Admiral Group plc

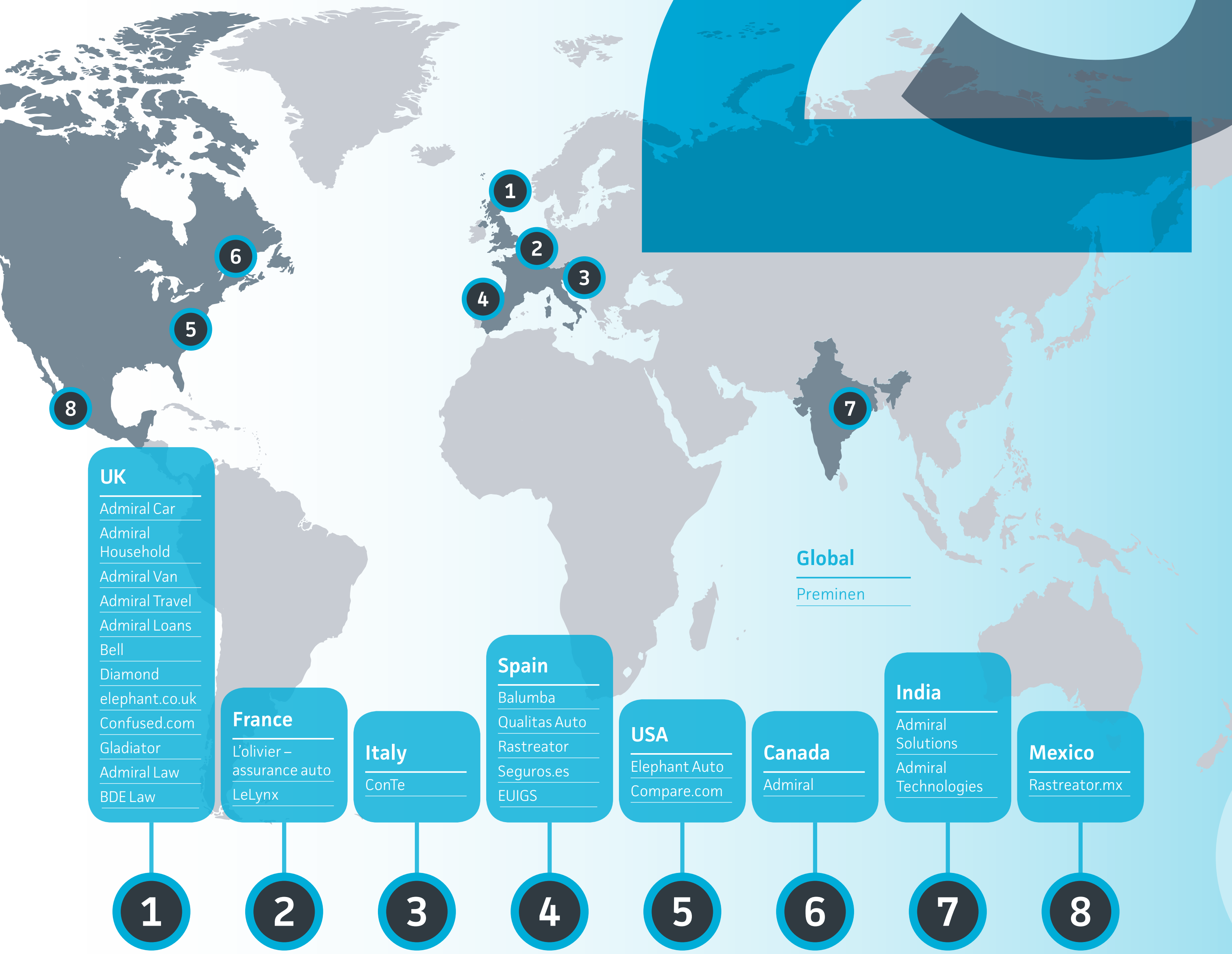
Annual Report & Accounts 2017

25 Years of Firsts

Admiral offers motor and household insurance in the UK and the Group includes Confused.com, a leading price comparison website.

Outside the UK, Admiral owns four insurance and three price comparison businesses.

The Group has offices in eight countries across the world.



Years of Firsts

The journey so far…

We launched in 1993 with 0 customers, 1 brand and 57 staff.

Today we have over 5 million customers worldwide, 17 brands and 9,000 staff. Over the last 25 years we have continued to strengthen our UK businesses and grow our international operations.

Contents

1993

Admiral is born

Launched on January 2nd with just one brand, zero insured vehicles and 57 members of staff.

1995

Admiral website went live

making us the first UK direct insurer with an internet presence.

1997

Diamond a girl's best friend

Bell part of the Admiral Group

Bell and Diamond brands launched

Diamond targeted at Women and Bell targeted at drivers with low no claims bonus.

Financial Highlights

Group's share of profit before tax[*1] (£million)

£405.4m

2017	**405.4**
2016	284.3
2015	376.8

Group's statutory profit before tax (£million)

£403.5m

2017	**403.5**
2016	278.4
2015	368.7

Earnings per share (pence)

117.2p

2017	**117.2**
2016	
2015	107.3

Return on equity[*1] (%)

55%

2017	**55**
2016	37
2015	49

Turnover[*1] (£billion)

£2.96bn

2017	**2.96**
2016	2.58
2015	2.12

Net revenue (£billion)

£1.13bn

2017	**1.13**
2016	1.02
2015	0.90

Customers[*1] (million)

5.73m

2017	**5.73**
2016	5.15
2015	4.43

Full year dividend per share[*3] (pence)

114.0p

2017	**114.0**
2016	102.5
2015	102.5

> "It's 25 years since the launch of Admiral. 2016 was only the second year we'd ever reported a year on year fall in profits. So it's great to be back in the groove, with a 23rd year of 'record profits'."

David Stevens, CBE
Group Chief Executive Officer

GLADIATOR

1998

Gladiator launched

Our commercial vehicle insurance broker.

2000

elephant.co.uk launched:

The UK's first brand to offer a complete online solution to car insurance.

2001

Sunday Times 100 Best Companies to Work For

We made it on to the list for the first time at 32nd.

Group Highlights

UK Insurance customers*1 4.62 million (2016: 4.12 million)

International car insurance customers*1 1.03 million (2016: 0.86 million)

Group's share of price comparison profit*1 £7.1 million profit (2016: £2.7 million profit)

Statutory price comparison result £5.4 million profit (2016: £2.9 million loss)

Solvency ratio (post dividend)*2 205% (2016: 212%)

Over 9,600 staff each receive free shares worth a total of £3,600 under the employee share scheme based on the full year 2017 results

*1 Alternative Performance Measures – refer to the Glossary for definition and explanation.

*2 Refer to capital structure and financial position section later in the report for further information.

*3 2016 and 2015 dividends excludes additional return of surplus capital. Full year dividend including additional return was 114.4 pence for each period.

2002

Confused.com launched

The first insurance aggregator in the UK.

2004

The Admiral Group IPO

The Admiral Group floated on the London Stock Exchange with an initial share price of £2.75.

2005

Admiral MultiCar launched

Allowing customers to have two or more cars on the same policy.

Chairman's statement

"On behalf of the Board, I would like to thank all the 9,600 people at Admiral for their continued hard work and contribution to a record-breaking set of results for the Group in 2017."

In 2018 we celebrate 25 years since the launch of the company in January 1993. The core of the company's success remains the distinctive Admiral culture which drives the way that our people work and serve our customers in the UK, Italy, Spain, France and the US.

I am delighted and honoured to have taken over the helm as the Chairman of Admiral at the AGM in April 2017. My predecessor, Alastair Lyons, who ably steered the ship for over 16 years, has left some large shoes to fill. I would like to thank him for his service and enabling a smooth transition.

As Chairman of the Group I will focus my efforts on:

- Continuing to build on the remarkably special Admiral culture and in so doing putting our people and customers at the heart of what we do
- Continuing the history of growth, profitability and innovation
- Investing in the development and growth of our people
- Ensuring excellent governance and the highest standards.

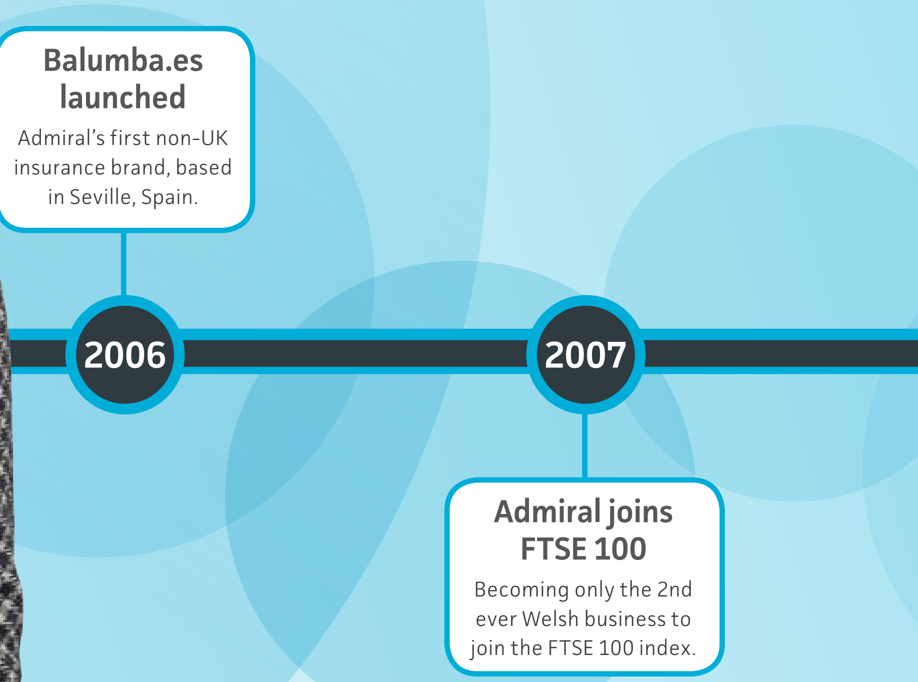
2017 Overview

Admiral Group has delivered another record set of results in 2017: record turnover and profit, strong return on capital, strong solvency ratio and record customer numbers.

The Group has continued to grow strongly with turnover increasing by 15% to £2.96 billion. Customer numbers increased 11% to over 5.7 million.

The Group's share of pre-tax profit increased by 43% to £405.4 million. Earnings per share and return on equity both increased by 49% to 117.2 pence and 55% respectively. The Group's solvency ratio remains very strong at 205%.

In UK Insurance, there was another strong performance from the Group's core UK Motor business where the number of insured vehicles grew by 8% to 3.96 million. In line with usual trends, profitability benefited from significant prior year reserve releases.



Whilst we devote time and resources to exploring new opportunities outside of car insurance we also recognise that this remains our core focus. We continue to invest heavily in improving our core skills as evidenced by our continuing growth in premiums and profit. We also have a range of innovations including car sharing insurance, learner driver insurance and we remain the largest telematics provider in the UK.

There is still a backdrop of uncertainty in our largest business, UK Car, due to the continued deliberations over the Ogden rate affecting large personal injury claims. We expect to see some conclusions on the way forward in 2018. In the meantime, we have taken a prudent approach and reflected the current discount rate in our reserves.

Household Insurance continues to grow apace. Turnover is now £107.1 million and properties insured have increased by 41% to 0.7 million. Customers buy from us either using price comparison sites, directly and, increasingly, using our MultiCover offering, building on the success of MultiCar.

2017 saw the successful launch of our in-house underwritten van insurance product and, most recently, the launch of our new travel insurance product.

Most significantly, we have launched personal loans, firstly unsecured, then car finance as part of our new Admiral Financial Services business. We expect this to be an increasingly significant part of our business in future.

We are continuing to invest in our overseas insurance businesses, bearing fruit with reduced losses overall (despite the impact of Hurricane Harvey in the US) and another year of profits in ConTe. Turnover and customer numbers are continuing to grow materially by some 23% and 20% respectively and we now have £0.5 billion of combined turnover and over one million customers outside the UK. We believe we are on the cusp of delivering long term profit for the Group.

As a result of Brexit, we are exploring establishing an insurance company and an insurance intermediary business in Spain to support our European operations.

In our Price Comparison (PC) businesses, Confused.com in the UK continues to face a competitive and challenging market, whilst it implements its new Drivers Win strategy; this is offset by encouraging growth in Compare.com in the US and record profits at Rastreator and LeLynx, with all PC businesses delivering an improved customer experience. Our joint venture Preminen PC business continues to explore new opportunities and has recently established operations in Mexico and is soon to be in Turkey.

2008

ConTe.it launched

Our Italian direct insurance brand, based in Rome, Italy.

2009

Rastreator and Elephant Auto launched

The Group's second price comparison website Rastreator and US car insurer Elephant Auto.

2010

LeLynx and L'olivier launched

Price comparison website and car insurance brands in France.

Chairman's statement continued

What makes Admiral different?

Our successful model which has been maintained since launch is definitely worth a further mention. It can be distilled into the following areas:

- Highly talented team – David Stevens leads a strong, capable and experienced management team which engages the whole business
- Focus – targeted diversification building on our core skills
- Pricing – data analysis lies at the heart of what we do
- Prudent reserving – continuing our conservative approach to claims reserving
- Claims management – consistent positive feedback from customers on the service they receive
- Controlled test and learn – organic growth with measured expansion steps
- Low-cost approach – constantly challenging ourselves on how we can do things more cost effectively
- Shareholder returns – we believe in returning excess capital to shareholders.

Overall we believe that people who like what they do, do it better.

Dividend

The Directors have proposed a final dividend of 58.0 pence per share (2016: 51.5 pence) for the year to 31 December 2017, representing a distribution of 97% of our second half earnings. This included a normal dividend (65% of post-tax profits) of 39.5 pence per share and a further special dividend of 18.5 pence per share comprising earnings not required to be held in the Group for solvency or buffers.

