣ Young staff: growth = career progression

\*Average for the period of all UK operations staff (Sales, Customer Service, Renewals, Outbound, & Quality). 2008 & 2009 is for full year i.e. A 12 month period, YTD 2010 is 9 months to 30 September 2010.

\*\* Average vehicles in the period divided by average number of UK operations staff in the period



# Common query: “Have Admiral’s optional ancillaries suffered as a result of the recession?”

## Indexed comparison of optional ancillary income per new business vehicle



Jun 08 12 month average ancillary income per vehicle indexed to 1.00, Jun 10 is shown relative to this

Our optional ancillaries do not appear to be sensitive to recession

PC customers have been more of a challenge, they appear to be less inclined to buy optional ancillaries

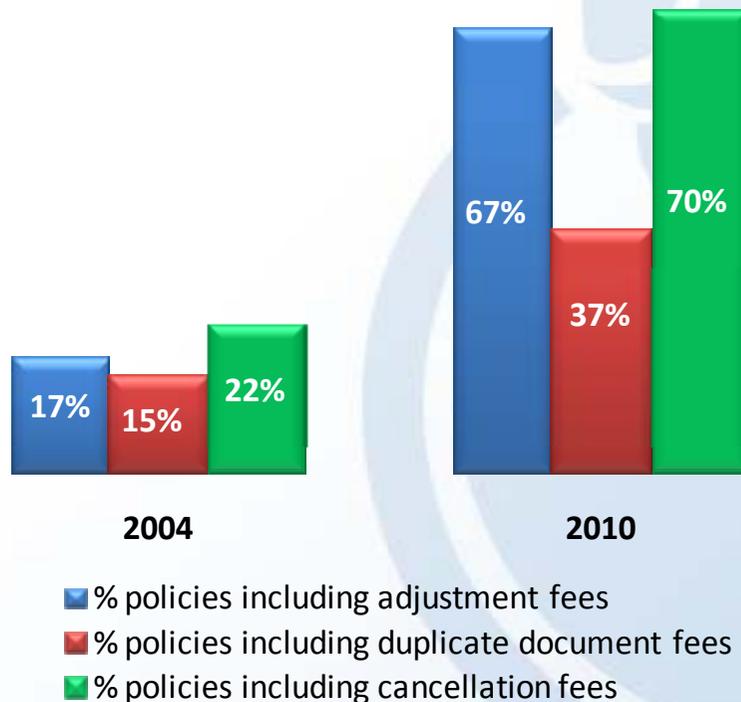
We’ve had to work harder to sell to PC customers:

- ❑ Ancillary discounting
- ❑ Best practice identification & sharing
- ❑ Monitoring and training



# Common query: "Is Admiral the only one that charges admin fees?"

UK Market administration fees\*: how many insurers charge them?

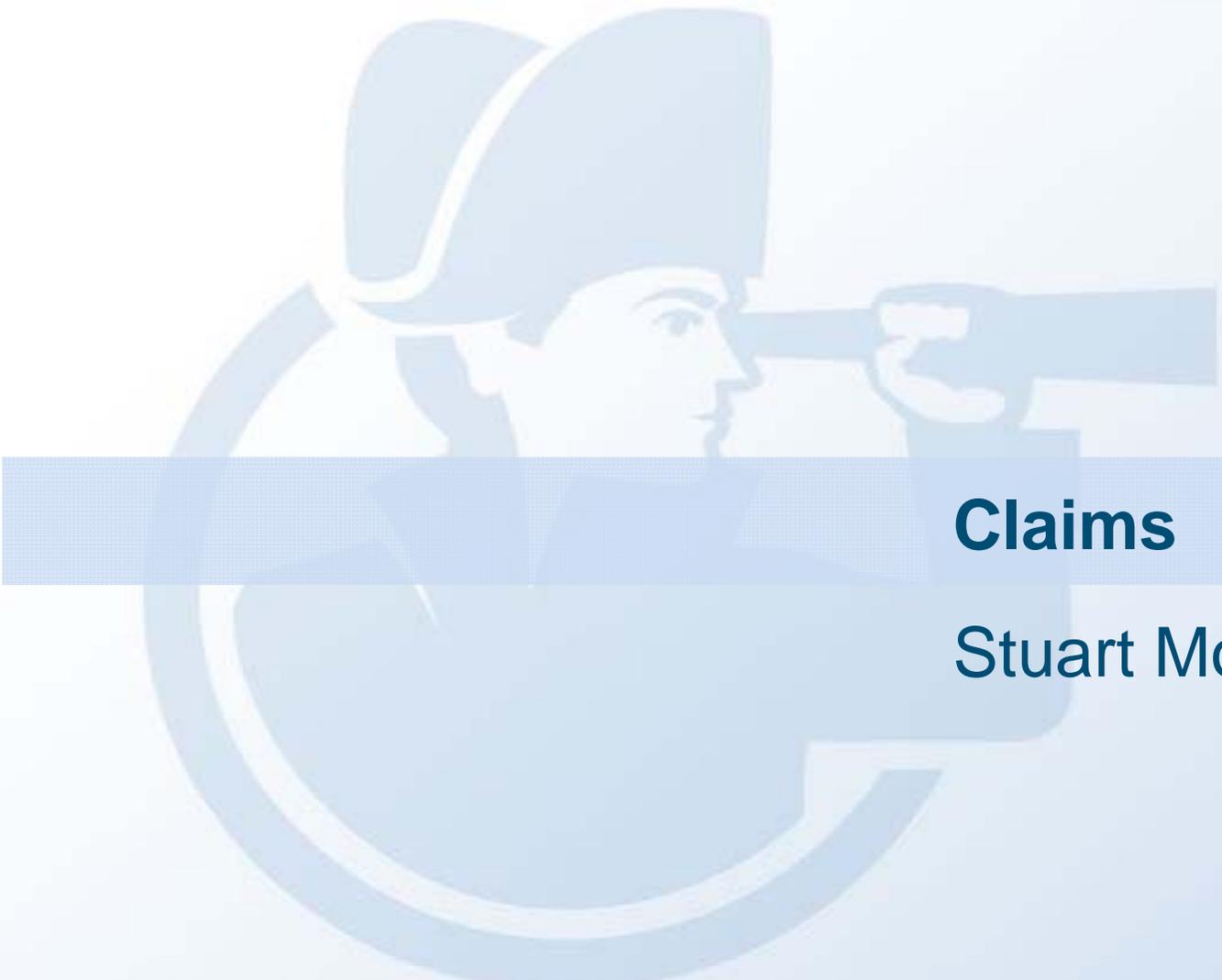


## Admiral: Administration fees

- Adjustment fee £17.50 (market average\*\* ~£19)
- Duplicate document fee £7.50 (market average\*\* ~£17)
- Cancellation fee
  - Cooling off £22.50 (market average\*\* ~£25)
  - Mid term £47.50 (market average\*\* ~£50)

\*Source Defacto report, Motorists suffer rise in insurance administration fees, 15 September 2010

\*\*Source Defacto report combined with our own competitor research

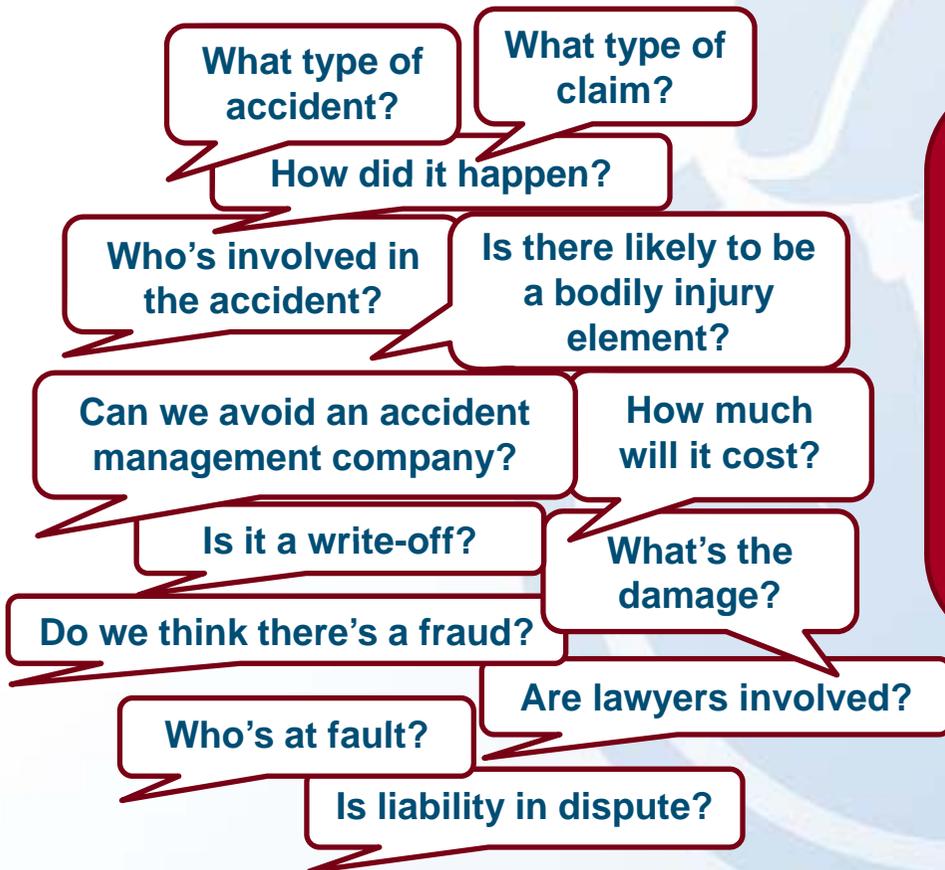


# Claims

Stuart Morgan



# What do we do in Claims? It's complex but there are essentially 4 key requirements



1. **Deliver great customer service**
2. **Controlling compensation culture**
3. **Negotiation of settlement**
4. **Reserve conservatively**