This will bring the total dividend for the year to 114.0 pence per share, an overall increase of 11% (excluding the additional return of surplus capital in 2016) and the 13th consecutive year that Admiral has paid an increased dividend. This represents a payout ratio of 97%.

The business has delivered a Total Shareholder Return (TSR) of 382% over the last 9 years (as illustrated in the chart on page 79).

Corporate governance and Board changes

The Board recognises the need for a strong corporate governance framework and supporting processes across the Group and believes that good governance, with tone set from the top, is a key factor in delivering sustainable business performance and creating value for all the Group's stakeholders.

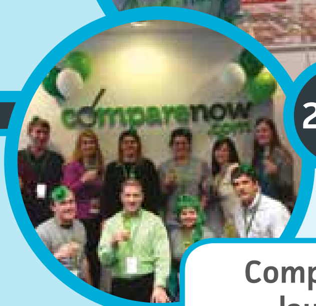
The Board and I feel that the Board has a good balance of experience, skills and knowledge to support and challenge the management team and it is supported by effective governance and control systems. During the year the Board undertook a review of its effectiveness. Further details are provided in the Governance Report on pages 46 to 81.

Admiral's incentive schemes remain distinctive, as every employee is a shareholder. They are designed to ensure that decisions are made by management to support long-term growth, that the right behaviours are rewarded and that our people's interests are aligned with those of shareholders. Our core belief is that over the long-term, share appreciation depends on delivering great outcomes for our customers. Further details are provided in the Remuneration Report on pages 62 to 81.

2012

Qualitas Auto and UK Household Insurance launched

Our second car insurance brand in Spain and household insurance in the UK under the Admiral brand.



2013

Compare.com launched

Our fourth price comparison site, Compare.com launched in the USA.

2015

Tŷ Admiral opened

The Group's new headquarters, Tŷ Admiral, was officially opened by members of the Welsh rugby team.

Penny James stepped down from the Board effective from 8 September 2017 following a change in her Executive role, and I would like to thank her for her valuable contribution. Owen Clarke was announced as taking the Remuneration Committee chair in April, subject to regulatory approval. We are in the process of seeking additional Board members, and in February 2018 appointed Andy Crossley to the Board as a Non-Executive Director and member of the Audit Committee.

Our role in society

Admiral takes its role in society very seriously and has an active corporate responsibility programme (more information in Corporate Social Responsibility Report on pages 38 to 41. We are proud to be Wales' only FTSE 100 headquartered company. Our staff play an active part in the communities in which we operate.

Thank you

On behalf of the Board I would like to thank everyone at Admiral for their continued hard work and contribution to the Group's results in 2017. This coming year is an exciting one as we hope to continue the Group's growth trajectory, building on our fledgling loans business and other businesses in UK motor, UK non-motor and overseas insurance and price comparison businesses.

We have an amazing, distinctive culture at Admiral that values agility and entrepreneurial drive, rigour and depth of thought and a collaborative team approach that puts customers first. We invest in our people and provide exciting opportunities for them to develop their careers. We are proud to continue to be one of the leading places to work, not only in the UK but in all the countries in which we operate, and were delighted to be recognised for the first time in the 'Great Place to Work 25 World's Best Workplaces 2017', being placed 23rd. What a fantastic achievement!

Annette Court
Chairman

27 February 2018

Chief Executive's Statement

"The first reason Admiral has been, and remains, good news for customers is that we operate at a lower cost"

Unusually for a CEO statement, I am not going to talk about what a great job the managers have done for the shareholders, nor about the company's performance over the last twelve months, or indeed, prospects for the next twelve.

Instead, at a time when the public support for the free market economy is fraying and many more people see the world of business as a zero sum game, where profit can only be earned at the expense of, rather than in the service of, customers, I'd like to talk about the value that Admiral has delivered for UK motorists over the last 20 years, while making, and not despite making, good profits throughout.

The first reason Admiral has been, and remains, good news for customers is that we operate at a lower cost than almost all our competitors. When shopping for car insurance, most motorists are looking for the best possible price, along with reassurance that they'll be looked after well, when needed. Admiral's lower costs mean lower premiums for our customers.

Over most of the last 20 years our costs have been lower than our competitors – by at least ten percentage points of premium. That's the equivalent of £50 less expense for a typical policy, and over £200 less for a higher premium policy. And that's one of the main reasons Admiral's brands come top on the UK's price comparison sites more often than any of our competitors.

In the nineties, the industry was dominated by large, often grossly inefficient, multi-product, composite insurers with too many layers and top heavy structures. Most of those are long gone, under the pressure from upstarts like Admiral and other, lower-cost, Admiral-like, operators who have followed in our footsteps. So much the better for the customer and an example of the creative destruction which explains the success of competitive free markets.

Cheap, but maybe "nasty" the cynics might reply.

Far from it.

With "an intention to renew after a claim" score of consistently well over 90% (94.5% in 2017 to be precise) we deliver for our customers at the moment of truth. And you cannot build four million plus customers in the fiercely competitive UK insurance market without delivering a good customer experience.

Not every time.

We make mistakes.

But we recognise the long-term value of the company depends on us making sure our customers, by and large, are not only glad to join us but also happy to stay with us.

If I'm proud of our outperformance on expense compared to the bulk of the car insurance market, I'm doubly proud of our expense ratio advantage in our relatively new and rapidly growing home insurance operation – doubly proud because our cost advantage over the market is not ten percentage points, but nearer twenty points. Again, this allows us to be the top most often on price comparison sites, while also making a profit. Admittedly, as yet, a small one, but watch this space.

How do we achieve lower costs while delivering a great product (5 star Defaqto ratings available across all Admiral's Motor products) and (normally) a positive customer experience, and why don't most of our competitors manage all three?

Well, it's not just about the constant pursuit of efficiencies by a loyal and motivated team of employee shareholders (because all of us are both). It's also about another great driver of growth in long-term prosperity in free market economies – innovation. Throughout our life major innovations such as Confused.com, the first insurance price comparison site; MultiCar and now MultiCover; Telematics (200k+ customers, and rising); 10-month Bonus Accelerator (one from the nineties for real insurance anoraks) have all made our policies more attractive and more accessible to UK motorists and householders, and helped keep our acquisition costs low.

I strongly believe that a market made up of a large number of companies competing actively for customers' attention and loyalty, combined with appropriate regulatory oversight, is a recipe for the best possible outcome for motorists and householders, and I believe that Admiral's success over the last 25 years demonstrates why.

David Stevens, CBE
Chief Executive Officer
27 February 2018

P.S. I don't want to count chickens, but in a year during which our Italian insurer broke through 500,000 vehicles on cover, delivered a fourth year of profit in a row and reduced its expense ratio by an amazing six percentage points, I'm looking forward, in a few years time, to saving myself an hour or two by recycling the above CEO Statement, but just substituting "ConTe" for "Admiral".

14% UK Motor market share

41% growth in UK Household customers

4th year of ConTe profits

17 consecutive years Best Companies to Work For Awards

My priorities

Last year I outlined my priorities, which I indicated would be my priorities for a number of years to come. Here's how we are doing…

Priority	Progress in 2017
Ensure Admiral remains one of, if not, the best car insurers in the UK	Market leading combined ratio A leading UK car insurer with almost 4 million cars Defaqto 5* products for UK customers Leading telematics provider and new products include short-term and car sharing insurance
Demonstrate Admiral can be a great car insurer beyond the UK	Record ConTe profit and 0.5 million customers Improvements in key operating ratios ConTe voted 2nd In Best Places to Work in Italy
Develop sources of growth and profits beyond car insurance	Household Insurance grown to over 650,000 customers Household profit of £4.1 million Launched Van and Travel Insurance in UK Launched Loans in UK
Ensure Admiral stays a great place to work	Voted 23rd In Best Places to Work in World Voted 6th In Best Places to Work in Europe Voted 2nd in Sunday Times Best Companies to Work For in UK Over 9,600 staff received free shares worth £3,600

but progress continues in 2018…

Q&A

with David, Cristina and Geraint

Q

The International Insurance businesses have been part of the strategy for a number of years but have yet to deliver meaningful profits – does it make sense to keep them?

A

David: Our strategy has always been about building value over the longer term, by developing sustainable profitable businesses, rather than delivering short-term profits. We believe that the combined European insurance businesses are on the cusp of demonstrating that value. ConTe, our Italian business delivered another profit for the year (a record) and collectively our European insurance businesses practically broke even over 2017 despite growing fast. We continue to invest in Admiral Seguros in Spain, L'olivier in France and Elephant in the US because we believe that there are strong prospects for long-term value creation in all three markets. The International Insurance businesses now insure over one million customers and may ultimately provide us with an opportunity to offer those customers more than just car insurance.

Q

Admiral has recently launched its personal lending business. Can you give us an update and also explain why you think now is a good time to enter the market with uncertain economic times ahead?

A

Geraint: It's still early days for Admiral Loans, though we're very pleased with the way things are going so far. We think we have a very strong team, a good system and the signs so far are really positive.

We of course recognise that an economic downturn could adversely affect loan credit losses. Our approach to loan underwriting is to minimise the possible adverse impact of such a downturn in our book by focusing on segments which have historically demonstrated better resilience in times of stress.

Ultimately downturns tend to be followed by upturns and by building and learning now, we hope to be in a position to benefit from a subsequent upturn as a competent player operating at an adequate scale.

Q

Admiral Household continues to grow and appears to be less affected by market conditions than competitors – why?

A

Cristina: The UK household market is going through a period of change as more and more householders realise that they can shop online for their home insurance. We are taking advantage of that shift in customer behaviour. We recognise, however, that the household market is very different from motor insurance, so whilst our growth has been very strong since launch we continue to adopt a test and learn approach to our underwriting. We started with a relatively cautious underwriting footprint and have gradually expanded this as we have grown.

During 2017 we have seen similar claims experience to the market but our cautious starting point has allowed us to absorb this with no significant impact on the Household result.

Q

There has been a change of CEO at your US insurance operation, Elephant Auto – what does that mean for future strategy?

A

David: Alberto Schiavon, our new CEO at Elephant, working alongside Henry Engelhardt, took advantage of a second set of eyes to judge what was good about what we were doing and what could be done better. The conclusion was that we need to continue our drive towards lower loss ratios and to sharpen our focus on higher retaining customers throughout our product and process design, our pricing and underwriting rules and our marketing.

“Our strategy has always been about building value over the longer term, by developing sustainable profitable businesses”

I have no doubt this approach will be valuable in helping us through to a sustainable scale and an ultimately profitable operation.

Q

Can you give us an update on the Internal Model and what this means for capital?

A

Geraint: Our team continues to do a great job building the model and putting in place the numerous processes and documents that are also needed for a successful application. We're still on track to make our submission to the regulator by the end of 2018. At this point we're not anticipating a significant change in the Group's capital position under the model, though of course the outcome isn't fully in our hands and so there is still some uncertainty over what that future position looks like.

Once the model is (hopefully) approved (and that shouldn't be expected until well into 2019), the Board will make an assessment of the capital position and work out what, if anything, that means for potential returns of surplus capital to shareholders.

Q

How do you see the long-term prospect of motor insurance given the continuing focus on autonomous technology and driverless cars?

A

David: There are widely varying views on when to expect autonomous technology but considerably less uncertainty about the impact; once we are in a world of autonomous vehicles, the requirement for motor insurance, as we currently know it, will change. What future motor insurance looks like is up for debate. We believe that the timescale for autonomous vehicles to become a meaningful part of the motor car parc is decades rather than sooner. Given the continued growth in developed and developing markets in the interim period, we believe there continues to be an opportunity for growth and for some interesting challenges where manual and autonomous vehicles are on the roads together.

Ultimately, we recognise that as claims frequency falls as a result of sophisticated autonomous technology, average motor insurance premiums will reduce which could have a significant impact on our revenue and profits. We expect to see the impact mitigated by growth in other non-life insurance products and growth in personal lending. We will continue to explore other products to offset potentially lower levels of motor premium in the future.

Q

What was the outcome of this year's excess of loss reinsurance renewals and how was this influenced by Ogden?

A

Cristina: In late December 2016, in anticipation of a change in the Ogden discount rate we increased our 2017 excess of loss reinsurance with no significant price increase. During 2017 reinsurers responded to the change in Ogden by significantly increasing their prices. For 2018, we reviewed the level of cover we required and returned closer to historic levels but at a higher cost. The temporary competitive disadvantage we experienced in 2016 has been reduced and we are back on a level playing field.

Q

The UK Motor market is increasingly competitive – is Admiral at risk of losing its competitive edge?

A

Cristina: It is a competitive market and one that looks significantly different from ten years ago (or even 25 years ago) when the primary players were large composite multi-line insurers. We are now in an environment where around 45% of the UK motor market is in the hands of a small number of focused direct players, including Admiral. This focus, inevitably, leads to a superior performance by these players, but there is still significant inefficiency in the market as a whole. Whilst market data has become difficult to access, we believe our underwriting advantage against the market is still significant and that we continue to maintain largely the same margin on expense ratio that we did ten years ago.

Are others getting better? Yes!

But Admiral is not standing still and waiting for them to catch up! We continue to look at ways in which we can improve and automate our internal processes to identify further efficiencies; to explore innovative ways of doing business as consumer behaviours change; and we continue to look for ways in which our detailed understanding of that customer behaviour can further enhance our underwriting strength.

How we do it – our business model

GREAT PLACE TO WORK

We go out of our way to make Admiral a GREAT place to work and believe that if people like what they do, they'll do it better. We have created an environment where Admiral employees look forward to coming to work and providing great service to customers.

Motivated Employees

EFFICIENT CAPITAL EMPLOYMENT

Sharing risk with co- and reinsurance partners is an important part of Admiral's business and these relationships are underpinned by strong underwriting results. Sharing risk allows Admiral to only provide capital backing for a minority of its business; this results in a superior return on capital for Admiral shareholders whilst also providing protection for losses.

Risk Mitigation

SHAREHOLDER RETURNS

We are committed to returning excess capital to shareholders. We believe that keeping management hungry for cash keeps them focused on the most important aspects of the business. We don't starve our businesses, but neither do we allow them the luxury of excess capital.

Focused Management Team

FOCUS ON PROFITABILITY

Admiral continues to focus on bottom-line profitability both in the short, medium and long-term, and this perspective guides the decisions we make across all of our business operations. The Group's strategy is to build profitable and sustainable business operations for the long-term.

Sustainable Operations

CONTROLLED TEST & LEARN

All our growth, at home and overseas, has been organic. We have built each business from the ground up, identifying and understanding the opportunity, taking measured steps to test how well we understand the challenge ahead and the effectiveness of our solutions, and then to learn from that experience and from the experience of those who have tried other strategies.

Effective solutions

↓

Satisfied customers

↓

Valued loyal customers

How we do it – our strategy

Investing in our core

Objectives	2018 Focus
Sustained Competitive Advantage Maintain strong performance of our UK Insurance business.	Maintain our focus on pricing to underwrite profitable business. Continue to be an efficient business by a focus on expenses and costs.
Continued Growth Grow profitably our UK private motor and household insurance operations.	Continue to take advantage of growth opportunities in UK motor and household. Focus on customer retention by putting customers at the front of all that we do.
Continued Development Maximise the value of our core business and lay the foundation for future growth.	Identify and develop new products for customers that add value. Take advantage of new technologies to improve our customers' experience.

KPI's

UK Insurance profit before tax

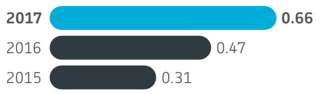
£465.5m +39%

UK Motor customers

3.96m +8%

UK Household customers

0.66m +41%



Investing in our future

Objectives	2018 Focus
Price Comparison Develop websites that allow consumers to compare a range of general insurance, financial services and other products.	Build on the different strategies in the UK, Europe and the US, to match consumer demands. Develop and grow a multi-product strategy in Europe and beyond.
International Insurance Develop profitable, growing, sustainable insurance businesses that mirror the UK model.	Pursue our path towards long-term value creation in Europe and the US. In the US, continue our drive towards lower loss ratios.
UK New Products Develop a competitive advantage in products beyond insurance.	Develop Admiral Loans and offer UK customers better products and a better online buying experience.

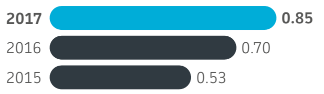
KPI's

Price Comparison Quotes

22.9m +7%

European insurance customers

0.85m +21%



Elephant Auto customers

0.18m +6%

Chief Financial Officer's review

"It was pleasing to deliver a record profit with lots of positives from around the Group"

Results

No last minute change to the Ogden discount rate made for a somewhat smoother year-end and it was pleasing to deliver a record profit with lots of positives from around the Group. Performance of our various businesses is covered in detail in the Strategic Report and whilst it's hard to choose highlights from many potentials, I'll try anyway:

- A nice, continued improvement in the International Insurance result (£22 million loss in 2015, £19 million in '16, £14 million in '17)
- A near break-even EU insurance result (plus improvements in some key metrics whilst growing premiums by almost a quarter in not exactly the easiest of market conditions)
- Breaking through one million customers outside the UK in September 2017
- Comfortably beating our targets for Admiral Loans in its first proper year of operation
- Achieving 'marketing break-even' in Compare.com ahead of target
- Very positive progress in converting our Gladiator van insurance broker portfolio to being underwritten within the Group
- And of course, a record UK Insurance profit of £466 million.

And for balance, a few of the less positive aspects:

- Investment behind the Drivers Win campaign alongside new product development cost and a generally fierce market led to a fall in profits at Confused.com (£16 million to £10 million)
- Despite continued confidence in the long-term prospects of the business, there was a £25 million write down in the carrying value of Elephant Auto in the parent company balance sheet
- 2017 saw higher Group overheads and other items (some of which are non-recurring) at £52.9 million v £36.8 million.

Further detail on these latter points can be found on pages 30, 146 and 31 respectively.

Ogden discount rate

Regular readers of our results will be very familiar with the Ogden topic and I won't repeat the full detail here. A year ago we estimated that the change in rate which came into effect in March 2017 would cost the Group around £150 million after tax and reinsurance. Most of the impact has now been reflected in the income statement and we still consider the £150 million a valid estimate.

These accounts and our current capital position assume the minus 0.75% rate remains effective indefinitely, as we think that's the prudent thing to do in the absence of other information.

Sensitivities in terms of balance sheet and capital to different rates are set out on page 22.

In the 2016 Annual Report, we disclosed a profit number (£390 million) that the Group would have reported had the Ogden rate remained unchanged. This year's Group profit of £405 million is around 4% higher than that 'pre-Ogden' number, though 2017's profit is further adversely impacted by the Ogden change to the order of £40 million. As the comparatives become less helpful, we have not repeated the pre-Ogden number from 2016 in this report.

The financial statements continue to include a significant and prudent margin above the projected ultimate claims outcomes, although this margin has reduced since the end of 2016, partly due to increased confidence over the impact of the change in Ogden rate to minus 0.75%.

Capital, Dividends, Internal Model

Speaking of capital, not too much has changed since the end of 2016. Our solvency ratio remains very strong at over 200%, though has reduced modestly since the end of 2016, mainly as the result of growth. A ratio of over 200% is still higher than we'd expect to report in the medium/long-term. However (copy and paste alert), we continue to believe that's the prudent approach as we move towards applying to use our own model to calculate the capital requirement (no change to report on the expected submission date which is late in 2018). We'll continue to provide updates as we make progress.

Brexit

We have made good progress on preparing the Group to be able to continue trading in Europe should, as seems highly likely, we lose the ability to passport our UK regulatory licenses into those markets.

In terms of insurance, we have made applications to the regulator in Spain for permission to underwrite all the EU insurance business (Admiral Seguros, ConTe and L'olivier) from there and expect to have everything up and running in advance of any hard deadline that might eventually become clear.

Spain made sense for us for a number of reasons, not least the fact that we already have people and infrastructure in Madrid and Seville and of course an existing relationship with the regulator.

Things are more straightforward on the price comparison side where we are setting up new, locally regulated entities in Spain and France through which Rastreator and LeLynx will trade. Again, we expect these moves to be complete in good time.

The cost of the restructuring work will not be material to the Group and we don't expect there to be material impact on the Group's regulatory capital position as a result of the restructure.

I'm looking forward to continued growth and progress across the Group in 2018.

Geraint Jones
Chief Financial Officer

27 February 2018

Group financial review

£1.1bn
Net revenue

1 million
Customers beyond UK Insurance

205%
Solvency Ratio

2017 Group overview

	2017	2016	2015
Customer numbers	5.73 million	5.15 million	4.43 million
Turnover	£2.96 billion	£2.58 billion	£2.12 billion
Net revenue	£1.1 billion	£1.0 billion	£0.9 billion
Analysis of profit (£m)			
UK Insurance	465.5	337.8	443.7
International Insurance	(14.3)	(19.4)	(22.2)
Price Comparison	7.1	2.7	(7.2)
Other	(52.9)	(36.8)	(37.5)
Group's share of profit before tax	405.4	284.3	376.8
Group statutory profit before tax (£m)	403.5	278.4	368.7
Key metrics			
Group loss ratio	66.2%	72.0%	65.1%
Group expense ratio	21.7%	22.4%	20.5%
Group combined ratio	87.9%	94.4%	85.6%
Earnings per share	117.2 pence	78.7 pence	107.3 pence
Dividends	114.0 pence	114.4 pence	114.4 pence
Return on capital employed	55%	37%	49%
Solvency ratio	205%	212%	206%

The Group has maintained its track record of strong growth in 2017 with turnover up 15% to £2.96 billion (2016: £2.58 billion) and net revenue 11% higher at £1.1 billion (2016: £1.0 billion). Customer numbers increased 11% to 5.73 million (2016: 5.15 million). The Group's statutory profit before tax was £403.5 million (2016: £278.4 million) whilst its share of pre-tax profit was £405.4 million (2016: £284.3 million).

The Group's 2017 results reflect higher UK Insurance profits, an improved Price Comparison result and a lower loss in the International Insurance segment, partially offset by higher other Group charges and business development costs. The Group's 2016 profit before tax was adversely impacted by the change in the UK discount rate (commonly referred to as the 'Ogden' discount rate) used to value personal injury claims. The distorting impact of this on the 2016 profit before tax means that 2016 does not provide a meaningful comparison for the 2017 Group and UK Insurance profit before tax figures (refer to page 22 for further detail on Ogden).

During 2017, the Group's UK Insurance business, consisting of UK Motor and UK Household, delivered strong growth in turnover of 14% to £2.35 billion (2016: £2.06 billion). Net revenue increased by 9% to £841.0 million (2016: £770.9 million). Customer numbers reached 4.6 million (2016: 4.1 million).

Outside the UK, Admiral's International Insurance businesses grew combined turnover by 23% to £449.8 million (2016: £365.9 million) whilst net revenue increased by 35% to £144.8 million (2016: £107.3 million). Customer numbers were up 20% to 1.03 million (2016: 0.86 million). Encouraging progress was made in combined ratio terms with a 4 point improvement, and in aggregate the segment recorded reduced losses of £14.3 million (down from £19.4 million, despite the impact of a significant hurricane on the US result). The Group's Italian insurer ConTe recorded a profit for the fourth consecutive year.

Admiral's Price Comparison businesses made an increased combined profit (excluding minority interests' shares) of £7.1 million (2016: £2.7 million). In the UK, the high level of competition in the price comparison market and investment in the new marketing campaign and product development by Confused.com resulted in reduced profits of £10.1 million in 2017 (2016: £16.1 million). This lower Confused.com profit was offset by a significantly reduced combined loss of £3.0 million (2016: loss £13.4 million) from the international price comparison businesses, where a growing profit in the European operations of £4.1 million (2016: £2.8 million) was offset by a significantly smaller loss in Compare.com of £7.1 million (2016: loss £16.2 million).

Earnings per share

Earnings per share were 117.2 pence (2016: 78.7 pence), the near 50% increase being higher than the increase in pre-tax profit as a result of a lower effective rate of taxation in 2017.

Dividends

The Group's dividend policy is to pay 65% of post-tax profits as a normal dividend and to pay a further special dividend comprising earnings not required to be held in the Group for solvency or buffers.

The continued strength in the Group's solvency ratio has allowed the Board to propose a final dividend of 58.0 pence per share (£163 million) as follows:

- 39.5 pence per share representing a normal element, based on the dividend policy of distributing 65% of post-tax profits; and
- A special element of 18.5 pence per share.

This final dividend reflects a 13% increase on the final 2016 dividend of 51.5 pence per share. The total dividend for the 2017 financial year is 114.0 pence per share, which is broadly in line with the 114.4 pence paid in 2016 and in 2015, both years including an additional return of surplus capital of 11.9 pence per share. Excluding this additional return, the total dividend for 2017 is 11% higher than 2016 and 2015.

The payment date is 1 June 2018, ex-dividend date 10 May 2018 and record date 11 May 2018.

Return on equity

Admiral's capital efficient and highly profitable business model achieved a return on equity of 55% (2016: 37%).

A key part of Admiral's business model is the extensive use of co- and reinsurance across the Group which provides both loss protection and capital relief and, when combined with high levels of profitability, leads to a superior return on equity.

As noted above, 2016's result was materially distorted by the impact of the Ogden rate change.

Capital structure and financial position

The Group's co-insurance and quota share reinsurance arrangements for the UK Car Insurance business are in place until at least the end of 2019. The Group's net retained share of that business is 22%. Munich Re will underwrite 40% of the business (through co-insurance and quota share reinsurance arrangements) until at least the end of 2020.

Similar long-term arrangements are in place in the Group's International Insurance operations and UK Household Insurance business.

The Group continues to manage its capital to ensure that all entities within the Group are able to continue as going concerns and that regulated entities comfortably meet regulatory capital requirements. Surplus capital within subsidiaries is paid up to the Group holding company in the form of dividends.

The Group's regulatory capital is based on the Solvency II Standard Formula, with a capital add-on to reflect recognised limitations in the Standard Formula with respect to Admiral's business (predominantly in respect of profit commission arrangements in co- and reinsurance agreements and risks arising from claims including Periodic Payment Order (PPO) claims).

The capital add-on to the Standard Formula for 2018 is subject to the usual regulatory approval process. The Group plans to submit an application for approval to use an internal model to calculate capital requirements during 2018.

The majority of the Group's capital requirement is derived from its European insurance operations, Admiral Insurance (Gibraltar) Limited (AIGL) and Admiral Insurance Company Limited (AICL). The estimated (and unaudited) Solvency II position for the Group at the date of this report was as follows:

Group capital position

Group solvency ratio (unaudited)	£bn
Eligible Own Funds (pre 2017 final dividend)	1.25
2017 final dividend	0.16
Eligible Own Funds (post 2017 final dividend)	1.09
Solvency II capital requirement*1	0.53
Surplus over regulatory capital requirement	0.56
Solvency ratio (post dividend)*2	205%

*1 Solvency capital requirement includes updated capital add-on which is subject to regulatory approval.

*2 Solvency ratio calculated on a volatility adjusted basis.

The Group's capital includes £200 million ten year dated subordinated bonds. The rate of interest is fixed at 5.5% and the bonds mature in July 2024. The bonds qualify as tier two capital under the Solvency II regulatory regime.