# What do we do in Claims? Deliver great customer service

- ❑ **It's all about people, the claims philosophy:**
  - ❑ **Great service**
  - ❑ **Great cost**
  - ❑ **Great fun**
- ❑ **~93% of customers say they would renew their policy following a claim**
- ❑ **We receive complaints on <1% of all registered claims**



# What do we do in Claims? Controlling compensation culture

## Claims structure:

**Contact centre**  
(inbound & outbound)



**Back office**  
(accidental damage, liability, theft)



**Bodily injury**

## Two sides of the same coin:

### Fault claims

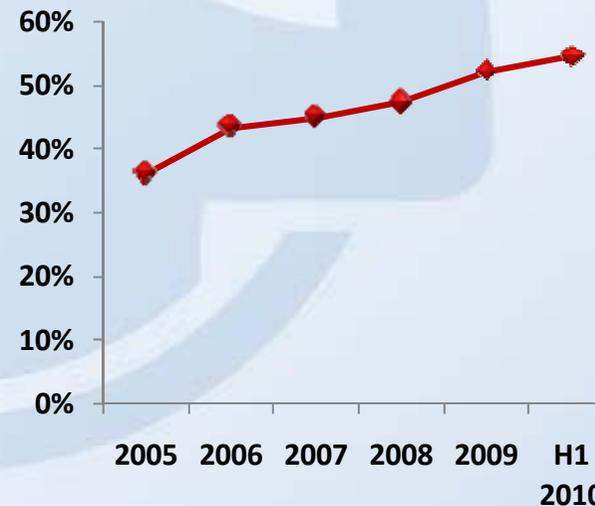
- Increasing proportion of claims from third party insurers have a BI element

### Non Fault claims

- Good customer service means putting customers in touch with our accident management partners

## Speed is of the essence

**% of BI claims settled in <12 months**  
(12 month rolling average)





# What do we do in Claims? Negotiation of settlement

## Claims structure:

**Contact centre**  
(inbound & outbound)



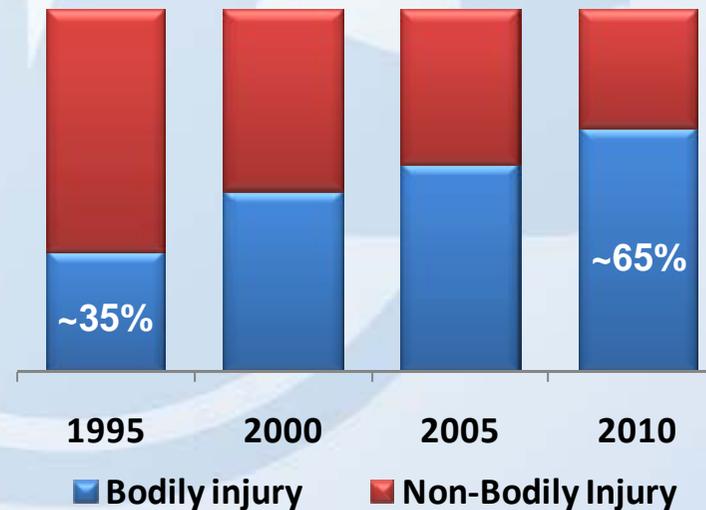
**Back office**  
(accidental damage, liability, theft)



**Bodily injury**

- ❑ Staff are decision makers – empowered to offer settlement at all stages of the process (within limits)
- ❑ Negotiations can happen with customer, with lawyer, or with accident management company
- ❑ Negotiation approach depends on type of claim

**Split of claims incurred**  
(£ reserves)





# What do we do in Claims? Reserve conservatively

## Claims structure:

**Contact centre**  
(inbound & outbound)



**Back office**  
(accidental damage, liability, theft)



**Bodily injury**

Accurate reserves  
from first contact  
to final settlement



### Conservative approach:

- ❑ Liability & quantum
- ❑ Inflation assumptions
- ❑ Frequently update
- ❑ Monitoring and review (BI claims)

Some claims are  
more important  
than others

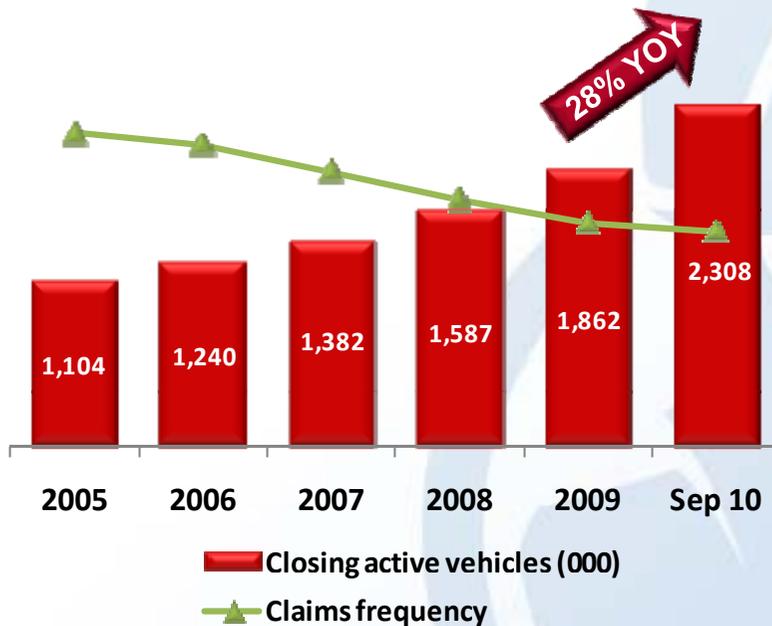


- ❑ Over 200,000 claims a year (excl windscreen)
- ❑ Around 100,000 outstanding claims
- ❑ Top 50 large BI ~20% of outstanding claims by value



# Key change: growth

In recent years increase in vehicles partly offset by lower claims frequency



But in 2010 we've made a significant increase in claims headcount



## Claims is a people process, growth requires:

- ❑ Recruitment across Cardiff, Swansea and Newport
- ❑ Training of new staff



# Key change: regulation

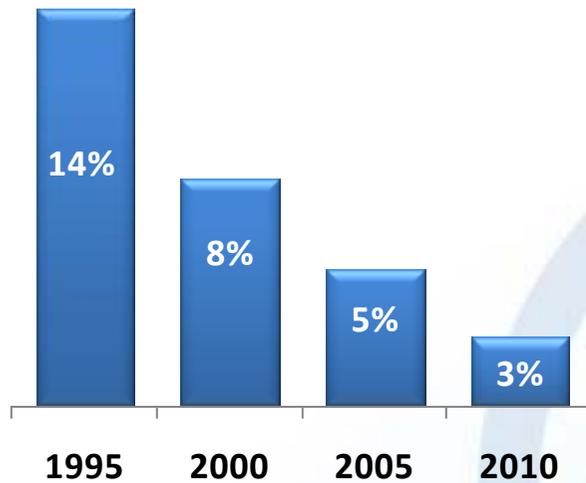


- ❑ Regulatory changes impact the market as a whole
- ❑ A change which results in claims inflation leads to premium increases
- ❑ Adapting to regulatory change is part of good claims management

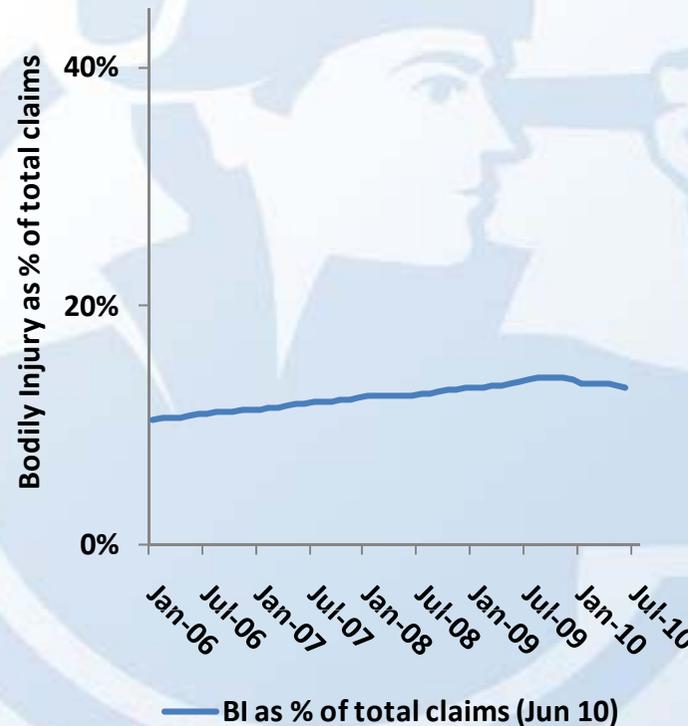


# Common query: “Will the recession cause a huge claims spike?”

**Theft is now only a small proportion of claims\***



**An increasing proportion of claims have a BI element, but this is consistent with the long term trend**



**We’re finding more fraud...**

	2006	2009
Fraud savings	£1m	£7m
As % of total claims	<0.5%	~1%

- The above reflects “hard” fraud
- Is the increase reflecting an underlying change or that we’re looking harder...

\* Based on number of claims settled by accident year



**UK Q&A**

## Admiral Group - Italy



**Italian market**

**Milena Mondini  
Francisco Garcia**



**Chiarezza.it**

**Francisco Garcia**



**Tommaso Gamaleri  
Milena Mondini**

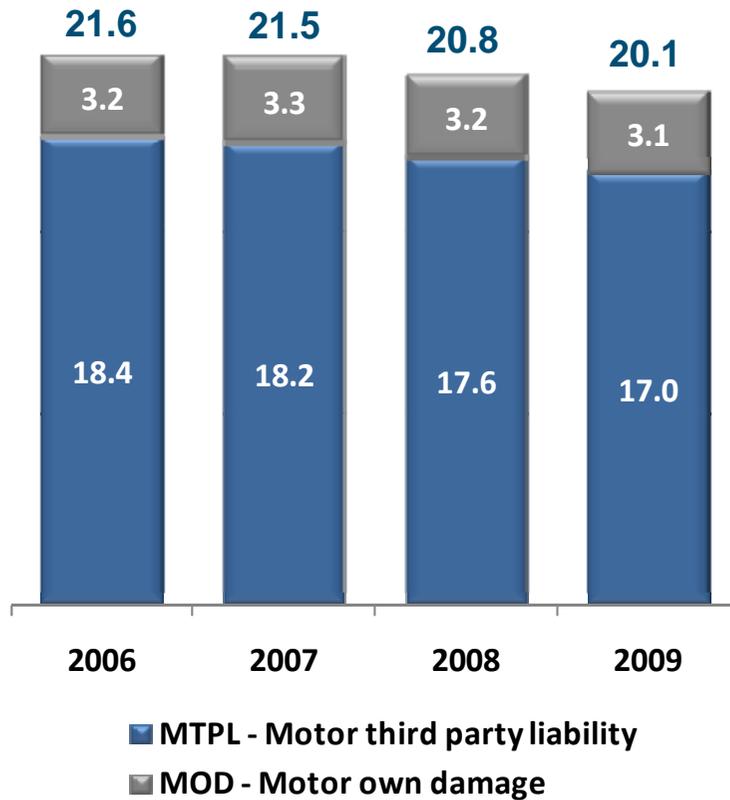


## Italian market



# A very large market despite premiums shrinking since 2006

**TOTAL ITALIAN MOTOR GWP\* (€bn)**



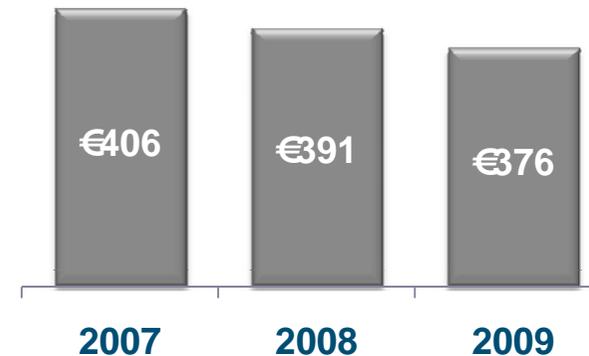
**GWP PRIVATE CAR ONLY\*\*: €15bn**

**NUMBER OF VEHICLES STABLE**

Private cars	36m
Motor bike	6m
Other	6m
<b>Total vehicles</b>	<b>48m</b>

Highest proportion in EU vehicles/drivers

**AVERAGE PREMIUM FALLING\***



Decreases due to Bersani law, increase in switchers and applied discounts

Source: ANIA 2009 and ACI 2009

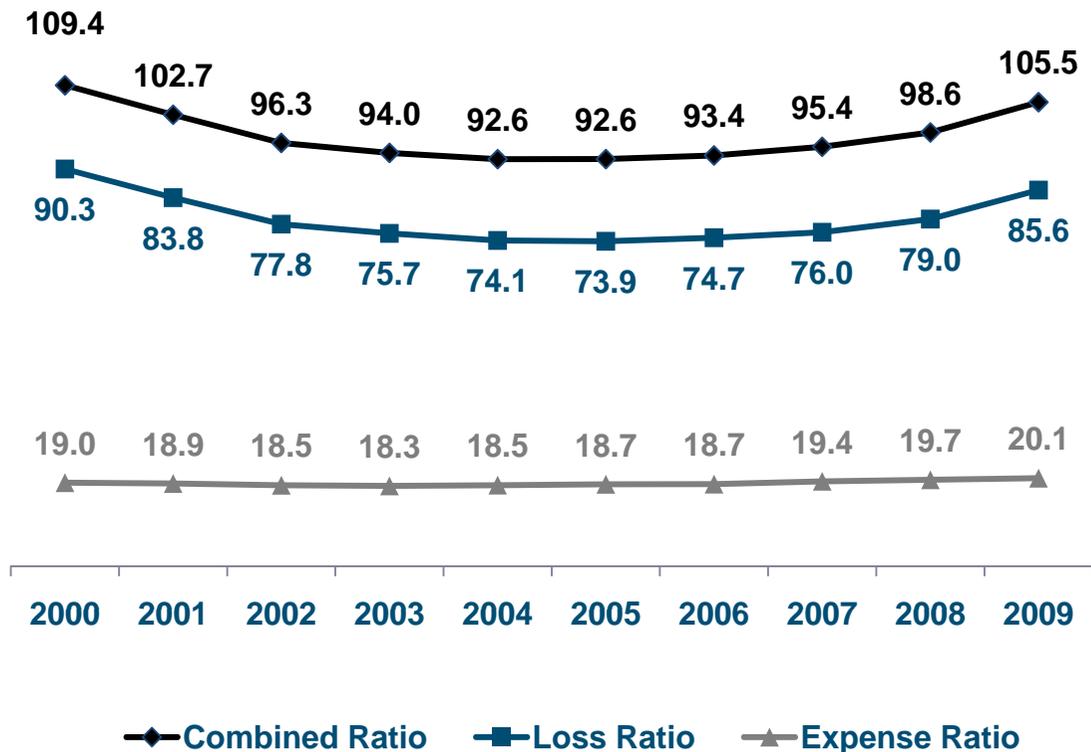
\*GWP (Gross written premium) data refers to all type of vehicles

\*\*Management estimate



## 2009 underwriting results have been the worst in the last 9 yrs

### ITALIAN MOTOR INSURANCE UNDERWRITING RESULTS (%)



Increased due to lower average premium and reserve adjustments arising from new BI tables and Bersani law

Broadly stable, small increases in acquisition costs as a result of no tied agents



## Recent challenges for insurance profitability

Challenge	Description	Implications
<b>Bersani</b>	<ul style="list-style-type: none"><li>Regulations regarding Bonus Malus class*, for example allowed to use same class as other family members</li></ul>	<ul style="list-style-type: none"><li>Impossible to price accurately on Bonus Malus class</li></ul>
<b>Direct Indemnity</b>	<ul style="list-style-type: none"><li>K4K like agreement: non-fault claims settled by non-fault driver's insurer who then receive a fix payment from at fault party's insurer</li></ul>	<ul style="list-style-type: none"><li>Faster settlement of small claims but creates some price distortion and incentive for fraud</li></ul>
<b>BI Tables</b>	<ul style="list-style-type: none"><li>Milan court revised / increased indemnity for BI claims and other courts are following</li></ul>	<ul style="list-style-type: none"><li>Significant adjustment of BI claims reserves on all open claims</li></ul>
<b>No tied agents</b>	<ul style="list-style-type: none"><li>All agents are free to intermediate multiple insurers policies</li></ul>	<ul style="list-style-type: none"><li>Bidding with higher commissions to insure agents' loyalty</li></ul>

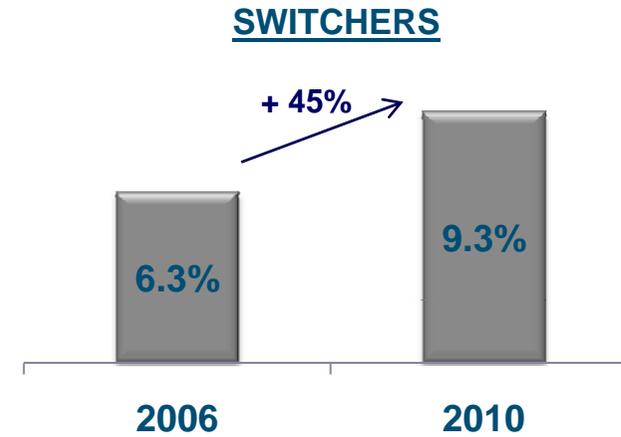
\* Similar to no claims bonus in UK



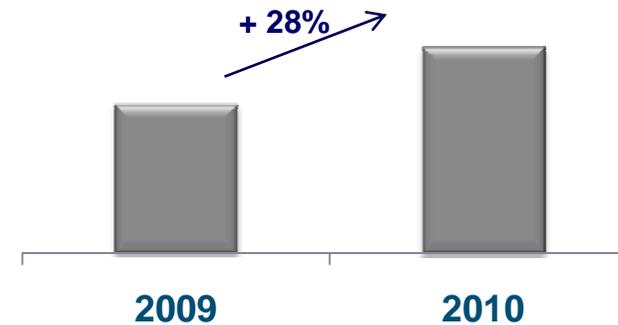
## As reaction to 2009 UW results Italian insurance market increased price by ~25%