Group financial review continued

Estimated sensitivities to the current Group solvency ratio are presented in the table below. These sensitivities cover the two most material risk types, insurance risk and market risk, and within these risks cover the most significant elements of the risk profile. Aside from the catastrophe events, estimated sensitivities have not been calibrated to individual return periods.

Solvency ratio sensitivities (unaudited)	
UK Motor – incurred loss ratio +5%	-26%
UK Motor – 1 in 200 catastrophe event	-3%
UK Household – 1 in 200 catastrophe event	-2%
Interest rate – yield curve down 50 bps	-11%
Credit spreads widen 100 bps	-4%
Currency – 25% movement in euro and US dollar	-3%
ASHE – long term inflation assumption up 0.5%	-4%

Taxation

The tax charge reported in the Consolidated income statement is £71.9 million (2016: £64.3 million), which equates to 17.8% (2016: 23.1%) of profit before tax. The lower effective rate of taxation compared to 2016 results from lower losses in the Group's US businesses leading to a lower level of unrecognised deferred tax asset and the reduction in the UK corporation tax rate to 19.0% (from 20.0% from 1 April 2017).

Investments and cash

Investment strategy

Admiral's investment strategy was unchanged in 2017 and the Group continued to invest in the same asset classes as previous years.

The main focus of the Group's strategy is preservation of amounts invested, with additional priorities including low volatility of returns and high levels of liquidity. The Group's Investment Committee performs regular reviews of the strategy to ensure it remains appropriate.

Cash and investments analysis

£m	2017	2016	2015
Fixed income and debt securities	1,493.5	1,469.2	1,428.2
Money market funds and other fair value instruments	1,074.3	781.0	627.7
Cash deposits	130.0	170.0	267.6
Cash	326.8	326.6	265.3
Total	3,024.6	2,746.8	2,588.8

Money market funds, fixed income and debt securities comprise the majority of the total; 85% at 31 December 2017 (2016: 82%).

Investment and interest income in 2017 was £41.7 million, a reduction of £11.4 million on 2016 (£53.1 million). There are a number of partially offsetting variances: 2016 benefitted from £9.2 million of income relating to the release of an accrual relating to quota share reinsurance arrangements, which wasn't repeated in 2017. In addition, there is a negative variance of £8.8 million relating to unrealised gains and losses on forward exchange contracts, offset by a one-off gain in 2017 relating to the realised gains on sale of government gilt assets of £5.4 million.

The underlying rate of return for the year (excluding accruals related to reinsurance contract funds withheld) on the Group's cash and investments was 1.3% (2016: 1.4%).

The Group continues to generate significant amounts of cash and its capital-efficient business model enables the distribution of the majority of post-tax profits as dividends.

Cash flow

£m	2017	2016	2015
Operating cash flow, before transfers to investments	617.2	525.1	487.2
Transfers to financial investments	(229.4)	(18.1)	(112.5)
Operating cash flow	387.8	507.0	374.7
Tax payments	(55.9)	(74.6)	(63.8)
Investing cash flows (capital expenditure)	(22.7)	(31.6)	(47.8)
Financing cash flows	(309.6)	(364.7)	(256.3)
Foreign currency translation impact	0.6	25.2	2.6
Net cash movement	0.2	61.3	9.4
Movement in unrealised gains on investments	11.2	35.2	(12.6)
Movement in accrued interest	37.0	43.4	29.5
Net increase in cash and financial investments	277.8	158.0	138.8

The main items contributing to the operating cash inflow are as follows:

£m	2017	2016	2015
Profit after tax	331.6	214.1	291.8
Change in net insurance liabilities	53.2	206.8	148.7
Net change in trade receivables and liabilities	131.3	25.3	(55.7)
Non-cash income statement items	29.2	14.6	25.5
Taxation expense	71.9	64.3	76.9
Operating cash flow, before transfers to investments	617.2	525.1	487.2

Total cash plus investments increased by £277.8 million or 10% (2016: £158.0 million, 6%).

UK Insurance review

"One of the cornerstones of Admiral's success is of course our strong underwriting record, which has enabled us to consistently grow profits over the last 25 years."

Cristina Nestares

CEO, UK Insurance

25 years ago, I was…

…studying at a high school in the US as an exchange student.

The last twelve months has been a year of big birthdays and a couple of births for Admiral's UK Insurance segment. It's now 25 years since we sold our first car insurance policy (2 January 1993), and 5 years since we sold our first household policy (18 December 2012). Over that time, our customer focused approach and strategy of providing excellent service at an affordable price has attracted more than 4.5 million customers. I'm very excited that we've launched another two insurance businesses during 2017, with Admiral Van launching in May and Admiral Travel in late November. We hope that by expanding our offering we can provide a fuller product set to satisfy our existing customers, as well as attracting new customers to the Admiral brand.

I opened last year's review with a brief reference to the Ogden discount rate, which had changed a few days before we announced our 2016 results. Whilst it's not quite such a hot topic this time around, it seems like a fairly logical place to start this time around too, as it has continued to influence the UK Car Insurance business throughout the year.

One of the cornerstones of Admiral's success is of course our strong underwriting record, which has enabled us to consistently grow profits over the last 25 years. To protect that underwriting result in a time of significant uncertainty, we put up prices considerably at the start of the year, which impacted our volumes in the first couple of months of 2017 (having grown by more than 10% over the course of 2016). Our competitiveness gradually improved over the first half (despite significant further rate increases) as other insurers gradually adjusted their prices after the new Ogden rate was announced.

Confidence then returned to the market in the second half of the year and we and many others started to reduce prices, partly following the announcement that the Ogden rate would be reviewed (which may lead to a partial reversal of the rate increases required following the February announcement), but significantly also due to the market-wide favourable experience on bodily injury (BI) frequency. The frequency of BI claims registered on the MOJ portal is 12.5% lower than in 2016, which is consistent with Admiral's experience.

Whilst some of that benefit has been offset by continued inflation on accidental damage claims, due to the increasing sophistication of cars and movements in exchange rates, the net impact of the price rises and claims frequency reduction means that 2017's underwriting year looks like Admiral's best year for a number of years, encouragingly achieved against a backdrop of a 5% growth in the customer base despite the slow start to the year. There's also scope for further improvement should the Government's review of the discount rate result in lower settlements than those currently reserved on large BI claims.

Whilst we are proud of our track record of pricing and claims handling, what actually allows us to grow and generate profits each year is that our customers trust us to not only offer competitive prices, but also to provide excellent service. That is regularly supported by a number of customer KPIs we track continuously, whether in the form of direct feedback, retention rates or complaint figures. As a result it was disappointing that we made an error in the way we disclosed prior year premiums on some customer notices during the second quarter of the year. However, having recognised the error, I was very encouraged with the dedication of our people, from a number of different departments, to pull together and correct the issue, and to quickly provide remediation to our affected customers. Whilst not in the ideal circumstances, it was another example of the great team spirit and culture that still exists 25 years on from our launch.

Aside from Car Insurance, our Household business performed very well once again, and continues to show significant promise. We benefitted from another benign year in terms of weather to deliver a strong underwriting result, whilst at the same time growing the book by more than 40% to insure more than 650,000 homes by the end of the year. That was achieved through a combination of strong retention, which is delivering a growing renewal book, and also very strong new business performance both through the growing price comparison channel and, very pleasingly, through the direct channel which further confirms the strength of the Admiral brand. Cumulative profits of £7.8 million after only 5 years without the benefit of a large renewal book is a very good sign for the future.

Whilst the van and travel markets are considerably smaller than car and home, we're confident that they will follow in their footsteps and expand Admiral's footprint, customer base and profits in the coming years.

Cristina Nestares

Cristina Nestares

CEO, UK Insurance

27 February 2018

UK Insurance review continued

UK Insurance financial performance

£m	2017	2016	2015
Turnover*1	2,354.0	2,063.1	1,760.2
Motor	461.4	336.1	442.5
Household	4.1	2.7	1.2
Group's share of UK Insurance profit	465.5	337.8	443.7
Vehicles insured at year end	3.96m	3.65m	3.30m
Households insured at year end	0.66m	0.47m	0.31m
Total UK Insurance customers	4.62m	4.12m	3.61m

*1 Alternative Performance Measures – refer to the Glossary for definition and explanation.

UK Insurance includes the results of the UK Motor and UK Household Insurance segments.

Turnover grew by 14% to £2.35 billion (2016: £2.06 billion) whilst customer numbers increased by 12% to 4.62 million from 4.12 million, due to growth across both Motor and Household. UK Insurance profit increased to £465.5 million (2016: £337.8 million).

UK Motor Insurance financial review

£m	2017	2016	2015
Turnover*1	2,246.9	1,987.0	1,708.2
Total premiums written*1	2,001.5	1,789.3	1,539.7
Net insurance premium revenue	468.4	437.4	386.5
Group's share of UK Motor Insurance profit before tax	461.4	335.1	442.5
Reported car loss ratio*1,*2	63.8%	73.3%	64.1%
Reported car expense ratio*1,*3	16.2%	17.5%	16.9%
Reported car combined ratio*1,*4	80.0%	90.8%	81.0%
Claims reserve releases – original net share*1,*5	£92.1m	£58.3m	£84.6m
Claims reserve releases – commuted reinsurance*1,*6	£73.8m	£17.1m	£88.8m
Total claims reserve releases	£165.9m	£75.4m	£173.4m
Other Revenue per vehicle (Car)	£64	£62	£63
Cars insured at year end	3.84m	3.65m	3.30m
Vans insured at year end	0.12m	–	–

The key highlights for the UK Insurance business in 2017 were:

- Generally favourable conditions in motor and household markets with motor rates increasing sharply in Q2, impacted by the change in Ogden, followed by some price reductions later in the year
- Improved competitiveness at new business following the market response to Ogden and generally positive customer retention
- Notable reductions in bodily injury claims frequency
- Significant releases from booked motor insurance reserves
- Another profitable year for UK Household Insurance, though the total remains small in the context of the overall result.

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

*2 Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts. Reconciliation in note 12b.

*3 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. Reconciliation in note 12c.

*4 Reported total combined ratio includes additional products underwritten by Admiral.

*5 Original net share shows reserve releases on the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.

*6 Commuted reinsurance shows releases on the proportion of the account that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported through underwriting and not profit commission.

UK Motor Insurance includes UK Car and UK van results. During May 2017, the Group ceased operating its commercial vehicle insurance broker and started underwriting van insurance directly through two brands, Gladiator and Admiral Van. Admiral offers van insurance and associated products, typically to small businesses, via telephone and the internet, including price comparison websites.

The UK Motor Insurance business continued to attract and retain customers in the competitive UK market and this, together with higher average premiums, contributed to an increase in turnover of 13% to £2.25 billion (2016: £1.99 billion) and vehicles insured increased by 8% to 3.96 million from 3.65 million. Group's share of UK Motor Insurance profit before tax was £461.4 million (2016: £335.1 million).

The strong performance of UK motor in 2017 reflects:

- Higher premium revenue and a lower current year loss ratio and therefore reduced net claims costs
- Higher reserve releases on Admiral's original net share (approximately £34 million positive impact) reflecting improvement in prior year claims reserves
- Higher reserve releases on the portion of reserves originally reinsured but since commuted (approximately £57 million positive impact), leading to higher aggregate net reserve releases across original net and commuted shares
- Higher profit commission income (£12 million positive impact) resulting from higher reserve releases
- Lower investment return (£7 million adverse impact) mainly related to non-recurring items in 2016 as explained in the Investments and cash section above
- Higher ancillary income (£16 million positive impact) mainly as a result of higher instalment income (impact £22 million) as a result of a change in the co-insurance arrangements with Munich Re.

The UK market saw rate increases during 2017, particularly from Q2 in response to the change in Ogden discount rate (below), before the market-wide favourable experience on bodily injury frequency led to price decreases. Admiral increased its rates in December 2016 in advance of the Ogden change and this impacted competitiveness in the first few months of 2017. This improved in Q2 as the market increased prices in response to the Ogden change and Admiral continued to increase prices during the first six months of 2017 before responding to market conditions and reducing prices in the latter part of the year.

Underwriting result and profit commission

The UK Car Insurance combined ratio is shown below:

UK Car Insurance combined ratio	2017	2016	2015
Loss ratio excluding reserve releases from original net share and commuted reinsurance	85.3%	87.7%	87.7%
Reserve releases – original net share	21.5%	14.4%	23.6%
Loss ratio net of releases – original net share*1	63.8%	73.3%	64.1%
Expense ratio	16.2%	17.5%	16.9%
Combined ratio – original net share*1	80.0%	90.8%	81.0%

*1 Ratios calculated on original net share use the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.

The reported UK Motor combined ratio decreased to 80.0% from 90.8% (both figures exclude the impact of reserve releases from commuted reinsurance contracts). The main reason for the decrease is a significantly higher reserve release in the current period, which is mainly a result of the impact on the 2016 figures of the change in the Ogden rate.

During 2017, projected ultimate claims costs on the most recent accident years have continued to develop positively. The projected ultimate loss ratios are based on the new Ogden discount rate of minus 0.75% and are cautiously calculated for the most recent accident years but which, nevertheless, have shown improvements in development. The projections assume no improvement or further deterioration in discount rate that might result from the ongoing consultation.

Note 5d to the financial statements analyses reserve releases in the period.

The decrease in the current period loss ratio (85.3% v 87.7%) reflects sustained price increases more than offsetting general claims inflation. Claims trends include favourable small bodily injury frequency being only partially offset by higher accidental damage costs, as the costs of replacing vehicle parts continues to increase.

The projected ultimate Car Insurance loss ratio for Admiral for the 2017 accident year is 76%, which is significantly lower than the projection of the 2016 year at the same point in its development (which was 82%). This reflects the impact of the pricing increases and reduced claims inflation highlighted above.