Estimate of private motor market price increase in 12 months to June



GOOGLE IMPRESSIONS\*\*



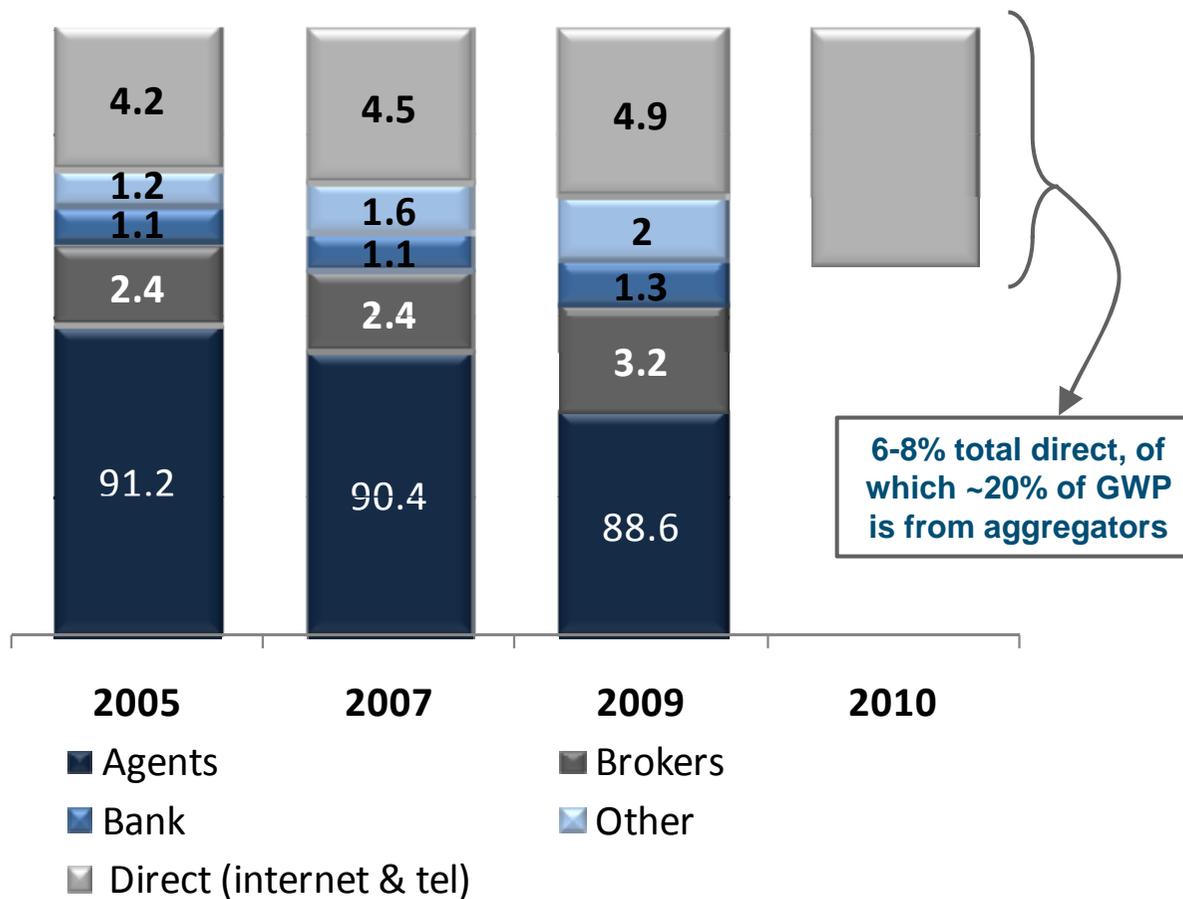
\* Management estimates, utilising market experience combined with indices where available

\*\* Google Inc. statistics



# Direct channel is growing steadily...

**DISTRIBUTION CHANNELS\* (%)**



## DIRECT PLAYERS

Direct Players (2009)	GWP 2009 (€M)
Genertel	241
Direct Line	238
Genialloyd	210
Linear	146
Zuritel	117
Dialogo	27
Quixa (1)	18
ConTe (1)	13
<b>Total Direct</b>	<b>1010</b>
<b>Total Market</b>	<b>20.100</b>

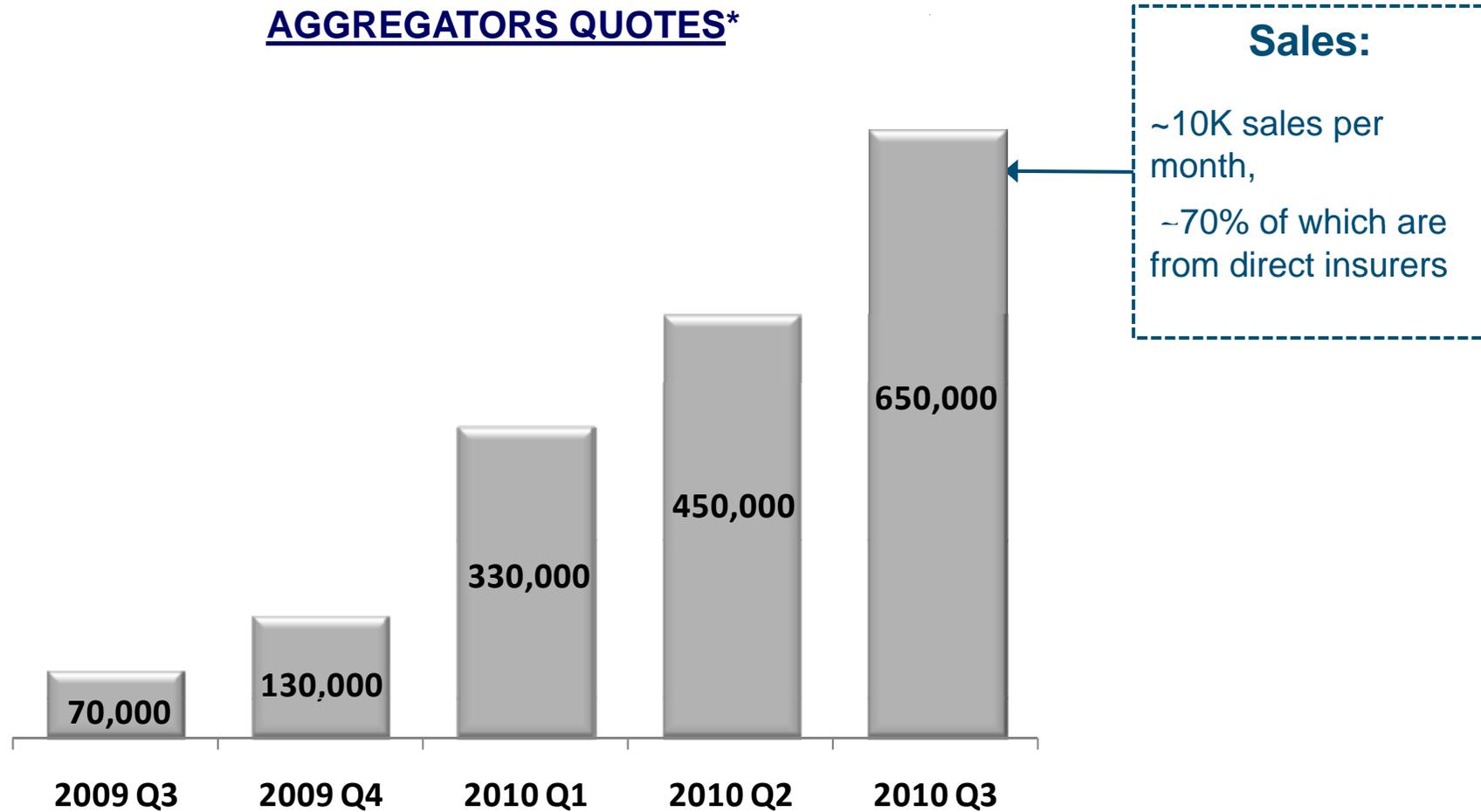
(1) Launched in 2008

\*Source: ANIA 2009



... mainly due to rise of aggregators

**AGGREGATORS QUOTES\***



Source: ANIA 2009

\* Management estimates, utilising market experience combined with indices where available



## Who are these aggregators?



- ❑ Market leader with over 150k quotes/month
- ❑ Focused on online marketing and white label
- ❑ Privately funded



- ❑ #2 with 50k-75k quotes/month
- ❑ Significant PR resonance
- ❑ Owned by leading mortgage aggregator (MutuiOnline.it, listed mortgage aggregator)



- ❑ Pioneer PC site since 2000
- ❑ # 3 the market, at much higher volumes than historically (>30k)
- ❑ Privately funded



- ❑ Broadest panel, but limited information (e.g. TPO only)
- ❑ Limited media expenditure
- ❑ Non profit government initiative





## Chiarezza.it Some facts about Chiarezza.it

- ❑ Launched on February 2010, Chiarezza.it joined a young but growing market
  - ❑ From “confusion” to “clarity”; we’re tailoring price comparison to the Italian market
  - ❑ First aggregator to use offline media
    - ❑ Radio campaign in July 2010
    - ❑ TV in September 2010
  - ❑ Chiarezza.it has provided ~100k quotes to date
  - ❑ 6 FTE (inc. MD) in Milan, 10 FTE in Delhi
-



## Leveraging a tried & tested business model, but adapted to local taste



<input type="checkbox"/> Free to users	✓	✓	✓
<input type="checkbox"/> Insurer friendly	✓	✓	✓
<input type="checkbox"/> Focused on car insurance	✓	✓	✓
<input type="checkbox"/> First on TV	✓	✓	✓
<input type="checkbox"/> Scalable	✓	✓	✓
<input type="checkbox"/> Cost conscious	✓	✓	✓
<input type="checkbox"/> Customer centric	✓	✓	✓
<input type="checkbox"/> People, people, people	✓	✓	✓



Chiarezza.it

# Approach

## Product

Leveraged Confused.com technology but customized to local taste



## Panel



+ 10 traditional insurers (via brokers)

## Marketing

- Developing our brand
- Differentiated look, feel and approach
- Focused on being “on the customer side”
- Broad media mix; TV and Radio are key

## Team

Davide, Commercial Direct Line

Serena, Admin Michael Page

Francisco, MD McKinsey, Balumba



Anna, Content Journalist

Daniele, India Team Technology

Gianni, Marketing Unicredit, CheBanca!



### 1. Build a strong panel



- Explain benefits of price comparison (e.g. acquisition cost, new customer base etc)
- Build trust in service
- Working closely with insurers on IT

### 2. Develop appropriate revenue model



- Work with insurers and show flexibility in revenue model (e.g. cost per sale based, but defer some payments into renewal)
- Work with insurers to improve conversion

### 3. Win lots of customers



- First both on TV and radio
- Continue to test and learn on effectiveness of marketing (focus on cost per quote)



- **Price comparison looks set to take off in Italy**
  - **There are challenges, but Chiarezza.it is well placed:**
    - **Knowledge and support from Confused.com & international PCs**
    - **Flexible approach to partner relations**
    - **Leading the change of customer habits (e.g. first on TV)**
    - **A variable and low cost operation**
-



### Who we are?

- ❑ The Italian branch of Admiral
- ❑ Launched in 2008, May 30<sup>th</sup>
- ❑ Quota share/co-insurance agreement with Munich Re at 65%

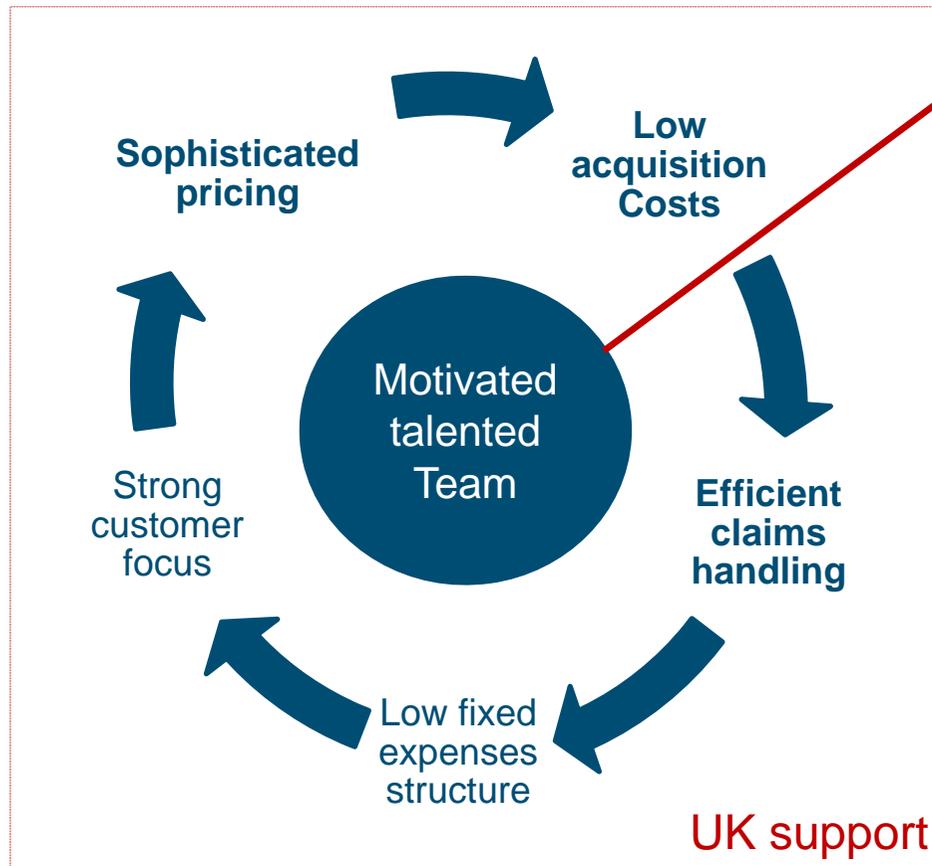
### What we offer?

- ❑ Car and motor bike insurance by phone, internet, price aggregators
- ❑ 3 products (All drivers, >28 years old, named drivers)
- ❑ Ancillaries by market leader (ALA, ARAG)

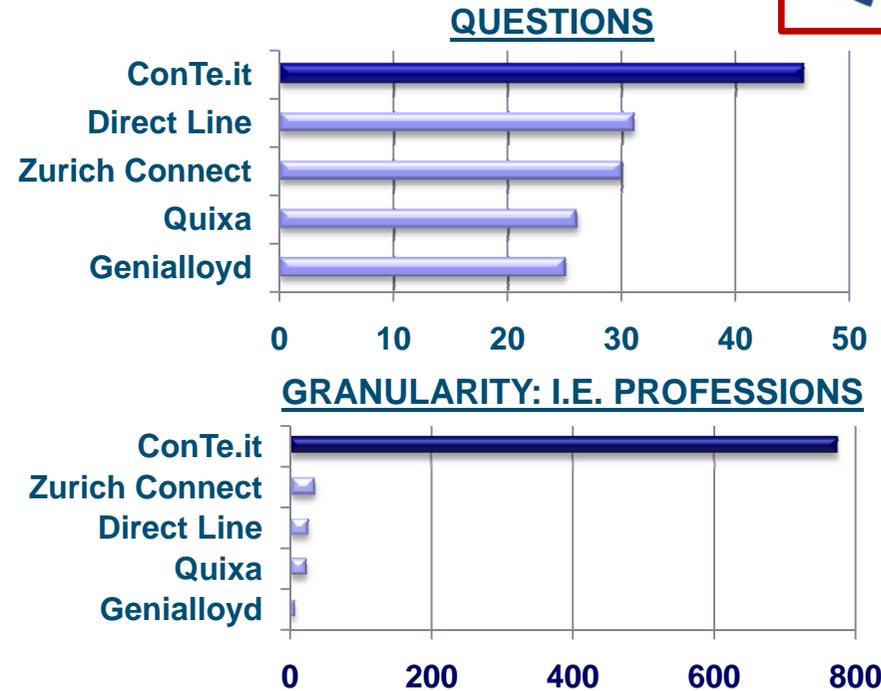
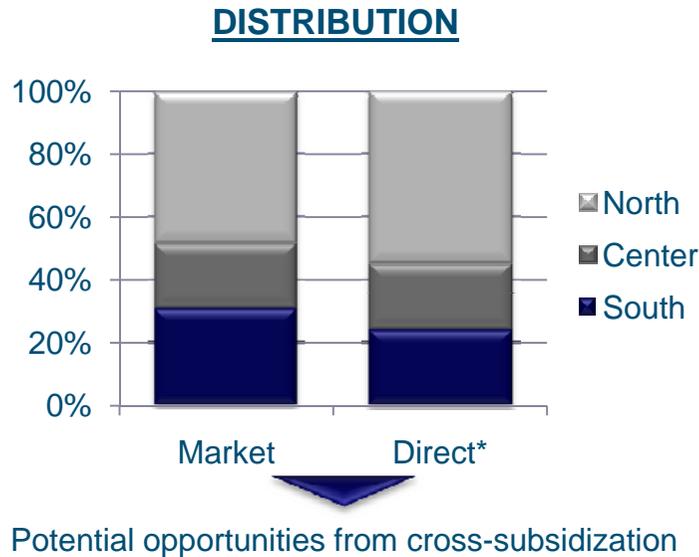
### Which size?

- ❑ 248 staff, based in Rome
- ❑ 72,000 customer (at Q3 2010)
- ❑ GWP: €8.6M (for Q3 2010)

# Adapting UK competitive advantages to the Italian landscape



# More sophisticated pricing & underwriting



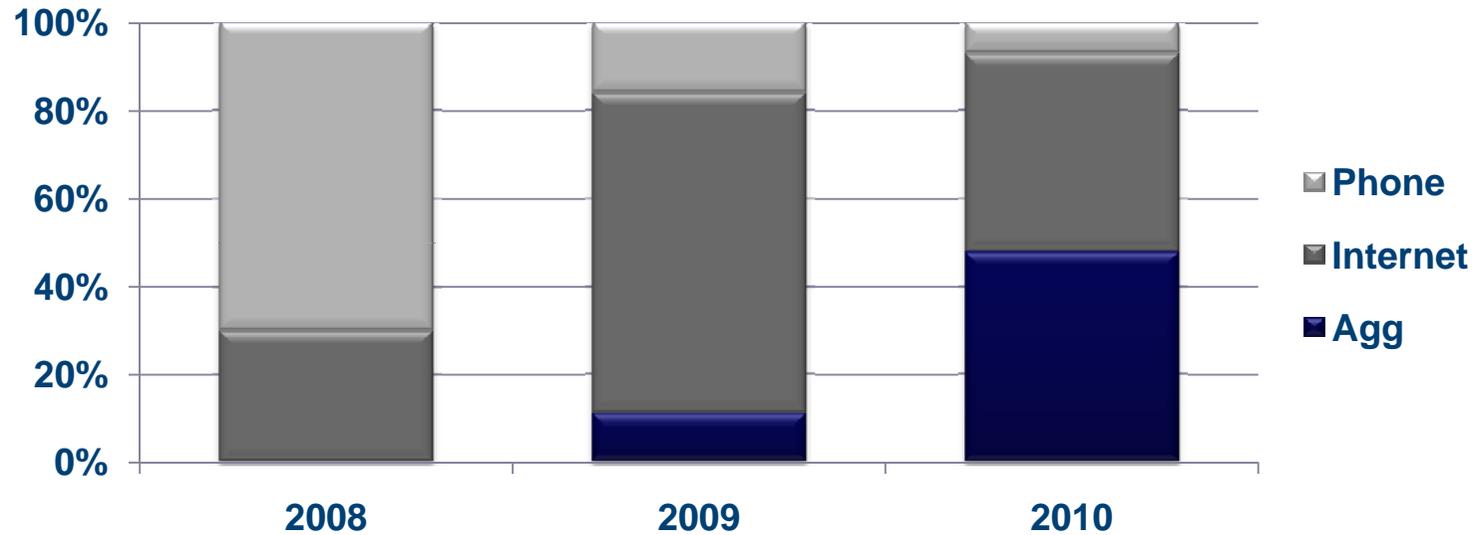
- Our approach**
- ❑ Use of external DB as additional data source
  - ❑ Investment in competitive analysis
  - ❑ Focus on anti-fraud and automatic controls