The reported Car expense ratio decreased to 16.2% from 17.5% mainly reflecting the change in net retained share in the current year. The written basis expense ratio also improved to 15.8% from 16.5% for similar reasons.

UK Insurance review continued

Change in UK discount rate ('Ogden')

On 27 February 2017, the UK Government announced the outcome of the review of the discount rate (referred to as the Ogden discount rate) used for calculating the value of lump sum personal injury compensation. The new rate is minus 0.75% and applies to all unsettled and new claims from 20 March 2017.

The estimated cost to Admiral, net of tax and reinsurance, of the change is approximately £150 million. Most of the impact has now been reflected in the income statements of 2016 and 2017.

As noted above, the UK Motor Insurance actuarial best estimates reflect the new rate of minus 0.75%. Although its relative size has reduced since the end of 2016, the financial statements continue to include a significant and prudent margin above the projected ultimate claims outcomes.

The Government's review of the discount rate and the process by which the rate is set continue and the Group looks forward to reviewing its conclusions when they are reported.

Ogden discount rate sensitivities

The table below shows the sensitivity of profit before tax and solvency ratio to the Ogden discount rate assumption. The profit impacts presented are the total impact of the change on the Group's pre-tax profit on an ultimate basis. It should be noted that not all of the impact would be recognised immediately.

	Impact on Profit before Tax (£m)*1	Impact on Solvency Ratio (%)
Increase in Ogden discount rate of 75 basis points (to 0%)	85.6	+6%
Decrease in Ogden discount rate of 75 basis points (to minus 1.5%)	(142.7)	-16%

*1 The impacts on profit before tax are stated net of co-insurance and reinsurance and include the impact on net insurance claims along with the associated profit commission movements that result from the change in the Ogden rate.

UK Car Insurance – co-insurance and reinsurance

Admiral makes significant use of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts. These arrangements include profit commission terms (see below) which allow Admiral to retain a significant portion of the profit generated.

The Munich Re Group will underwrite 40% of the UK Motor business until at least 2020. 30% of this total is on a co-insurance basis, with the remaining 10% under a quota share reinsurance agreement from 2017 onwards.

The Group also has other quota share reinsurance arrangements confirmed to the end of 2019 covering 38% of the business written. The Group reduced its net underwriting share from 25% previously to 22% with effect from 2017.

The nature of the co-insurance proportion underwritten by Munich Re (via Great Lakes) is such that 30% of all motor premium and claims for the 2017 year accrue directly to Great Lakes and are not reflected in the Group's financial statements. Similarly, Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering this business.

The quota share reinsurance arrangements result in all motor premiums and claims that are ceded to reinsurers being included in the Group's financial statements, but these figures are adjusted to exclude the reinsurer share, resulting in a net result for the Group.

The Group also purchases excess of loss reinsurance to provide protection against large claims and reviews this cover annually. For 2017 the Group increased its excess of loss cover as a result of the anticipated change in the Ogden discount rate and the potential impact on large claims. For 2018, the Group has reduced this level of cover to be back in line with more recent levels.

Profit commission

Admiral is potentially able to earn material amounts of profit commission revenue from co- and reinsurance partners, depending on the profitability of the insurance business underwritten by the partner. Revenue is recognised in the income statement in line with the booked loss ratios on Admiral's retained underwriting.

In 2017 Admiral recognised UK Car Insurance profit commission revenue of £64.7 million up from £52.7 million in 2016. The increase from 2016 arose mainly due to the improvements in the booked loss ratios on prior years, although both 2017 and 2016 profit commission was impacted by the change in Ogden (as above).

Note 5c to the financial statements analyses profit commission income by underwriting year.

Commutations of quota share reinsurance

Admiral tends to commute its UK Car Insurance quota share reinsurance contracts for an underwriting year 24 months from inception, assuming there is sufficient confidence in the profitability of the business covered by the reinsurance contract.

After the commutation is executed, movements in booked loss ratios result in reserve releases (or strengthening if the booked loss ratio were to increase) rather than reduced or increased reinsurance claims recoveries or profit commission.

In 2017 Admiral recognised reserve releases from commuted reinsurance contracts of £73.8 million (2016: £17.1 million). The increase from 2016 arose mainly due to the improvements in the booked loss ratios on prior years, although the comparative figure was adversely affected by the impact (£31 million) of the 2014 underwriting year commutation which was completed in 2016.

During 2017, a number of reinsurance contracts relating to the 2015 underwriting year were commuted. At 31 December 2017, reinsurance contracts remain in place for the 2015, 2016 and 2017 years.

Refer to note 5d (vi) of the financial statements for analysis of reserve releases on commuted quota share reinsurance contracts.

UK Car Insurance other revenue

£m	2017	2016	2015
Net other revenue	202.9	188.7	174.6
Other revenue per vehicle*1	£64	£62	£63

*1 Other revenue (before internal costs) divided by average active vehicles, rolling 12 month basis.

Admiral generates other revenue from a portfolio of insurance products that complement the core car insurance product, and also fees generated over the life of the policy.

Net other revenue has increased by 8% mainly due to the increase in instalment income which represents amounts charged to customers paying for cover in instalments. During 2017 Admiral earned £55.5 million from instalment income, up 66% on the prior year (2016: £33.5 million). The main reason for this increase is a change to the co-insurance arrangements resulting in all instalment income from 2017 underwriting year onwards being retained by Admiral. Other factors affecting the increase are increases in average premium and customer numbers.

Other revenue was equivalent to £64 per vehicle (gross of costs; 2016: £62). The majority of the increase reflects increases in instalment income (above) and optional legal cover.

UK Household Insurance financial performance

£m	2017	2016	2015
Turnover*1	107.1	76.1	52.0
Total premiums written*1	96.5	73.3	50.7
Net insurance premium revenue	23.1	17.0	10.9
UK Household Insurance profit before tax	4.1	2.7	1.2
Reported household loss ratio	73.5%	76.5%	75.2%
Reported household expense ratio	30.0%	34.1%	33.0%
Reported household combined ratio	103.5%	110.6%	108.3%
Households insured at year end	659,800	468,700	310,400

*1 Alternative Performance Measures – refer to the Glossary for definition and explanation

UK Household Insurance was launched in December 2012 under the Admiral brand.

The UK Household Insurance business continued to grow strongly and increased the number of properties insured by 41% to 659,800 (2016: 468,700). Turnover increased by 41% to £107.1 million (2016: £76.1 million) and profit increased to £4.1 million (2016: £2.7 million). This reflects the continued substantial growth of the business and also a cautious approach to setting and releasing claims reserves and hence profit recognition.

The reported loss ratio improved in 2017 to 73.5% from 76.5% due to relatively benign weather and strong underwriting. During 2017 the business gained scale, improved retention and increased the proportion of customers buying direct, leading to an improving expense ratio and one that significantly outperforms the market.

UK Household Insurance – reinsurance

The Group's Household business is supported by long-term proportional reinsurance arrangements with Munich Re and Swiss Re covering 70% of the risk. In addition, the Group has non-proportional reinsurance to cover the risk of catastrophes stemming from weather events.

UK Insurance regulatory environment

The UK Insurance business operates predominantly under the regulation of the UK Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA), and through a Gibraltar-based insurance company, under the Financial Services Commission (FSC) in that territory.

The FCA and PRA regulate the Group's UK registered subsidiaries including EUI Limited (an insurance intermediary) and Admiral Insurance Company Limited (AICL; an insurer), whilst the FSC regulates Admiral Insurance (Gibraltar) Limited (AIGL; also an insurer).

The Group is required to maintain capital at a level prescribed by the lead regulator for Solvency II purposes, the PRA, and maintains a surplus above that required level at all times.

International Car Insurance review

25 years ago, I was…

…travelling by car in Canada and US with my brother.

European insurance

Milena Mondini
CEO, European insurance

A key question for Admiral is 'can we be a successful insurer outside the UK?' My short answer is 'yes', although results and speed of growth vary country by country, depending on the maturity of the business and direct channel uptake in the local market.

To build a success story as a new direct insurer in Europe – where price comparison websites (PCWs) are not yet the dominant acquisition channel – in my opinion, you need to prove two essential things: first, to grow efficiently and, second, to have better underwriting capabilities than competitors.

On both these drivers, 2017 has been a truly great year. We continued growth, 23% in written premiums, while at the same time drastically reduced our acquisition cost per policy. We achieved that despite limited growth of PCWs and in the absence of premium increases in the market. This resulted in a decrease of four points in the expense ratio.

In parallel, we improved our pricing, antifraud and underwriting skills and experienced reserve releases on the recent years. We are confident that we underwrite business with a competitive loss ratio in all three countries. At the same time, we increased our reserve buffer in France and Spain to mirror the same conservative approach already adopted in Italy and the UK.

We now have 500,000 vehicles insured in ConTe, which continues to report profits. L'olivier and Admiral Seguros are growing rapidly and approaching a scale that we expect will sustain profitability in the near future.

All three businesses are growing, have solid operations and processes, recognized brands, experienced and talented management and a clearly customer-focused Admiral culture. With this, I'm confident we will continue to build our success stories in Europe and I look forward to another year of growth.

25 years ago, I was…

…7 years old, and around this time of the year I learnt for the first time how to ski!

US insurance

Alberto Schiavon
CEO, Elephant Auto

During 2017, Elephant Insurance made good progress towards becoming a growing, profitable, sustainable company centered around our customers. Our key focus was on attracting, servicing and retaining more customers with a longer policy lifetime.

Through better risk selection, higher service levels, and a better customer journey, Elephant has been able to significantly shift the mix of our sales distribution in favor of these higher retaining customers. This is an important step towards creating the foundation for future growth, as the effect of those actions will continue to pay off in future years.

However, 2017 was a year with catastrophic losses across the US, with a number of hurricanes hitting the southern coasts. In particular, Hurricane Harvey impacted our Texas customers, but Elephant was able to deliver excellent service to our customers in need. While hurricane claims did impact our loss ratio, by approximately 5 points, Elephant was still able to deliver overall loss ratio improvements on the back of better risk selection and rate increases that were in line with the market.

Our customer interactions also materially improved throughout the year. Thanks to technology investments, we were able to deliver a more complete digital journey and better service levels in our claims and operational departments.

New initiatives planned for 2018, revolving around continued improvements to the customer experience and product offering, will continue to accelerate our progress in attracting higher persisting and profitable customers.

25 years ago, I was…
…at school!

Spain
Admiral Seguros (Seville)

Sarah Harris
CEO, Admiral Seguros

In 2017 Admiral Seguros continued our path of sustainable growth. We increased customers by almost 20%, with strong technical results.

The Spanish market grew premium by about 3%. Price competition means that insurers are not passing to customers the full impact of claims cost inflation from the new "Baremo" (regulating compensation for bodily injury cases).

In this highly competitive context we continued to grow market share due to customer journey improvements in the price comparison channel, combined with strong growth in direct-to-site digital sales, particularly for the Qualitas Auto brand. Technical results developed well, with especially positive evolution for the 2016 underwriting year.

In 2018 we don´t expect much change in the market. We will maintain focus on scaling up the business in a sustainable way.

25 years ago, I was…
…at school and playing tennis and having fun windsurfing!

Italy
ConTe (Rome)

Costantino Moretti
CEO, ConTe

More growth and profit!

Despite a challenging market where the average premium continued to fall (around 3% year-on-year) and price comparison growth was low, we have increased our customer base to 500,000 (+20% year-on-year) and have maintained a strong focus on profitability, reaching a profit for the fourth year in a row. The main drivers of this are: a better customer journey sustained by a stronger brand; a more mature portfolio; and improvement in the expense ratio.

Loss ratios are developing well and show a consistent downtrend across 2016 and prior underwriting years.

The 2017 market combined ratio should be around 100% while for the direct part of the market it should already be above 100%, and as a consequence a timid market cycle upturn is now more likely than one year ago.

In this context, ConTe continues to pursue its 'sustainable growth' strategy and to maintain a consistent level of investment in technology, brand and people.

25 years ago, I was…
…in high school and had a Summer trip to learn English in Cardiff!

France
L'olivier – assurance auto (Paris)

Pascal Gonzalvez
CEO, L'olivier – assurance auto

L'olivier – assurance auto had another year of strong growth, with a more than 40% increase in turnover and closing the year with 130,000 customers. This was due to a growing aggregator market and some effective TV investments that improved our brand awareness. Two years ago, a new regulation was passed helping French customers to switch their motor insurance more easily. Though more an evolution than a revolution, this change is having a growing impact in market fluidity and L'olivier – assurance auto is benefiting from it.

Moderated price increases in the market were not strong enough to compensate for higher claims costs and market profitability isn't likely to improve much in 2017. The market motor combined ratio is expected to be around 105%.

L'olivier – assurance auto managed to improve its technical results thanks to our unique way of pricing in the French market. Our pricing competitive advantage should become even more significant with a larger book of business, more data and more exposure.

What's next? L'olivier needs to keep growing and build scale in order to provide sustainable profits to Admiral Group. Service quality will be a key lever to achieve this goal and our ambition is to prove to French customers that a direct insurer can provide service excellence. Our vision by 2020 is to be in the top three direct motor insurers in France, providing a high service quality and using one of the most sophisticated approaches to pricing and underwriting in the French market.

Lots of new exciting projects are in the pipeline to make our vision a reality!

International Car Insurance review continued

1m International customers

£0.45bn International Turnover

£14.3m International Insurance loss

International Car Insurance financial performance

£m	2017	2016	2015
Turnover*1	449.8	365.9	232.4
Total premiums written*1	401.4	331.3	213.3
Net insurance premium revenue	123.0	91.3	62.3
International Car Insurance result	(14.3)	(19.4)	(22.2)
Reported loss ratio*2	76%	76%	77%
Reported expense ratio*2	45%	49%	49%
Reported combined ratio*3	121%	125%	126%
Reported combined ratio, net of other revenue*4	109%	113%	115%
Vehicles insured at period end	1.03m	0.86m	0.67m

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

*2 Loss ratios and expense ratios have been adjusted to remove the impact of reinsurer caps so the underlying performance of the business is transparent.