- Key learning from Admiral Group international expansion:**
- ❑ More conservative approach to some risks at the beginning
  - ❑ More underwriting rules and document checks

\* Management estimates, utilising market experience combined with indices where available



## CONTE SALES CHANNELS



### Our approach

- ❑ Focus on low cost acquisition of traffic through search engines
- ❑ Continuous optimization of website conversion and customer journey
- ❑ Leverage on UK expertise to optimize aggregator conversion
- ❑ Testing approach on alternative media and offline strategies

### Key learning from Admiral Group international expansion:

- ❑ Early presence and focus on all aggregators



## Our approach:

### Leverage advantages of Italian “direct indemnity” system

- ❑ Fast settlement (within 48hrs) of small claims (<€1,000)
- ❑ Robust network (ca. 420) of approved garages
- ❑ Focus on efficient processes to handle small BI’s (i.e. whiplash)

### Be well equipped for potential fraudulent behaviours

- ❑ Detailed check when claims are open
- ❑ Criminal law action against some fraudsters
- ❑ Leverage on specialized network where appropriate
- ❑ Use of local experts on risky areas
- ❑ Strong cooperation with police and local authorities

### Proactive and specialized claims handling processes

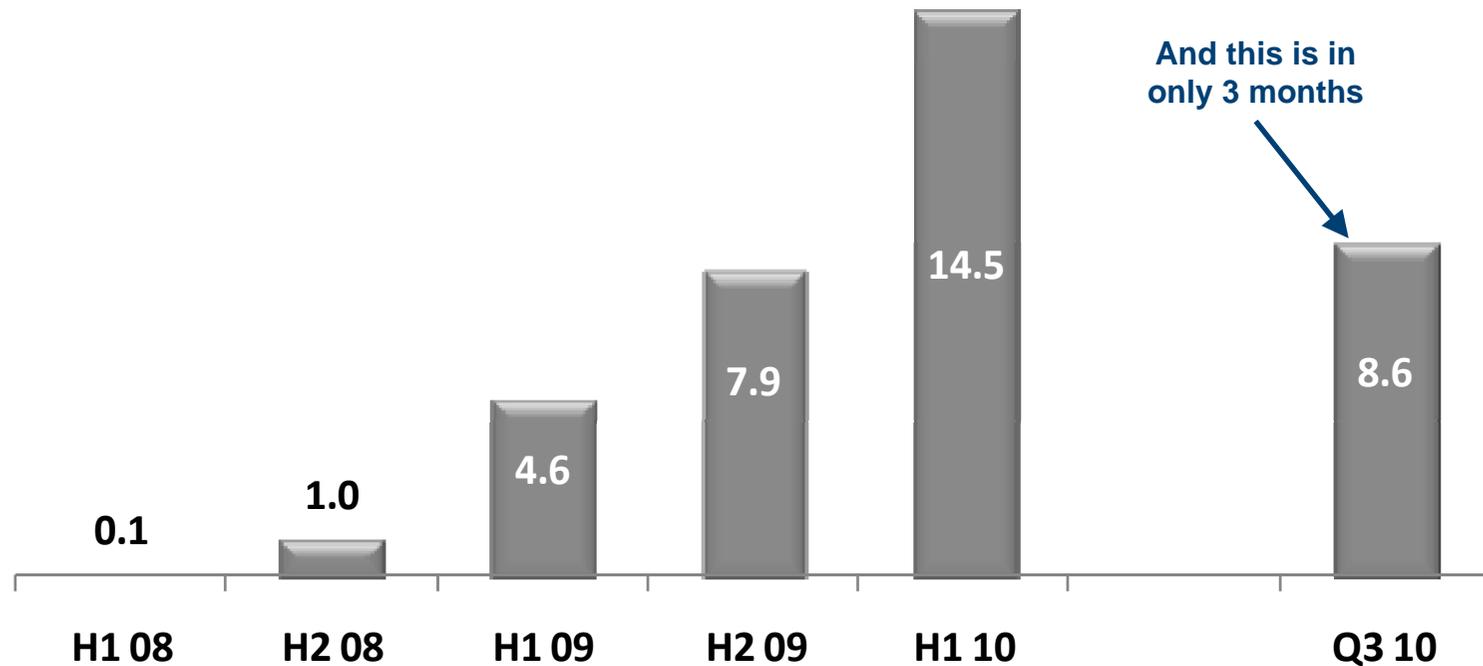
- ❑ Extensive use of outbound
- ❑ Highly specialized team by claims type

## Key learning from Admiral Group international expansion:

- ❑ Experienced Claims Manager on board early

## Sustained growth in the first 2yrs

### CONTE GROSS WRITTEN PREMIUM (€m)



And this is in only 3 months

**Active Policy Base at period end (000)**

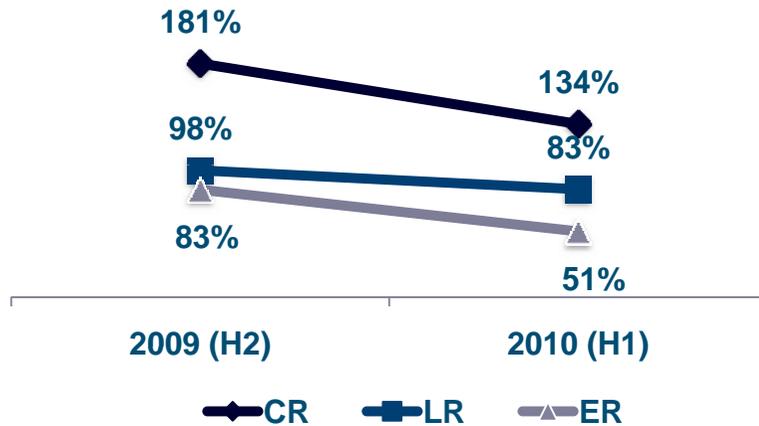
H1 08	H2 08	H1 09	H2 09	H1 10	Q3 10
0.2	3.4	14.8	35.5	57.9	71.9

**Staff #**

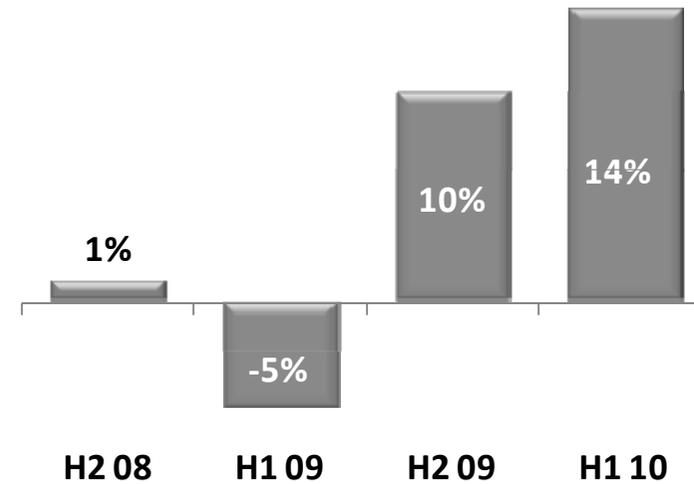
H1 08	H2 08	H1 09	H2 09	H1 10	Q3 10
55	88	117	192	241	248

## With focus on profitability

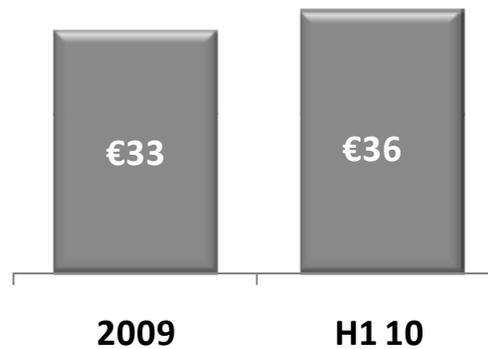
### UNDERWRITING RESULTS (on an UWY basis)



### BASE RATE PREMIUM INCREASES (in each 6 month period)



### GROSS ANCILLARY CONTRIBUTION



## Aiming to turn Italian challenges into our strengths

	Challenge	Advantage of being part of Admiral Group
<b>Aggregators</b>	While traditional insurers are fighting aggregators and directs are getting experience....	... we have a deep knowledge of this business in the group
<b>Pricing constraints</b>	Bersani law and direct indemnity created pricing distortions for some key tariff factors as BMC or vehicle value	... we have taken account of these constraints from the beginning and are leveraging UK pricing sophistication to try and reduce the impact
<b>BI tables</b>	While all players are increasing rates to offset past liabilities ...	... we are enjoying increased number of switchers and we have <u>no</u> past liability
<b>Late reported claims</b>	Late reporting phenomenon increasing ...	... but we have few prior year reserves to review and going forward we can leverage a more flexible pricing approach

\* BMC= Bonus Malus Class

## Summary

### A pretty good start, at just over 2 years old:

	2009	H1 10
Active vehicles at period end	35.500	57.900
Total written premium (6 months)	n/a	€14.5m
Total written premium (12 months)	€12.5m	€22.4m
Loss ratio - underwriting year (at period end)	98%	83%
Written expense ratio	<u>83%</u>	<u>51%</u>
Combined ratio	181%	134%
Gross ancillary contribution per vehicle	33	36
Admiral result (before tax)	(€2.7m)	(€2.0m)

**We are excited about the opportunities in the Italian market, but there's still lots of work to do...  
...our goals for the future are:**

- ❑ **Keep Loss ratio under control**
- ❑ **Steady and sustainable growth on PC sites**
- ❑ **Improve ancillary contribution**
- ❑ **Use more of Admiral Group's innovation in Italy**

**Build a sustainable,  
profitable,  
growing business**

Unless otherwise stated above data shows full year figures for 2009 and 6 month figures for H1 2010.



Q&A



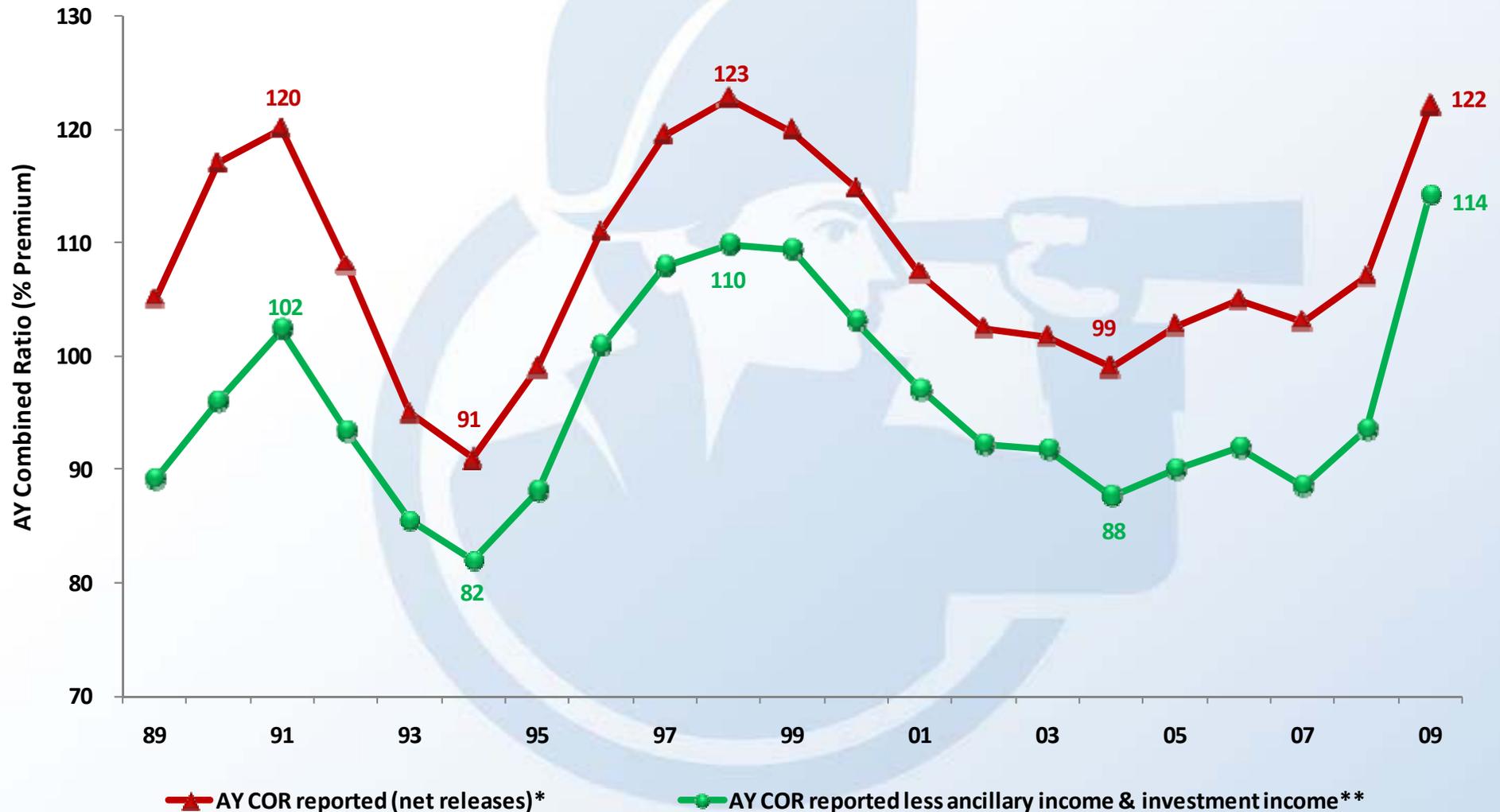


# Appendices



# UK Market – in 2009 the UK market experienced a “peak of pain”

## UK private motor market profitability



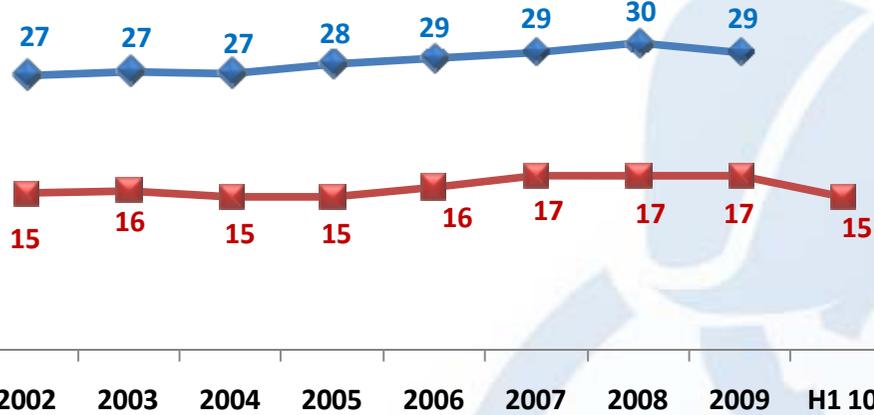
\*Accident year combined ratio is per FSA returns

\*\* Ancillary income assumed to be earned by direct insurers only, who track the growth in Admiral's ancillaries (as % premium) but with a 2 year delay, and assuming 25% of ancillary is included in CoR. Investment income assumed to be base rate \* GWP \* 1.5



# So what about Admiral? We've not seen as much "pain", our combined ratio outperformance has increased

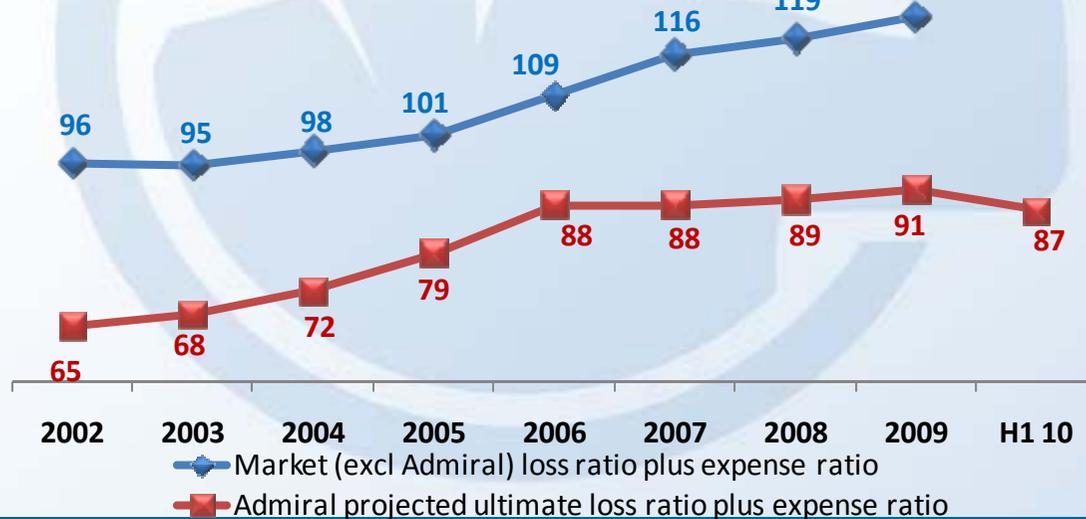
### Expense ratio advantage (%)