*3 Combined ratio is calculated on Admiral's net share of premiums and excludes other revenue. It excludes the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be 2017: 124%; 2016: 133%; 2015: 146%.

*4 Combined ratio, net of other revenue is calculated on Admiral's net share of premiums and includes other revenue. Including the impact of reinsurer caps the reported combined ratio, net of other revenue would be 2017: 112%; 2016: 122%; 2015: 136%.

Geographical analysis*1

2017	Spain	Italy	France	US	Total
Vehicles insured at period end (m)	0.22	0.50	0.13	0.18	1.03
Turnover (£m)	61.5	154.6	59.2	174.5	449.8

2016	Spain	Italy	France	US	Total
Vehicles insured at period end (m)	0.19	0.41	0.09	0.17	0.86
Turnover (£m)	49.8	118.2	38.3	159.6	365.9

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

Admiral operates four insurance businesses outside the UK: in Spain (Admiral Seguros), Italy (ConTe), the US (Elephant Auto) and France (L'olivier – assurance auto).

In 2017, Admiral's International Insurance businesses continued to grow strongly. Combined turnover grew by 23% to £449.8 million (2016: £365.9 million) and customer numbers also grew by 20% to 1.03 million (2016: 0.86 million). In aggregate the businesses reduced losses to £14.3 million from £19.4 million.

The key features of the International Car Insurance results are:

- An aggregate loss of £14.3 million (2016: loss of £19.4 million)
- A record profit in the Group's Italian business ConTe, which also grew its customer base to 0.5 million customers
- A significant improvement in Elephant Auto's result, despite the impact of Hurricane Harvey in Texas (approximately £2.9 million)
- An improved combined ratio of 121% reflecting reduced acquisition costs, positive back year development and improvements in pricing
- Continued investment in growing all the operations
- An increase in the claims reserves margin held above actuarial best estimates in France and Spain to mirror the same conservative approach already adopted in the UK and Italy.

The consolidated result of the European operations was a combined loss of £1.9 million for the year (2016: loss £3.7 million) including a strong second half of the year which saw profits of £3.1 million. The combined results reflect the profit in Italy offset by investment in growth in Spain and France. The growth in Spain and France also impacted on the combined ratio net of other revenue (excluding the impact of reinsurer caps) which increased to 103% (2016: 101%).

Elephant's loss for the period was £12.5 million, down from £15.7 million in 2016. Elephant improved both key operating ratios despite the continued strong growth and the impact of the severe weather in Texas. The combined ratio net of other revenue improved to 119% from 130%. The impact of the hurricane on the 2017 result was approximately £2.9 million.

In 2017, a non-cash impairment charge of £25 million was recognised by the parent company in respect of its investment in Elephant Auto. This followed the regular review of the carrying value of subsidiary companies and coincided with a review of the long-term strategy of Elephant by its management team and subsequent approval by the Board. During 2017, additional capital of £16 million was provided to Elephant to continue to maintain a strong surplus over regulatory requirements. Elephant remains loss making at this stage in its development, which is in line with its long-term plan. Whilst the long-term plan did support the carrying value of the subsidiary, impairment was considered appropriate following the results of a number of stress tests applied to the plans.

During 2017 the management team at Elephant has been strengthened and a number of important operational improvements have been made. Although success is not certain, the Board remains confident in the prospects of the business and continues to support Elephant in the achievement of its goals. The impairment charge has no impact on the Group's profit for the period or capital position. Further information is set out on page 146.

International Car Insurance co-insurance and reinsurance

In 2017 Admiral retained 35% (Italy), 30% (France and Spain) and 33% (US) of the underwriting risk respectively. The arrangements for 2018 will remain the same.

International Car Insurance regulatory environment

Admiral's European insurance operations are currently subject to the same regulation as the UK Car Insurance business, details of which are summarised above, but also comply with local requirements as appropriate. Further information on the potential impact of Brexit on the European insurance operations can be found on page 31.

The Group's US insurer, Elephant Insurance Company, is regulated by the Virginia State Corporation Commission's Bureau of Insurance. The Company is required to maintain capital at levels prescribed by the regulator and holds a surplus above these requirements at all times.








Price Comparison review

25 years ago, I was…
…at school, spending my days studying, horse riding and working (walking dogs!).

International

Elena Betés
European Price Comparison Director

Our original market, the UK, gives us some guidelines for the expected development of PCWs around the world; first, we expect digital insurance comparison will grow substantially - it is still under-penetrated around the world; and second, there are a limited number of players that will succeed in each country.

Admiral has driven organic international expansion in PCW around the world: Spain (Rastreator.com), France (LeLynx.fr), Italy (Chiarreza.it), US (Compare.com), China (Duobi), Mexico (Rastreator.mx) and more coming.

We believe our proven capability to organically set up successful PCWs for a reasonable investment with clean exits where needed (Italy and China), allows us to increase our total addressable market substantially and allows us to keep growing in the future while the UK faces a more competitive market.

Being based in several locations allows us to anticipate customer needs and to promote innovation. Developing our own platforms gives us scalability. We believe that our world requires some disruption to improve customer experience.

In all countries, brand development and investment is required to attract relevant traffic, however our core, car insurance, provides us sufficient margin and potential to create relevant brands to leverage the diversification.

Strategically, we hope to keep expanding and play relevant roles in the markets we are in. Big challenges and big opportunities in a business model with low barriers to entry but high barriers to lead and succeed.

France

Martin Coriat
CEO, LeLynx

In 2017, the French market became more competitive for aggregators - strong competitors and a significant new entrant helped grow the market. The French economy showed signs of change, growth and digitalization with insurance aggregation seeing double digit market growth.

As for operational results, LeLynx had a positive year in 2017, with both revenue and profit growing. The business has gone from strength to strength; the team has grown while the market dynamics have become more complex although more promising. During 2017 we also made operational changes that will support future growth. Finally, LeLynx ranked 11th in the Great Place to Work in France in its first year of participation!

Our 2018 priorities remain similar to 2017: focus on operational execution, build our brand equity to grow the market and expand our product range to make the most of media investment and brand equity.

25 years ago, I was…
…a member of Champion Under 13 French Junior Rugby league team. I loved that feeling of collective victory.

Spain

Fernando Summers
CEO, Rastreator

2017 has been a year of challenge and growth for Rastreator. A major challenge was to improve price accuracy and conversion in our core business while maintaining growth in all business lines. And we can proudly say we have achieved both. Conversion is at its historical maximum while we keep on improving revenues, sales and profit. Challenges remain: improving customer experience, maximising profitability and growing revenue for other business lines.

Focus areas for 2018 are to consolidate our core business, as we develop our data strategy, and launch our car buying/selling vertical and mortgage brokerage model. We will do this by improving customer experience in our existing verticals.

I am proud of our Rastreator team; strong and committed in our ambition and attitude.

25 years ago, I was…
…on my first solo summer abroad in Canterbury, UK, where I stayed with a local family – a summer that changed my perspective!

25 years ago, I was...
...playing chess for Yorkshire.

UK

Louise O'Shea
CEO, Confused.com

In 2017, Confused.com celebrated 15 years of establishing insurance comparison in the UK, creating a growing and profitable industry and most importantly, saving millions of customers time and money. Much has changed since we attracted our first customer back in 2002 and as the Group's most mature price comparison business we have a lot to be proud of.

The UK price comparison market is developed and extremely competitive, with over 70% of car insurance new business originating from price comparison. The competitive environment shows no signs of diminishing as the top four price comparison websites spent in excess of £110 million on TV advertising alone, and we have seen increased acquisition costs across most of our media channels.

2017 has continued to be a period of change and investment, as we focus on differentiating the Confused.com brand by establishing our Drivers Win campaign and further developing significant projects including our car finance product and car buying/selling. We believe these innovative products will reinforce our position as the go-to place for all things driver related. This investment in our strategy has, however, impacted our 2017 results, reducing profit to £10.1 million from £16.1 million.

2017 has seen Confused.com focus its attention on what it does best: saving drivers money throughout their journey from buying, insuring, running and selling their vehicle. Looking to 2018, we aim to turn that driving frown upside down by building on this strategy.

25 years ago, I was...
...graduating high school.

US

Andrew Rose
CEO, Compare.com

2017 was a year of challenges for US auto insurance. Frequency continued to be problematic with the blame laid at the feet of miles driven and distracted driving and a series of hurricanes added to the complications for the industry. Insurers looked to raise prices - and they did - differing amounts at different times in different markets. Our marketing followed the opportunities, going into and out of states and specific markets, but all the while growing.

Compare.com had the wonderful combination of increasing volumes while at record low acquisition costs in 2017. This allowed us to achieve marketing break-even early in the year and continue it for the rest of 2017. We added a variety of key carriers including nationally recognized Travelers and Allstate's Encompass brand. Equally important, our existing panel members expanded through state additions, risk spectrum expansions, and the addition of the homeowners product in nearly half our states.

All of the above allowed us to continue our national TV advertising campaign as well as expand digital marketing into 2/3rd of the states. While the competitive landscape remains largely unchanged, we are encouraged to see our pseudo-competitors raising money and getting new leadership. We remain in a mode of trying to grow comparison as a category in the US before we have to directly compete with other comparison sites.

2017 delivered a much smaller-than-planned loss but, unlike 2016, it was done with overall volumes near planned levels. This is key as we remain ever aware that we are an important part of Admiral's future and hope to be a meaningful contributor in the years to come. The key is to nudge the US comparison market ever so slightly out of its nascent state allowing the market size to make the reward great for Admiral.

2018 looks to be an exciting year for Compare.com. We remain confident, but always cautiously optimistic, about our opportunity for success.

Price Comparison review continued

£10.1m Confused.com Profit

£4.1m Rastreator and LeLynx profit

£7.1m Compare.com Loss

Price Comparison financial performance

£m	2017	2016	2015
Revenue	143.6	129.2	108.1
Profit/(loss) before tax	5.4	(2.9)	(15.5)
Confused.com profit	10.1	16.1	12.5
International price comparison result	(4.7)	(19.0)	(28.0)
	5.4	(2.9)	(15.5)
Group's share of profit/(loss) before tax*1			
Confused.com profit	10.1	16.1	12.5
International price comparison result	(3.0)	(13.4)	(19.7)
	7.1	2.7	(7.2)

*1 Alternative Performance Measure – refer to the Glossary for definition and explanation

Admiral operates four price comparison businesses; in the UK (Confused.com), in Spain (Rastreator), France (LeLynx) and the US (Compare.com). Admiral Group owns 75% of Rastreator and 71% of Compare.com.

Admiral's Price Comparison businesses have grown combined revenue by 11% to £143.6 million (2016: £129.2 million) and made a combined profit (excluding minority interests' shares) of £7.1 million (2016: £2.7 million).

The key features of the Price Comparison results are:

- A significantly reduced loss of £7.1 million (2016: £16.4 million) at Compare.com in the US (Admiral Group share). Statutory loss before tax decreased to £10.0 million from £22.8 million. The results reflect the continued focus on efficient marketing which delivered growing sales volumes
- Confused.com in the UK continued to invest in its new focus on motor-related products and services, with increased marketing costs leading to a reduced profit of £10.1 million (2016: £16.1 million)
- The European price comparison businesses reported a record profit of £4.1 million (2016: £2.7 million) reflecting ongoing, strong performance from Rastreator which continues to build on its multi-product strategy and an improved result from LeLynx.

Confused.com turnover increased marginally to £87.1 million (2016: £85.7 million). The high level of competition in the price comparison market and pursuit of the new strategy of Drivers Win, required a significant level of investment and contributed to significantly lower profits during 2017.

The combined revenue from the European operations increased by 23% to £44.4 million (2016: £36.2 million), reflecting continued growth in traffic and quotes provided to customers and improved conversion rates. Both Rastreator and LeLynx continue to enjoy strong brand recognition in their respective markets.

In the US, Compare.com exceeded its target of 'marketing break-even' (revenue minus marketing expenses) in selected states by achieving the goal nationally, and for the year as a whole. The business delivered substantial improvements in its main key performance indicators, including reduced cost per quote and sale metrics while at the same time growing quote and sales volumes.

Compare.com's plans for 2018 and beyond include continuing to scale marketing activity while further enhancing conversion and improving the panel of insurers and customer journey. The Group anticipates that the Group's share of Compare.com's losses for 2018 will be in the range of $5–$15 million.

Preminen, the Group's price comparison venture with Mapfre, continues to explore price comparison in new markets overseas and has recently launched a price comparison operation in Mexico.

Price Comparison regulatory environment

Confused.com is regulated by the Financial Conduct Authority (FCA) as an insurance intermediary and is subject to all relevant intermediation rules, including those on solvency capital.

The European operations are currently structured as branches of UK companies, with the UK insurance intermediary permission passported into Europe. Further information on the potential impact of Brexit on the European price comparison operations can be found on page 31.

Compare.com is a regulated insurance agency domiciled in Virginia, US, and licensed in all other US states.

Other Group items

Other Group items financial performance

£m	2017	2016	2015
UK Commercial Vehicle operating profit	1.1	2.0	1.5
Admiral Loans	(4.4)	–	–
Other interest and investment income	8.4	13.4	6.5
Share scheme charges	(35.2)	(31.5)	(27.0)
Business development costs	(5.2)	(5.2)	(1.8)
Other central overheads	(6.2)	(4.1)	(5.6)
Finance charges	(11.4)	(11.4)	(11.1)
Group's share of other Group items result	(52.9)	(36.8)	(37.5)

The UK commercial vehicle result relates to the Gladiator broking business which is migrating its portfolio to being underwritten within the UK Insurance business of the Group. Future results from the business are expected to be insignificant.

During the first half of 2017, the Group successfully rolled out the first release of its new technology platform for UK personal loans. The business currently distributes unsecured personal loans and car finance through the price comparison channel and also direct to consumers via the Admiral website. The Group expects the business to make small losses in its early phase mostly as a result of high fixed costs relative to the current scale of the business.

Other interest and investment income of £8.4 million (2016: £13.4 million) includes £5.4 million (2016: £Nil) of realised gains on investments held by the Group parent company and unrealised losses of £2.3 million (2016: £6.5 million unrealised gains) in respect of forward foreign exchange contracts.

Share scheme charges relate to the Group's two employee share schemes (refer to note 8 to the financial statements). The increase in the charge is due to an increase in the number of awards reflecting the increasing Group headcount. The Group does not anticipate further significant increases in the volume of awards.

Business development costs include costs associated with potential new ventures, including the launch of Admiral Travel insurance and investment in Preminen Ventures, including the launch of a price comparison operation in Mexico. Other central overheads of £6.2 million are £2.1 million higher than 2016 (£4.1 million), as a result of a number of non-recurring costs relating to ongoing Group projects.

Finance charges of £11.4 million (2016: £11.4 million) mainly represent interest on the £200 million subordinated notes issued in July 2014 (refer to note 6 to the financial statements).

UK Exit from the European Union ('Brexit')

Although uncertainty remains as to the outcome of the Brexit negotiations between the UK and the EU, the Group has adopted a prudent approach that will ensure it is well prepared in the event of a 'hard' Brexit which includes being ready to deal with the likely loss of passporting rights from the UK and Gibraltar into the EU.

Applications for new licenses for insurance and intermediary companies have been made to the Spanish regulator, with approvals expected in 2018.

Separately, two new locally licensed intermediaries will be established through which Rastreator and LeLynx will trade in Spain and France.

Brexit continues to bring risks to the Group, which include:

- The potential for market volatility, particularly in interest and exchange rates
- The potential for the uncertainty or the emerging terms of exit to trigger or exacerbate less favourable economic conditions in the UK and other countries in which Admiral operates (though it is worth noting that car insurance has tended to be resilient to economic downturns)
- Potential changes to the rules relating to the free movement of people between the UK and the remaining EU member states.

At present, the Group does not foresee a material adverse impact on day to day operations (including customers or staff), nor does it expect the costs associated with any Group restructure to be material in the context of the Group.

25 years of investing in our future

"The Group has continued to grow strongly with turnover increasing by 15% to £2.96 billion. Customer numbers increased 11% to over 5.7 million"

UK Insurance

UK Motor | UK Household

4.62m UK Customers

£2.4b UK Turnover

UK Insurance

Turnover grew by 14% to £2.4 billion. Customer numbers increased by 12% to 4.62 million, due to growth in both Motor and Household. UK Insurance profit increased to £465.5 million.

Price Comparison

UK

£87m UK Turnover

£10.1m UK Profit

UK Price Comparison

New strategy of Drivers Win required a significant level of investment and contributed to lower profits in 2017.

Europe

£44m European Turnover

£4.1m European Profit

Europe Price Comparison

Record profit reflects continued growth in traffic and quotes provided to customers and improved conversion rates.

US

96% increase in buy clicks

(£7.1m) US Loss

US Price Comparison

Compare.com achieved marketing break-even nationally and delivered substantial improvements in its main key performance indicators, while growing quote and sales volumes.

International Car Insurance

Europe

0.85m European Customers

£275m European Turnover

European Car Insurance

A record profit in the Group's Italian business ConTe, which also grew its customer base to 0.5 million customers.

Improved operating ratios.

US

0.18m US Customers

£175m US Turnover

US Car Insurance

A significant improvement in Elephant Auto's result, despite the impact of hurricane Harvey in Texas.

Principal risks and uncertainties

The Board, with support from the Group Risk Committee and the Group Risk Department, undertakes a regular and robust assessment of the principal risks. These risks have been summarised as those which would threaten its business model, future performance, liquidity and solvency.

The table below sets out the principal risks which Admiral has identified through its Enterprise Risk Management Framework ('ERMF'). The impact of those risks and actions taken to mitigate them are explained below.

Insurance Risk

Reserving risk in the UK and International Insurance

Admiral is exposed to reserving risk through its underwriting of motor and household insurance policies. Claims reserves in the financial statements may prove inadequate to cover the ultimate cost of claims which are by nature uncertain.

This is a particular risk for motor insurance liabilities, where the amount payable for bodily injury claims (particularly large claims) can change significantly during the lifetime of the claim as a result of external risks such as changes in Ogden rates and impacts of increased levels of Periodic Payment Orders (PPO).

Impact

Adverse run-off leading to higher claims costs in the financial statements.

PPO claims are capital intensive owing to increased uncertainty of the cost of significant claims over a longer term.

Mitigating Factors

Admiral has a conservative reserving policy and continues to hold a material margin in its financial statement claims reserves above actuarially determined best estimates to cover adverse developments.

Best estimate reserves are estimated both internally and externally by independent actuaries.

For very large claims Admiral purchases excess of loss reinsurance, which mitigates a portion of the loss.

Regular reviews of both settled and potential PPO cases are undertaken by the claims and actuarial teams, with independent actuarial opinions provided as part of the external reserving analysis.

Admiral's investment portfolio is the result of a structured, disciplined and transparent investment process which considers settled and potential future PPOs.

Premium risk & Catastrophe risk

The Group is exposed to the risk that claims cost on future business is higher than allowed for in the premiums charged to customers.

The Group is exposed to the risk of increased claims and reduced business volumes following both a UK and European recession.

Admiral is exposed to the risk of high losses due to the occurrence of man-made catastrophes or natural weather events.

Impact

Higher claims costs and loss ratios, resulting in reduced profits or underwriting losses.

A large flood or windstorm could cause extensive property damage (both motor and household) to a significant proportion of the portfolio, leading to a large total claims cost in relation to the event.

Mitigating Factors

There are a number of aspects which contribute to Admiral's strong UK underwriting results, including:

- Experienced and focused senior management and teams in key business areas including pricing and claims management
- Highly data-driven and analytical approach to regular monitoring of claims and underwriting performance
- Capability to identify and resolve underperformance promptly through changes to key performance drivers, particularly pricing
- Continuous appraisal of and investment in staff, systems and processes.

Admiral purchases excess of loss reinsurance, designed to mitigate the impact of very large individual or catastrophe event claims.

Principal risks and uncertainties continued

Insurance Risk continued

Reduced availability of co-insurance and reinsurance arrangements

Admiral uses proportional co-insurance and reinsurance across its insurance businesses to reduce its own capital needs (and increase return on the capital it does hold) and to mitigate the cost and risk of establishing new operations.

There is a risk that support will not be available in the future if the results and/or future prospects of either the UK business or (more realistically) one or more of the newer operations are not satisfactory to the co- and/or reinsurers.

Impact
A potential need to raise additional capital or reduce dividends to support an increased underwriting share. This could be in the form of equity or debt.

Return on capital might reduce compared to current levels.

Mitigating Factors
Admiral mitigates the risk to its reinsurance arrangements by ensuring that it has a diverse range of financially secure partners.

Admiral continues to enjoy a long-term relationship with some of the world's largest reinsurers.

Admiral also has relationships with a number of other reinsurers.

As well as UK Motor, long-term arrangements are also in place for UK Household and International businesses.

Potential diminution of other revenue

Admiral earns other revenue from a portfolio of products and other sources.

The level of this revenue could diminish due to regulatory or legal changes, customer behaviour or market forces.

Impact
Lower profits from insurance operations and lower return on capital.

Mitigating Factors
Admiral continuously assesses the value to its customers of the products it offers, and makes changes to ensure the products continue to meet customer needs and offer good value.

Admiral seeks to minimise reliance on any single source by earning revenue from a range of products. This would mitigate the impact of a regulatory change which might affect a particular product or income stream.

Group Risk

Erosion of competitive advantage in UK Car Insurance

Admiral typically maintains a significant combined ratio advantage over the UK market. This advantage and/or the level of underwriting profit (and associated profit commission) could be eroded.

This risk could be exacerbated by irrational competitor pricing and/or new technologies used within the insurance market. It may arise from new or existing competitors.

Impact
A worse UK Car Insurance result and lower return on capital employed.

A sustained and uncorrected erosion of competitive advantage could affect the ability of Admiral to extend its reinsurance arrangements, which might in turn require Admiral to hold more capital.

Mitigating Factors
Admiral's focus remains on the wide range of factors that contribute to Admiral's combined ratio outperformance of the UK market. Some are set out earlier in the Strategic Report, but in addition:

- Track record of innovation and ability to react quickly to market conditions and developments
- Keen focus on maintaining a low-cost infrastructure and efficient acquisition costs.

Failure of geographic and/or product expansion

Admiral continues to develop the UK Household, non-insurance operations such as Loans and expand its overseas operations.

One or more of the operations could fail to become a sustainable, profitable long-term business.

Product expansion into new areas could lead to unprofitable business and increased regulatory risk.

Growth in business plans exceeds the scale of infrastructure of the operation.

Impact

Higher than planned losses (and potentially closure costs) and distraction of key management.

A collective failure of these businesses would threaten Admiral's objective to diversify its earnings by expanding into new markets and products.

Mitigating Factors

Admiral's approach to expansion and product development remains conservative, applying the 'test and learn' philosophy that has proven successful for previous operations. International Insurance businesses have generally executed cautious launch strategies and are all backed by proportional reinsurance support which provides substantial mitigation against start-up losses in the early years.

New price comparison businesses have aligned their marketing investment with the extent of improvement in key performance indicators such as average cost per quote and conversion ratio. The Group also accepts partial disposals of equity to share start-up losses with partners.

The Directors are mindful of management stretch and regularly assess the suitability of the infrastructure and management structure in place for Admiral's new UK and International operations.

Reliance on UK price comparison distribution channel

Admiral is dependent on the four main UK price comparison websites as an important source of new business and growth.

Growth in this distribution channel could slow, cease or reverse, or Admiral could lose one or more of the websites as a source of customers.

Impact

A potentially material reduction in UK Car Insurance new business volumes.

However, a more competitive market might benefit the car insurance business through lower acquisition costs.

Mitigating Factors

Admiral's ownership of Confused.com (one of the leading UK price comparison websites which operates independently of the UK Car Insurance business) helps to mitigate the risk of over-reliance on this distribution channel.

Admiral also contributes materially to the revenues of other price comparison businesses and therefore it is not considered probable that a material source of new business would be lost.

Principal risks and uncertainties continued

Counterparty Risk

Admiral is primarily exposed to credit risk in the form of a) default of reinsurer; b) failure of banking or investment counterparty.

One or more counterparties suffer significant losses leading to a credit default.

Impact
Additional capital may need to be raised as a result of a major credit event, dependent on its nature and severity.

Admiral would also need to ensure that it continues to have sufficient liquid assets to meet its claims and other liabilities as they fell due.

Mitigating Factors
Admiral only conducts business with reinsurers of appropriate financial strength. In addition, most reinsurance contracts are operated on a funds-withheld basis, which substantially reduces credit risk, as Admiral holds the cash received as collateral.

Concentrations of credit risk are managed by investing in liquidity funds which invest in a wide range of short duration, high quality securities. Cash balances and deposits are placed only with highly rated credit institutions. Some long-term investments are held in Government bonds to further mitigate the exposure to credit risk.

Admiral considers counterparty exposure frequently and in significant detail, and has in place appropriate triggers and limits, to mitigate exposure to individual investment counterparties.

Market Risk

Market risk arises as a result of fluctuations in the value of market prices of investment assets, liabilities, or the income from the Group's investment portfolio.

Impact
Market volatility (notably very significant reductions in risk free interest rates) can adversely impact the Group's solvency due to an increased regulatory valuation of claims liabilities, in particular in relation to longer dated potential PPO claims.

Mitigating Factors
The Group's low appetite for market risk results in an investment strategy that focuses on preservation of the amount invested, low volatility of returns and strong liquidity. The majority of the portfolio is invested in high quality fixed income and other debt securities, and money market funds in order to achieve these objectives.

The Group's mitigation for interest rate risk resulting from long duration PPO liabilities includes a comprehensive level of reinsurance cover and continuing focus on strategies to ensure that the risks relating to both assets and liabilities are appropriately matched.

The Group has relatively low exposure to net assets currencies other than pounds sterling.

Operational Risk

Operational risk

Operational risk arises within all areas of the business. The principal categories of operational risk for Admiral are:

- People
- Processes
- IT Systems
- Information security
- Business continuity
- Customer outcomes
- Outsourcing
- Project risk

Impact

The risk of reductions in earnings and/or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people related or external events.

In particular:

Potential customer detriment and/or potential regulatory censure/enforcement and/or reputational damage as a result of Admiral's action.

Risk to Admiral occurs through the losses that could occur if the internal control framework to manage these business processes fails.

Availability of systems and data

Integrity of data

Confidentiality of data outcomes

Mitigating Factors

We aim to attract, retain and motivate quality staff to deliver quality customer service and achieve business objectives.

Succession planning is based on targeted recruitment, identifying potential leaders through internal development, talent management and retention processes.

Internal controls are in place and monitored to mitigate the risk and the control framework is regularly reviewed.

The internal audit function has an agreed cycle of testing of the adequacy and effectiveness of controls.

Regular review of the effectiveness of the Group's IT capability by Executive management and the Board.

Enhanced project governance and oversight of new systems implementations with external specialist review and assurance where required.