### Loss ratio advantage (%)



### Combined ratio advantage (%)



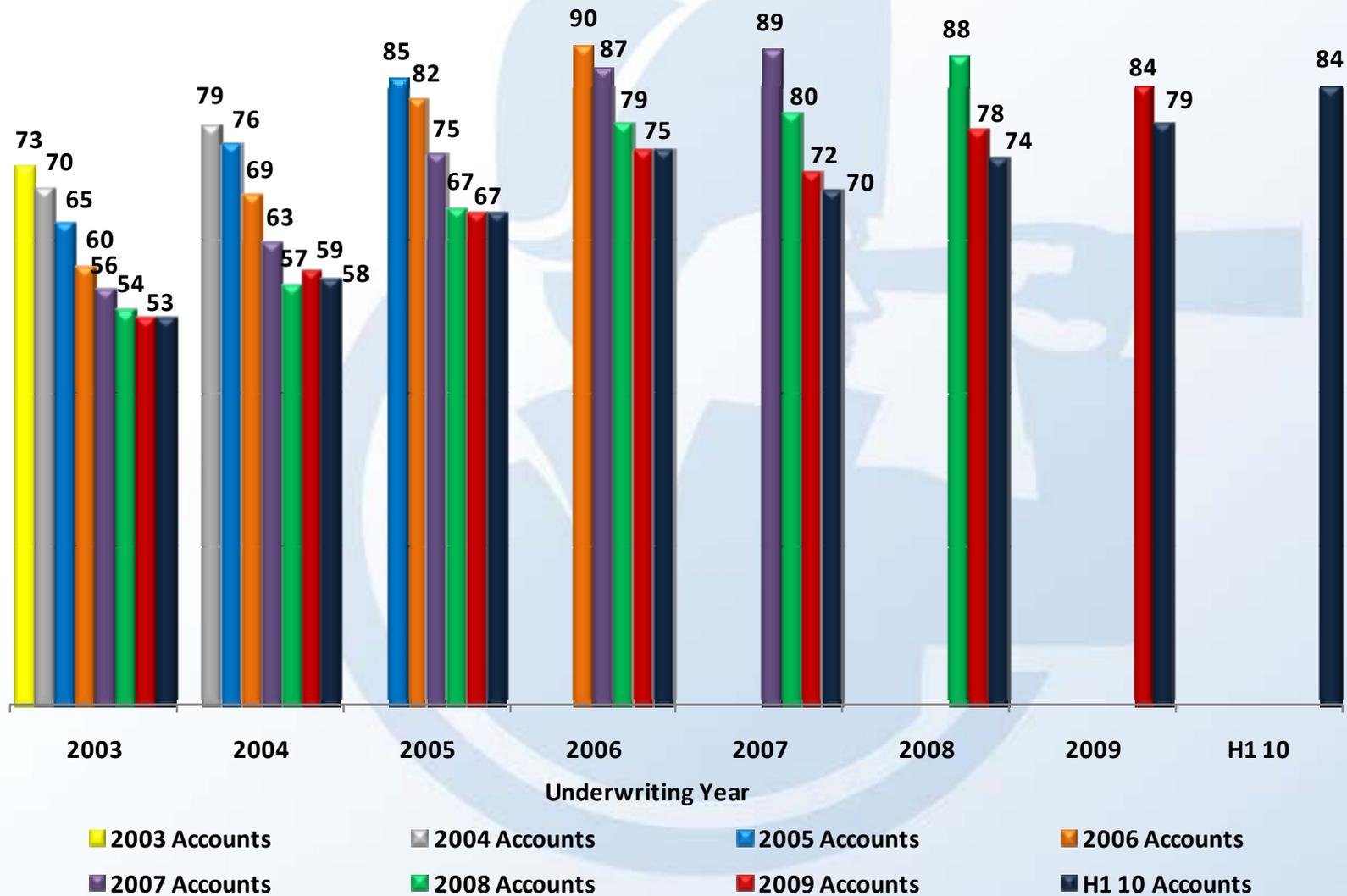
\* Reported accident year loss ratio with reserve releases allocated back to relevant accident year, source: 2002 – 2008 EMB Analysis of FSA returns, 2009 management estimate

\*\* Ernst & Young projected ultimate loss ratios



# UK car insurance: reserving

Loss ratio development by underwriting year





# Summary income statement

	UK car insurance			Price comparison			Non-UK car insurance			Other			Admiral Group		
	H1 08	H1 09	H1 10	H1 08	H1 09	H1 10	H1 08	H1 09	H1 10	H1 08	H1 09	H1 10	H1 08	H1 09	H1 10
<b>Turnover</b>	<b>407.2</b>	<b>470.1</b>	<b>639.3</b>	<b>36.6</b>	<b>40.2</b>	<b>38.0</b>	<b>14.7</b>	<b>24.5</b>	<b>37.2</b>	<b>4.9</b>	<b>5.3</b>	<b>6.0</b>	<b>463.5</b>	<b>540.1</b>	<b>720.5</b>
<b>Total premiums written</b>	350.1	404.6	555.8				13.0	22.6	34.1				363.2	427.1	589.9
Gross premiums written	157.6	202.3	305.7				12.7	19.9	29.4				170.2	222.2	335.1
Net premiums written	94.6	109.5	150.5				4.4	7.8	11.7				99.0	117.2	162.2
<b>Net earned premium</b>	<b>73.5</b>	<b>94.6</b>	<b>117.2</b>				<b>3.5</b>	<b>5.9</b>	<b>8.2</b>				<b>77.0</b>	<b>100.6</b>	<b>125.4</b>
Investment income	8.9	5.7	3.2				0.2	0.1	0.0				9.1	5.8	3.2
Net insurance claims	(48.0)	(63.6)	(81.0)				(4.5)	(6.6)	(7.8)				(52.5)	(70.2)	(88.8)
Insurance related expenses	(10.9)	(14.2)	(16.1)				(2.7)	(5.2)	(7.1)				(13.6)	(19.4)	(23.2)
<b>Underwriting result</b>	<b>23.5</b>	<b>22.5</b>	<b>23.3</b>				<b>(3.5)</b>	<b>(5.7)</b>	<b>(6.7)</b>				<b>20.0</b>	<b>16.8</b>	<b>16.6</b>
Profit commission	14.3	22.7	36.9										14.3	22.7	36.9
Gross ancillary revenue	53.0	61.0	77.7				1.6	1.8	2.9				54.6	62.8	80.6
Ancillary costs	(8.8)	(9.6)	(12.2)				(0.3)	(0.3)	(0.5)				(9.1)	(9.9)	(12.7)
Instalment income	4.1	4.5	5.8				0.1	0.2	0.2				4.2	4.7	6.0
Gladiator contribution										1.5	1.4	1.5	1.5	1.4	1.5
Price comparison revenue				36.6	40.2	38.0							36.6	40.2	38.0
Price comparison expenses				(21.0)	(29.2)	(30.9)							(21.0)	(29.2)	(30.9)
Interest income										3.5	1.1	0.3	3.5	1.1	0.3
Other (mainly share scheme)										(4.3)	(5.2)	(9.4)	(4.3)	(5.2)	(9.4)
<b>Profit / (loss) before tax</b>	<b>86.1</b>	<b>101.1</b>	<b>131.5</b>	<b>15.6</b>	<b>11.0</b>	<b>7.1</b>	<b>(2.1)</b>	<b>(4.1)</b>	<b>(4.1)</b>	<b>0.7</b>	<b>(2.7)</b>	<b>(7.6)</b>	<b>100.3</b>	<b>105.3</b>	<b>126.9</b>



# Balance sheet

	June 09 £m	Dec 09 £m	June 10 £m
<b>ASSETS</b>			
Property, plant and equipment	11.5	12.1	11.7
Intangible assets	78.2	77.0	79.1
Financial assets	688.2	630.9	827.7
Reinsurance contracts	195.7	212.9	283.0
Deferred income tax	0.0	0.0	1.2
Trade and other receivables	36.2	32.7	45.9
Cash and cash equivalents	96.2	211.8	165.4
<b>Total assets</b>	<b><u>1,106.0</u></b>	<b><u>1,177.4</u></b>	<b><u>1,414.0</u></b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	264.4	281.8	306.3
Other reserves	3.8	5.6	2.7
<b>Total equity</b>	<b>281.6</b>	<b>300.8</b>	<b>322.4</b>
<b>LIABILITIES</b>			
Insurance contracts	491.2	532.9	643.8
Trade and other payables	293.1	306.8	407.8
Deferred income tax	12.2	5.7	0.0
Corporation tax liabilities	27.9	31.2	40.0
<b>Total liabilities</b>	<b>824.4</b>	<b>876.6</b>	<b>1,091.6</b>
<b>Total liabilities and equity</b>	<b><u>1,106.0</u></b>	<b><u>1,177.4</u></b>	<b><u>1,414.0</u></b>



# Admiral Group key performance indicators

KPI	2004	2005	2006	2007	2008	2009	H1 08	H1 09	H1 10	
Group Financial	Revenue £m	540	627	698	808	910	1,077	463	540	721
	Customers	1,040,700	1,141,000	1,284,700	1,490,800	1,745,800	2,076,000	1,629,500	1,921,500	2,372,500
	Group pre-tax profit £m	98.1	119.5	147.3	182.1	202.5	215.8	100.3	105.3	126.9
	Earnings per share	28.4p	32.7p	39.8p	48.6p	54.9p	59.0p	27.3p	28.5p	33.7p
	Dividend	9.3p	24.6p	36.1p	43.8p	52.5p	57.5p	26.0p	27.7p	32.6p
UK Car Insurance	Vehicles covered	1,007,600	1,104,500	1,240,200	1,381,700	1,587,200	1,861,800	1,483,900	1,731,600	2,122,800
	Total premiums £m	470.4	533.6	566.0	617.0	690.2	804.7	350.1	404.6	555.8
	Reported combined ratio	82.0%	84.9%	87.2%	83.4%	81.0%	84.9%	80.1%	82.1%	82.9%
	Ancillary contribution per policy £	66.3	68.5	69.3	69.0	70.7	72.0	71.1	70.8	74.5
	UK car insurance pre-tax profit	94.7	110.0	121.1	142.2	179.9	206.9	86.0	101.3	131.5
Price Comparison	Total revenue £m	3.2	12.0	38.5	69.2	66.1	80.6	36.6	40.2	38.0
	Operating profit £m	1.3	6.9	23.1	36.7	25.6	24.9	15.6	11.0	(30.9)
	Operating margin - Confused.com only	41%	58%	60%	53%	39%	32%	43%	27%	24%
Non-UK Car Insurance	Vehicles covered			2,200	46,900	73,700	121,000	69,900	100,500	154,100
	Total premiums £m			0.6	14.2	26.0	43.0	13.0	22.6	34.0
	Reported combined ratio			0	232%	198%	204%	206%	199%	183%
	Non-UK car insurance result £m			(0.1)	(0.7)	(4.1)	(9.5)	(2.1)	(4.1)	(4.1)



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