Admiral continues to invest in its security programme in order to mitigate information security risks

Within IT there is a major incident team which is tasked with maintaining system availability, with business continuity and disaster recovery plans in place.

Data is backed up to allow for its recovery in the event of corruption.

Admiral monitors its outsourced and offshore activities, through ongoing supplier relationship and performance management, with regular due diligence reviews.

Admiral operates the three lines of defence model for overseeing its products, processes and service. At each stage of the customer journey customer outcomes are monitored, managed and reported in order to mitigate customer detriment.

Admiral purchases a range of insurance covers to mitigate the impact of a number of operational risks.

Legal and regulatory risk

Failure to comply with legal or regulatory requirements and/or changes.

Unexpected regulatory changes are introduced.

Impact

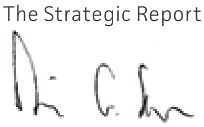
Exposure to regulatory intervention, censure and/or enforcement action through fines and other sanctions.

Mitigating Factors

Mitigated by regular review of the Group's compliance with current and proposed requirements (including the General Data Protection Regulation) and interaction with regulators by Executive management and the Board.

There is investment in resources to prepare for a Partial Internal Model application. The project will have regular progress updates with the Board and Regulators.

The Strategic Report was approved by the Board of Directors and signed on its behalf by:



David Stevens, CBE

Chief Executive Officer

27 February 2018

Being a responsible business

David Stevens, CBE
Chief Executive Officer

"We are continuously looking for ways to improve the impact we have as a business"

As we continue to grow we must ensure that we do our utmost to continue to be a responsible business. At its core insurance serves a real social purpose, protecting people from the adverse impact of potentially life changing events. That is why we continue to base our business model around building sustainable operations for the long-term. In addition to providing protection for our customers we also aim to contribute positively to the wider communities in which we operate and minimize our impacts on the environment.

This year Admiral celebrates its 25th Birthday and we aren't resting on our laurels, we are continuously looking for ways to improve the impact we have as a business, whether that is the formation of the Ministry of Giving to facilitate giving back to the local community, the employee assistance programme to aid our employees through difficult times or the Admiral Green month to encourage people to think more about their impact on the environment.

Our approach

We take a materiality approach to our corporate social responsibility reporting, where we identify the areas that have the most impact on our stakeholders. This allows us to report effectively on the topics that matter most.

Our business is centred on four significant stakeholders; our customers, our people, our communities, and our environment. It is these four stakeholders who drive the core focus of our corporate social responsibility strategy.

If you are interested in finding out more about our impact as a business then our Corporate Social Responsibility Report can be found on our website.

Our Customers

"We put our customers at the centre of everything we do"

Simply put, without our customers we wouldn't have a business, so we put our customers at the centre of everything we do.

We are so passionate about making the customer experience a great one that Cristina Nestares, our CEO of UK Insurance, produces a monthly commentary on all things 'customer'. This looks at fantastic customer stories, changes to processes that have helped improve the customer experience and includes great customer comments. This is shared across the whole Group to inspire and motivate.

During the year we have restructured our customer quality departments to form a new customer assurance team that delivers not only effective complaints handling but also includes a prevention team who deal with auditing, monitoring and training our customer facing staff to improve customer experience.

Our customers share a lot of personal data with us and we have a responsibility to keep this safe. We do this by training all our staff on our Data Handling Process and Data Policy, and ensure that every member of staff receives training on cyber security.

95%
of customers would renew following a claim

Our Communities

“We also encourage our staff to get their hands dirty and help local causes”

We play a positive role in our communities through charitable giving and sponsorship of local community partnerships. As an employer, we promote payroll giving and provide matched funding for eligible staff initiatives. In 2017 Admiral Group donated £140,000 to local and national charities.

Donations to good causes
£140,000
(2016: £110,000)

This year we have established the Admiral Ministry of Giving in the UK with the aim of complementing the way that our staff already give back to the community. Over a two year period the Ministry will give significant donations to a small number of local charities across South Wales, chosen by our staff, totalling £400,000.

Our involvement in our communities doesn’t just consist of monetary donations, we also encourage our staff to get their hands dirty and help local causes. This year we saw a team from UK customer services helping a DIY SOS big build, a team from UK claims volunteering at an animal shelter and countless marathons ran.

84%
of staff say they feel good about the ways we contribute to the community

Our Environment

“This year we held our first Admiral Green Month, reaching out to staff to make Admiral a greener place to work.”

Our Environmental Policy is aligned with our policy of sustainable growth as outlined in the Group business model.

We are committed to:

- Raising and maintaining employee awareness of, and ensuring that all of our people are actively engaged in, activities to reduce our environmental impact
- Measuring and monitoring key aspects of our environmental performance and regularly reviewing progress to reduce the amount of resources consumed per employee.

This year we held our first Admiral Green Month. This month was all about reaching out to staff to make Admiral a greener place to work, and minimise the impact we have on the environment. Highlights of the month included a talk from our partners Size of Wales, who seek to protect the rainforest and 1,500 employees signing our environmental commitment.

GHG gas emissions
3,642 CO_2e
(2016: 3,764 CO_2e)

86%
of staff agree that we are working to reduce our environmental impact

Being a responsible business continued

Our People

"I feel like a proud father when I think about all the amazing things that our staff do for each other, for customers and for our local community. They are an inspiration to me and I know they inspire each other and people in their communities." – Ceri Assiratti, Head of People Services

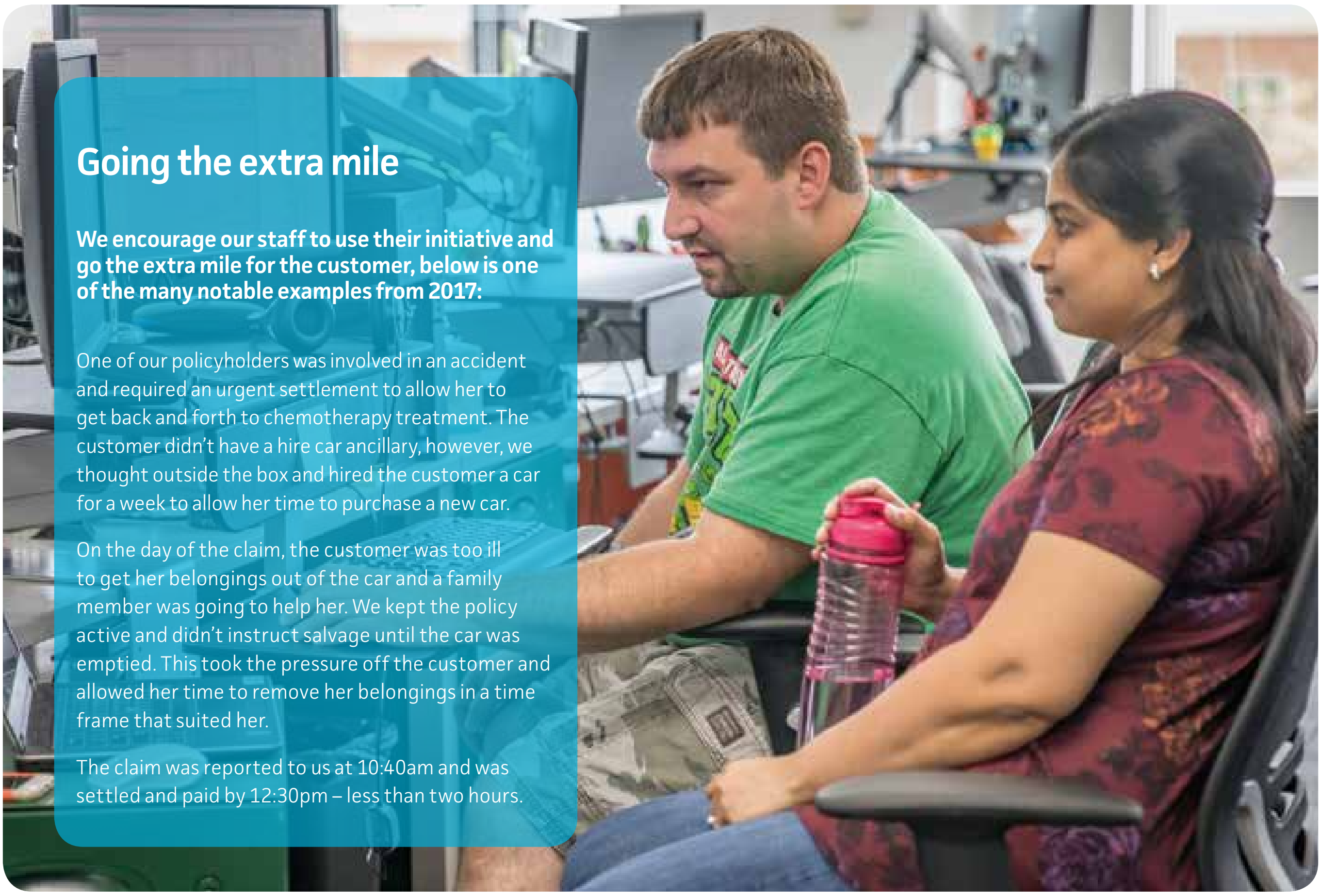
94%
of staff think Admiral is a friendly place to work

Safety

We pride ourselves on the relaxed, fun and most importantly safe atmosphere at Admiral and we have a number of initiatives in place to ensure all our staff feel safe coming to work. Recently we introduced a Company-wide Employee Assistance Programme (EAP) to provide proactive assistance to all UK employees on a range of issues from eldercare to face-to-face counselling. In addition, we have an extensive whistle blowing policy to prevent fraud, theft or ethically questionable practices. This is explained fully to staff via the company intranet.

Communication

Communication is at the forefront of what we do and we strive for open and honest communication at all levels of the business. This focus has a range of scales from annual Staff General Meetings where the senior managers address all staff to talk about the company's performance and business plan, to friendly forums where small numbers of individuals from different departments will get together to discuss a range of topics. In addition there are several digital communications channels, ranging from a monthly Group-wide online chats to an 'Ask David' website where anyone in the company can submit a question for CEO David Stevens.



Going the extra mile

We encourage our staff to use their initiative and go the extra mile for the customer, below is one of the many notable examples from 2017:

One of our policyholders was involved in an accident and required an urgent settlement to allow her to get back and forth to chemotherapy treatment. The customer didn't have a hire car ancillary, however, we thought outside the box and hired the customer a car for a week to allow her time to purchase a new car.

On the day of the claim, the customer was too ill to get her belongings out of the car and a family member was going to help her. We kept the policy active and didn't instruct salvage until the car was emptied. This took the pressure off the customer and allowed her time to remove her belongings in a time frame that suited her.

The claim was reported to us at 10:40am and was settled and paid by 12:30pm – less than two hours.

The fun we had last year

All teams in Admiral have regular away days to build team spirit and inspire and encourage people to enjoy coming to work. All departments have a budget per head for fun money, which can be put towards afternoons out. Examples of afternoons out taken by teams in the last 12 months include; circus skills at NoFit State Circus, pizza making, completing a muddy assault course, duck herding and many more.

Equality

We believe that all employees have the right to be treated equally, with dignity, integrity and respect. This year we have updated our Equal Opportunities Policy with the support of The Advisory, Conciliation and Arbitration Service (ACAS) to create a more comprehensive policy based on Diversity and Inclusion. A new Diversity and Inclusion training programme was also rolled out for all staff to reflect this new revised policy.

People Services executives make our Equal Opportunities and Discrimination Policy clear to all members of staff during induction, and it is also available in our Big Book, which outlines company policy for all staff.

Diversity

We are very proud of our diversity at Admiral and anti-discrimination is something we take very seriously. We provide a supportive working environment for all of our employees. All of our People Services executives receive training in diversity and equal opportunities; this includes our confidential advice and support officers. Recently we have set up a diversity working group who focus on promoting diversity across genders, ethnicities and disabilities. Promotions and opportunities are made on a merit basis and are open to everyone in the organisation with the right skills regardless of age, disability, gender, racial or ethnic origin, religion or beliefs or sexual orientation.

We fully support the aims of the Modern Slavery Act and seek to ensure slavery and human trafficking does not feature in our business or supply chain, more information about our commitment to preventing modern slavery can be found in our Modern Slavery Statement on our corporate website.

Gender pay gap

We are confident men and women are paid equally for performing the same role, but we acknowledge that there is a difference in proportion of men and women at differing levels of the Group. We encourage women to advance professionally and offer opportunities to do this from funding support for training to mentorship programmes. We endeavour to make it easier for both men and women to reconcile their work lives with their family lives.

Further information on our gender pay gap can be found in our Gender Pay Gap Report on our website www.admiralgroup.co.uk

Median Gender pay gap 2017

5.1%

Rewards

We try to inspire staff to go above and beyond in their everyday roles, and rewards and recognition are a key part of that. One way we recognise our employees' achievements is with different prestigious internal awards throughout the year. We also encourage everyday recognition, through departmental schemes such as the hi-five scheme. Our customers share a lot of personal data with us and we have a responsibility to keep this safe. We do this by training all our staff on our Data Handling Process and Data Policy, and ensure that every member of staff receives training on cyber security.

Since 2005 employees at Admiral have been awarded shares in the Group's two Share Plans. The first is the All Employee Approved Share Incentive Plan (SIP). In the SIP every member of staff receives the same number of shares regardless of seniority – the Group awards up to £3,600 worth of shares to each staff member every year.

The second scheme that the Group runs is the Discretionary Free Share Scheme (DFSS). The DFSS was also set up in 2005 when the Group floated to complement the SIP and to enable the Board of directors to reward staff with further shares in the Group.

DFSS shares are awarded to managers and senior roles within the UK and overseas from the CFO to Senior Customer Representatives (SCR). The amount awarded depends upon the employees position and also upon the number of shares available to the scheme.